

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	First Quarter ended		Cumulative Quarter ended	
	30.9.2014	30.9.2013	30.9.2014	30.9.2013
	RM'000	RM'000	RM'000	RM'000
Rental income	111,026	97,531	111,026	97,531
Other operating income	2,786	2,645	2,786	2,645
<b>Gross revenue</b>	<b>113,812</b>	<b>100,176</b>	<b>113,812</b>	<b>100,176</b>
Quit rent, assessment and insurance	(1,768)	(3,093)	(1,768)	(3,093)
Other property operating expenses	(25,552)	(19,977)	(25,552)	(19,977)
<b>Property operating expenses</b>	<b>(27,320)</b>	<b>(23,070)</b>	<b>(27,320)</b>	<b>(23,070)</b>
<b>Net property income</b>	<b>86,492</b>	<b>77,106</b>	<b>86,492</b>	<b>77,106</b>
Other income	738	538	738	538
<b>Net investment income</b>	<b>87,230</b>	<b>77,644</b>	<b>87,230</b>	<b>77,644</b>
Manager's fee	(6,893)	(6,329)	(6,893)	(6,329)
Trustee's fee	(280)	(267)	(280)	(267)
Finance costs	(16,342)	(15,548)	(16,342)	(15,548)
Other expenses	(264)	(100)	(264)	(100)
	(23,779)	(22,244)	(23,779)	(22,244)
<b>Profit before tax</b>	<b>63,451</b>	<b>55,400</b>	<b>63,451</b>	<b>55,400</b>
Income tax expense	-	-	-	-
<b>Profit for the period</b>	<b>63,451</b>	<b>55,400</b>	<b>63,451</b>	<b>55,400</b>
<b>Profit for the period comprise the following:</b>				
Realised	63,435	55,384	63,435	55,384
Unrealised	16	16	16	16
	63,451	55,400	63,451	55,400
Earnings per unit (sen)				
- realised	2.17	1.90	2.17	1.90
- unrealised	-	-	-	-
	2.17	1.90	2.17	1.90
Proposed/declared distribution per unit (sen)	2.28	2.00	2.28	2.00

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)**

	First Quarter ended		Cumulative Quarter ended	
	30.9.2014	30.9.2013	30.9.2014	30.9.2013
	RM'000	RM'000	RM'000	RM'000
<b>Profit for the period</b>	<b>63,451</b>	<b>55,400</b>	<b>63,451</b>	<b>55,400</b>
<b>Other comprehensive income</b>				
Cash flow hedge - fair value of derivative	5,424	11,006	5,424	11,006
Cash flow hedge reserve recycled to profit or loss	(6,100)	(7,900)	(6,100)	(7,900)
<b>Total comprehensive income for the period</b>	<b>62,775</b>	<b>58,506</b>	<b>62,775</b>	<b>58,506</b>

**Income distribution**

	First Quarter ended		Cumulative Quarter ended	
	30.9.2014	30.9.2013	30.9.2014	30.9.2013
	RM'000	RM'000	RM'000	RM'000
Realised total comprehensive income for the period	63,435	55,384	63,435	55,384
Add: Surplus cash arising from 50% Manager's fee paid/payable in Units	3,446	3,164	3,446	3,164
Total available for income distribution for the period	66,881	58,548	66,881	58,548
Brought forward undistributed income available for distribution	484	169	484	169
Total available for income distribution	67,365	58,717	67,365	58,717
Less: Proposed/declared income distribution	(66,826)	(58,429)	(66,826)	(58,429)
Balance undistributed arising from rounding difference	539	288	539	288

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

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	As At 30.9.2014 (Unaudited)	As At 30.6.2014 (Unaudited)
	RM'000	RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Plant and equipment	3,354	3,039
Investment properties	5,558,894	5,520,000
	<b>5,562,248</b>	<b>5,523,039</b>
<b>Current assets</b>		
Receivables, deposits and prepayments	20,399	16,361
Cash and bank balances	80,597	54,607
Derivative	17,908	12,484
	<b>118,904</b>	<b>83,452</b>
	<b>5,681,152</b>	<b>5,606,491</b>
<b>FINANCED BY:</b>		
<b>Unitholders' funds</b>		
Unitholders' capital	2,706,068	2,702,788
Undistributed income	988,605	985,283
Total Unitholders' funds	<b>3,694,673</b>	<b>3,688,071</b>
<b>Non-current liabilities</b>		
Borrowings	1,000,000	1,000,000
Long term liabilities	63,218	60,279
	<b>1,063,218</b>	<b>1,060,279</b>
<b>Current liabilities</b>		
Borrowings	815,440	742,042
Trade and other payables	107,821	116,099
	<b>923,261</b>	<b>858,141</b>
	<b>5,681,152</b>	<b>5,606,491</b>
Number of units in circulation ('000 units)	2,930,983	2,928,715
<b>NET ASSET VALUE ("NAV")</b>		
- Before income distribution	3,694,673	3,688,071
- After income distribution	3,627,847	3,628,618
<b>NET ASSET VALUE PER UNIT (RM)</b>		
- Before income distribution <sup>1</sup>	1.2606	1.2593
- After income distribution <sup>2</sup>	1.2378	1.2390

<sup>1</sup> Before the 1Q 2015 proposed income distribution of 2.28 sen per unit (4Q 2014: 2.03 sen per unit).

