

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2013 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Fourth Quarter ended		Cumulative Quarter ended	
		30.6.2013	30.6.2012	30.6.2013	30.6.2012
		RM'000	RM'000	RM'000	RM'000
Rental income		100,984	99,693	405,911	396,922
Other operating income		2,922	2,865	10,035	9,504
Gross revenue		103,906	102,558	415,946	406,426
Quit rent, assessment and insurance		(3,125)	(2,995)	(12,597)	(12,027)
Other property operating expenses		(22,257)	(23,699)	(94,153)	(95,201)
Property operating expenses		(25,382)	(26,694)	(106,750)	(107,228)
Net property income		78,524	75,864	309,196	299,198
Other income		451	411	1,402	1,320
Change in fair value of investment properties		173,487	230,151	173,487	230,151
Net investment income		252,462	306,426	484,085	530,669
Manager's fee		(6,299)	(5,805)	(24,271)	(22,601)
Trustee's fee		(255)	(214)	(991)	(846)
Finance costs		(15,705)	(19,241)	(63,604)	(81,196)
Other expenses		(1,232)	(2,882)	(2,897)	(5,563)
		(23,491)	(28,142)	(91,763)	(110,206)
Income before taxation		228,971	278,284	392,322	420,463
Income tax expense		-	-	-	-
Profit for the period/year		228,971	278,284	392,322	420,463
Profit for the period/year comprise the following:					
Realised		55,469	48,072	218,785	190,583
Unrealised		173,502	230,212	173,537	229,880
		228,971	278,284	392,322	420,463
Earnings per unit (sen)					
- realised		1.83	1.77	7.87	7.08
- unrealised		6.24	8.55	6.24	8.54
		8.07	10.32	14.11	15.62
Proposed/declared distribution per unit (sen)		2.02	1.89	8.30	7.50

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2013 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

	Fourth Quarter ended		Cumulative Quarter ended	
	30.6.2013	30.6.2012	30.6.2013	30.6.2012
	RM'000	RM'000	RM'000	RM'000
Profit for the period/year	228,971	278,284	392,322	420,463
Other comprehensive income				
Cash flow hedge - fair value of derivative	5,516	8,427	(915)	8,455
Cash flow hedge reserve recycled to profit or loss	(9,000)	(12,150)	1,100	(8,150)
Total comprehensive income for the period/year	225,487	274,561	392,507	420,768

Income distribution

	Fourth Quarter ended		Cumulative Quarter ended	
	30.6.2013	30.6.2012	30.6.2013	30.6.2012
	RM'000	RM'000	RM'000	RM'000
Realised total comprehensive income for the period/year	55,469	48,072	218,785	190,583
Add: Surplus cash arising from 50% Manager's fee paid/payable in Units	3,149	2,898	12,135	11,296
Total available for income distribution for the period/year	58,618	50,970	230,920	201,879
Brought forward undistributed income available for distribution	523	135	142	235
Total available for income distribution	59,141	51,105	231,062	202,114
Less: Proposed/declared income distribution	(58,972)	(50,963)	(230,893)	(201,972)
Balance undistributed arising from rounding difference	169	142	169	142

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2013 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At 30.6.2013 (Unaudited)	As At 30.06.2012 (Unaudited)	As At 1.07.2011 (Unaudited)
	RM'000	RM'000	RM'000
ASSETS			
Non-current assets			
Plant and equipment	1,283	437	122
Investment properties	5,184,000	4,630,000	4,379,000
Derivative financial instrument	7,540	8,455	-
	5,192,823	4,638,892	4,379,122
Current assets			
Receivables, deposits and prepayments	18,190	18,685	14,461
Deposits placed with licensed financial institutions	53,733	17,440	53,722
Cash and bank balances	4,786	8,359	4,884
Derivative financial instrument	-	-	706
	76,709	44,484	73,773
	5,269,532	4,683,376	4,452,895
FINANCED BY:			
Unitholders' funds			
Unitholders' capital	2,690,002	2,361,487	2,350,437
Undistributed income	816,467	646,844	420,613
Total Unitholders' funds	3,506,469	3,008,331	2,771,050
Non-current liabilities			
Borrowings	1,317,850	318,085	1,502,025
Long term liabilities	41,956	53,920	52,029
	1,359,806	372,005	1,554,054
Current liabilities			
Borrowings	314,769	1,245,039	59,350
Trade and other payables	88,488	58,001	68,441
	403,257	1,303,040	127,791
	5,269,532	4,683,376	4,452,895
Number of units in circulation ('000 units)	2,919,423	2,696,462	2,686,898
NET ASSET VALUE ("NAV")			
- Before income distribution	3,506,469	3,008,331	2,771,050
- After income distribution	3,447,497	2,957,368	2,727,522
NET ASSET VALUE PER UNIT (RM)			
- Before income distribution ¹	1.2011	1.1157	1.0313
- After income distribution ²	1.1809	1.0968	1.0151

¹ Before the 4Q 2013 proposed income distribution of 2.02 sen per unit (4Q 2012: 1.89 sen per unit and 4Q 2011: 1.62 sen per unit).

² After the 4Q 2013 proposed income distribution of 2.02 sen per unit (4Q 2012: 1.89 sen per unit and 4Q 2011: 1.62 sen per unit).

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2013 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE

	Unitholders' Capital	<-- Undistributed Income -->		Total Unitholders' Funds
	RM'000	Realised RM'000	Unrealised RM'000	RM'000
As at 1 July 2012	2,361,487	30,307	616,537	3,008,331
Total comprehensive income				
Profit for the year	-	218,785	173,537	392,322
Other comprehensive income				
- Cash flow hedge - fair value of derivative	-	-	(915)	(915)
- Cash flow hedge reserve recycled to profit or loss	-	-	1,100	1,100
Total comprehensive income, representing the increase in net assets resulting from operations	2,361,487	249,092	790,259	3,400,838
Unitholders' transactions				
Creation of units ¹				
- Pursuant to private placement	320,000	-	-	320,000
- Manager's fee paid in units	11,885	-	-	11,885
Unit issuance expenses	(3,370)			(3,370)
Distribution to unitholders				
- Income distribution declared and paid in current year	-	(171,921)	-	(171,921)
- Income distribution proposed in prior year but paid in current year	-	(50,963)	-	(50,963)
Increase/(decrease) in net assets resulting from unitholders' transactions	328,515	(222,884)	-	105,631
As at 30 June 2013 (Unaudited)	2,690,002	26,208	790,259	3,506,469

	Unitholders' Capital	<-- Undistributed Income -->		Total Unitholders' Funds
	RM'000	Realised RM'000	Unrealised RM'000	RM'000
As at 1 July 2011	2,350,437	34,261	386,352	2,771,050
Total comprehensive income				
Profit for the year	-	190,583	229,880	420,463
Other comprehensive income				
- Cash flow hedge - fair value of derivative	-	-	8,455	8,455
- Cash flow hedge reserve recycled to profit or loss	-	-	(8,150)	(8,150)
Total comprehensive income, representing the increase in net assets resulting from operations	2,350,437	224,844	616,537	3,191,818
Unitholders' transactions				
Creation of units ¹				
- Manager's fee paid in units	11,050	-	-	11,050
Distribution to unitholders				
- Income distribution declared and paid in current year		(151,009)		(151,009)
- Income distribution proposed in prior year but paid in current year	-	(43,528)	-	(43,528)
Increase/(decrease) in net assets resulting from unitholders' transactions	11,050	(194,537)	-	(183,487)
As at 30 June 2012 (Unaudited)	2,361,487	30,307	616,537	3,008,331

