

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE THIRD QUARTER ENDED 31 MARCH 2012 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<-- Individual Quarter -->		<-- Cumulative Quarter -->	
	Current Year Quarter 31.03.2012	Preceding Year Corresponding Quarter 31.03.2011	Current Year To date 31.03.2012	Preceding Year To date 31.03.2011 <sup>1</sup>
	RM'000	RM'000	RM'000	RM'000
Rental income	96,161	80,705	297,229	234,953
Other operating income	1,931	1,641	6,639	5,171
<b>Gross revenue</b>	<b>98,092</b>	<b>82,346</b>	<b>303,868</b>	<b>240,124</b>
Quit rent, assessment and insurance	(2,995)	(1,858)	(9,032)	(5,471)
Other property operating expenses	(20,739)	(19,508)	(71,502)	(55,624)
<b>Property operating expenses</b>	<b>(23,734)</b>	<b>(21,366)</b>	<b>(80,534)</b>	<b>(61,095)</b>
<b>Net property income</b>	<b>74,358</b>	<b>60,980</b>	<b>223,334</b>	<b>179,029</b>
Other income	543	820	909	1,948
Change in fair value of investment properties	-	-	-	272,339
<b>Net investment income</b>	<b>74,901</b>	<b>61,800</b>	<b>224,243</b>	<b>453,316</b>
Manager's fee	(5,574)	(4,642)	(16,796)	(13,697)
Trustee's fee	(211)	(194)	(632)	(580)
Finance costs	(20,631)	(12,971)	(61,955)	(38,636)
Other expenses	(931)	(261)	(2,681)	(797)
	(27,347)	(18,068)	(82,064)	(53,710)
<b>Income before taxation</b>	<b>47,554</b>	<b>43,732</b>	<b>142,179</b>	<b>399,606</b>
Income tax expense	-	-	-	-
<b>Profit for the period</b>	<b>47,554</b>	<b>43,732</b>	<b>142,179</b>	<b>399,606</b>
<b>Profit for the period comprise the following:</b>				
Realised	47,543	43,152	142,511	126,242
Unrealised	11	580	(332)	273,364
	47,554	43,732	142,179	399,606
Earnings per unit (sen)				-
- realised	1.77	1.61	5.30	4.70
- unrealised	-	0.02	(0.01)	10.18
	1.77	1.63	5.29	14.88
Proposed/declared distribution per unit (sen)	1.87	1.70	5.61	4.96

<sup>1</sup> The comparative financial results reported refers to the period from 20 May 2010, being the date that Sunway REIT was constituted, to 31 March 2011. The acquisition of the initial portfolio of eight assets was completed on listing date, 8 July 2010.

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the period ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements.

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE THIRD QUARTER ENDED 31 MARCH 2012 (UNAUDITED)**

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

	<-- Individual Quarter -->		<-- Cumulative Quarter -->	
	Current Year Quarter 31.03.2012	Preceding Year Corresponding Quarter 31.03.2011	Current Year To date 31.03.2012	Preceding Year To date 31.03.2011 <sup>1</sup>
	RM'000	RM'000	RM'000	RM'000
<b>Profit for the period</b>	<b>47,554</b>	<b>43,732</b>	<b>142,179</b>	<b>399,606</b>
<b>Other comprehensive income</b>				
Cash flow hedge - fair value changes	4,028	-	4,028	-
<b>Total comprehensive income for the period</b>	<b>51,582</b>	<b>43,732</b>	<b>146,207</b>	<b>399,606</b>

**Income distribution**

	<-- Individual Quarter -->		<-- Cumulative Quarter -->	
	Current Year Quarter 31.03.2012	Preceding Year Corresponding Quarter 31.03.2011	Current Year To date 31.03.2012	Preceding Year To date 31.03.2011 <sup>1</sup>
	RM'000	RM'000	RM'000	RM'000
Realised total comprehensive income for the period	47,543	43,152	142,511	126,242
Add: Surplus cash arising from 50% Manager's fee paid/payable in Units	2,787	2,321	8,398	6,849
Total available for income distribution for the period	50,330	45,473	150,909	133,091
Brought forward undistributed income available for distribution	186	207	235	-
Total available for income distribution	50,516	45,680	151,144	133,091
Less: Proposed/declared income distribution	(50,381)	(45,639)	(151,009)	(133,050)
Balance undistributed arising from rounding difference	135	41	135	41

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE THIRD QUARTER ENDED 31 MARCH 2012 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>As At 31.03.2012 (Unaudited)</b>	<b>As At 30.06.2011 (Audited)</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Plant and equipment	351	122
Investment properties	4,389,882	4,379,000
Derivative financial instruments	28	-
	<u>4,390,261</u>	<u>4,379,122</u>
<b>Current assets</b>		
Receivables, deposits and prepayments	21,418	14,461
Deposits placed with licensed financial institutions	96,740	53,722
Cash and bank balances	7,878	4,884
Derivative financial instruments	-	706
	<u>126,036</u>	<u>73,773</u>
	<u>4,516,297</u>	<u>4,452,895</u>
<b>FINANCED BY:</b>		
<b>Unitholders' funds</b>		
Unitholders' capital	2,358,700	2,350,437
Distributable income	422,664	420,613
Total Unitholders' funds	<u>2,781,364</u>	<u>2,771,050</u>
<b>Non-current liabilities</b>		
Borrowings	465,519	1,502,025
Long term liabilities	52,930	52,029
	<u>518,449</u>	<u>1,554,054</u>
<b>Current liabilities</b>		
Borrowings	1,162,450	59,350
Trade and other payables	54,034	68,441
	<u>1,216,484</u>	<u>127,791</u>
	<u>4,516,297</u>	<u>4,452,895</u>
Number of units in circulation ('000 units)	2,694,194	2,686,898
<b>NET ASSET VALUE ("NAV")</b>		
- Before income distribution	2,781,364	2,771,050
- After income distribution	2,730,983	2,727,522
<b>NET ASSET VALUE PER UNIT (RM)</b>		
- Before income distribution	1.0324	1.0313
- After income distribution	1.0137	1.0151

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the period ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements.