<sup>2</sup> After the 1Q 2015 proposed income distribution of 2.28 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 FIRST QUARTER ENDED 30 SEPTEMBER 2014 (UNAUDITED)**

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

	Unitholders' Capital	<-- Undistributed Income --> Realised	Unrealised	Total Unitholders' Funds
	RM'000	RM'000	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	-	63,435	16	63,451
Other comprehensive income				
- Cash flow hedge - fair value of derivative	-	-	5,424	5,424
- Cash flow hedge reserve recycled to profit or loss	-	-	(6,100)	(6,100)
Total comprehensive income, representing the increase in net assets resulting from operations	2,702,788	77,522	970,536	3,750,846
<b>Unitholders' transactions</b>				
Creation of units <sup>1</sup>				
- Manager's fee paid in units	3,280	-	-	3,280
Distribution to unitholders				
- Income distribution proposed in prior year but paid in current period	-	(59,453)	-	(59,453)
Increase/(decrease) in net assets resulting from unitholders' transactions	3,280	(59,453)	-	(56,173)
<b>As at 30 September 2014 (Unaudited)</b>	<b>2,706,068</b>	<b>18,069</b>	<b>970,536</b>	<b>3,694,673</b>

	Unitholders' Capital	<-- Undistributed Income --> Realised	Unrealised	Total Unitholders' Funds
	RM'000	RM'000	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 (Unaudited)</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 FIRST QUARTER ENDED 30 SEPTEMBER 2014 (UNAUDITED)**

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

<sup>1</sup> Issue of new units comprise the following:

	<b>30.9.2014</b>	
	<b>Units</b>	<b>Amount</b>
	<b>'000</b>	<b>RM'000</b>
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
Total Manager's fee paid in units	<u>2,268</u>	<u>3,280</u>
	<b>30.6.2014</b>	
	<b>Units</b>	<b>Amount</b>
	<b>'000</b>	<b>RM'000</b>
Issuance of new units pursuant to 50% Manager's fee paid in units:		
- at RM1.5720 per unit for the quarter ended 30 June 2013	2,004	3,149
- at RM1.4013 per unit for the quarter ended 30 September 2013	2,258	3,164
- at RM1.2390 per unit for the quarter ended 31 December 2013	2,648	3,281
- at RM1.3400 per unit for the quarter ended 31 March 2014	2,382	3,192
Total Manager's fee paid in units	<u>9,292</u>	<u>12,786</u>

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

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Cumulative Quarter ended</b>	
	<b>30.9.2014</b>	<b>30.9.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>OPERATING ACTIVITIES</b>		
Cash receipts from customers	112,929	107,402
Refundable security deposits from customers	7,095	3,581
Cash paid for operating expenses	(30,345)	(44,478)
Net cash generated from operating activities	<u>89,679</u>	<u>66,505</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of plant and equipment	(467)	(114)
Subsequent expenditure of investment properties	(54,968)	(19,077)
Interest received	542	553
Net cash used in investing activities	<u>(54,893)</u>	<u>(18,638)</u>
<b>FINANCING ACTIVITIES</b>		
Issuance of commercial papers	67,300	658,000
Drawdown of revolving loans	1,335,500	324,000
Repayment of commercial papers	(66,500)	(957,000)
Repayment of revolving loans	(1,269,000)	-
Interest paid	(16,643)	(14,637)
Distribution paid	(59,453)	(58,972)
Net cash used in financing activities	<u>(8,796)</u>	<u>(48,609)</u>
Net increase/(decrease) in cash and bank balances	25,990	(742)
Cash and bank balances at beginning of year	54,607	58,519
Cash and bank balances at end of period	<u>80,597</u>	<u>57,777</u>
Cash and bank balances at end of period comprise:		
Cash on hand and at banks	71,792	6,319
Deposits placed with licensed financial institutions	8,805	51,458
Cash and bank balances	<u>80,597</u>	<u>57,777</u>

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

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014 (UNAUDITED)**

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

**A1. Corporate Information**

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

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

**A2. Significant accounting policies and basis of preparation**

The condensed consolidated interim financial statements of the Group for the financial period ended 30 September 2014 have been prepared in accordance with MFRS 134: *Interim Financial Reporting*, paragraph 9.44 of the Bursa Malaysia Securities Berhad Listing Requirements, the Deed and the Securities Commission's Guidelines on Real Estate Investment Trust ("the REITs Guidelines"). These condensed consolidated interim financial statements also comply with IAS 34: *Interim Financial Reporting* issued by the International Accounting Standards Board.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2014 and the accompanying explanatory notes attached to the unaudited condensed consolidated interim financial statements.