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2013 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative Quarter ended	
	30.6.2013	30.6.2012
	RM'000	RM'000
OPERATING ACTIVITIES		
Cash receipts from customers	423,601	414,688
Refundable security deposits from customers	7,801	10,811
Cash paid for operating expenses	(133,933)	(147,643)
Net cash generated from operating activities	<u>297,469</u>	<u>277,856</u>
INVESTING ACTIVITIES		
Acquisition of plant and equipment	(816)	(816)
Acquisition of investment property	(310,000)	-
Incidental costs on acquisition of investment properties	(3,381)	(6,248)
Subsequent expenditure of investment properties	(58,699)	(21,086)
Interest received	1,278	1,537
Net cash used in investing activities	<u>(371,618)</u>	<u>(26,613)</u>
FINANCING ACTIVITIES		
Proceeds from issuance of new units	320,000	-
Issuance of commercial papers	6,077,000	1,175,000
Issuance of unrated bonds	1,000,000	-
Drawdown of term loan	-	1,391,600
Drawdown of revolving loans/credits	3,325,000	862,100
Repayment of term loan	-	(2,594,800)
Repayment of commercial papers	(6,312,000)	(625,000)
Repayment of revolving loans/credits	(4,025,000)	(221,450)
Interest paid	(51,877)	(72,928)
Payment of unit issuance and financing expenses	(3,370)	(4,351)
Gain from termination of derivative financial instrument	-	316
Distribution paid	(222,884)	(194,537)
Net cash generated from/(used in) financing activities	<u>106,869</u>	<u>(284,050)</u>
Net increase in cash and cash equivalents	32,720	(32,807)
Cash and cash equivalents at beginning of year	25,799	58,606
Cash and cash equivalents at end of year	<u>58,519</u>	<u>25,799</u>
Cash and cash equivalents at end of year comprise:		
Cash and bank balances	4,786	8,359
Deposits placed with licensed financial institutions	53,733	17,440
Cash and cash equivalents at end of year	<u>58,519</u>	<u>25,799</u>

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2013 (UNAUDITED)**

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

A1. Corporate Information

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

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

A2. First-time Adoption of Malaysian Financial Reporting Standards ("MFRS")

The condensed consolidated interim financial statements of the Group for the financial year ended 30 June 2013 have been prepared in accordance with MFRS 134: *Interim Financial Reporting*, paragraph 9.44 of the Bursa Malaysia Securities Berhad Listing Requirements, the Deed and the Securities Commission's Guidelines on Real Estate Investment Trust ("the REITs Guidelines"). These condensed consolidated interim financial statements also comply with IAS 34: *Interim Financial Reporting* issued by the International Accounting Standards Board. For the periods up to and including the year ended 30 June 2012, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

The consolidated financial statements of the Group for the year ended 30 June 2012 which were prepared under FRS are available upon request from the management company's registered office at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan.

These condensed consolidated interim financial statements are the Group's first MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the year ended 30 June 2013. MFRS 1: *First-Time Adoption of Malaysia Financial Reporting Standards* ("MFRS 1") has been applied.

The transition from FRS to MFRS does not have material effects on the financial position of the Group as at 1 July 2011.

A3. Significant accounting policies and application of MFRS 1

The audited financial statements of the Group for the year ended 30 June 2012 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these consolidated condensed interim financial statements are consistent with those of the audited financial statements for the year ended 30 June 2012 and application of MFRS do not have material effects on the financial position, financial performance or cash flows of the Group.

A4. Audit Report of Preceding Financial Year

The auditors have expressed an unqualified opinion on Sunway REIT's financial statement for the financial year ended 30 June 2012.

A5. Changes in Estimates

This is not applicable as no estimates were previously reported.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2013 (UNAUDITED)**

A6. Unusual Items

There were no material unusual items affecting the amounts reported for the current quarter ended 30 June 2013 except for the following:

	Fourth Quarter ended	
	30.6.2013	30.6.2012
	RM'000	RM'000
Income before taxation	228,971	278,284
Less: Fair value changes ¹	(173,502)	(230,212)
Income before taxation, excluding unusual items	55,469	48,072

¹ Mainly comprise change in fair value of investment properties amounting to RM173.5 million (30 June 2012: RM230.2 million), after accounting for capital expenditure of RM67.1 million (YTD 4Q 2012: RM20.8 million) with details explained in Note A14.

A7. Issuance, Repurchases and Repayments of Debt and Equity Securities

Sunway REIT has issued 2,057,900 new units at RM1.5166* per unit on 30 May 2013, being 50% payment of the Manager's fee for the quarter ended 31 March 2013. The units were listed on the Main Market of Bursa Securities on 31 May 2013.

* Based on the 10-day volume weighted average price ("VWAP") of the units up to 31 March 2013.

A8. Changes in the Composition/Fund Size of the Trust

Sunway REIT's fund size increased from 2,917.3 million units to 2,919.4 million units with the issuance of new units as mentioned in Note A7.

SUNWAY REAL ESTATE INVESTMENT TRUST

FOR THE FOURTH QUARTER ENDED 30 JUNE 2013 (UNAUDITED)

A9. Segmental Reporting

By segment

Segmental results for the quarter ended 30 June 2013 are as follows:

Fourth Quarter

	Current Quarter ended 30.6.2013					Preceding Year Quarter ended 30.6.2012				
	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000
BY BUSINESS SEGMENTS										
REVENUE AND EXPENSES										
Gross revenue	70,995	17,580	10,581	4,750	103,906	72,283	19,833	10,442	-	102,558
<u>Results</u>										
Net property income	49,598	16,774	7,402	4,750	78,524	49,486	18,906	7,472	-	75,864
Other income					451					411
Change in fair value of investment properties					173,487					230,151
Trust and other expenses					(7,786)					(8,901)
Finance costs					(15,705)					(19,241)
Income before taxation					228,971					278,284
Income tax expense					-					-
Profit for the period					228,971					278,284

SUNWAY REAL ESTATE INVESTMENT TRUST

FOR THE FOURTH QUARTER ENDED 30 JUNE 2013 (UNAUDITED)

A9. Segmental Reporting (Cont'd)

By segment (Cont'd)

Cumulative Quarter

	Cumulative Quarter ended 30.6.2013					Cumulative Quarter ended 30.6.2012				
	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000
BY BUSINESS SEGMENTS										
REVENUE AND EXPENSES										
Gross revenue	296,146	68,989	41,260	9,551	415,946	292,268	71,555	42,603	-	406,426
<u>Results</u>										
Net property income	205,413	65,684	28,548	9,551	309,196	199,691	68,974	30,533	-	299,198
Other income					1,402					1,320
Change in fair value of investment properties					173,487					230,151
Trust and other expenses					(28,159)					(29,010)
Finance costs					(63,604)					(81,196)
Income before taxation					392,322					420,463
Income tax expense					-					-
Profit for the year					392,322					420,463

SUNWAY REAL ESTATE INVESTMENT TRUST

FOR THE FOURTH QUARTER ENDED 30 JUNE 2013 (UNAUDITED)

A9. Segmental Reporting (Cont'd)