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE THIRD QUARTER ENDED 31 MARCH 2012 (UNAUDITED)**

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

	Unitholders' Capital	<-- Distributable Income -->		Total Unitholders' Funds
	RM'000	Realised RM'000	Unrealised RM'000	RM'000
<b>As at 1 July 2011</b>	2,350,437	34,261	386,352	2,771,050
<b>Total comprehensive income</b>				
Profit for the period	-	142,511	(332)	142,179
Other comprehensive income				
- Cash flow hedge reserve	-	-	4,028	4,028
Total comprehensive income, representing the increase in net assets resulting from operations	2,350,437	176,772	390,048	2,917,257
<b>Unitholders' transactions</b>				
Creation of units <sup>1</sup>				
- Manager's fee paid in units	8,263	-	-	8,263
Distribution to unitholders <sup>2</sup>	-	(144,156)	-	(144,156)
Increase/(decrease) in net assets resulting from unitholders' transactions	8,263	(144,156)	-	(135,893)
<b>As at 31 March 2012 (Unaudited)</b>	2,358,700	32,616	390,048	2,781,364

	Unitholders' Capital	<-- Distributable Income -->		Total Unitholders' Funds
	RM'000	Realised RM'000	Unrealised RM'000	RM'000
<b>As at 20 May 2010 (date of establishment)</b>				
Total comprehensive income, representing the increase in net assets resulting from operations	-	167,311	386,352	553,663
<b>Unitholders' transactions</b>				
Creation of units <sup>1</sup>				
- Units issued as partial satisfaction of the purchase consideration for properties acquired	920,969	-	-	920,969
- Pursuant to initial public offering	1,486,792	-	-	1,486,792
- Manager's fee paid in units	6,849	-	-	6,849
Unit issuance expenses	(64,173)	-	-	(64,173)
Distribution to unitholders <sup>3</sup>	-	(133,050)	-	(133,050)
Increase/(decrease) in net assets resulting from unitholders' transactions	2,350,437	(133,050)	-	2,217,387
<b>As at 30 June 2011 (Audited)</b>	2,350,437	34,261	386,352	2,771,050

The unaudited condensed consolidated statement of changes in net asset value should be read in conjunction with the audited financial statements for the period ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements.

**SUNWAY REAL ESTATE INVESTMENT TRUST**

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

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

	<b>31.03.2012</b>	
	<b>Units</b>	<b>Amount</b>
	<b>'000</b>	<b>RM'000</b>
Issuance of new units pursuant to 50% Manager fee paid in units:		
- at RM1.1204 per unit for the quarter ended 30 June 2011	2,368	2,653
- at RM1.0972 per unit for the quarter ended 30 September 2011	2,495	2,737
- at RM1.1808 per unit for the quarter ended 31 December 2011	2,433	2,873
Total Manager's fee paid in units	<u>7,296</u>	<u>8,263</u>
	<b>30.06.2011</b>	
	<b>Units</b>	<b>Amount</b>
	<b>'000</b>	<b>RM'000</b>
Units issued as partial satisfaction of the purchase consideration for properties acquired	1,025,143	920,969
Pursuant to initial public offering	1,654,969	1,486,792
	<u>2,680,112</u>	<u>2,407,761</u>
Issuance of new units pursuant to 50% Manager fee paid in units:		
- at RM0.9630 per unit for the quarter ended 30 September 2010	2,236	2,153
- at RM1.0187 per unit for the quarter ended 31 December 2010	2,331	2,375
- at RM1.0460 per unit for the quarter ended 31 March 2011	2,219	2,321
Total Manager's fee paid in units	<u>6,786</u>	<u>6,849</u>
	<u>2,686,898</u>	<u>2,414,610</u>

<sup>2</sup> Income distributed for 4Q 2011 of RM43,528,000 and 1Q 2012 to 2Q 2012 of RM100,628,000.

<sup>3</sup> Income distributed for 1Q 2011 (8 July 2010) to 3Q 2011.

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE THIRD QUARTER ENDED 31 MARCH 2012 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	Current Year To date 31.03.2012	Preceding Year To date 31.03.2011
	RM'000	RM'000
<b>OPERATING ACTIVITIES</b>		
Cash receipts from customers	309,173	253,852
Refundable security deposits from customers	7,440	69,862
Cash paid for operating expenses	(110,223)	(72,994)
Net cash generated from operating activities	<u>206,390</u>	<u>250,720</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of plant and equipment	(258)	-
Acquisition of investment properties	-	(2,535,692)
Incidental costs on acquisition of investment properties	(7,430)	(51,395)
Subsequent expenditure of investment properties	(19,583)	-
Interest received	1,004	835
Net cash used in investing activities	<u>(26,267)</u>	<u>(2,586,252)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of new units	-	1,486,792
Drawdown of term loan and revolving credits	1,553,700	1,212,350
Repayment of term loan	(1,344,800)	-
Repayment of revolving credits	(146,450)	(150,000)
Interest paid	(52,474)	(32,455)
Payment of unit issuance and financing expenses	(250)	(76,196)
Gain from termination of interest rate swap	316	-
Distribution paid	(144,156)	(87,411)
Net cash generated from financing activities	<u>(134,114)</u>	<u>2,353,080</u>
Net increase in cash and cash equivalents	46,009	17,548
Cash and cash equivalents at beginning of period	58,606	-
Cash and cash equivalents at end of period	<u>104,615</u>	<u>17,548</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	7,875	4,833
Deposits placed with licensed financial institutions	96,740	12,715
Cash and cash equivalents at end of period	<u>104,615</u>	<u>17,548</u>

Note a

Acquisition price of investment properties	-	3,456,661
Consideration units issued as partial satisfaction of the purchase consideration for properties acquired	-	(920,969)
	<u>-</u>	<u>2,535,692</u>

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the period ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements.

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE THIRD QUARTER ENDED 31 MARCH 2012 (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 March 2012 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.

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the period ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements.

**A2. Audit Report of Preceding Financial Year**

The auditors have expressed an unqualified opinion on Sunway REIT's financial statement for the financial period ended 30 June 2011.

**A3. Seasonal or Cyclical Factors**

The results for the current quarter under review were not materially affected by seasonal or cyclical factors except for the hospitality properties which registered lower net property income as the current quarter is typically a low season due to lesser leisure activities and corporate functions and banquets.

**A4. Unusual Items**

There were no material unusual items affecting the amounts reported for the financial period ended 31 March 2012.

**A5. Changes in Estimates**

This is not applicable as no estimates were previously reported.

**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 March 2012 except for issuance of 2,433,100 units at RM1.1808\* per unit in Sunway REIT on 27th February 2012 being 50% payment of the Manager's fee for the quarter ended 31 December 2011. The units were listed on the Main Market of Bursa Securities on 27th February 2012.

*\* Based on the 10-day volume weighted average price ("VWAP") of the units up to and including 31 December 2011.*

**A7. Income Distribution**

For the quarter ended 31 March 2012, the Manager proposed an interim income distribution of approximately 100% of the realised distributable income amounting to RM50.4 million or 1.87 sen per unit. This amount includes surplus cash arising from 50% Manager's fee payable in units of RM2.8 million.

