

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2010 (UNAUDITED)**

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	<-- Individual Quarter -->		<-- Cumulative Quarter -->	
	Current Year Quarter 31.12.2010	Preceding Year Corresponding Quarter 31.12.2009 ¹	Current Year To date 31.12.2010	Preceding Year To date 31.12.2009 ¹
	RM'000	RM'000	RM'000	RM'000
Rental income	82,997	-	154,248	-
Other operating income	2,336	-	3,530	-
Gross revenue	85,333	-	157,778	-
Quit rent, assessment and insurance	(1,820)	-	(3,613)	-
Other property operating expenses	(20,677)	-	(36,116)	-
Property operating expenses	(22,497)	-	(39,729)	-
Net property income	62,836	-	118,049	-
Other income	855	-	1,128	-
Change in fair value of investment properties	-	-	272,339	-
Net investment income	63,691	-	391,516	-
Manager fee	(4,749)	-	(9,055)	-
Trustee fee	(199)	-	(386)	-
Finance costs	(13,139)	-	(25,665)	-
Other trust expenses	(368)	-	(536)	-
	(18,455)	-	(35,642)	-
Income before taxation	45,236	-	355,874	-
Taxation	-	-	-	-
Net income for the period	45,236	-	355,874	-
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	45,236	-	355,874	-
Provision for income distribution ²	(46,941)	-	(87,411)	-
Net comprehensive income retained	(1,705)	-	268,463	-
Net income for the period comprise the following:				
Realised	44,679	-	83,090	-
Unrealised	557	-	272,784	-
	45,236	-	355,874	-
Earnings per unit (sen)	1.69	-	13.27	-
Distribution per unit (sen)	1.75	-	3.26	-

The unaudited condensed statement of comprehensive income should be read in conjunction with the pro forma financial information in the Prospectus of Sunway REIT dated 15 June 2010 ("the Prospectus") and the accompanying explanatory notes attached to the interim financial statements.

¹ No comparative figures are available as Sunway REIT was constituted on 20 May 2010 and the acquisition of the properties was completed on listing date, 8 July 2010. The current year-to-date cumulative quarter financial results reported refers to the period from 20 May 2010 to 31 December 2010.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2010 (UNAUDITED)**

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

² The provision for income distribution is derived from the followings :

	<--- Individual Quarter --->		<--Cumulative Quarter -->	
	Current Year Quarter 31.12.2010 RM'000	Preceding Year Corresponding Quarter 31.12.09 RM'000	Current Year To date 31.12.2010 RM'000	Preceding Year To date 31.12.09 RM'000
Net income for the period (realised)	44,679	-	83,090	-
Add: Surplus cash arising from 50% Manager's fee payable in units	2,375	-	4,528	-
Total available for income distribution	47,054	-	87,618	-
Less: Provision for income distribution	(46,941)		(87,411)	
Balance undistributed arising from rounding difference	113	-	207	-

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2010 (UNAUDITED)**

CONDENSED STATEMENT OF FINANCIAL POSITION

	As At 31.12.2010	As At 30.06.2010 ¹
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	380	-
Investment properties	3,729,035	-
	<u>3,729,415</u>	<u>-</u>
Current assets		
Receivables, deposits and prepayments	17,201	-
Deposits placed with licensed financial institutions	31,263	-
Cash and bank balances	11,527	-
Derivatives financial instruments	445	-
	<u>60,436</u>	<u>-</u>
	<u>3,789,851</u>	<u>-</u>
FINANCED BY:		
Unitholders' funds		
Unitholders' capital	2,345,561	-
Distributable income	268,463	-
Total Unitholders' funds	<u>2,614,024</u>	<u>-</u>
Non-current liabilities		
Borrowings	993,476	-
Long term liabilities	53,527	-
	<u>1,047,003</u>	<u>-</u>
Current liabilities		
Borrowings	43,185	-
Trade and other payables	38,698	-
Provision for income distribution	46,941	-
	<u>128,824</u>	<u>-</u>
	<u>3,789,851</u>	<u>-</u>
Number of units in circulation ('000 units)	2,682,348	-
NET ASSET VALUE ("NAV")		
- Before provision for income distribution	2,660,965	-
- After provision for income distribution	2,614,024	-
NET ASSET VALUE PER UNIT (RM)		
- Before provision for income distribution	0.9920	-
- After provision for income distribution	0.9745	-

The unaudited condensed statement of financial position should be read in conjunction with the pro forma financial information in the Prospectus of Sunway REIT dated 15 June 2010 ("the Prospectus") and the accompanying explanatory notes attached to the interim financial statements.