By property

Properties	Gross Revenue			Net Property Income			Gross Revenue			Net Property Income		
	Fourth Quarter ended			Fourth Quarter ended			Cumulative Quarter ended			Cumulative Quarter ended		
	30.6.2013	30.6.2012	Change	30.6.2013	30.6.2012	Change	30.6.2013	30.6.2012	Change	30.6.2013	30.6.2012	Change
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
Retail												
Sunway Pyramid Shopping Mall	59,939	57,684	3.9%	43,563	40,509	7.5%	239,055	228,509	4.6%	170,623	162,299	5.1%
Sunway Carnival Shopping Mall	8,936	7,329	21.9%	5,229	4,287	22.0%	32,896	28,197	16.7%	20,385	16,050	27.0%
Suncity Ipoh Hypermarket	1,137	1,138	-0.1%	1,053	1,082	-2.7%	4,546	4,552	-0.1%	4,211	4,222	-0.3%
Sunway Putra Mall	983	6,132	-84.0%	(247)	3,608	-106.8%	19,649	31,010	-36.6%	10,194	17,120	-40.5%
	70,995	72,283	-1.8%	49,598	49,486	0.2%	296,146	292,268	1.3%	205,413	199,691	2.9%
Hotel												
Sunway Resort Hotel & Spa	6,767	9,180	-26.3%	6,415	8,944	-28.3%	31,689	35,119	-9.8%	30,219	34,043	-11.2%
Pyramid Tower Hotel	5,569	5,481	1.6%	5,474	5,409	1.2%	21,802	22,758	-4.2%	21,417	22,374	-4.3%
Sunway Hotel Seberang Jaya	1,672	1,244	34.4%	1,621	1,177	37.7%	3,409	4,611	-26.1%	3,199	4,406	-27.4%
Sunway Putra Hotel	3,572	3,928	-9.1%	3,264	3,376	-3.3%	12,089	9,067	33.3%	10,849	8,151	33.1%
	17,580	19,833	-11.4%	16,774	18,906	-11.3%	68,989	71,555	-3.6%	65,684	68,974	-4.8%
Office												
Menara Sunway	4,341	4,084	6.3%	3,149	2,856	10.3%	16,975	16,213	4.7%	12,117	11,881	2.0%
Sunway Tower	4,113	4,175	-1.5%	3,117	3,167	-1.6%	15,765	16,828	-6.3%	11,602	12,775	-9.2%
Sunway Putra Tower	2,127	2,183	-2.6%	1,136	1,449	-21.6%	8,520	9,562	-10.9%	4,829	5,877	-17.8%
	10,581	10,442	1.3%	7,402	7,472	-0.9%	41,260	42,603	-3.2%	28,548	30,533	-6.5%
Others												
Sunway Medical Centre	4,750	-	- *	4,750	-	- *	9,551	-	- *	9,551	-	- *
	4,750	-	- *	4,750	-	- *	9,551	-	- *	9,551	-	- *
TOTAL PORTFOLIO	103,906	102,558	1.3%	78,524	75,864	3.5%	415,946	406,426	2.3%	309,196	299,198	3.3%

* Not meaningful

**SUNWAY REAL ESTATE INVESTMENT TRUST
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A9. Segmental Reporting (Cont'd)

The Group comprises the following major business segments:

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

There have been no differences in the basis of segmentation or in the basis of measurement of segment profit or loss as compared to the last annual financial statements except for addition of an others segment to the segmental reporting following the completion of acquisition of Sunway Medical Centre during the quarter ended 31 December 2012.

a) Review of current quarter results

Retail segment

The retail segment registered gross revenue of RM71.0 million for the current quarter ended 30 June 2013 (4Q 2013), marginally lower by 1.8% or RM1.3 million compared to the preceding year corresponding quarter (4Q 2012) due to closure of Sunway Putra Mall in end April 2013 for major refurbishment. Sunway Pyramid Shopping Mall, the crown jewel asset, continued to register solid performance with an increase in gross revenue by RM2.3 million or 3.9% compared to 4Q 2012, mainly attributable to higher overall average rental rate (ARR) resulting from renewal/new tenancies whereby 410,355 sq.ft. or 94% of the tenancies due for renewal in the current financial year was renewed/replaced with an average rental reversion of 18.1% for a 3-year term. As part and parcel of tenancy renewal attrition process, 6% of the space was not renewed during the year in order to improve tenancy mix.

Sunway Carnival Shopping Mall, a premier lifestyle shopping mall in Seberang Jaya, Penang, achieved yet another strong revenue growth of RM1.6 million or 21.9%, mainly attributable to an improvement in average occupancy rate from 91.2% for YTD 4Q 2012 to 97.4% for YTD 4Q 2013 and higher overall ARR. However, the increase was offset by the expected lower revenue from Sunway Putra Mall which has closed in end April 2013 for major refurbishment.

Property operating expenses of the retail segment for 4Q 2013 was RM21.4 million, a reduction of RM1.4 million or 6.1% compared to 4Q 2012, mainly due to lower utilities expense from Sunway Pyramid resulting from energy savings upon completion of chiller retrofit exercise and closure of Sunway Putra Mall for refurbishment. Sunway Carnival Shopping Mall, however, incurred higher expenses on upkeep of the mall and fitout works.

Net property income of the retail segment for 4Q 2013 was RM49.6 million, a slight increase of 0.2% or RM0.1 million compared to 4Q 2012.

Hotel segment

The hotel segment registered gross revenue of RM17.6 million for 4Q 2013, lower by 11.4% or RM2.3 million compared to 4Q 2012. For the current quarter, although the performance of Sunway Resort Hotel & Spa has improved in May and June 2013 post 13th General Election (GE 13), the rental was lower compared to 4Q 2012 mainly due to higher operating expenses for replenishment of hotel operating equipment and major overhaul of plant and machineries. Meanwhile, Pyramid Tower Hotel contributed higher income mainly due to marginally lower operating expenses.

Sunway Hotel Seberang Jaya recorded higher revenue for 4Q 2013 mainly due to completion of the major refurbishment (commenced in December 2011 and completed in May 2013) and recognition of guaranteed rent which has been triggered. Sunway Hotel Seberang Jaya saw its average occupancy improved to 71.3% for the month of June 2013 from 49.9% for eleven months up to May 2013 and average daily rate increased by 13.0%. However, total variable rent for this hotel for YTD 4Q 2013 fell below the guaranteed rent of RM3.4 million by approximately RM0.3 million due to the lower income caused by the refurbishment and hence, the lessee is required to satisfy the shortfall in accordance with the hotel master lease agreement.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FOURTH QUARTER ENDED 30 JUNE 2013 (UNAUDITED)**

A9. Segmental Reporting (Cont'd)

a) Review of current quarter results (Cont'd)

Hotel segment (cont'd)

Sunway Putra Hotel's performance was adversely affected in May and June 2013 by the major refurbishment works at the adjoining Sunway Putra Mall. Occupancy and average daily rate for the 2 months declined by 16% and 6% respectively compared to the preceding year corresponding period. Total variable rent for YTD 4Q 2013 fell below the guaranteed rent of RM12.1 million by approximately RM2.3 million and hence, the lessee is required to satisfy the shortfall in accordance with the hotel master lease agreement.

Net property income of the hotel segment for 4Q 2013 was RM16.8 million, lower by 11.3% or RM2.1 million compared to 4Q 2012, mainly due to lower overall revenue.

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

Office segment

The office segment recorded gross revenue of RM10.6 million, marginally higher by RM0.1 million or 1.3% compared to 4Q 2012, mainly attributable to completion of the asset enhancement initiative (AEI) at Menara Sunway. The increase in net lettable area (NLA) from this property by 14,193 sqft was fully taken up immediately upon completion. The higher revenue from Menara Sunway was however, off set by lower revenue from Sunway Tower and Sunway Putra Tower resulting from lower average occupancy rate. The average occupancy rate of Sunway Tower and Sunway Putra Tower for FY2013 were lower at 83% and 78% respectively compared to FY2012 of 93.5% and 85.2% respectively.