**SUNWAY REAL ESTATE INVESTMENT TRUST**

**FOR THE THIRD QUARTER ENDED 31 MARCH 2012 (UNAUDITED)**

**A8. Segmental Reporting**

(a) By segment

Segmental results for the financial period ended 31 March 2012 are as follows:

Current Year Quarter

	Current Year Quarter Ended 31.03.2012				Preceding Year Quarter Ended 31.03.2011			
	Retail RM'000	Hotel RM'000	Office RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Total RM'000
<b>BY BUSINESS SEGMENTS</b>								
REVENUE AND EXPENSES								
Gross revenue	73,477	13,958	10,657	98,092	62,358	11,568	8,420	82,346
<u>Results</u>								
Net property income	53,119	13,327	7,912	74,358	43,588	11,145	6,247	60,980
Other income				543				820
Trust and other expenses				(6,716)				(5,097)
Financing costs				(20,631)				(12,971)
Income before taxation				47,554				43,732
Income tax expense				-				-
Profit for the period, representing total comprehensive income for the period				47,554				43,732



**SUNWAY REAL ESTATE INVESTMENT TRUST**

**FOR THE THIRD QUARTER ENDED 31 MARCH 2012 (UNAUDITED)**

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

(a) By segment (Cont'd)

Cumulative year-to-date

	Cumulative year-to-date Ended 31.03.2012				Cumulative year-to-date Ended 31.03.2011 <sup>1</sup>			
	Retail RM'000	Hotel RM'000	Office RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Total RM'000
<b>BY BUSINESS SEGMENTS</b>								
REVENUE AND EXPENSES								
Gross revenue	219,985	51,722	32,161	303,868	175,499	40,510	24,115	240,124
<u>Results</u>								
Net property income	150,205	50,068	23,061	223,334	121,900	39,195	17,934	179,029
Other income				909				1,948
Change in fair value of investment properties				-				272,339
Trust and other expenses				(20,109)				(15,074)
Financing costs				(61,955)				(38,636)
Income before taxation				142,179				399,606
Income tax expense				-				-
Profit for the period, representing total comprehensive income for the period				142,179				399,606

<sup>1</sup> The comparative financial results reported refers to the period from 20 May 2010, being the date that Sunway REIT was constituted, to 31 March 2011. The acquisition of the initial portfolio of eight assets was completed on listing date, 8 July 2010.

**SUNWAY REAL ESTATE INVESTMENT TRUST**

**FOR THE THIRD QUARTER ENDED 31 MARCH 2012 (UNAUDITED)**

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

(b) By property

Properties	Gross Revenue			Net Property Income			Cumulative Quarter 31.03.2012					
	Current Year Quarter 31.03.2012	Preceding Year Corresponding Quarter 31.03.2011	Change	Current Year Quarter 31.03.2012	Preceding Year Corresponding Quarter 31.03.2011	Change	Gross Revenue			Net Property Income		
							Current Year To Date 31.03.2012	Preceding Year To Date 31.03.2011 <sup>1</sup>	Change	Current Year To Date 31.03.2012	Preceding Year To Date 31.03.2011 <sup>1</sup>	Change
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
<b>IPO assets</b>												
Sunway Pyramid Shopping Mall	58,941	54,772	7.6%	43,488	38,710	12.3%	170,825	154,314	10.7%	121,790	109,336	11.4%
Sunway Carnival Shopping Mall	7,344	6,553	12.1%	4,272	3,915	9.1%	20,868	18,165	14.9%	11,763	9,769	20.4%
Suncity Ipoh Hypermarket	1,137	1,033	10.1%	1,049	963	8.9%	3,414	3,020	13.0%	3,140	2,795	12.3%
Sunway Resort Hotel & Spa	6,537	6,208	5.3%	6,345	5,911	7.3%	25,939	22,415	15.7%	25,099	21,532	16.6%
Pyramid Tower Hotel	4,777	4,287	11.4%	4,672	4,212	10.9%	17,277	14,506	19.1%	16,965	14,229	19.2%
Sunway Hotel Seberang Jaya	665	1,073	-38.0%	633	1,022	-38.1%	3,367	3,589	-6.2%	3,229	3,434	-6.0%
Menara Sunway	4,043	4,080	-0.9%	3,176	2,667	19.1%	12,129	11,483	5.6%	9,025	8,131	11.0%
Sunway Tower	4,256	4,340	-1.9%	3,182	3,580	-11.1%	12,653	12,632	0.2%	9,608	9,803	-2.0%
Total for initial portfolio	87,700	82,346	6.5%	66,817	60,980	9.6%	266,472	240,124	11.0%	200,619	179,029	12.1%
<b>Sunway Putra Place<sup>2</sup></b>												
Sunway Putra Mall	6,055	-	100.0%	4,310	-	100.0%	24,878	-	-	13,512	-	-
Sunway Putra Hotel	1,979	-	100.0%	1,677	-	100.0%	5,139	-	-	4,775	-	-
Sunway Putra Tower	2,358	-	100.0%	1,554	-	100.0%	7,379	-	-	4,428	-	-
Total for Sunway Putra Place	10,392	-	-	7,541	-	-	37,396	-	-	22,715	-	-
<b>TOTAL PORTFOLIO</b>	<b>98,092</b>	<b>82,346</b>	<b>19.1%</b>	<b>74,358</b>	<b>60,980</b>	<b>21.9%</b>	<b>303,868</b>	<b>240,124</b>	<b>26.5%</b>	<b>223,334</b>	<b>179,029</b>	<b>24.7%</b>
<b>By segment</b>												
Retail	73,477	62,358	17.8%	53,119	43,588	21.9%	219,985	175,499	25.3%	150,205	121,900	23.2%
Hospitality	13,958	11,568	20.7%	13,327	11,145	19.6%	51,722	40,510	27.7%	50,068	39,195	27.7%
Office	10,657	8,420	26.6%	7,912	6,247	26.7%	32,161	24,115	33.4%	23,061	17,934	28.6%
	98,092	82,346	19.1%	74,358	60,980	21.9%	303,868	240,124	26.5%	223,334	179,029	24.7%

<sup>1</sup> The comparative financial results reported refers to the period from 20 May 2010, being the date that Sunway REIT was constituted, to 31 March 2011. The acquisition of the initial portfolio of eight assets was completed on listing date, 8 July 2010.

<sup>2</sup> Acquired on 19 April 2011. Sunway REIT has secured possession and control of Sunway Putra Place on 28 September 2011 in accordance with the High Court Order dated 28 June 2011.

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE THIRD QUARTER ENDED 31 MARCH 2012 (UNAUDITED)**

**A9. Valuation of Investment Properties**

Investment properties are valued by 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.

**A10. Material Event**

There were no material events during the current quarter ended 31 March 2012.

**A11. Material Events Subsequent to the end of the Current Quarter**

There were no material events subsequent to the current quarter ended 31 March 2012.

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

Sunway REIT's fund size was increased from 2,691.8 million units to 2,694.2 million units with the issuance of 2.4 million units as mentioned in note A6.

**A13. Contingent Liabilities and Assets**

There were no contingent liabilities or contingent assets as at 31 March 2012.