¹ No comparative figures are available as Sunway REIT was constituted on 20 May 2010 and the acquisition of the properties was completed on listing date, 8 July 2010.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2010 (UNAUDITED)**

CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE

	Unitholders' Capital	<-- Distributable Realised	Income --> Unrealised	Total Unitholders' Funds
	RM'000	RM'000	RM'000	RM'000
As at 20 May 2010 (date of establishment)	-	-	-	-
Total income for the period	-	83,090	272,784	355,874
Increase in net assets resulting from operations	-	83,090	272,784	355,874
Unitholders' transactions				
Creation of units ¹				
- Pursuant to initial public offer	2,407,761	-	-	2,407,761
- Manager fee paid in units	2,153	-	-	2,153
Listing expenses	(64,353)	-	-	(64,353)
Distribution to unitholders - paid ²	-	(40,470)	-	(40,470)
Distribution to unitholders - provision	-	(46,941)	-	(46,941)
Increase/(decrease) in net assets resulting from unitholders' transactions	2,345,561	(87,411)	-	2,258,150
As at 31 December 2010	2,345,561	(4,321)	272,784	2,614,024

The unaudited condensed statement of changes in net asset value should be read in conjunction with the pro forma financial information in the Prospectus of Sunway REIT dated 15 June 2010 ("the Prospectus") and the accompanying explanatory notes attached to the interim financial statements.

¹ Issue of new units comprise the following:

	Units '000	Amount RM'000
Consideration units issued to the vendors	1,025,143	920,969
Issuance of new units pursuant to initial public offering ("IPO")	1,654,969	1,486,792
Total issuance pursuant to IPO	2,680,112	2,407,761
Issuance of new units pursuant to 50% Manager fee paid in units at RM0.963 per unit for the period ended 30 September 2010	2,236	2,153
	2,682,348	2,409,914

² For the period from 8 July 2010 to 30 September 2010.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2010 (UNAUDITED)**

CONDENSED STATEMENT OF CASH FLOWS

	Current Year To date 31.12.2010	Preceding Year To date 31.12.2009 ¹
	RM'000	RM'000
OPERATING ACTIVITIES		
Cash receipts from customers	152,681	-
Refundable security deposits from customers	67,670	-
Cash paid for operating expenses	(41,481)	-
Net cash generated from operating activities	<u>178,870</u>	-
INVESTING ACTIVITIES		
Purchase of investment properties	(3,456,661)	-
Interest received	537	-
Net cash used in investing activities	<u>(3,456,124)</u>	-
FINANCING ACTIVITIES		
Proceeds from issuance of new units	2,407,761	-
Drawdown of term loan and revolving credits	1,165,350	-
Repayment of revolving credits	(118,000)	-
Interest paid	(20,648)	-
Payment of listing and financing expenses	(76,200)	-
Distribution paid (net of withholding tax)	(38,219)	-
Net cash generated from financing activities	<u>3,320,044</u>	-
Net increase in cash and cash equivalents	42,790	-
Cash and cash equivalents at beginning of period	-	-
Cash and cash equivalents at end of period	<u>42,790</u>	-
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	11,527	-
Deposits placed with licensed financial institutions	31,263	-
Cash and cash equivalents at end of period	<u>42,790</u>	-

The unaudited condensed statement of cash flows should be read in conjunction with the pro forma financial information in the Prospectus of Sunway REIT dated 15 June 2010 ("the Prospectus") and the accompanying explanatory notes attached to the interim financial statements.