The consolidated financial statements of the Group for the financial year ended 30 June 2014 which were prepared under MFRS are available upon request from the management company's registered office at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway 47500, Subang Jaya, Selangor Darul Ehsan.

**A3. Audit Report of Preceding Financial Year**

The auditors have expressed an unqualified opinion on Sunway REIT's financial statements for the financial year ended 30 June 2014.

**A4. Changes in Estimates**

This is not applicable as no estimates were previously reported.

**A5. Unusual Items**

There were no material unusual items affecting the amounts reported for the current quarter ended 30 September 2014.

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

Sunway REIT has issued 2,268,200 new units at RM1.4461\* per unit on 27 August 2014, being 50% payment of the Manager's fee for the quarter ended 30 June 2014. The units were listed on the Main Market of Bursa Malaysia Securities Berhad on 28 August 2014.

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

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

Sunway REIT's fund size increased from 2,928.7 million units as at 30 June 2014 to 2,931.0 million units with the issuance of new units as mentioned in Note A6.

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014 (UNAUDITED)**

**A8. Segmental Reporting**

By segment

Segmental results for the quarter ended 30 September 2014 are as follows:

First/Cumulative Quarter

	First/Cumulative Quarter ended 30.9.2014					First/Cumulative Quarter ended 30.9.2013				
	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000
<b>BY BUSINESS SEGMENTS</b>										
REVENUE AND EXPENSES										
Gross revenue	81,168	16,974	10,693	4,977	113,812	70,207	14,277	10,942	4,750	100,176
Net property income	57,421	16,803	7,291	4,977	86,492	51,431	13,481	7,444	4,750	77,106
Other income					738					538
Trust and other expenses					(7,437)					(6,696)
Finance costs					(16,342)					(15,548)
Profit before tax					63,451					55,400
Income tax expense					-					-
Profit for the period					63,451					55,400



Segmental Reporting (Cont'd)

By property

Properties	Gross Revenue			Net Property Income		
	First/Cumulative Quarter			First/Cumulative Quarter		
	30.9.2014	30.9.2013	Change	30.9.2014	30.9.2013	Change
	RM'000	RM'000	%	RM'000	RM'000	%
<b>Retail</b>						
Sunway Pyramid Shopping Mall	69,109	60,305	14.6%	50,275	45,716	10.0%
Sunway Carnival Shopping Mall	10,628	8,588	23.8%	6,661	5,505	21.0%
Suncity Ipoh Hypermarket	1,250	1,136	10.0%	1,188	1,082	9.8%
Sunway Putra Mall	181	178	1.7%	(703)	(872)	-19.4%
	81,168	70,207	15.6%	57,421	51,431	11.6%
<b>Hotel</b>						
Sunway Resort Hotel & Spa	9,065	6,758	34.1%	8,787	6,442	36.4%
Pyramid Tower Hotel	5,503	5,115	7.6%	5,410	5,024	7.7%
Sunway Hotel Seberang Jaya	1,221	950	28.5%	1,167	900	29.7%
Sunway Putra Hotel	1,185	1,454	-18.5%	1,439	1,115	29.1%
	16,974	14,277	18.9%	16,803	13,481	24.6%
<b>Office</b>						
Menara Sunway	4,501	4,328	4.0%	3,166	3,146	0.6%
Sunway Tower	3,635	4,200	-13.5%	2,344	2,917	-19.6%
Sunway Putra Tower	2,557	2,414	5.9%	1,781	1,381	29.0%
	10,693	10,942	-2.3%	7,291	7,444	-2.1%
<b>Others</b>						
Sunway Medical Centre	4,977	4,750	4.8%	4,977	4,750	4.8%
	4,977	4,750	4.8%	4,977	4,750	4.8%
<b>TOTAL PORTFOLIO</b>	<b>113,812</b>	<b>100,176</b>	<b>13.6%</b>	<b>86,492</b>	<b>77,106</b>	<b>12.2%</b>

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014 (UNAUDITED)**

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

The Group comprises the following major business segments:

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

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

**a) Review of current/cumulative quarter results**

Retail segment

The retail segment registered gross revenue of RM81.2 million for the current quarter ended 30 September 2014 (1Q 2015), higher by 15.6% or RM11.0 million compared to the preceding year corresponding quarter (1Q 2014) primarily supported by resilient performance of both Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall. Sunway Pyramid Shopping Mall registered strong gross revenue growth for 1Q 2015 of 14.6% or RM8.8 million compared to 1Q 2014 primarily attributable to higher rental pursuant to the major renewal/new tenancies in FYE2014 whereby 1,033,523 sq.ft. was renewed/replaced with a double digit rental reversion for a 3-year term and additional income due to opening of Oasis Boulevard 5 (OB5) in 2Q 2014. The improved revenue was also due to the increase in service and promotion charges with effect from June 2014 (4Q 2014).

Likewise, Sunway Carnival Shopping Mall enjoyed strong growth in gross revenue by 23.8% or RM2.0 million, mainly attributable to higher rental pursuant to a double digit rental reversion for a 3-year term in FYE2014 and the increase in service and promotion charges with effect from June 2014. In addition, average occupancy rate was higher at 99.5% for YTD 1Q 2015 compared to 93.9% for YTD 1Q 2014 due to commencement of rental for a mini anchor who replaces the previous tenant who moved out in June 2013.