Property operating expenses of the office segment for 4Q 2013 was RM3.2 million, higher by RM0.2 million or 7.0% from 4Q 2012 mainly due to higher expenses incurred by Sunway Putra Tower for general building upkeep.

Net property income of the office segment for 4Q 2013 was RM7.4 million, marginally lower by RM0.1 million or 0.9% from 4Q 2012.

Others

Sunway Medical Centre was acquired on 31 December 2012 and leased to Sunway Medical Centre Sdn Bhd on a 10-year master lease agreement at an annual rental of RM19 million and with a 3.5% rental reversion per annum. The lease is based on a triple net basis whereby all the property operating expenses, quit rent, assessment and insurance will be borne by the lessee. For the current quarter ended 30 June 2013, Sunway Medical Centre contributed RM4.8 million of revenue and net property income to Sunway REIT.

Income before taxation

Finance costs for 4Q 2013 was RM15.7 million, significantly lower by RM3.5 million or 18.4% compared to 4Q 2012 mainly due to a one-off charge out of amortisation of loan transaction costs of RM2.7 million in 4Q 2012 resulting from the refinancing exercise.

Net profit for 4Q 2013 was RM229.0 million (4Q 2012: RM278.3) comprising realised profit of RM55.5 million (4Q 2012: RM48.1 million) and unrealised profit of RM173.5 million (4Q 2012: RM230.2 million). Realised profit for 4Q 2013 of RM55.5 million represent an increase of 15.4% against 4Q 2012 of RM48.1 million substantially attributable to the new income contribution from Sunway Medical Centre and lower finance costs. The unrealised profit arising mainly from fair value gain on investment properties.

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A9. Segmental Reporting (Cont'd)

b) Review of cumulative quarter results

Retail segment

The retail segment recorded gross revenue of RM296.1 million for the cumulative quarter ended 30 June 2013 (YTD 4Q 2013), an improvement of 1.3% or RM3.9 million compared to the preceding year corresponding cumulative quarter (YTD 4Q 2012). Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall continued to deliver strong performance with an increase in gross revenue by RM10.5 million or 4.6% and RM4.7 million or 16.7% respectively compared to YTD 4Q 2012 due to the reasons explained in Note A9(a). Sunway Pyramid Shopping Mall's average occupancy for YTD 4Q 2013 was slightly lower at 98.3% compared to 98.6% for YTD 4Q 2012 due to on-going works to reconfigure an existing 23,432 sq.ft. under the Oasis Boulevard 5 (OB 5) project which commenced in April 2013. OB 5 project also involved creation of additional lettable area of approximately 20,362 sq.ft. and expected to be completed by end of year 2013.

Sunway Putra Mall posted lower revenue in YTD 4Q 2013 due to lower average occupancy rate as explained in Note A9(a). Further, in YTD 4Q 2012, it has also recorded a one off revenue of RM4.6 million in respect of rental for the period from date of acquisition (19 April 2011) to 30 June 2011 when the Manager secured full possession and control of Sunway Putra Place from the previous owner on 28 September 2011.

Property operating expenses of the retail segment for YTD 4Q 2013 was RM90.7 million, lower by RM1.8 million or 2.0% compared to YTD 4Q 2012 mainly due to closure of Sunway Putra Mall for refurbishment.

Net property income of the retail segment for YTD 4Q 2013 was RM205.4 million, an increase of 2.9% or RM5.7 million compared to YTD 4Q 2012.

Hotel segment

The hotel segment registered gross revenue of RM69.0 million for YTD 4Q 2013, lower by 3.6% or RM2.6 million compared to YTD 4Q 2012. Sunway Resort Hotel & Spa and Pyramid Tower Hotel experienced a decline in average occupancy for YTD 4Q 2013 due to reduced corporate business several months prior to the GE 13. Sunway Resort Hotel & Spa's average occupancy was 71.3% for YTD 4Q 2013 compared to 76.0% for YTD 4Q 2012. Similarly, Pyramid Tower Hotel's average occupancy declined from 83.1% for YTD 4Q 2012 to 78.7% for YTD 4Q 2013. Both hotels' performance improved in May and June 2013 post GE 13 but was offset by higher operating expenses for replenishment of hotel operating equipment and major overhaul of plant and machineries.

Sunway Hotel Seberang Jaya and Sunway Putra Hotel's performance were adversely affected by reasons stated in Note A9(a).

Net property income of the hotel segment for YTD 4Q 2013 was RM65.7 million, lower by 4.8% or RM3.3 million compared to YTD 4Q 2012, resulting from lower overall revenue.

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

Office segment

The office segment recorded gross revenue of RM41.3 million, lower by RM1.3 million or 3.2% compared to YTD 4Q 2012, mainly due to lower overall occupancy rate of Sunway Tower and Sunway Putra Tower but partially mitigated by higher gross revenue from Menara Sunway as explained in Note A9(a).

Property operating expenses of the office segment for YTD 4Q 2013 was RM12.7 million, higher by RM0.6 mil or 5.3% compared to YTD 4Q 2012, mainly due to car park repainting at Menara Sunway.

Net property income of the office segment for YTD 4Q 2013 was RM28.5 million, lower by RM2.0 million or 6.5% compared to YTD 4Q 2012.

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A9. Segmental Reporting (Cont'd)

b) Review of cumulative quarter results (Cont'd)

Others

For the YTD 4Q 2013, Sunway Medical Centre contributed RM9.6 million of revenue and net property income to Sunway REIT.

Income before taxation

Finance costs for YTD 4Q 2013 was RM63.6 million, significantly lower by RM17.6 million or 21.7% compared to YTD 4Q 2012 mainly due to interest savings from debt refinancing exercise from end December 2011 (2Q 2012) onwards which resulted in a reduction in average cost of debts from 4.45% p.a. for YTD 4Q 2012 to 3.77% p.a. for YTD 4Q 2013. In addition, there was a one-off charge out of amortisation of loan transaction costs of RM6.0 million in YTD 4Q 2012 resulting from the refinancing exercise.

Net profit for YTD 4Q 2013 was RM392.3 million (YTD 4Q 2012: RM420.5 million) comprising realised profit of RM218.8 million (YTD 4Q 2012: RM190.6 million) and unrealised profit of RM173.5 million (YTD 4Q 2012: RM229.9 million). Realised profit for YTD 4Q 2013 of RM218.8 million represent an increase of 14.8% against YTD 4Q 2012 of RM190.6 million substantially attributable to new income contribution from Sunway Medical Centre, higher contribution from Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall and lower finance costs. The unrealised profit for YTD 4Q 2013 was RM173.5 million compared to RM229.9 million for YTD 4Q 2012. The fair value gain for YTD 4Q 2013 was lower after accounting for higher capital expenditure incurred of RM67.1 million compared to capital expenditure of only RM20.8 million for YTD 4Q 2012. The capital expenditure incurred will generate income upon completion and accordingly, the Manager expects them to result in higher valuation for the properties in the future years. Fair value gain before accounting for capital expenditure was RM241 million and RM251 million for YTD 4Q 2013 and YTD 4Q 2012 respectively.

A10. Seasonality of Operations

The results for the current quarter under review were not materially affected by seasonal or cyclical factors except for the hotel segment, which typically enjoyed better performance in July to December due to higher leisure business and year end corporate functions.