¹ No comparative figures are available as Sunway REIT was constituted on 20 May 2010 and the acquisition of the properties was completed on listing date, 8 July 2010. The current year-to-date cash flows reported refers to the period from 20 May 2010 to 31 December 2010.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2010 (UNAUDITED)**

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

A1. Accounting Policies and Basis of Preparation

The unaudited interim financial statements for the financial period ended 31 December 2010 have been prepared in accordance with FRS134: Interim Financial Reporting, paragraph 9.44 of the Bursa Malaysia Securities Berhad Listing Requirements, provisions of the deed dated 20 May 2010 ("the Deed") and the Securities Commission's Guidelines on Real Estate Investment Trust ("the REITs Guidelines"). The unaudited interim financial statements have been prepared on the historical basis except for investment properties which are stated at fair value.

This unaudited interim financial statements have been prepared in accordance with Financial Reporting Standards ("FRSs"), Issues Committee ("IC") Interpretations and amendments to FRSs and IC Interpretations that are effective for financial statements effective from 1 January 2010.

The unaudited interim financial statements should be read in conjunction with the pro forma financial performance in the prospectus of Sunway REIT dated 15 June 2010 and the accompanying explanatory notes attached to the interim financial statements.

A2. Audit Report of Preceding Financial Year

There was no preceding year financial statements as Sunway REIT was constituted and listed on 20 May 2010 and 8 July 2010 respectively.

A3. Seasonal or Cyclical Factors

The results for the current quarter under review were not materially affected by seasonal or cyclical factors.

A4. Unusual Items

There were no material unusual items affecting the amounts reported for the quarter ended 31 December 2010.

A5. Changes in Estimates

There were no changes in estimates that have had material effect in the current quarter.

A6. Issuance, Cancellation, Repurchases, Resale and Repayments of Debts and Equity Securities

There were no cancellations, repurchases, resale and repayments of debt and equity securities for the quarter ended 31 December 2010 except for issuance of 2,235,600 units at RM0.963* per unit in Sunway REIT on 30 December 2010 being 50% payment of the Manager fee for the period ended 30 September 2010. The units were listed on the Main Market of Bursa Securities on 4 January 2011.

** Based on the 10-day volume weighted average price ("VWAP") of the units up to and including 30 September 2010.*

A7. Income Distribution

For the quarter ended 31 December 2010, Sunway REIT made a provision of approximately 100% of the realised distributable income amounting to RM46.9 million or 1.75 sen per unit. This amount includes surplus cash arising from 50% Manager fee payable in units of RM2.4 million.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2010 (UNAUDITED)**

A8. Segmental Reporting

Segmental results for the financial period ended 31 December 2010 are as follows:

Current year quarter

	Retail RM'000	Hospitality RM'000	Office RM'000	Total RM'000
BY BUSINESS SEGMENTS				
REVENUE AND EXPENSES				
Gross revenue	60,337	16,794	8,202	85,333
<u>Results</u>				
Net property income	40,386	16,391	6,059	62,836
Other income				855
Trust expenses				(5,316)
Financing costs				(13,139)
Income before taxation				45,236
Taxation				-
Net income for the period				45,236

Cumulative year-to-date

	Retail RM'000	Hospitality RM'000	Office RM'000	Total RM'000
BY BUSINESS SEGMENTS				
REVENUE AND EXPENSES				
Gross revenue	113,141	28,942	15,695	157,778
<u>Results</u>				
Net property income	78,312	28,050	11,687	118,049
Other income				1,128
Change in fair value of investment properties				272,339
Trust expenses				(9,977)
Financing costs				(25,665)
Income before taxation				355,874
Taxation				-
Net income for the period				355,874

A9. Valuation of Investment Properties

Investment properties are stated at fair value based on valuations performed by registered independent valuers. There is no valuation performed for the quarter ended 31 December 2010.