Suncity Ipoh Hypermarket achieved higher revenue by 10.0% or RM0.1 million due to rental reversion.

Property operating expenses of the retail segment for 1Q 2015 was RM23.7 million, higher by 26.5% or RM5.0 million primarily contributed by Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall. All the properties in the retail segment, except for Suncity Ipoh Hypermarket (a single tenant asset of which utilities expenses are borne by the tenant) were affected by the 17% electricity tariff hike with effect from January 2014 (3Q 2014). In addition, Sunway Pyramid Shopping Mall also incurred higher advertising & promotion expenses to promote the shopping mall as well as one-off maintenance expenses to upkeep the mall during the quarter. Further, expenses was also lower in 1Q 2014 due to recovery of doubtful debts.

In addition to higher utilities expenses, Sunway Carnival Shopping Mall also made higher provision for doubtful debts during the quarter under review.

Sunway Putra Mall, on the other hand, incurred higher pre-opening expenses such as staff costs during the quarter under review. The increase in expenses was however, off-set by the reversal of over-provision for assessment for this mall pursuant to confirmation of final increase.

Net property income of the retail segment for 1Q 2015 was RM57.4 million, an increase of 11.6% or RM6.0 million compared to 1Q 2014 despite higher overall property operating expenses.

Hotel segment

The hotel segment registered gross revenue of RM17.0 million for 1Q 2015, higher by 18.9% or RM2.7 million compared to 1Q 2014 due to better performance of all the hotels except for Sunway Putra Hotel. The performance of this hotel was adversely affected by the ongoing major refurbishment works at the adjoining Sunway Putra Mall since May 2013 and the hotel's own refurbishment where average occupancy rate for the current quarter slipped to 36.4% (56.4% based on number of saleable rooms) from 43.8% in 1Q 2014 (43.9% based on number of saleable rooms), representing a reduction of 7.4%.

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

### **a) Review of current/cumulative quarter results (Cont'd)**

#### Hotel segment (Cont'd)

Sunway Resort Hotel & Spa (SRHS) registered robust revenue growth of 34.1% or RM2.3 mil for 1Q 2015. This was mainly due to improvements in both the average daily rate and average occupancy rate (1Q 2015: 80.9%, 1Q 2014: 72.4%), contributed by strong corporate and MICE business, higher number of Middle-Eastern tourists arrival and continuous active yield management by the hotel's operator. Further, last year's performance was adversely affected by a slowdown in the electrical and electronics (E&E) sector which the hotel predominantly serve. Likewise, Pyramid Tower Hotel (PTH) also delivered higher revenue by 7.6% or RM0.4 million, backed by improved average daily rate and average occupancy rate (1Q 2015: 83.7%, 1Q 2014: 76.0%) mainly due to the same reason as SRHS.

Sunway Hotel Seberang Jaya contributed higher revenue by 28.5% or RM0.3 million in 1Q 2015 compared to 1Q 2014 resulting from better average occupancy rate of 77.6% for 1Q 2015 compared to 57.8% for 1Q 2014 and higher average daily rate. Occupancy was low in 1Q 2014 as the hotel had just started resuming normal business operation upon completion of its refurbishment exercise in 4Q 2013.

Net property income of the hotel segment for 1Q 2015 was RM16.8 million, higher by 24.6% or RM3.3 million due to higher revenue and reversal of over-provision for assessment for Sunway Putra Hotel pursuant to confirmation of final increase.

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

#### Office segment

The office segment recorded gross revenue of RM10.7 million for 1Q 2015, marginally lower by 2.3% or RM0.2 million compared to 1Q 2014. Menara Sunway recorded a moderately higher revenue by 4.0% or RM0.2 million for 1Q 2015 compared to 1Q 2014 mainly due to higher average rental rate. Likewise, Sunway Putra Tower recorded a higher revenue by 5.9% or RM0.1 million mainly due to alignment of the current low rental rates to market rate from a tenancy renewal in prior year and higher average occupancy rate at 76.9% (1Q 2014: 73.1%). Sunway Tower, however, registered lower gross revenue by 13.5% or RM0.6 million due to progressive surrendering of some space by an anchor tenant since last financial year. Average occupancy rate at Sunway Tower slipped to 76.1% in 1Q 2015 from 88.3% in 1Q 2014.

Property operating expenses of the office segment for 1Q 2015 was RM3.4 million, marginally lower by 2.3% or RM0.1 million from 1Q 2014 primarily attributable to reversal of over-provision for assessment for Sunway Tower and Sunway Putra Tower pursuant to confirmation of final increase.

Net property income of the office segment for 1Q 2015 was RM7.3 million, marginally lower by 2.1% or RM0.2 mil due to lower revenue.