A11. Income Before Taxation

Included in the income before taxation are the following items:

	Fourth Quarter ended		Cumulative Quarter ended	
	30.6.2013 RM'000	30.6.2012 RM'000	30.6.2013 RM'000	30.6.2012 RM'000
Interest Income	(437)	(413)	(1,351)	(1,631)
Net changes in fair value of long term liabilities	(16)	(61)	(48)	(119)
Fair value loss on derivative financial instrument ¹	-	-	-	390
Unrealised foreign exchange loss/(gain) - hedged item	9,000	12,150	(1,100)	8,150
Cash flow hedge reserve recycled to profit or loss	(9,000)	(12,150)	1,100	(8,150)
Allowance for/(reversal of) impairment of receivables	(388)	(1,121)	(464)	3,117
Bad debts written off	-	-	10	84
Depreciation of plant and equipment	52	19	152	54

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A11. Income Before Taxation (Cont'd)

¹ In the financial period ended 30 June 2011, the Group had entered into a 4-year interest rate swap to exchange floating interest rate for fixed interest rate in order to minimise the exposure from fluctuation of interest rate. 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 this derivative financial instrument was derived from valuation inputs (other than Level 1 input) that are observable for the asset or liability, either directly or indirectly as discussed in Note A16.

As at 30 June 2011, the Group recognised an unrealised gain on changes in fair value of derivative financial instrument of RM706,000 arising from valuation input as mentioned above. The Group had terminated the interest rate swap contract in 1Q 2012 as part of the active capital management strategies and recognised a realised gain of RM316,000. The unrealised gain of RM706,000 previously recognised was reversed in 1Q 2012 to reflect the unwinding of the interest rate swap contract and thus, resulted in a fair value loss on derivative financial instrument of RM390,000.

A12. Income Tax Expense

Taxation of the REIT

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

Since Sunway REIT shall be distributing 100% of its realised year-to-date income (which translates to more than 90% of its total taxable income), the REIT should not incur any tax expense for the financial year ended 30 June 2013.

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%.

A13. Income Distribution

For the quarter ended 30 June 2013, the Manager proposed an interim income distribution of approximately 100% of the realised distributable income amounting to RM58.972 million or 2.02 sen per unit, comprising taxable and non-taxable amount of 0.68 sen and 1.34 sen per unit respectively. This amount includes surplus cash arising from 50% Manager's fee payable in units of RM3.1 million.

The book closure and payment dates in respect of the proposed interim income distribution will be fixed on 23 August 2013 and 5 September 2013 respectively.

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A14. Valuation of Investment properties

Investment properties are valued by an independent registered valuer and the difference between the valuation and the carrying amounts of the respective investment properties are charged or credited to the profit or loss for the period in which they arise. During the current quarter, Sunway REIT recognised a fair value gain on investment properties of RM173.5 million (30 June 2012: RM230.2 million), after accounting for capital expenditure of RM67.1 million (YTD 4Q 2012: RM20.8 million). The details of the appraised values are as follow:

Property	Fair value		Increase RM'000
	As at 30.6.2013 * RM'000	As at 30.6.2012 RM'000	
Retail			
Sunway Pyramid Shopping Mall	2,700,000	2,540,000	160,000
Sunway Carnival Shopping Mall	290,000	257,000	33,000
Suncity Ipoh Hypermarket	55,000	55,000	-
Sunway Putra Mall	254,000	248,000	6,000
	3,299,000	3,100,000	199,000
Hotel			
Sunway Resort Hotel & Spa	518,000	508,000	10,000
Pyramid Tower Hotel	295,000	295,000	-
Sunway Hotel Seberang Jaya	75,000	57,000	18,000
Sunway Putra Hotel	240,000	240,000	-
	1,128,000	1,100,000	28,000
Office			
Menara Sunway	160,000	150,000	10,000
Sunway Tower	190,000	190,000	-
Sunway Putra Tower	92,000	90,000	2,000
	442,000	430,000	12,000
Others			
Sunway Medical Centre	315,000	-	315,000
	315,000	-	315,000
TOTAL PORTFOLIO	5,184,000	4,630,000	554,000
Less: Acquisition during the year **			(313,381)
Less: Capital expenditure			(67,132)
Fair value gain			173,487

* Appraised value based on valuation carried out by an independent professional valuer, Knight Frank on 30 June 2013.

** In relation to acquisition of Sunway Medical Centre and expenses related to the acquisition.

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A15. Borrowings and Debt Securities

	As at 30.6.2013 RM'000	As at 30.06.2012 RM'000	As at 1.07.2011 RM'000
<u>Short term borrowings</u>			
Secured			
- Revolving credit	-	-	59,350
- Commercial papers	315,000	550,000	-
Unsecured			
- Revolving loan	-	700,000	-
Total gross short term borrowings	315,000	1,250,000	59,350
Less: Discount on commercial papers	(231)	(1,308)	-
Less: Unamortised transaction costs	-	(3,653)	-
Total short term borrowings	<u>314,769</u>	<u>1,245,039</u>	<u>59,350</u>
<u>Long term borrowings</u>			
Secured term loans	317,850	318,950	1,514,000
Unrated medium term notes	1,000,000	-	-
Total gross long term borrowings	1,317,850	318,950	1,514,000
Less: Unamortised transaction costs	-	(865)	(11,975)
Total long term borrowings	1,317,850	318,085	1,502,025
Total borrowings	<u>1,632,619</u>	<u>1,563,124</u>	<u>1,561,375</u>

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

A16. Fair Value Hierarchy

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

Level 1

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

Level 2

Valuation inputs (other than Level 1 input) that are observable for the asset or liability, either directly or indirectly.

Level 3

Valuation inputs that are not based on observable market data.

The table below analyses financial instruments, measured at fair value at the end of the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 30 June 2013	-	7,540	-	7,540
At 30 June 2012	-	8,455	-	8,455
At 1 July 2011	-	706	-	706

No transfers between any levels of the fair value hierarchy took place during the current quarter and the preceding year corresponding quarter. There were also no changes in the purpose of derivative financial instrument that subsequently resulted in a different classification of the instrument.

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A17. Material Event

There were no material events during the quarter ended 30 June 2013.

A18. Material Events Subsequent to the end of the Current Quarter

Variation to the hotel master lease dated 29 June 2011 and first supplemental agreement dated 5 January 2012 between RHB Trustees Berhad (formerly OSK Trustees Berhad) (as Trustee for Sunway Real Estate Investment Trust), Sunway REIT Management Sdn. Bhd. and Sunway Putra Hotel Sdn. Bhd. ("Lessee") ("Hotel Master Lease").

On 3 July 2013, the Manager announced that in light of a major refurbishment being carried out on Sunway Putra Mall, a shopping mall situated on the adjoining property to the Sunway Putra Hotel commencing from 1 May 2013 for an estimated period of two (2) years therefrom which will adversely affect the business of SPH, the Lessee has appealed to the Manager and RHB Trustees Berhad (formerly known as OSK Trustees Berhad) ("Trustee") for a variation to the guaranteed rent amount in the Hotel Mater Lease Agreement.

The Manager and the Trustee have agreed to enter into a second supplemental agreement to the Hotel Master Lease ("Second Supplemental Agreement") to vary the guaranteed rent for the period between 1 July 2013 to 30 June 2014 ("3rd Fiscal Year"). The total rent payable by the Lessee shall be the amount calculated in accordance with the variable rent formula under the Hotel Master Lease Agreement for the 3rd Fiscal Year and as such the guaranteed rent would not be applied to the 3rd Fiscal Year. The difference between the amount calculated under the variable rent formula and guaranteed rent will be adjusted in equal proportions from the 5th fiscal year to the 11th fiscal year of the lease period, added on to the guaranteed rent for each of those years. The same variation to guaranteed rent may apply to the period from 1 July 2014 to 30 June 2015 if requested in writing by the Lessee on the basis of continuing adverse operating conditions caused by major refurbishment works at Sunway Putra Mall and subject always to the agreement of the Trustee.