A10. Material Event

Sunway City Berhad ("SunCity") had on 24 November 2010 received an offer ("Offer") from Sunway Berhad (formerly known as Alpha Sunrise Sdn Bhd) ("Sunway") to acquire its entire business and undertaking carried by SunCity, including all its assets and liabilities ("Proposed Disposal"). On 14 December 2010, the non-interested directors of SunCity, after taking into consideration, amongst others, the advice from the independent adviser, Goldman Sachs (Malaysia) Sdn. Bhd., have decided to accept the Offer, subject to, inter-alia, the approval of the shareholders and relevant authorities, where required.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2010 (UNAUDITED)**

A10. Material Event (Cont'd)

On 18 January 2011, CIMB Investment Bank Berhad and RHB Investment Bank Berhad announced, on behalf of the Board of Directors of SunCity, that SunCity and Sunway have entered into a conditional sale of business agreement in relation to the Proposed Disposal ("SunCity SBA"). Sunway has also on even date entered into a sale of business agreement with Sunway Holdings Berhad ("SunH") to acquire the entire business and undertakings as at 24 November 2010 (including all assets and liabilities as at completion) of SunH ("SunH Business").

Pending completion of the SunCity SBA, the Right of First Refusal dated 26 May 2010 issued by SunCity to OSK Trustees Bhd ("ROFR") will continue to subsist. On and after the completion of the SunCity SBA, Sunway will resume the obligations under the ROFR. On the completion of the Proposed Disposal, SunCity's unitholdings in Sunway REIT and shareholdings in Sunway REIT Management Sdn Bhd ("REIT Manager") will be acquired by Sunway.

A11. Material Events Subsequent to the end of the Interim Period

There were no material events subsequent to the quarter ended 31 December 2010.

A12. Changes in the Composition/Fund Size of the Trust

Sunway REIT's fund size was increased from 2,680.1 million units to 2,682.3 units with the issuance of 2.2 million units as mentioned in note A6.

A13. Contingent Liabilities and Assets

There were no contingent liabilities or contingent assets as at 31 December 2010.

A14. Capital Commitments

The amount of commitments for the investment properties not provided for in the unaudited interim financial statements as at 31 December 2010 were as follows:

	As at 31.12.10 RM'000
Approved and contracted for	453
Approved but not contracted for	13,135
	<u>13,588</u>

A15. Realised and Unrealised Profits

	Current financial period RM'000	As at end of last financial year RM'000
Total retained profits of Sunway REIT		
- Realised	(4,321)	-
- Unrealised	272,784	-
	<u>268,463</u>	<u>-</u>

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2010 (UNAUDITED)**

**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

Current year quarter

Sunway REIT registered a gross revenue of RM85.3 million and net property income of RM62.8 million for the quarter ended 31 December 2010. Income before taxation was RM45.2 million comprising realised net income of RM44.7 million and unrealised income of RM0.5 million arising mainly from fair value adjustment on financial derivatives.

Distributable income was RM47.1 million, comprising realised income of RM44.7 million and surplus cash arising from 50% of Manager fee payable in units of RM2.4 million.

Cumulative year-to-date

Sunway REIT registered a gross revenue of RM157.8 million and net property income of RM118.0 million for year-to-date ended 31 December 2010. Income before taxation was RM355.9 million comprising realised net income of RM83.1 million and unrealised income of RM272.8 million arising mainly from fair value adjustment on investment properties.

On 30 December 2010, Sunway REIT made a maiden distribution of RM40.5 mil or 1.51 sen per unit in respect of the period ended 30 September 2010. For the quarter ended 31 December 2010, Sunway REIT made a provision of approximately 100% of the realised distributable income amounting to RM46.9 million or 1.75 sen per unit.

Maintenance costs and major capital expenditure

There was no unusual maintenance costs nor major capital expenditure incurred during the quarter under review.

B2. Material Changes in Quarterly Results

	Current Quarter Ended 31.12.10 RM'000	Preceding Quarter Ended 30.09.10 RM'000
Income before taxation	45,236	310,638

Sunway REIT recorded an income before taxation of RM45.2 million for the current quarter ended 31 December 2010 compared to RM310.6 million in the preceding quarter ended 30 September 2010. Included in the income before taxation of the preceding quarter was a fair value gain on investment properties of RM272.3 million. Excluding the fair value gain on investment properties, the income before taxation for the current quarter was RM6.9 million or 18.0% higher than the preceding quarter of RM38.3 million. The better performance for the current quarter was contributed by commencement of new tenancy terms pursuant to renewals at Sunway Pyramid Shopping Mall whereby approximately 1.0 million square feet of net lettable area achieved an average increase in rental rates of 17.1% (including step up rent) for the 3 year-term. The stronger performance at Sunway Resort Hotel & Spa and Pyramid Tower Hotel during year end holiday season further contributed to the improved results for the current quarter.