#### Others

Sunway Medical Centre contributed RM5.0 million of revenue and net property income for 1Q 2015, an increase of 4.8% compared to 1Q 2014 due to rental reversion in accordance with the Master Lease Agreement and additional income contribution from completion of the asset enhancement (Please refer to Note A16 of Sunway REIT's first quarter ended 30 September 2013 quarterly announcement to Bursa Malaysia Securities for further details).

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/cumulative quarter results (Cont'd)**Profit before tax

Finance costs for 1Q 2015 was RM16.3 million, increased by 5.1% or RM0.8 million compared to 1Q 2014 due to additional commercial papers issued/revolving loan drawn down to fund the capital expenditure and increase in Overnight Policy Rate (OPR) by 25 bps in July 2014 which resulted in higher interest expense on the floating rate borrowings.

Net profit for 1Q 2015 was RM63.5 million, an increase of 14.5% or RM8.1 million compared to 1Q 2014 mainly attributable to higher net property income from the retail and hotel segment.

**A9. Seasonality of Operations**

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

**A10. Profit Before Tax**

Included in the profit before tax are the following items:

	<b>First Quarter ended</b>		<b>Cumulative Quarter ended</b>	
	<b>30.9.2014</b>	<b>30.9.2013</b>	<b>30.9.2014</b>	<b>30.9.2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest Income	(698)	(510)	(698)	(510)
Net changes in fair value of long term liabilities	(16)	(16)	(16)	(16)
Unrealised foreign exchange loss/(gain) - hedged item	6,100	7,900	6,100	7,900
Cash flow hedge reserve recycled to profit or loss	(6,100)	(7,900)	(6,100)	(7,900)
Allowance for/(reversal of) impairment of trade receivables	753	(298)	753	(298)
Bad debts written off	32	17	32	17
Depreciation of plant and equipment	126	52	126	52

**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 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:

<b>Unitholders</b>	<b>Withholding tax rate</b>
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 September 2014, the Manager proposed an interim income distribution of approximately 100% of the realised distributable income amounting to RM66.826 million or 2.28 sen per unit, comprising taxable and non-taxable/tax exempt amount of 1.96 sen and 0.32 sen per unit respectively. This amount includes surplus cash arising from 50% Manager's fee payable in units of RM3.446 million.

The book closure and payment dates in respect of the proposed interim income distribution will be fixed on 21 November 2014 and 4 December 2014 respectively.

## A13. Valuation of Investment properties

Investment properties are valued by an independent registered valuer and the difference between the valuation and the carrying amounts of the respective investment properties are charged or credited to the profit or loss for the period in which they arise. There was no valuation performed during the quarter under review.

## A14. Borrowings and Debt Securities

	<b>As at 30.9.2014 RM'000</b>	<b>As at 30.6.2014 RM'000</b>
<u>Short term borrowings</u>		
Secured		
- Term loans	327,150	321,050
- Commercial papers	12,800	12,000
Unsecured		
- Revolving loan	475,500	409,000
Total gross short term borrowings	<u>815,450</u>	<u>742,050</u>
Less: Discount on commercial papers	(10)	(8)
Total short term borrowings	<u>815,440</u>	<u>742,042</u>
<u>Long term borrowings</u>		
Unrated medium term notes	<u>1,000,000</u>	<u>1,000,000</u>
Total long term borrowings	<u>1,000,000</u>	<u>1,000,000</u>
Total borrowings	<u>1,815,440</u>	<u>1,742,042</u>

Included in the short term borrowings for 30 September 2014 is a secured 3-year fixed rate term loan of USD100 million (equivalent to RM310.8 million), hedged with a cross currency swap contract to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the period of the foreign currency borrowing.

## A15. Fair Value Hierarchy

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

### Level 1

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

### Level 2

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

### Level 3

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

**A15. Fair Value Hierarchy (Cont'd)**

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>At 30 September 2014</b>				
Investment properties	-	-	5,520,000	5,520,000
Derivative	-	17,908	-	17,908
<hr/>				
<b>At 30 June 2014</b>				
Investment properties	-	-	5,520,000	5,520,000
Derivative	-	17,908	-	17,908
<hr/>				

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**

Variation to the hotel master lease dated 26 May 2010 relating to Sunway Resort Hotel between RHB Trustees Berhad (as Trustee for Sunway REIT) (the "Lessor"), Sunway REIT Management Sdn Bhd (the "Manager") and Sunway Resort Hotel Sdn Bhd (the "Lessee")

On 17 September 2014, the Manager announced that pursuant to the First Supplemental Agreement, the Trustee, Manager and Lessee (collectively referred to as the "Parties") agreed to vary the SRH Hotel Master Lease to exclude a multi-storey annex building from the SRH Hotel Master Lease subject to the terms and conditions as stipulated in the First Supplemental Agreement to the SRH Hotel Master Lease ("First Supplemental Agreement").

The new multi-storey annex building within the Premises which comprises 2 levels of restaurant and 1 level of ballroom shall be tenanted by reputable food & beverage operators under 3-year tenancies with an option to renew for a further 2 terms of 3 years. In view of the straight forward nature of the tenancies which are similar to retail or office properties, this annex building is accordingly excluded from the SRH Hotel Master Lease. The construction of the new multi-storey annex building was completed in October 2014.