**A14. Capital Commitments**

The amount of commitments for investment properties not provided for in the unaudited interim financial statements as at 31 March 2012 were as follows:

	<b>As at 31.03.12 RM'000</b>
Approved and contracted for	47,866
Approved but not contracted for	38,214
	<u>86,080</u>

**A15. Realised and Unrealised Retained Profits**

	<b>Current financial period RM'000</b>	<b>As at end of last financial year RM'000</b>
Total retained profits of Sunway REIT		
- Realised	32,616	34,261
- Unrealised	390,048	386,352
	<u>422,664</u>	<u>420,613</u>

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE THIRD QUARTER ENDED 31 MARCH 2012 (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**  
**Quarter results**

Retail segment

Retail segment recorded gross revenue of RM73.5 million for the current quarter ended 31 March 2012 (3Q 2012), a significant improvement of 17.8% or RM11.1 million compared to the preceding year corresponding quarter (3Q 2011). Sunway Putra Mall which was acquired in April 2011 (4Q 2011) contributed RM6.0 million whilst the initial portfolio contributed RM5.1 million to the higher revenue. The better performance of the initial portfolio was mainly attributable to Sunway Pyramid Shopping Mall whereby approximately 294,968 sq.ft. or 93% of the tenancies due for renewal in current financial year was renewed/replaced with new tenants with an average rental reversion of 17.2% for 3-year term and an increase in net lettable area of 11,963 sq ft compared to preceding year corresponding quarter.

Property operating expenses of retail segment for 3Q 2012 was RM20.4 million, an increase of RM1.6 million or 8.5% from 3Q 2011, mainly contributed by Sunway Putra Mall.

Net property income of retail segment for 3Q 2012 was RM53.1 million, an increase of 21.9% or RM9.5 million compared to 3Q 2011, with the initial portfolio of retail properties and Sunway Putra Mall contributing to the increase by RM5.2 million and RM4.3 million respectively.

Hospitality segment

Hospitality segment registered gross revenue of RM14.0 million for 3Q 2012, an increase of 20.7% or RM2.4 million compared to 3Q 2011. The initial portfolio of hospitality properties and Sunway Putra Hotel contributed to the increase by RM0.4 million and RM2.0 million respectively. The hotel master lease of Sunway Putra Hotel commenced on 28 September 2011 following Sunway REIT's success in securing full control and possession, thus, contributed to the overall improvement of the hospitality's revenue.

Net property income of hospitality segment for 3Q 2012 was RM13.3 million, an increase of 19.6% or RM2.2 million compared to 3Q 2011, with the initial portfolio of hospitality properties and Sunway Putra Hotel contributing to the increase by RM0.5 million and RM1.7 million respectively.

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

Office segment

Office segment recorded gross revenue and net property income of RM10.7 million and RM7.9 million respectively for 3Q 2012, an increase of 27.6% and 26.7% respectively compared to 3Q 2011. The overall higher contribution from office properties was mainly attributable to the addition of Sunway Putra Tower to the portfolio in April 2011, which mitigated a slight drop in occupancy at Menara Sunway as mentioned in note B3 below.

Income before taxation

Finance costs for 3Q 2012 was RM20.6 million, an increase of RM7.6 million compared to 3Q 2011 primarily due to finance expense for acquisition of Sunway Putra Place.

Overall, net income for 3Q 2012 was RM47.6 million, an increase of 8.7% or RM3.8 million compared to 3Q 2011. The initial portfolio of properties had performed better by RM3.4 million and Sunway Putra Place had contributed net income of RM0.4 million to the overall portfolio.

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**B1. Review of Performance (Cont'd)  
Cumulative current year-to-date results**

Retail segment

Retail segment recorded gross revenue of RM220.0 million for the cumulative current year-to-date ended 31 March (YTD 3Q 2012), a significant improvement of 25.3% or RM44.5 million compared to the preceding year-to-date ended 31 March 2011 (YTD 3Q 2011). The initial portfolio of retail properties and Sunway Putra Mall contributed to the increase by RM19.6 million and RM24.9 million respectively. Higher revenue from initial portfolio of retail properties was primarily attributable to flow through of rental reversion from Sunway Pyramid Shopping Mall whereby approximately 1.1 million sq.ft. was renewed/replaced with new tenants towards the end of Sept 2010 with a rental reversion of 16.3% for the 3-year term and rental revision of approximately 294,968 sq.ft. or 93% of the tenancies due for renewal in current financial year was renewed/replaced with new tenants with an average rental reversion of 17.2% for 3-year term. The higher revenue from Sunway Pyramid Shopping Mall was also due to increase in net lettable area of 12,003 sq ft and higher occupancy rate from 98.51% to 98.72%.

Property operating expenses of retail segment for YTD 3Q 2012 was RM69.8 million, an increase of RM16.2 million or 30.2% from YTD 3Q 2011. The initial portfolio of retail properties and Sunway Putra Mall contributed to the increase by RM4.8 million and RM11.4 million respectively. The increase in property operating expenses of initial portfolio of retail properties was mainly due higher advertising & promotion expenses in conjunction with New Year events and Chinese New Year festival and higher maintenance expenses at Sunway Pyramid Shopping Mall. The increase in property operating expenses was also due to addition of Sunway Putra Mall to the portfolio of properties.

Net property income of retail segment for YTD 3Q 2012 was RM150.2 million, an increase of 23.2% or RM28.3 million compared to YTD 3Q 2011, with the initial portfolio of retail properties and Sunway Putra Mall contributing to the increase by RM14.8 million and RM13.5 million respectively.

Hospitality segment

Hospitality segment registered gross revenue of RM51.7 million for YTD 3Q 2012, an increase of 27.7% or RM11.2 million compared to YTD 3Q 2011. The initial portfolio of hospitality properties and Sunway Putra Hotel contributed to the increase by RM6.1 million and RM5.1 million respectively. Healthy revenue growth from the initial portfolio of hospitality properties was mainly attributable to higher average daily rate and occupancy rate of hospitality properties located in Sunway Integrated Resort City, resulting from continued strong support from the meetings, incentives, conventions and exhibitions (MICE) segment, corporate business and tourists arrival from the Middle East.

Net property income of hospitality segment for YTD 3Q 2012 was RM50.1 million, an increase of 27.7% or RM10.9 million compared to YTD 3Q 2011, with the initial portfolio of hospitality properties and Sunway Putra Hotel contributing to the increase by RM6.1 million and RM4.8 million respectively.

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

Office

Office segment recorded gross revenue and net property income of RM32.2 million and RM23.1 million respectively for YTD 3Q 2012, an increase of 33.4% and 28.6% respectively compared to YTD 3Q 2011. The overall higher contribution from office properties was mainly attributable to the addition of Sunway Putra Tower to the portfolio in April 2011, which mitigated a slight drop in occupancy at Menara Sunway as mentioned in note B3 below.