B3. Prospects

The Malaysian economy is estimated to achieve a growth of 7% in 2010, driven by strong private consumption, investment activities, expansion in the services and manufacturing sectors. Gross Domestic Product (GDP) growth for 2011 is however, expected to moderate to 5-6% due to lower contribution from exports resulting from slower global growth. Private consumption and investment activities shall remain the key drivers for growth in 2011, underpinned by rising household income, stable labour market condition and Economic Transformation Programme (ETP) implementation by the Government.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2010 (UNAUDITED)**

B3. Prospects (Cont'd)

Despite expectation of slight softening in the economy, with private sector consumption remaining robust in 2011, the Manager is confident of achieving the profit forecast and income distribution for the financial period ending 30 June 2011 as disclosed in the prospectus of Sunway REIT dated 15 June 2010.

Review of retail market

The wholesale and retail sub-sector is estimated to register growth of 7.4% for 2010, contributing to 13.4% of GDP supported by favourable conditions such as low inflation, stable employment condition and low interest rate environment. With the moderation of the overall economic growth, the wholesale and retail sub-sector is forecasted to expand by 5.6% in 2011 but maintaining its share of the GDP at 13.4%. The implementation of the retail National Key Economic Area (NKEA) under the ETP, rising household income, low unemployment rate and strong tourism shall augur well for the retail market.

Visitorships to Sunway Pyramid Shopping Mall registered strong quarter-on-quarter growth of 9.7% whilst Sunway Carnival Shopping Mall recorded moderate growth of 2.9% due to the year-end mega sales campaign and festive and school holidays. Occupancy remain strong with Sunway Pyramid at 98%, Sunway Carnival at 93% and Suncity Ipoh Hypermarket at 100%. The Manager believes that the Sunway REIT retail properties, especially Sunway Pyramid Shopping Mall shall be able to enjoy another year of solid performance, in tandem with the expectation of continued robust domestic consumption, pursuit of lifestyle trends and the thriving Sunway Integrated Resort City. Rental reversions achieved year-to-date at Sunway Pyramid whereby 330 tenancies were renewed with net lettable area of approximately 1.0 million square feet representing 92.5% of the total net lettable area due for renewal in financial year ending 30 June 2011 with total rent increase of 17.1% (including step up rent) for the 3 year-term further demonstrates retailers' confidence in its performance.

Review of hotel market

The hotel and restaurant industry expanded by 4.7% in 2010, driven by recovery in both domestic and global economy and increased tourist arrivals. Tourism is the country's fifth largest industry as Malaysia is one of the world's top tourist destination (top 10 in arrivals and top 15 in receipts). For 2010, tourist arrival is expected to reach 24.0 million (2009: 23.6 million) whilst tourist receipts are envisaged to hit RM59.2 billion (2009: RM53.4 billion). The Government expects the hotel and restaurant sub-sector to grow by 5.2% for 2011 with tourist arrival reaching 25 million. Tourism is also listed as 1 of the 12 NKEAs by the Government with the aim to increase tourist arrival to 36 million in 2020 and focusing on growing the tourist receipts.

The Sunway Resort Hotel & Spa and Pyramid Tower Hotel located within the Sunway Integrated Resort City are well positioned to benefit from the implementation of the tourism NKEAs as the two properties are adjacent to the necessary infrastructure (such as Sunway Lagoon Theme Park, Sunway Pyramid Shopping Mall) that fit into the themes for the entry point projects developed under the NKEA i.e.:

- positioning Malaysia as a duty free shopping destination for tourist goods
- providing family fun by offering tourists a destination for family entertainment
- improving events, entertainment, spa and sports offerings to attract tourists
- improving business tourism

Sunway Hotel Seberang Jaya which is located in Seberang Prai, Penang shall benefit from the Government's NKEA involving electronics and electrical with the Northern Corridor as one of the four regional clusters.