Key effects of the Second Supplemental Agreement

The Lessee forecasts that the difference between the amount calculated under the variable rent formula and guaranteed rent for the 3rd Fiscal Year is approximately RM3.3 million and as such is not expected to have any material effect on the earnings of Sunway REIT for the financial year ending 30 June 2014.

A19. Capital Commitments

The amount of commitments for investment properties not provided for in the unaudited interim financial statements as at 30 June 2013 were as follows:

	As at 30.6.2013 RM'000
Approved and contracted for	302,597
Approved but not contracted for	116,402
	<u>418,999</u>

The capital commitments are mainly in relation to the proposed refurbishment of Sunway Putra Mall and Sunway Putra Tower, car park linkages at Sunway Resort Hotel & Spa and asset enhancements at Sunway Pyramid Shopping Mall.

A20. Contingent Liabilities and Assets

There were no contingent liabilities or contingent assets as at 30 June 2013.

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A21. Transactions with Parties Related to the Manager

The following table provides information on the transactions which have been entered into with parties related to the Manager during the period ended 30 June 2013 and 30 June 2012 as well as the balances with the parties related to the Manager as at 30 June 2013, 30 June 2012 and 30 June 2011:

	Fourth Quarter ended		Cumulative Quarter ended	
	30.6.2013 RM'000	30.6.2012 RM'000	30.6.2013 RM'000	30.6.2012 RM'000
<u>(Sales to)/purchases from parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Sales	(31,837)	(28,941)	(116,606)	(105,333)
- Purchases	8,197	8,523	40,733	35,919
- Acquisition of investment property	-	-	310,000	-
(b) Sunway Technology Sdn. Bhd. Group ("STSB Group")				
- Sales	(133)	(130)	(514)	(520)
(c) Adasia (M) Sdn. Bhd. ("Adasia") *				
- Sales	-	-	-	(46)
- Purchases	-	-	-	68

	As at 30.6.2013 RM'000	As at 30.06.2012 RM'000	As at 1.07.2011 RM'000
<u>Amount owed by parties related to Manager:</u>			
(a) Sunway Berhad Group	8,263	6,294	-
(b) Sunway Technology Sdn. Bhd. Group	3	-	-
(c) Sunway Holdings Berhad Group ("Sunway Holdings Group")	-	-	60
(d) Sunway City Berhad Group ("Sunway City Group")	-	-	3,794
(e) Adasia (M) Sdn. Bhd. ("Adasia") *	-	-	70

* Adasia (M) Sdn. Bhd. had ceased to be a related party to Sunway Berhad and its subsidiaries with effect from 26 September 2011.

	As at 30.6.2013 RM'000	As at 30.06.2012 RM'000	As at 1.07.2011 RM'000
<u>Amount owed to parties related to Manager:</u>			
(a) Sunway Berhad Group	8,362	9,838	-
(b) Sunway Technology Sdn. Bhd. Group	8	-	-
(c) Sunway Holdings Berhad Group ("Sunway Holdings Group")	-	-	219
(d) Sunway City Berhad Group ("Sunway City Group")	-	-	24,315

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

B1. Review of Performance

Explanatory comment on the performance of each of the Group's business segment is provided in Note A9.

B2. Maintenance Costs and Major Capital Expenditure

There was no unusual maintenance costs during the quarter under review. Sunway REIT incurred capital expenditure of approximately RM40.6 million during 4Q 2013 and RM67.1 million for YTD 4Q 2013 mainly involving car park linkages at Sunway Resort Hotel & Spa, refurbishment at Sunway Hotel Seberang Jaya and Sunway Putra Mall as well as asset enhancements at Menara Sunway and Sunway Pyramid Shopping Mall.

B3. Material Changes in Quarterly Results

	Current Quarter Ended 30.6.2013 RM'000	Immediate Preceding Quarter Ended 31.3.2013 RM'000
Income before taxation	228,971	55,220
Less: Fair value gain on investment properties	(173,487)	-
Income before taxation, excluding fair value gain on investment properties	<u>55,484</u>	<u>55,220</u>

Sunway REIT recorded an income before taxation of RM55.5 million (excluding fair value gain on investment properties), marginally higher by RM0.3 million or 0.5% compared to the immediate preceding quarter of RM55.2 million mainly attributable to lower finance costs and net property income.

B4. Commentary on Prospects

The Q1 2013 real GDP expanded by +4.1% (year-on-year) but contracted by -4.9% (quarter-on-quarter). The lower growth during the quarter was primarily due to weak industrial activities as exports remained depressed by the lingering recession in the Euro area and the weaker-than expected growth in the U.S. and China.

Bank Negara Malaysia ("BNM") has maintained GDP growth forecast of 5% - 6% for 2013. This is anchored by sustained domestic demand, led by private consumption and investment remained the key driver of growth.

Although headline inflation rose for the fifth consecutive month to 1.8% in May, from 1.7% in April, it is still below the 2.0% level for the 14th consecutive month. Inflation in 2013 is expected to range between 2% and 3%. The increase in inflation is partly due to expected higher transport prices, firm increase in food prices and increases in utilities tariff.

The Monetary Policy Committee ("MPC") left the overnight policy rate ("OPR") unchanged at 3.0% for the twelve consecutive times since July 2011. Bank Negara Malaysia indicated that monetary policy direction going forward will be supportive of growth whilst cautiously assessing the global economic and financial developments and their implications on the overall outlook for inflation and growth of the Malaysian economy.

The Manager expects sustained or minimal impact to DPU for FY2014 despite the loss of income from Sunway Putra Mall underpinned by organic growth from existing assets of Sunway REIT's portfolio. With the loss of income contribution from Sunway Putra Mall and potential decline in income from the Sunway Putra Hotel and Sunway Putra Tower due to disruption from the major refurbishment which commenced in May 2013, the Manager has implemented organic growth initiatives to cushion the adverse impact.

The Manager is committed to distribute 100% of its distributable net income for FY2014.

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B4. Commentary on Prospects (Cont'd)

Review of retail market

The National retail sales recorded a strong Q1 2013 growth at 7.5% higher than the initial forecast of 5.9%. Retail Group Malaysia has revised upwards the full year target to 6.4% for 2013, to be supported by major festive seasons, year-end school holidays and sales.

There is a number of new sizeable shopping malls in the pipeline in Kuala Lumpur and Selangor including Nu Sentral (660,000 sq. ft. in 2013), Cheras Sentral Shopping Mall (500,000 sq. ft. in 2013), Damansara City Mall (185,500 sq. ft. in 2014) and IOI City Mall (1,200,000 sq. ft. in 2014). It is expected that approximately 5.20 million sq. ft. and 7.58 million sq. ft. of new retail spaces will be added to Kuala Lumpur and Selangor in 2013 – 2015, respectively.

Sunway Pyramid Shopping Mall's average occupancy rate dropped marginally to 98.3% in FY2013 compared to the previous year of 98.6%. The marginal drop in occupancy was mainly due to on-going works to reconfigure an existing area of 23,432 sq. ft. for Oasis Boulevard Phase 5 project which commenced work in April 2013. During the financial year, a total of 410,355 sq. ft. representing 24.0% of total NLA was renewed at an average rental reversion rate of 18.1% over a period of three years.