Income before taxation

Finance costs for YTD 3Q 2012 was RM62.0 million, an increase of RM23.4million compared to YTD 3Q 2011 primarily due to finance expense for acquisition of Sunway Putra Place since April 2011.

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**B1. Review of Performance (Cont'd)  
Cumulative current year-to-date results (Cont'd)**

Income before taxation (Cont'd)

Net income for YTD 3Q 2012 was RM142.2 million compared to RM 399.6 million for YTD 3Q 2011. Included in the results for YTD 3Q 2011 was fair value gain on investment properties of the initial portfolio amounting to RM272.3 million resulting from difference between the acquisition costs and appraised value as at Initial Public Offering. Excluding the fair value gain on investment properties, net income for YTD 3Q 2012 would have been higher by 11.7% or RM14.9 million compared to YTD 3Q 2011 of RM127.3 million. Overall, the initial portfolio and Sunway Putra Place had performed better by RM13.7 million and RM1.2 million respectively.

Note :

The results for YTD 3Q 2011 were lesser by 7 days due to acquisition of the initial portfolio of eight properties was completed on 8 July 2010, being the listing date of Sunway REIT. The impact of YTD 3Q 2011 (after adjusting for the 7 days) is as follows:

	YTD 3Q 2012	YTD 3Q 2011 (Adjusted)	Change	
	RM'million	RM'million	RM'million	%
Revenue	303.9	246.7	57.2	23.2%
Operating Expenses	(80.5)	(62.6)	(17.9)	28.6%
Net Property Income	223.3	184.2	39.1	21.2%
Realised Net Income	142.5	130.1	12.4	9.5%

Maintenance costs and major capital expenditure

There was no unusual maintenance costs during the quarter. However, Sunway REIT incurred capital expenditure of approximately RM2.1 million during the quarter under review mainly involving carpark linkages at Sunway Resort Hotel & Spa.

**B2. Material Changes in Quarterly Results**

	<b>Current Quarter Ended 31.03.12 RM'000</b>	<b>Immediate Preceding Quarter Ended 31.12.11 RM'000</b>
Income before taxation	47,554	50,761

Sunway REIT recorded an income before taxation of RM47.6 million, lower by RM3.2 million or 6.3% compared to the immediate preceding quarter of RM50.8 million mainly attributable to lower income from the hospitality properties as the current quarter is traditionally a low season due to lesser leisure activities and corporate functions and banquets.

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**B3. Prospects**

Global economic outlook remains mixed with growth disparity between U.S. and Asia coupled with volatile European sovereign debt crisis. Growth in advanced economy is challenged by high unemployment and fiscal issues while Asian economy experiences weaker external demand in addition to concerns of China moving into a soft landing.

Malaysia will inevitably experience slower growth in 2012. Bank Negara Malaysia (BNM) expects real private investment to moderate from 14.4% in 2011 to 6.9% in 2012 or RM106 billion. In view of the anticipated slower private investment growth, BNM revised its annual GDP growth forecast to 4.0%-5.0% for 2012 compared to earlier forecast of 5.0%-6.0% back in October 2011. Malaysia economy expanded by 5.1% in 2011.

Monetary policy expectation remains accommodative for 2012. In the recent Monetary Policy Meeting, BNM maintained the overnight policy rate (OPR) at 3.0% citing that headline inflation is expected to moderate in 2012. However, BNM cautioned on the upside risk to inflation arising from surging commodity prices.

With the outlook above mentioned, the Manager is confident of the prospects of Sunway REIT's asset portfolio performance, of which 7 out of 11 assets are strategically located in vibrant townships master planned and developed by the Sponsor with inherent captive markets. The captive market element is crucial in providing strong resiliency in times of uncertain economic environment. The Manager expects sustainable performance.

The Manager is committed to distribute 100% of its distributable net income for the financial year ending June 2012.

Review of retail market

Malaysia retail sales is projected to grow at 6.0% to RM86.9 billion in 2012 supported by low unemployment rate, rising disposable income and strong tourism industry. Malaysia aspires to become one of Asia's top retail destinations, matching Hong Kong and Singapore.

Sunway Pyramid Shopping Mall average occupancy rate remained high at 98.7% for YTD 3Q FYE June 2012. The mall continued to enjoy strong rental reversion of 17.2% over a period of three years with approximately 294,968 sq. ft. of retail space renewed.

Average occupancy rate at Sunway Carnival Shopping Mall improved from 89.5% for YTD 2Q FYE June 2012 to 90.1% in YTD 3Q FYE June 2012. Occupancy rate has improved to 94.0% in April 2012 following inclusion of new tenants. YTD 3Q FYE June 2012, approximately 57,880 sq. ft. of retail space was renewed at rental reversion rate of 4.0% over a period of three years.

For the financial year ending June 2012, the Manager expects the retail properties to perform better than last financial year.

Review of hotel market

The Malaysian Tourism Industry forecasts international tourist arrivals in Malaysia to grow at a CAGR of approximately 8% for the period 2011 – 2013 and tourism receipts from overseas tourists are expected to surpass RM70 billion. Apart from the ASEAN countries, tourist arrivals from China and Middle East is expected to grow significantly during this period.

Average occupancy rate for Sunway Resort Hotel & Spa slipped to 71.5% in 3Q FYE June 2012 from 82.0% in 2Q FYE June 2012 as this quarter is traditionally a low season due to slower leisure activities and lesser corporate and banquet business. On a y-o-y basis, average occupancy rate improved to 77.0% for YTD 3Q FYE June 2012 compared to 68.4% in the corresponding period in the preceding year mainly due to improvement in commercial meeting groups, leisure wholesale and overall improvement in the commercial FIT.

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**B3. Prospects (Cont'd)**

Review of hotel market (Cont'd)

Similarly, average occupancy rate for Pyramid Tower Hotel slid to 79.5% in 3Q FYE June 2012 from 90.2% in 2Q FYE June 2012. On a y-o-y basis, average occupancy rate improved to 84.3% for YTD 3Q FYE June 2012 compared to 80.4% for YTD 3Q FYE June 2011. This was attributable to improvement in commercial meeting groups, wholesale and commercial FIT.

Sunway Hotel Seberang Jaya experienced a drop in average occupancy rate due to ongoing refurbishment activities. As a result, average occupancy rate slipped to 63.7% in 3Q FYE June 2012 versus 75.7% in 2Q FYE June 2012. The drop in occupancy is temporary and we expect business to recover upon completion of the refurbishment. On a y-o-y basis, YTD 3Q FYE June 2012 average occupancy stood at 17.6% compared to 79.1% for the same period in the preceding year arising from drop in residential package sales and group meetings due to refurbishment.

In view of the traditionally low season in this quarter, the Manager expects the hotel business performance to improve slightly in the coming quarter. For the full year ending June 2012, the Manager expects the hotel business to remain steady and positive.