During the quarter under review, the Sunway Resort Hotel & Spa and Pyramid Tower Hotel enjoyed strong occupancy (Sunway Resort Hotel & Spa: 70.8 %; Pyramid Tower Hotel: 86.3 %) and average daily rates (Sunway Resort Hotel & Spa: RM407; Pyramid Tower Hotel: RM258) in conjunction with the year-end school holidays and MICE (Meeting, Incentives, Convention and Exhibition) activities. Meanwhile Sunway Hotel Seberang Jaya which is a four star corporate hotel has enjoyed steady performance as the domestic and global economy recover. The Manager is of the view that Sunway REIT's hotel properties will continue to perform well in line with the positive outlook for the industry.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2010 (UNAUDITED)**

B3. Prospects (Cont'd)

Review of office market

Generally, the Kuala Lumpur office market is expected to remain soft due to expected new entry of new office supply of more than 14 million square feet from year 2011 to 2014. Office rent for year 2010 continue to stay firm for well maintained and good location office buildings.

Properties at less strategically located areas experience marginal decline in rent. Despite the business sentiment was more positive, the outlook for the office sector remains cautious until a more convincing and firmer economic performance is achieved. On a more positive note, the Government's ETP will result in a significant shift in the Malaysian economy whereby services will account for a much greater share of the economy (increasing from 58% of GDP to 65% of GDP in 2020) and the creation of 3.3 million jobs by 2020 which will potentially translate into higher demand for office space.

Occupancy at both the Sunway REIT's office properties had been stable at 99.5% for Menara Sunway and 97.0% at Sunway Tower. The occupancy for Menara Sunway and Sunway Tower is expected to remain stable and the rental rates are expected to increase moderately for the renewals in 2011.

B4. 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 that will provide stable cash distributions with the potential for sustainable growth in net asset value per unit.

For the quarter ended 31 December 2010, the Manager has made a provision for distribution of 1.75 sen per unit to be paid in March 2011. 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.

B5. Performance Benchmark

Performance indicators	For the financial period ended 31 December 2010
a) Management expense ratio (annualised)	0.79%
b) Total returns (sen)	14.51
c) Average annual return	N/A
d) Distribution yield (annualised)(based on closing price of RM1.03 on 31 December 2010)	6.53%
e) NAV per unit (after provision for distribution) (RM)	0.9745

- a) The ratio of expenses incurred in operating Sunway REIT to the NAV of Sunway REIT.
- b) The change in value over a period of time plus any distributions received during that time.
- c) The sum of the return rates over a given number of years divided by that number of years. This indicator is currently not available as this is Sunway REIT's first financial period results since listing.
- d) The annual distribution per unit paid divided by its current market price. This is annualised based on provision for income distribution for year-to-date ended 31 December 2010 of RM87.4
- e) Net asset value as determined by deducting the value of all liabilities from the total asset value, divided by total issued units.

B6. 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.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2010 (UNAUDITED)**