Meanwhile, Sunway Carnival Shopping Mall's average occupancy rate improved significantly to 97.4% for FY2013 compared to 91.2% in the previous financial year. A total of 115,557 sq. ft. of NLA was renewed at an average rental reversion rate of 21.0% over a 3-year term. A tenancy which was due in June 2013 occupying 39,676 sq. ft. representing 8.0% of total NLA, did not renew due to a change in their business strategy. The Manager is planning to reconfigure this space and to further improve tenancy mix in order to achieve higher rentals.

The Manager expects the retail assets to be the key growth driver for the portfolio supported by macro factors such as positive consumer sentiment, supported by buoyant employment situation, rising levels of disposable income, strong inbound tourism and growing affluence of the nation.

On the assets level, the Manager strives to embark on continuous AEs, ongoing promotional activities and events to attract high level of shoppers traffic to encourage spending and introduction of fresh retail concepts to be ahead of retail trends in ensuring the leadership position of the malls in their respective locations.

Going forward, key drivers for Sunway Pyramid Shopping Mall are asset enhancement initiatives ("AEIs") of Oasis Boulevard 5 which involve creation of new NLA totaling 20,362 sq. ft. and reconfiguration of existing NLA totaling 23,432 sq. ft. In addition, major rental reversion involving 52.5% of NLA are due for rental renewal in FY2014. Pursuant to the completion of chillers retrofitting in December 2012, it is estimated that there will be energy cost savings of approximately RM4.0 million per annum. Sunway Carnival Shopping Mall is also due for major rental reversion in FY2014 involving 55.6% of NLA.

Review of hotel market

Tourist arrivals into Malaysia was 25.03 million people with corresponding tourist receipts of RM60.6 billion in 2012, reflecting year-on-year ("y-o-y") growth of 1.3% and 3.9% respectively (2011: 24.71 million arrivals with tourist receipts of RM58.3 billion). Q1 2013 tourist arrival grew 15.9% vis-à-vis the corresponding period last year with a notable increase in tourist arrival from Singapore. Meanwhile, tourist arrivals from China, Indonesia and India continued to experience healthy growth.

Visit Malaysia Year 2014, launched on 19 January 2013, is timely to further promote the country as a tourism destination and to achieve its target of 28.8 million tourist arrivals. The hospitality and retail sectors would see better growth with the increase in foreign tourist arrivals and spending.

Sunway Resort Hotel and Spa's average occupancy rate for FY2013 dropped to 71.3% vis-à-vis 76.0% in the previous year. Likewise, Pyramid Tower Hotel also experienced the same business trend where the average occupancy rate dropped to 78.7% vis-à-vis 83.1% in the previous year. The lower average occupancy rate for both the hotels were due to lesser corporate business on the back of uncertainties of the overall market before the GE13.

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B4. Commentary on Prospects (Cont'd)

Review of hotel market (cont'd)

Sunway Putra Hotel occupancy rate for FY2013 stood at 60.2% compared to 59.0% in FY2012 (from date of full control and possession, on 28 September 2011 to 30 June 2012). The hotel performance was adversely affected in May and June 2013 as a result of closure and major refurbishment exercise of the adjoining Sunway Putra Mall. The Manager will be commencing the refurbishment of Sunway Putra Hotel on progressive basis over the next 2 years at an estimated cost of RM130 million.

In Penang mainland, Sunway Hotel Seberang Jaya was adversely affected by the refurbishment activities which commenced in December 2011 and completed in May 2013. Average occupancy rate dropped to 51.6% for FY2013 compared to 70.2% in the previous financial year. The business improved in June 2013 after the completion of the refurbishment exercise and the Manager expects the business to further improve thereafter. As at the month of June 2013 the hotel occupancy was registered at 71.3% and increase in Average Daily Rates (ADR) by 13.0%.

The Manager expects the business from the hotel segment with the exception of Sunway Putra Hotel to improve in FY2014 following the removal of uncertainties of domestic political environment and promotional efforts by Ministry of Tourism to create year-long special events and activities leading to Visit Malaysia 2014. The Manager cautions of possible decline in income from Sunway Putra Hotel on the back of work disruption arising from refurbishment of Sunway Putra Mall and waiver of guaranteed rental for FY2014 as announced on 3 July 2013.

Review of office market

The overall office market is in for some challenging times as it grapples with both the headwinds from uncertainties of global economy as well as a vast oversupply situation which has already begun to take effect.

In Kuala Lumpur, the new supply is expected to increase by 12.5 million sq. ft. over 2013 - 2015 having a cumulative supply of 93.6 million sq. ft.. The sheer volume of new space coming on stream, which creates a tenant's market that will inevitably cause rental rates and occupancies across the board to decline in the short to medium term. The substantial office space overhang is expected to persist beyond 2015 given the new supply coming onto the market.

Menara Sunway's average occupancy rate inched-up slightly to 98.9% for FY2013 compared to 98.5% in the preceding year. Occupancy rate is expected to remain healthy going forward in view of the captive market.

Meanwhile, average occupancy at Sunway Tower dropped to 83.0% for FY2013 from 93.5% in the preceding year due to non-renewal of tenants and downsizing by a tenant. The Manager is actively seeking for replacement of tenants for the vacancy.

Meanwhile, Sunway Putra Tower experienced a drop in average occupancy rate due to non renewal by tenants. The average occupancy rate slipped to 78.0% for FY2013 compared to 85.2% in FY2012. The Manager is actively seeking for replacement of tenants for the vacancy in the office tower. Meanwhile, the Manager will be commencing the refurbishment of Sunway Putra Tower in FY2014. The refurbishment covers modernization of the lobby, lift lobbies, washroom and replacements of mechanical and electrical plant (MEP) at an estimated cost of RM29 million.

Despite the challenging business operating environment arising from the oversupply situation, the Manager expects the income contribution from Sunway REIT's office portfolio to maintain as FY2013.

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B5. Investment Objectives

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

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

B6. Performance Benchmark

Performance indicators	Year ended 30.6.2013	Year ended 30.06.2012
a) Management expense ratio	0.82%	0.98%
b) Total returns	18.6%	28.0%
c) Average annual returns	25.3%	28.7%
d) Distribution yield	5.4%	5.5%
e) NAV per unit (after income distribution)(RM)	1.1809	1.0968

- a) The ratio of annualised expenses incurred in operating Sunway REIT to the NAV of Sunway REIT.
- b) Total return represents the change in unit price from beginning of financial year plus distribution yield for the year.
- c) Average annual return is the sum of the return rates of Sunway REIT over a given number of years divided by that number of years.
- d) Based on DPU of 8.30 sen divided by its closing price as at 30 June 2013 of RM1.54 (30 June 2012 - DPU: 7.50 sen; Closing price as at 30 June 2012: RM1.36).
- e) NAV of Sunway REIT as determined by deducting the value of all Sunway REIT's liabilities from the total asset value, divided by total issued units.

B7. Strategies and Policies

The Manager's strategies can be broadly categorised as:

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

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

B8. Manager's fee

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

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

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B8. Manager's fee (Cont'd)

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 and cumulative quarter ended 30 June 2013 was RM6.3 million and RM27.4 million respectively compared to preceding year corresponding quarter and cumulative quarter ended 30 June 2012 of RM5.8 million and RM22.6 million respectively. The Manager was also paid an acquisition fee of RM3.1 million in respect of the acquisition of Sunway Medical Centre (The acquisition fee was capitalised as part of the acquisition costs in the second quarter ended 31 December 2012).