Review of office market

The Klang Valley office market outlook remains cautious / challenging with more than 12 million sq. ft. of new supply coming on stream by 2014. The abundance of supply inevitably will lead to intense competition and rental pressures.

Average occupancy rate for Menara Sunway eased marginally to 98.7% for YTD 3Q FYE June 2012 vis-à-vis 99.4% for YTD 2Q FYE June 2012 due to a tenancy vacated by a tenant. However, the vacated tenancy will be occupied by an existing tenant by May 2012.

Meanwhile, average occupancy rate at Sunway Tower remained steady at 94.0% for YTD 3Q FYE June 2012 compared to YTD 2Q FYE June 2012. The progress for the two major tenancies which are due for renewal in FYE June 2012 is work-in-progress.

The Manager expects the performance to be maintained due to our competitive pricing and service standards despite the incoming supply of office space.

Review of Sunway Putra Place

The Manager continued its business operations on Sunway Putra Place to be in line with the overall business strategies and directions of the Manager.

Sunway Putra Mall's average occupancy rate slipped to 77.6% for YTD 3Q FYE June 2012 from 84.0% for YTD FYE June 2012. This declining trend is expected ahead of commencement of the refurbishment exercise for the mall scheduled in 2013.

Sunway Putra Hotel's average occupancy rate slipped marginally to 57.3% for YTD 3Q FYE June 2012 versus 59.5% for YTD 2Q FYE June 2012 as this quarter is traditionally a low season due to slower leisure activities and lesser corporate bookings.

Sunway Putra Tower's average occupancy rate slipped to 86.9% for YTD 3Q FYE June 2012 from 90.4% for YTD 2Q FYE June 2012. The Manager is consciously changing the tenancy mix from government centric to a more balanced mix of government and private sector tenants.

Overall, business performance of Sunway Putra Place is expected to maintain at the prevailing levels.



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**B5. Performance Benchmark**

<b>Performance indicators</b>	<b>Period ended 31 March 2012</b>	<b>Period ended 31 March 2011</b>
a) Annualised management expense ratio	0.96%	0.79%
b) Total returns/average annual returns	18.6%	24.2%
c) Annualised distribution yield	6.0%	6.4%
d) NAV per unit (after income distribution)(RM)	1.0137	0.9737

- 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 (based on institutional price) from beginning of financial year plus distribution yield for the period. 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. Since Sunway REIT only have one year distribution yield and capital appreciation history (for the financial period ended 30 June 2011), there is no difference between the total return and average annual return.
- c) Based on annualised DPU of 7.45 sen divided by its closing price as at 31 March 2012 of RM1.25 (31 March 2011 - annualised DPU: 6.78 sen; Closing price as at 31 March 2011: RM1.06).
- d) 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.

**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.

**B7. Income Before Taxation**

The following amounts have been included in arriving at income before taxation :-

	<b>Current Year Quarter 31.03.2012 RM'000</b>	<b>Preceding Year Corresponding Quarter 31.03.2011 RM'000</b>	<b>Current Year To date 31.03.2012 RM'000</b>	<b>Preceding Year To date 31.03.2011 RM'000</b>
Interest Income	(516)	(300)	(1,218)	(921)
Net changes in fair value of long term liabilities	(12)	(267)	(59)	(326)
Net changes in fair values of financial derivatives	-	(526)	390 <sup>1</sup>	(971)
Allowance for/(reversal of) impairment of receivables	(916) <sup>2</sup>	1,007	4,238 <sup>2</sup>	2,422
Bad debts written off	-	-	84	-
Depreciation of plant and equipment	17	-	35	-

<sup>1</sup> During last financial year, Sunway REIT recognised an unrealised net gain of RM706,000 arising from changes in fair value of financial instrument. This contract was terminated during 1Q 2012 and Sunway REIT recognised a realised gain of RM316,000 and hence reversing the unrealised gain of RM390,000 recognised in the previous financial year.

<sup>2</sup> Mainly from Sunway Putra Mall

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**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 ended 31 March 2012 was RM5.6 million compared to RM4.6 million in preceding year corresponding quarter.

**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 March 2012 was RM0.2 million, consistent with preceding year corresponding quarter of 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 year ending 30 June 2012.

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	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%.

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**B11. Status of Corporate Proposal**

The following corporate proposal has been announced but not completed:

**Proposed issue of, offer for subscription or purchase of or invitation to subscribe for or purchase of Commercial Papers pursuant to a Commercial Paper issuance programme of up to RM1.6 billion in nominal value ("CP Programme") ("Proposal")**

On 25 February 2012, the Board of Directors of Sunway REIT Management Sdn Bhd, the Manager of Sunway REIT announced that SunREIT Capital Berhad (formerly known as Noble Pioneer Sdn Bhd) ("SunREIT Capital"), a special purpose vehicle whose shares are held by OSK Trustees Berhad as trustee for SunREIT, intends to undertake the Proposal. The CP Programme has a tenure of up to seven (7) years from the date of the first issuance under the CP Programme.

Pursuant thereto, SunREIT Capital has appointed Public Investment Bank Berhad ("PIVB") as the Principal Adviser and Lead Arranger for the Proposal and PIVB has on 24 February 2012, on behalf of SunREIT Capital, submitted an application to the Securities Commission Malaysia ("SC") to seek the SC's approval for the Proposal in accordance with Section 212 of the Capital Markets and Services Act, 2007 and the Private Debt Securities Guidelines issued by the SC.

In addition, the Board of Directors of the Manager of Sunway REIT has decided that in lieu of the Proposal, SunREIT Capital will not proceed with the proposed issue of, offer for subscription or purchase of or invitation to subscribe for or purchase of Medium Term Notes pursuant to a Medium Term Note Programme of RM3.0 billion in nominal value, which was approved by the SC via its letter dated 12 October 2011 and announced on 14 October 2011.

On 15 March 2012, the Board of Directors of the Manager of Sunway REIT announced that PIVB has on even date, received the approval from the Securities Commission Malaysia ("SC") vide its letter dated 14 March 2012 in respect of the application for the Proposal, which was submitted on behalf of SunREIT Capital on 24 February 2012.

a) Details of the CP Programme

The CP Programme has a tenure of up to seven (7) years ("Tenure") commencing from the date of first issuance (which shall be within two (2) years from the date of approval by the SC).

The respective limit of the CP Programme shall be as follows:

- i) RM1.25 billion in nominal value for the first three (3) years (commencing on the date of first issuance of the commercial paper(s) to be issued from time to time under the CP Programme ("CP(s)"); and
- ii) RM1.6 billion in nominal value thereafter until expiry of the CP Programme.

The aggregate outstanding nominal value of the CPs issued under the CP Programme shall not exceed the applicable programme limit at any one time.