B7. Variance of Actual Profit from Profit Forecast

a) Condensed Statement of Comprehensive Income

	Current Year Quarter 31.12.2010		
	Actual (Unaudited)	Forecast ¹	Change
	RM'000	RM'000	%
Rental income	82,997	82,025	1.2%
Other operating income	2,336	1,640	42.4%
Gross revenue	85,333	83,665	2.0%
Quit rent, assessment and insurance	(1,820)	(1,824)	-0.2%
Other property operating expenses	(20,677)	(19,746)	4.7%
Property operating expenses	(22,497)	(21,570)	4.3%
Net property income	62,836	62,095	1.2%
Other income	855	38	2150.0%
Net investment income	63,691	62,133	2.5%
Manager fee	(4,749)	(4,908)	-3.2%
Trustee fee	(199)	(208)	-4.3%
Finance costs	(13,139)	(13,573)	-3.2%
Other trust expenses	(368)	(287)	28.2%
	(18,455)	(18,976)	-2.7%
Income before taxation	45,236	43,157	4.8%
Taxation	-	-	
Net income for the period	45,236	43,157	4.8%
Other comprehensive income, net of tax	-	-	0.0%
Total comprehensive income for the period	45,236	43,157	4.8%
Provision for income distribution ²	(46,941)	(45,611)	2.9%
Net comprehensive income retained	(1,705)	(2,454)	-30.5%
Net income for the period comprise the following:			
Realised	44,679	43,157	3.5%
Unrealised	557	-	100.0%
	45,236	43,157	4.8%
Earnings per unit (sen)	1.69	1.61	4.8%
Distribution per unit (sen)	1.75	1.70	2.9%

¹ Based on second quarter forecast of the profit for the financial period ending 30 June 2011 as per prospectus of Sunway REIT dated 15 June 2010.

² Provision for income distribution:

	Current year quarter 31.12.2010		
	Actual (Unaudited)	Forecast ¹	Change
	RM'000	RM'000	%
Net income for the period (realised)	44,679	43,157	3.5%
Add: Surplus cash arising from 50% Manager's fee payable in units	2,375	2,454	-3.2%
Total available for income distribution	47,054	45,611	3.2%
Less: Provision for income distribution	(46,941)	(45,611)	2.9%
Balance undistributed arising from rounding difference	113	-	100.0%

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2010 (UNAUDITED)**

B7. Variance of Actual Profit from Profit Forecast (Cont'd)

b) Breakdown of Gross Revenue and Net Property Income

Properties	Current Year Quarter 31.12.2010					
	Gross Revenue			Net Property Income		
	Actual (Unaudited)	Forecast ¹	Change	Actual (Unaudited)	Forecast ¹	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Retail						
Sunway Pyramid Shopping Mall	52,935	51,540	2.7%	36,134	36,093	0.1%
Sunway Carnival Shopping Mall	6,369	6,525	-2.4%	3,301	3,235	2.0%
Suncity Ipoh Hypermarket	1,033	1,020	1.3%	951	937	1.5%
	60,337	59,085	2.1%	40,386	40,265	0.3%
Hospitality						
Sunway Resort Hotel & Spa	9,892	9,278	6.6%	9,581	9,017	6.3%
Pyramid Tower Hotel	5,371	5,298	1.4%	5,334	5,126	4.1%
Sunway Hotel Seberang Jaya	1,531	1,843	-16.9%	1,476	1,691	-12.7%
	16,794	16,419	2.3%	16,391	15,834	3.5%
Office						
Menara Sunway	3,902	3,830	1.9%	2,809	2,800	0.3%
Sunway Tower	4,300	4,331	-0.7%	3,250	3,196	1.7%
	8,202	8,161	0.5%	6,059	5,996	1.1%
Total	85,333	83,665	2.0%	62,836	62,095	1.2%

¹ Based on second quarter forecast of the profit for the financial period ending 30 June 2011 as per prospectus of Sunway REIT dated 15 June 2010.

Gross revenue for the quarter ended 31 December 2010 was RM85.3 million, which was higher by RM1.7 million or 2.0% compared to the forecast of the same period. This was mainly attributable to better performance from Sunway Resort Hotel & Spa and Pyramid Tower due to the year end holiday season and MICE (Meeting, Incentives, Convention and Exhibition) activities. Rental reversion/new tenancies that commenced during the quarter at Sunway Pyramid Shopping Mall further enhanced the overall performance of Sunway REIT for the current quarter.

Property operating expenses for the quarter ended 31 December 2010 was RM22.5 million, which was RM0.9 million or 4.3% higher compared to the forecast of the same period. This was mainly attributable to higher utilities and advertising and promotion expenses in conjunction with year end festive period.

As a result, net property income for the quarter ended 31 December 2010 was RM62.8 million, which was RM0.7 million or 1.2% higher compared to forecast for the same period.