The First Supplemental Agreement is not expected to have any material effect on the earnings of Sunway REIT for the financial year ending 30 June 2015.

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

There were no material events subsequent to the quarter ended 30 September 2014.

**A18. Capital Commitments**

The amount of commitments for investment properties not provided for in the unaudited condensed consolidated interim financial statements as at 30 September 2014 were as follows:

	<b>As at 30.9.2014 RM'000</b>
Approved and contracted for	299,520
Approved but not contracted for	64,766
	<hr/>
	364,286
	<hr/>

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

**A19. Contingent Liabilities and Assets**

There were no contingent liabilities or contingent assets as at 30 September 2014.

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

The following table provides information on the transactions which have been entered into with parties related to the Manager during the period ended 30 September 2014 and 30 September 2013 as well as the balances with the parties related to the Manager as at 30 September 2014 and 30 June 2013:

	First Quarter ended		Cumulative Quarter ended	
	30.9.2014 RM'000	30.9.2013 RM'000	30.9.2014 RM'000	30.9.2013 RM'000
<u>(Sales to)/purchases from parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Sales	(32,531)	(28,290)	(32,531)	(28,290)
- Purchases	51,535	23,449	51,535	23,449
(b) Sunway Technology Sdn. Bhd. Group ("STSB Group")				
- Sales	(138)	(132)	(138)	(132)
			<b>As at 30.9.2014 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			4,204	4,978
			<b>As at 30.9.2014 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			12,542	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 RM38.9 million for 1Q 2015 mainly involving major refurbishment at Sunway Putra Mall, 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 30.9.2014 RM'000</b>	<b>Immediate Preceding Quarter Ended 30.6.2014 RM'000</b>
Profit before tax	63,451	235,210
Less: Fair value gain on investment properties	-	(179,141)
Profit before tax, excluding fair value gain on investment properties	<u>63,451</u>	<u>56,069</u>

Sunway REIT recorded a profit before tax of RM63.5 million, higher by RM7.4 million or 13.2% compared to the immediate preceding quarter of RM56.1 million (excluding fair value gain on investment properties) mainly attributable to higher net property income from the retail and hotel segment.

**B4. Commentary on Prospects**

2Q CY2014 GDP grew 6.4% YoY (1Q CY2014: 6.2% YoY) which lifted Malaysia's GDP growth to 6.3% for the 1H2014, compared with 5.5% in the corresponding period last year. Bank Negara Malaysia ("BNM") expects GDP growth to moderate slightly in the second half of the year. Private sector activity would likely remain the key growth driver for Malaysia's economy in the second half of 2014, while exports may continue to benefit from the recovery in the advanced economies and from regional demand. Given the strong 1H2014 growth, the government has revised upward its 2014 GDP growth target to 5.5-6.0% from 4.5-5.5%.

Inflation rose 2.6% YoY in September (YTD: 3.3%), in line with consensus forecast. The inflation rate is expected to spike up to 4.0-5.0% in 2015 from 3.3% in 2014, as a result of the introduction of GST and the on-going subsidy rationalization based on recent budget 2015 announcement.

BNM holds key interest rate at 3.25% in light of moderate global economic growth to ensure the sustainability of the growth prospects of the Malaysian economy.

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

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



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

##### Review of retail market

According to the Malaysian Institute Economic Research ("MIER")'s retail trade survey report, the Hari Raya celebration was expected to drive up retail sales in the 3Q of the year. It, however, pointed out that the increase in the OPR (in July to 3.25%) could affect retail sales of bigger items. The highest growth in retail sales is expected to come in the final quarter of 2014 due to the year-end school holidays and festive season. Furthermore, consumers may spend more before the GST comes into effect in April 2015. For the full year of 2014, Retail Group Malaysia forecasts retail sales to grow at 6.2% (2013: +4.5%) .

The retail market remained stable in 2Q CY2014 with spaces within the newly completed malls slowly to be filled up, as well as most upcoming retail centres in 2014, expected to be completed by the end of 2014. In the Klang Valley, some 4.88 million sq.ft. of NLA space is expected to come in later this year. The local retail market is also reportedly on the radar of new international retailers such as French departmental store Lafayette and Japan-based Takashimaya Co Ltd. The Manager does not expect the new supply to have material adverse impact to Sunway REIT's retail portfolio except for Sunway Putra Mall where Quill City Mall will be opening nearby.

The average occupancy rate for Sunway Pyramid Shopping Mall was marginally higher at 98% in 1QFY2015 compared to 97% in 1QFY2014, due to the opening of Oasis Boulevard 5 ("OB5") in December 2013. The work for OB5 was carried out during the period from 4QFY2013 to 2QFY2014 where 22,096 sq.ft. of existing space was reconfigured in addition to creation of additional 22,201 sq.ft. NLA.