The CPs may be issued for various tenures ranging from one (1), two (2), three (3), six (6), nine (9) or twelve (12) months, provided always that the CPs shall mature prior to the expiry of the Tenure.

The CPs will be issued at a discount to face value and the issue price shall be determined closer to the date of each issuance. Any amount of CPs that has been issued may be reissued or rolled over within the limit and the Tenure.

The CP Programme has been accorded a rating of P1(s) by RAM Rating Services Berhad ("RAM Ratings").

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**B11. Status of Corporate Proposal (Cont'd)**

a) Details of the CP Programme (cont'd)

The CPs may be issued via competitive tender, direct or private placement, bought deal basis or book running basis, all without prospectus at the option of the Issuer.

The CPs are to be underwritten by Public Bank Berhad ("PBB") up to RM1.6 billion in nominal value for CPs rated P1, P2 and P3 (or their respective equivalent) by RAM Ratings. At all times, the amount underwritten will be equal to the programme limit of the CP Programme (being RM1.25 billion for the first three (3) years and RM1.6 billion thereafter). PBB reserves the right to sell down all or part of its underwriting commitment.

b) Utilisation of the proceeds

The proceeds raised from the CP Programme shall be utilised by the Issuer for the purpose of advancing to Sunway REIT where the Trustee, shall utilise such proceeds firstly to repay the existing borrowings granted by PBB, secondly as working capital requirements of Sunway REIT and to defray expenses incurred in relation to the CP Programme and thirdly for financing (including repayment of cash utilised by Sunway REIT to part finance) the investment activities (including capital expenditure and the related acquisition and financing expenses) of Sunway REIT and/or refinancing of existing/future borrowings undertaken by Sunway REIT for its investment activities (including capital expenditure and the related acquisition and financing expenses) as well as to refinance maturing CPs on their respective maturity dates subsequent to the first issuance of the CPs and to fund the Trustee's Reimbursement Account as required under the SC's Trust Deed Guidelines.

**B12. Borrowings and Debt Securities**

	<b>As at 31.03.2012</b>	<b>As at 30.06.2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Short term borrowings		
- Secured		
Revolving credit	-	59,350
Term loan	240,000	-
- Unsecured		
Revolving credit	75,000	-
Term loan	850,000	-
Total short term borrowings	1,165,000	59,350
Long term borrowings		
- Secured term loan	466,800	1,514,000
Total borrowings	1,631,800	1,573,350
Less: Unamortised transaction costs	(3,831)	(11,975)
	1,627,969	1,561,375

Included in the above is a secured 3-year fixed rate term loan of USD100 million (equivalent to RM310.8 million) drawn down on 3 February 2012 pursuant to the Commodity Murabahah Financing-i Facility ("Facility"). Sunway REIT had entered into cross currency swap contract on even date 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.

During the quarter, Sunway REIT refinanced RM434 million of its borrowings via a 4 months floating rate short term loan as part of its active capital management strategy to reduce interest expenses by 0.25% pending issuance of Private Debt Securities ("PDS") and/or other form of financing at more favourable interest rate.

The above restructuring has resulted in reduction of Sunway REIT's blended borrowing interest rate from 4.67% p.a. in 2Q 2012 to 4.42% p.a. in 3Q 2012.

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**B13. Derivative Financial Instruments**

Derivative financial instruments are recognised in the financial statements in accordance with FRS139.

Type of Derivatives	Contract/ Notional Value		Fair Value	
	As at 31.03.2012	As at 30.06.2011	As at 31.03.2012	As at 30.06.2011
	RM'000	RM'000	RM'000	RM'000
<b>Cross currency swap contract</b> - More than 1 year but less than 3 years	310,800	-	28	-
<b>Interest rate swap contract</b> - More than 3 years but less than 4 years	-	100,000	-	706
Total derivatives	310,800	100,000	28	706

**Interest rate swap contract**

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. 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.

Sunway REIT has terminated the interest rate swap in the quarter ended 30 September 2011 as part of the active capital management strategies.

**Cross currency swap contract**

Sunway REIT entered into cross currency swap contract to manage its exposure in foreign currency risk arising from foreign currency borrowings which was entered to minimize the interest 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.

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**B14. Material Litigation**

- a) High Court Originating Summons No. 24NCVC-901-2011 and Court of Appeal No. W-02 (NCVC) - 2242-2011

On 19 April 2011, Robert Ti and Kornelius Kurniadi (Plaintiffs) commenced this action against amongst others OSK Trustees Berhad and SUNREIT which sought a declaration that the public auction of Putra Place held on 30 March 2011 was null and void because they were wrongly excluded from bidding and that OSK Trustees Berhad (as trustee for Sunway Real Estate Investment Trust) had contravened a condition of sale in the Proclamation of Sale.

The Kuala Lumpur High Court had on 28 April 2011 dismissed with costs the Plaintiffs' application for various interim injunctions and on 27 July 2011 dismissed the originating summons with costs.

The Plaintiffs have appealed against the dismissal of originating summons on 27 July 2011 at the Court of Appeal. On 18 April 2012, the Court of Appeal heard and dismissed the appeal.

- b) High Court Originating Summons No. 24NCVC-952-2011 and Court of Appeal No. W-02(IM)(NCVC )-506-2011, W-02(IM)(NCVC )-2093-2011, W-02(IM)(NCVC )-2095-2011, W-02(IM)(NCVC )-2096-2011 & W-02(IM)(NCVC )-2097-2011

On 25 April 2011, Metroplex Berhad (Provisional Liquidators appointed) commenced its action against amongst others OSK Trustees Berhad, Sunway REIT, and Sunway REIT Management Sdn Bhd seeking to set aside the sale of Putra Place to OSK Trustees Berhad (as trustee for Sunway REIT) at the auction conducted by the Kuala Lumpur High Court on 30 March 2011. Metroplex Berhad claimed that the auction on 30 March 2011 was not a valid public auction and that OSK Trustees Berhad (as trustee for Sunway REIT) was not entitled to bid at the auction.

The Kuala Lumpur High Court had on 27 July 2011 allowed the application by OSK Trustees Berhad (as trustee for Sunway REIT) and Sunway REIT Management Sdn Bhd to strike out the legal action with costs of RM40,000 to be paid by the provisional liquidator of Metroplex Berhad on the ground that Metroplex Berhad did not have any right to bring the legal action in relation to the public auction. Metroplex Berhad is the holding company of Metroplex Holdings Sdn Bhd, the former registered owner of Putra Place.

Metroplex Berhad (Provisional Liquidators Appointed) has filed a Notice of Appeal with the Court of Appeal on 8 August 2011 to appeal against the decision of the High Court of Malaya given on 27 July 2011 ordering that the Originating Summons dated 25 April 2011 be struck out against, amongst others, OSK Trustees Berhad, Sunway REIT and Sunway REIT Management Sdn Bhd. On 18 April 2012, the Court of Appeal heard and dismissed the appeal.