Other income of RM0.9 million mainly comprising interest income and fair value gain on financial derivatives was higher than forecast by of RM0.8 million. Higher interest income was due to active cash flow monitoring to maximise funds placement.

Finance costs for the quarter ended 31 December 2010 was RM13.1 million, marginally lower than the forecast of the same period by RM0.4 million or 3.2% was primarily due to lower interest rate of 4.55% per annum compared to forecast of 4.68% per annum.

Overall, net income for the quarter ended 31 December 2010 was RM45.2 million, which was RM2.1 million or 4.8% higher compared to the forecast of the same period.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2010 (UNAUDITED)**

B8. Manager 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 ended 31 December 2010 was RM4.7 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 quarter ended 31 December 2010 was RM0.2 million.

B10. Taxation

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 period ending 30 June 2011.

Taxation of the Unitholders

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

Unitholders	Withholding tax rate
Individuals & all other non-corporate investors such as institutional investors	10%
Non-resident corporate investors	25%

Resident corporate investors are required to report the distributions in their normal corporate tax return and subject to the normal corporate tax rate of 25%.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2010 (UNAUDITED)**

B11. Status of Corporate Proposal

There was no corporate proposal announced as at the latest practicable date from the date of this report.

B12. Borrowings and Debt Securities

The borrowings as at 31 December 2010 are as follows:

	As at 31.12.2010
	RM'000
Short term borrowings	
- Secured revolving credit	47,350
Long term borrowings	
- Secured term loan	1,000,000
Total borrowings	1,047,350
Less: Unamortised transaction costs	(10,689)
	<u>1,036,661</u>

All the bank borrowings are denominated in Ringgit Malaysia.

B13. Derivative Financial Instruments - Swap

The outstanding swap agreements as at 31 December 2010 are as followings:

Type of Derivatives	Contract/ Notional Value	Fair Value Assets/ (Liabilities)
	RM'000	RM'000
Interest rate swap agreement		
- More than 3 years but less than 4 years	100,000	445

Derivative financial instruments are recognised in the financial statements in accordance with FRS 139.

An interest rate swap is a derivative in which one party exchanges a stream of interest payments for another party's stream of cash flow. Sunway REIT had entered into interest rate swap to convert a RM100 million floating rate loan to a fixed rate loan in order to minimise the exposure from the fluctuation of interest rate. The fair value of the swap contracts are determined by using the market rates at the end of reporting period and changes in the fair value is recognised in the profit or loss.

B14. Material Litigation

There was no pending material litigation as at the latest practicable date from the date of this report.

B15. 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.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2010 (UNAUDITED)**

B16. Summary of EPU, DPU, NAV and Market Price

	Period ended 31 December 2010	As at 8 July 2010	% change
Number of units in issue (units)	2,682,347,900	2,680,112,300	0.08%
Realised net income (RM'000)	83,090	N/A	100%
Earnings per unit (EPU) (sen)	13.27	N/A	100%
Income distribution (Paid and provision) (RM'000)	87,411	N/A	100%
Distribution per unit (DPU)(sen)	3.26	N/A	100%
Net Asset Value (NAV) (RM'000)	2,614,024	2,615,047	0.0%
NAV per unit (RM)	0.9745	0.9757	-0.1%
Market price per unit as at 31 December 2010 (RM)	1.03	0.90	14.4%

¹ N/A : Not applicable

B17. Income Distribution

The Board of the Manager has declared a second interim income distribution of 1.75 sen per unit for the second quarter ended 31 December 2010 comprising taxable and non-taxable amount of 1.74 sen and 0.01 sen per unit respectively. The book closure and payment dates in respect of the interim income distribution will be fixed on 16 February 2011 and 14 March 2011 respectively.

B18. Directors' Declaration

In the opinion of the Directors of the Manager, this quarterly report has been prepared in accordance with FRS 134: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Sunway REIT as at 31 December 2010 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 26 January 2011.

BY ORDER OF THE BOARD

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

Tan Kim Aun (MAICSA No.: 7002988)
Lee Suan Choo (MAICSA No.: 7017562)
Company Secretaries

Petaling Jaya
Date: 26 January 2011