Sunway Carnival Shopping Mall's average occupancy rate increased to 99.5% in 1QFY2015 from 93.9% in 1QFY2014 due to the tenancy commencement of Sam's Groceria occupying about 44,000 sq.ft. which was vacant since July 2013.

The refurbishment of Sunway Putra Mall is at 88% completion (as at 30 September 2014) and we expect to reopen for business in 4QFY2015. About 70% of the retail space has been leased as at 30 September 2014.

The Manager expects the retail assets to register healthy growth in FY2015 with income contribution from Sunway Putra Mall as mentioned above.

However, the Manager is cautious on consumer confidence going forward as the recent interest rate hike, the government's on-going subsidy rationalisation measures and implementation of GST in April 2015 may affect consumer's spending power.

##### Review of hotel market

Tourist arrivals in the 7-month CY2014 recorded a growth of 9.7% y-o-y to 16.1 million, helped by higher tourist arrivals from neighboring countries, Australia, South Korea and Middle Eastern market. The Tourism and Culture Minister is confident that the ministry would achieve its target of 28 million tourists this year.

Both Sunway Resort Hotel & Spa and Pyramid Tower achieved higher average occupancy rate at 80.9% and 83.7% respectively in 1QFY2015 (1QFY2014: 72.4% and 76.0% respectively). The better occupancy was driven by good corporate and MICE business and strong Middle Eastern tourist arrivals. Further, last year's performance was adversely affected due to a slowdown in the electrical and electronics (E&E) sector which the hotels predominantly serve.

The average occupancy rate for Sunway Putra Hotel dropped to 36.4% in 1QFY2015 compared to 43.8% in 1QFY2014, affected by the ongoing major refurbishment at the adjoining Sunway Putra Mall and the hotel's own refurbishment.

Sunway Hotel Seberang Jaya's average occupancy rate have gradually recovered to the pre-refurbishment levels of above 70% following completion of its refurbishment exercise in 4QFY2013. Average occupancy rate was higher at 77.6% in 1QFY2015 compared to 57.8% in 1QFY2014.

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

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

The hospitality segment is projected to register stable growth in FY2015. The Manager expects Sunway Putra Hotel's performance to improve gradually with reduced disruption from the refurbishment works at Sunway Putra Mall and progressive completion of its own upgrading works.

##### Review of office market

With supply continued to outpace demand, the average occupancy rate of office in Kuala Lumpur is expected to be in the region of 80% to 81% between end of 2014 and 2016. The majority of landlords maintained their rental for 1H2014, however those with relatively low occupancy rate are more willing to offer greater rent free periods as incentives to attract prospective tenants to occupy their office buildings.

The average occupancy rate for Menara Sunway was slightly lower at 97.7% in 1QFY2015 compared to 98.5% in 1QFY2014 due to a tenant who did not renew in July 2014.

Sunway Tower's average occupancy rate retreated to 76.1% in 1QFY2015 compared to 88.3% in 1QFY2014 as the anchor tenant has surrendered some space in the previous quarters. The occupancy is expected to drop to 50% by end-December 2014 as the anchor tenant will be giving up 72,000 sq.ft. NLA progressively. The asset manager is actively seeking for replacement tenants for the vacancy and this presents an opportunity for us to improve the tenancy mix to be less reliant on the anchor tenant.

The average occupancy rate for Sunway Putra Tower improved to 76.9% in 1QFY2015 compared to 73.1% in 1QFY2014. However, the occupancy rate is expected to reduce to 30% by end-December 2014 as the anchor tenant which occupies 143,000 sq.ft. NLA will be terminating the tenancy. The asset manager is actively seeking for a replacement tenant. This provides an opportunity for us to further diversify our tenancy mix to reduce tenant concentration risk and to seek more private tenants in line with the Manager's strategy post refurbishment. The refurbishment for Sunway Putra Tower has commenced in June 2014. The Manager expects the occupancy rate to improve gradually upon reopening of Sunway Putra Mall and completion of its own upgrading works by mid-2015 due to its competitive rates.

In view of the challenging business operating environment arising from the oversupply situation and the expected drop in rental rate at Sunway Tower, the Manager expects income contribution from the office segment to be significantly lower in FY2015. However, we do not expect a material adverse impact on our FY2015 DPU.

#### **B5. Investment Objectives**

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

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

#### **B6. Performance Benchmark**

<b>Performance indicators</b>	<b>Year ended 30.9.2014</b>	<b>Year ended 30.6.2014</b>
a) Management expense ratio *	0.81%	0.78%
b) Total returns *	12.2%	-0.7%
c) Average annual returns *	17.5%	18.8%
d) Distribution yield *	5.9%	5.8%
e) NAV per unit (after income distribution)(RM)	1.2378	1.2390

\*The performance indicators for the period ended 30 September 2014 was based on annualised results.