- c) High Court Originating Summons No. 21NCVC-95-2011

On 6 May 2011, Metroplex Holdings Sdn Bhd (Plaintiff) commenced the case against amongst others OSK Trustees Berhad, Sunway REIT and Sunway REIT Management Sdn Bhd seeking to set aside the sale of Putra Place to OSK Trustees Berhad (as trustee of Sunway REIT) at the auction conducted by the Kuala Lumpur High Court on 30 March 2011. The Plaintiff claims that the auction on 30 March 2011 was not a valid public auction and that OSK Trustees Berhad (as trustee of Sunway REIT) was not entitled to bid at the auction.

On 17 August 2011, the High Court fixed the hearing date for the application to strike out the case by OSK Trustees Berhad, Sunway REIT Management Sdn Bhd and CIMB Investment Bank Berhad on 23 September 2011 which was adjourned to 20 October 2011. After the hearing of the striking out application on 20 October 2011, the High Court will make a decision on 22 November 2011.

On 22 November 2011, the High Court allowed the application to strike out the case by OSK Trustees Berhad, Sunway REIT Management Sdn Bhd with costs in aggregate sum of RM24,000 to be paid by Metroplex Holdings Sdn Bhd.

Metroplex Holdings Sdn Bhd has filed a Notice of Appeal with the Court of Appeal on 13 December 2011 to appeal against the decision of the High Court of Malaya on 22 November 2011 which allowed the striking out of the case. On 20 April 2012, the Court of Appeal heard and dismissed the appeal.

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE THIRD QUARTER ENDED 31 MARCH 2012 (UNAUDITED)**

**B14. Material Litigation (Cont'd)**

- d) 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

On 1 June 2011, OSK Trustees Berhad (as trustee of Sunway REIT)(Trustee) and Sunway REIT Management Sdn Bhd (Manager) brought the action against Metroplex Holdings Sdn Bhd which amongst others seek an order that Metroplex Holdings Sdn Bhd ("Metroplex") deliver possession of each and every part of Putra Place that Metroplex, its related corporations, its servants and agents in possession, occupied or control to the Trustee and the Manager.

On 28 June 2011, the High Court has declared that OSK Trustees Berhad (as trustee of Sunway REIT) is the legal owner of Putra Place since 19 April 2011 and has ordered that Metroplex, its servants or agents or otherwise hand over to the Manager control and management of Putra Place within 72 hours which was to expire at noon on 1 July 2011.

Metroplex then filed a notice of appeal for an appeal against the decision of the High Court and on 1 July 2011 obtained an order for stay of execution of the High Court order dated 28 June 2011 ("Orders"). The Court of Appeal has on 27 September 2011, dismissed the appeals with costs of RM120,000 filed by Metroplex against the Orders.

On 29 September 2011, Metroplex served the Notice for Application for Leave to Appeal, the Notice of Motion (Ex parte) dated 28 September 2011 for stay of execution and the draft ex-parte interim order for stay of execution dated 28 September 2011 granted by Federal Court on the Trustee and the Manager. The sealed ex-parte interim order for stay of execution was served on OSK Trustees Berhad and Sunway REIT Management Sdn Bhd 30 September 2011. The application for stay of execution has been fixed for hearing inter-partes on 4 October 2011.

Following the decision of the Court of Appeal on 27 September 2011 in dismissing the appeal by Metroplex and prior to the service of the draft interim order for stay of execution, Metroplex had already delivered possession and control of Putra Place to the Trustee and the Manager in accordance with the Orders.

On 4 October 2011, the Federal Court heard and dismissed the application by Metroplex for the stay of execution Orders, including the control and possession of Putra Place, with costs of RM30,000. With the dismissal of the stay application, the Trustee and the Manager will execute the remaining parts of the Orders that have not been enforced, which include the orders that Metroplex is:

- i) restrained from holding itself out as the owner of Putra Place and from controlling and managing Putra Place or remaining on or entering Putra Place;
- ii) to pay mesne profits from 19 April 2011 until possession is delivered up;
- iii) 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;
- iv) to pay interest on all sums ordered to be paid at such rate and for such period the Court deems proper;
- v) restrained from lodging any further private caveat over Putra Place and any private caveat lodged by them after 29 April 2011 be also cancelled and removed forthwith by the Pendaftar Hakmilik Wilayah Persekutuan.

If Metroplex fails to comply with the Orders, either by itself or through its agents or its employees or its representatives, Haron Bin Dato' (DR) Mohd. Salleh, Lim Siew Kim and Mok Pak Hong as directors and/or officers of Metroplex may be cited for process of execution as a means of compelling Metroplex to comply.

Metroplex's application for leave to appeal to Federal Court was heard and dismissed on 20 February 2012.

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE THIRD QUARTER ENDED 31 MARCH 2012 (UNAUDITED)**

**B14. Material Litigation (Cont'd)**

- d) 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 (Cont'd)

Metroplex has applied to the High Court for clarification on the orders stated in, inter alia, paragraphs (b), (c) and (d) above and the application was dismissed by the High Court on 14 October 2011 and has on 21 November 2011 filed a Notice of Motion with the Court of Appeal for an appeal against the High Court dismissal of its application. The Court of Appeal heard and dismissed the appeal on 16 April 2012.

Metroplex has also instituted a separate suit on 20 November 2011 seeking orders, inter alia, that OSK Trustees Berhad and Sunway REIT Management Sdn Bhd be restrained from filing any winding-up petition against it and filing of any contempt of court proceedings against it and its directors in relation to the High Court orders obtained on 28 June 2011. The case is fixed for further case management on 22 May 2012.

**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.

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

	Quarter ended 31 March 2012	Immediate preceding quarter ended 31 December 2011	% change
Number of units in issue (units)	2,694,194,700	2,691,761,600	0.1%
Realised net income (RM'000)	47,543	50,738	-6.3%
Earnings per unit (EPU) (sen)	1.77	1.89	-6.3%
Income distribution (RM'000)	50,381	53,566	-5.9%
Distribution per unit (DPU) (sen)	1.87	1.99	-6.0%
Net Asset Value (NAV) (RM'000)	2,730,983	2,726,909	0.1%
NAV per unit (After income distribution) (RM)	1.0137	1.0131	0.1%
Market price per unit (RM)	1.25	1.25	0.0%

**B17. Income Distribution**

The Manager has proposed an interim income distribution of 1.87 sen per unit for the third quarter ended 31 March 2012 comprising taxable and non-taxable amount of 1.21 sen and 0.66 sen per unit respectively. The book closure and payment dates in respect of the proposed interim income distribution will be fixed on 11 May 2012 and 24 May 2012 respectively.

**B18. Directors' Declaration**

In the opinion 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 March 2012 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 25 April 2012.

**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: 25 April 2012**