B9. Trustee Fee

Pursuant to the Deed constituting Sunway REIT, the Trustee is entitled to receive up to 0.03% per annum of the net asset value of Sunway REIT, net of all applicable taxes, duties and levies imposed by the relevant authorities in Malaysia, is calculated on a monthly accrual basis, based on a year of 12 months. The total Trustee's fee for the current quarter and cumulative quarter ended 30 June 2013 was RM0.3 million and RM1.0 million respectively compared to preceding year corresponding quarter and cumulative quarter ended 30 June 2012 of RM0.2 million and RM0.8 million respectively.

B10. Status of Corporate Proposals

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

B11. Material Litigation

1. High Court Originating Summons No. 24NCVC-901-2011 and Court of Appeal No. W-02 (NCVC) -2242-2011, FCC No. 08(f)-399-05/2012 (W)

On 19 April 2011, Robert Ti and Kornelius Kurniadi (Plaintiffs) commenced this action against amongst others RHB Trustees Berhad (formerly known as OSK Trustees Berhad) ("Trustee") and Sunway REIT 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 the Trustee 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 had 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.

On 17 May 2012, the Plaintiffs served an unsealed Notice of Motion for leave to appeal to the Federal Court on the solicitors of the Trustee and Sunway REIT Management Sdn Bhd. The Plaintiffs sought leave to appeal against the decision of the Court of Appeal given on 18 April 2012.

On 9 July 2013, the Federal Court heard and dismissed the application for leave to appeal with costs.

2. High Court Originating Summons No. 21NCVC-95-2011, W-02(IM)(NCVC)-3190-12/2011, FCC No. 08(i)-404-05/2012(W)

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

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B11. Material Litigation (Cont'd)

2. High Court Originating Summons No. 21NCVC-95-2011, W-02(IM)(NCVC)-3190-12/2011, FCC No. 08(i)-404-05/2012(W) (cont'd)

On 17 August 2011, the High Court fixed the hearing date for the application to strike out the case by the Trustee, 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 fixed a date for a decision on 22 November 2011.

On 22 November 2011, the High Court allowed the application to strike out the case by the Trustee, 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 had 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.

On 17 May 2012, the Plaintiff served an unsealed Notice of Motion for leave to appeal to the Federal Court on the solicitors of the Trustee and Sunway REIT Management Sdn Bhd. The Plaintiff sought leave to appeal against the decision of the Court of Appeal given on 20 April 2012.

On 9 July 2013, the Federal Court heard and dismissed the application for leave to appeal with costs.

3. 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, RHB Trustees Berhad (formerly known as 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 sought an order that Metroplex Holdings Sdn Bhd ("Metroplex") delivers 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 the Trustee 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 the Trustee and the Manager on 30 September 2011. The application for stay of execution was fixed for hearing inter-parte 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.

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B11. Material Litigation (Cont'd)

3. 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)

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 failed 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.

Following the dismissal of the appeal by the Court of Appeal, Metroplex applied for an application for leave to appeal to the Federal Court. Metroplex's application for leave to appeal to the Federal Court was heard and dismissed on 20 February 2012 which reinforces that the Trustee is the rightful owner of Putra Place.

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

The solicitors for RHB Trustees Berhad (formerly known as OSK Trustees Berhad) (as trustee of Sunway REIT) ("Trustee") and Sunway REIT Management Sdn Bhd ("Manager") had on 2 August 2012, issued a section 218 Companies Act notice to Metroplex and filed a notice for assessment of damages before the Kuala Lumpur High Court registrar pursuant to one of the Orders. On 2 August 2013, the Kuala Lumpur High Court decided that the that Metroplex should not be wound up. The amount in dispute is to be deposited in a joint stakeholder account pending the outcome of the case on assessment of damages pursuant to Note B11(3) above.

5. High Court Originating Summons No. 24NCVC-1255-2011

The solicitors for RHB Trustees Berhad (formerly known as OSK Trustees Berhad) (as trustee of Sunway REIT) ("Trustee") and Sunway REIT Management Sdn Bhd ("Manager") had been granted leave to commence committal proceedings on 29 November 2012. Thereafter, the solicitors for the Trustee and the Manager had on 10 December 2012, filed an originating summons commencing the committal proceedings against Metroplex before the Kuala Lumpur High Court for non-compliance with some of the remaining Orders which were not enforced, as mentioned in B11(3) above. A hearing date has been fixed on 6 September 2013 for the setting aside application for the ex parte leave.

B12. Soft commission

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

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

	Current quarter ended 30.6.2013	Immediate preceding quarter ended 31.3.2013	% change
Number of units in issue (units)	2,919,423,400	2,917,365,500	0.1%
Realised net income (RM'000)	55,469	55,203	0.5%
Realised earnings per unit (EPU) (sen)	1.83	2.03	-9.9%
Income distribution(RM'000)	58,972	57,995	1.7%
Distribution per unit (DPU)(sen)	2.02	2.06	-1.9%
Net Asset Value (NAV) (RM'000)	3,447,497	3,251,665	6.0%
NAV per unit (After income distribution) (RM)	1.1809	1.1146	5.9%
Market price per unit (RM)	1.54	1.52	1.3%

B14. Income Distribution

Please refer to Note A13 for details .

B15. Disclosure of Nature of Outstanding Derivative Financial Instruments

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

Type of Derivatives	Contract/ Notional Value		Fair Value	
	As at 30.6.2013	As at 30.06.2012	As at 30.6.2013	As at 30.06.2012
	RM'000	RM'000	RM'000	RM'000
Cross currency swap contract - More than 1 year but less than 3 years	310,800	310,800	7,540	8,455

Cross currency swap contract

In the previous financial year, Sunway REIT entered into a cross currency swap contract to manage its exposure in foreign currency risk arising from foreign currency borrowings which was entered to minimize borrowing cost. Sunway REIT uses cash flow hedge to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the hedging period on the foreign currency borrowings. Where a cash flow hedge qualifies for hedge accounting, the effective portion of gains or losses on remeasuring the fair value of the hedging instrument are recognized directly in other comprehensive income until such time as the hedged item affects profit or loss, then the gains or losses are transferred to the income statement. Gains or losses on any portion of the hedge determined to be ineffective are recognised immediately in the income statement.

B16. Risks and Policies of Derivatives

The Group did not enter into any new derivatives during the quarter ended 30 June 2013.

The risks and policies relating to the management of derivative financial instrument are similar to those disclosed in the annual financial statements for the financial year ended 30 June 2012.

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

Please refer to Note A11 for details .

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B18. Realised and Unrealised Retained Profits/Undistributed Income

The breakdown of the retained profits/undistributed income of the Group as at 30 June 2013 into realised and unrealised profits/undistributed income is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Year ended 30.6.2013 RM'000	As at end of previous financial year RM'000
Total retained profits/undistributed income		
- realised	26,211	30,310
- unrealised	790,259	616,537
	<u>816,470</u>	<u>646,847</u>
Less: Consolidation adjustments	(3)	(3)
Total retained profits/undistributed income	<u>816,467</u>	<u>646,844</u>

B19. Directors' Declaration

In the opinion of the Manager, this quarterly report has been prepared in accordance with MFRS 134: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Sunway REIT as at 30 June 2013 and of its financial performance and cash flows for the quarter ended on that date and duly authorised for release by the Board of the Manager on 6 August 2013.

BY ORDER OF THE BOARD

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

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

**Petaling Jaya
Date: 6 August 2013**