**B6. Performance Benchmark (Cont'd)**

- a) The ratio of annualised expenses incurred in operating Sunway REIT to the NAV of Sunway REIT.
- b) Total return represents the change in unit price from beginning of financial year plus annualised distribution yield for the year.
- c) Average annual return is the sum of the return rates of Sunway REIT over a given number of years divided by that number of years.
- d) Based on annualised DPU of 9.05 sen divided by its closing price as at 30 September 2014 of RM1.53 (30 June 2014 - DPU: 8.36 sen; Closing price as at 30 June 2013: RM1.44).
- e) NAV of Sunway REIT as determined by deducting the value of all Sunway REIT's liabilities from the total asset value, divided by total issued units.

**B7. Strategies and Policies**

The Manager's strategies can be broadly categorised as:

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

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

**B8. Manager's fee**

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

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

The Manager's fee shall be net of all applicable tax, duties and levies imposed by the relevant authorities in Malaysia. The Manager shall be paid the base fee and performance fee which may be in the forms of cash, new Units or a combination thereof, with the initial applicable proportion to be 50% in the form of cash and 50% in the form of new Units, such proportion which may be varied at the discretion of the Manager.

Total fees accrued to the Manager for the current quarter/cumulative quarter ended 30 September 2014 was RM6.893 million compared to preceding year corresponding quarter/cumulative quarter ended 30 September 2013 of RM6.329 million.

**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/cumulative quarter ended 30 September 2014 was RM0.28 million compared to preceding year corresponding quarter/cumulative quarter ended 30 September 2013 of RM0.267 million.

**B10. Status of Corporate Proposals**

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

## **B11. Material Litigation**

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

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

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

The hearings for the assessment of damages were held on 15 and 16 May 2014 and the matter was heard for decision on 27 August 2014.

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

Metroplex had proceeded to file an appeal to the judge in chambers on the decision given above. The hearing of the appeal is fixed on 27 November 2014.

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

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

On 2 August 2013, the Kuala Lumpur High Court decided that Metroplex should not be wound up as it is still solvent. Pursuant to the High Court order, a joint stakeholder account was opened and approximately RM6,189,000 was deposited in the joint stakeholder account and the amount is to be released pending the outcome of the case on assessment of damages mentioned in Note B11(1) above and committal proceedings. On 13 December 2013, the judge for the committal proceedings (who was the judge who delivered the Orders) clarified that the amount owing to Sunway is the "net value" which amounts to RM6,189,000. As the joint stakeholder account was set up pursuant to the winding up court order, the judge opined that the parties should return to the winding up court to facilitate the release of the amount deposited in the joint stakeholder account from Metroplex's solicitors. The solicitors will proceed to file the notice of application for the release of the money in the stakeholder account at the winding up court when the proceedings for the assessment of damages have reached its conclusion.

## **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**

	<b>Current quarter ended 30.9.2014</b>	<b>Immediate preceding quarter ended 30.6.2014</b>	<b>% change</b>
Number of units in issue (units)	2,930,983,100	2,928,714,900	0.1%
Realised net income (RM'000)	63,435	56,069	13.1%
Realised earnings per unit (EPU) (sen)	2.17	1.91	13.6%
Income distribution (RM'000)	66,826	59,453	12.4%
Distribution per unit (DPU) (sen)	2.28	2.03	12.3%
Net Asset Value (NAV) (RM'000)	3,627,847	3,628,618	0.0%
NAV per unit (After income distribution) (RM)	1.2378	1.2390	-0.1%
Market price per unit (RM)	1.53	1.44	6.3%

**B14. Income Distribution**

Please refer to Note A12 for details .

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

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

<b>Type of Derivatives</b>	<b>Contract/ Notional Value</b>		<b>Fair Value</b>	
	<b>As at 30.9.2014</b>	<b>As at 30.6.2014</b>	<b>As at 30.9.2014</b>	<b>As at 30.6.2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cross currency swap contract</b>				
- Less than 1 year	310,800	310,800	17,908	7,540
	310,800	310,800	17,908	7,540

Cross currency swap contract

In the financial year ended 30 June 2012, Sunway REIT entered into a cross currency swap contract to manage its exposure in foreign currency risk arising from foreign currency borrowings which was entered to minimize borrowing cost. Sunway REIT uses cash flow hedge to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the hedging period on the foreign currency borrowings.

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

**B16. Risks and Policies of Derivatives**

The Group did not enter into any new derivatives during the quarter ended 30 September 2014.

The 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.

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

Please refer to Note A10 for details .

**B18. Realised and Unrealised Retained Profits/Undistributed Income**

The breakdown of the retained profits/undistributed income of the Group as at 30 September 2014 into realised and unrealised profits/undistributed income is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	<b>Year ended 30.9.2014 RM'000</b>	<b>As at end of previous financial year RM'000</b>
Total retained profits/undistributed income		
- realised	18,072	14,090
- unrealised	970,536	971,196
	<u>988,608</u>	<u>985,286</u>
Less: Consolidation adjustments	(3)	(3)
Total retained profits/undistributed income	<u>988,605</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 September 2014 and of its financial performance and cash flows for the quarter ended on that date and duly authorised for release by the Board of the Manager on 6 November 2014.

**BY ORDER OF THE BOARD**

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

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

**Petaling Jaya**  
**Date: 6 November 2014**