

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2013 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	First Quarter ended		Cumulative Quarter ended	
	30.9.2013	30.9.2012	30.9.2013	30.9.2012
	RM'000	RM'000	RM'000	RM'000
Rental income	97,531	97,472	97,531	97,472
Other operating income	2,645	2,300	2,645	2,300
Gross revenue	100,176	99,772	100,176	99,772
Quit rent, assessment and insurance	(3,093)	(3,068)	(3,093)	(3,068)
Other property operating expenses	(19,977)	(23,824)	(19,977)	(23,824)
Property operating expenses	(23,070)	(26,892)	(23,070)	(26,892)
Net property income	77,106	72,880	77,106	72,880
Other income	538	254	538	254
Net investment income	77,644	73,134	77,644	73,134
Manager's fee	(6,329)	(5,732)	(6,329)	(5,732)
Trustee's fee	(267)	(228)	(267)	(228)
Finance costs	(15,548)	(14,731)	(15,548)	(14,731)
Other expenses	(100)	(434)	(100)	(434)
	(22,244)	(21,125)	(22,244)	(21,125)
Income before taxation	55,400	52,009	55,400	52,009
Income tax expense	-	-	-	-
Profit for the period	55,400	52,009	55,400	52,009
Profit for the period comprise the following:				
Realised	55,384	51,997	55,384	51,997
Unrealised	16	12	16	12
	55,400	52,009	55,400	52,009
Earnings per unit (sen)				
- realised	1.90	1.93	1.90	1.93
- unrealised	-	-	-	-
	1.90	1.93	1.90	1.93
Proposed/declared distribution per unit (sen)	2.00	2.03	2.00	2.03

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2013 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

	First Quarter ended		Cumulative Quarter ended	
	30.9.2013	30.9.2012	30.9.2013	30.9.2012
	RM'000	RM'000	RM'000	RM'000
Profit for the period	55,400	52,009	55,400	52,009
Other comprehensive income				
Cash flow hedge - fair value of derivative	11,006	(9,926)	11,006	(9,926)
Cash flow hedge reserve recycled to profit or loss	(7,900)	12,350	(7,900)	12,350
Total comprehensive income for the period	58,506	54,433	58,506	54,433

Income distribution

	First Quarter ended		Cumulative Quarter ended	
	30.9.2013	30.9.2012	30.9.2013	30.9.2012
	RM'000	RM'000	RM'000	RM'000
Realised total comprehensive income for the period	55,384	51,997	55,384	51,997
Add: Surplus cash arising from 50% Manager's fee paid/payable in Units	3,164	2,866	3,164	2,866
Total available for income distribution for the period	58,548	54,863	58,548	54,863
Brought forward undistributed income available for distribution	169	142	169	142
Total available for income distribution	58,717	55,005	58,717	55,005
Less: Proposed/declared income distribution	(58,429)	(54,782)	(58,429)	(54,782)
Balance undistributed arising from rounding difference	288	223	288	223

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2013 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At 30.9.2013 (Unaudited)	As At 30.06.2013 (Unaudited)
	RM'000	RM'000
ASSETS		
Non-current assets		
Plant and equipment	1,398	1,283
Investment properties	5,202,649	5,184,000
Derivative financial instrument	18,546	7,540
	<u>5,222,593</u>	<u>5,192,823</u>
Current assets		
Receivables, deposits and prepayments	18,681	18,190
Deposits placed with licensed financial institutions	51,458	53,733
Cash and bank balances	6,319	4,786
	<u>76,458</u>	<u>76,709</u>
	<u>5,299,051</u>	<u>5,269,532</u>
FINANCED BY:		
Unitholders' funds		
Unitholders' capital	2,693,151	2,690,002
Undistributed income	816,001	816,467
Total Unitholders' funds	<u>3,509,152</u>	<u>3,506,469</u>
Non-current liabilities		
Borrowings	1,325,750	1,317,850
Long term liabilities	52,531	41,956
	<u>1,378,281</u>	<u>1,359,806</u>
Current liabilities		
Borrowings	339,990	314,769
Trade and other payables	71,628	88,488
	<u>411,618</u>	<u>403,257</u>
	<u>5,299,051</u>	<u>5,269,532</u>
Number of units in circulation ('000 units)	2,921,427	2,919,423
NET ASSET VALUE ("NAV")		
- Before income distribution	3,509,152	3,506,469
- After income distribution	3,450,723	3,447,497
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution ¹	1.2012	1.2011
- After income distribution ²	1.1812	1.1809

¹ Before the 1Q 2014 proposed income distribution of 2.00 sen per unit (4Q 2013: 2.02 sen per unit).

² After the 1Q 2014 proposed income distribution of 2.00 sen per unit (4Q 2013: 2.02 sen per unit).

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 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 2013	2,690,002	26,208	790,259	3,506,469
Total comprehensive income				
Profit for the period	-	55,384	16	55,400
Other comprehensive income				
- Cash flow hedge - fair value of derivative	-	-	11,006	11,006
- Cash flow hedge reserve recycled to profit or loss	-	-	(7,900)	(7,900)
Total comprehensive income, representing the increase in net assets resulting from operations	2,690,002	81,592	793,381	3,564,975
Unitholders' transactions				
Creation of units ¹				
- Manager's fee paid in units	3,149	-	-	3,149
Distribution to unitholders				
- Income distribution proposed in prior year but paid in current period	-	(58,972)	-	(58,972)
Increase/(decrease) in net assets resulting from unitholders' transactions	3,149	(58,972)	-	(55,823)
As at 30 September 2013 (Unaudited)	2,693,151	22,620	793,381	3,509,152

	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

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

¹ Issue of new units comprise the following:

	30.9.2013	
	Units	Amount
	'000	RM'000
Issuance of new units pursuant to 50% Manager fee paid in units:		
- at RM1.5720 per unit for the quarter ended 30 June 2013	2,004	3,149
Total Manager's fee paid in units	<u>2,004</u>	<u>3,149</u>
	30.06.2013	
	Units	Amount
	'000	RM'000
Issuance of new units pursuant to placement exercise at RM1.49 per unit	214,765	320,000
Issuance of new units pursuant to 50% Manager fee paid in units:		
- at RM1.3261 per unit for the quarter ended 30 June 2012	2,186	2,899
- at RM1.4487 per unit for the quarter ended 30 September 2012	1,978	2,866
- at RM1.5186 per unit for the quarter ended 31 December 2012	1,974	2,999
- at RM1.5166 per unit for the quarter ended 31 March 2013	2,058	3,121
Total Manager's fee paid in units	<u>8,196</u>	<u>11,885</u>
Total issuance for the year	<u>222,961</u>	<u>331,885</u>

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2013 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative Quarter ended	
	30.9.2013	30.9.2012
	RM'000	RM'000
OPERATING ACTIVITIES		
Cash receipts from customers	107,402	102,534
Refundable security deposits from customers	3,581	276
Cash paid for operating expenses	(44,478)	(38,989)
Net cash generated from operating activities	<u>66,505</u>	<u>63,821</u>
INVESTING ACTIVITIES		
Acquisition of plant and equipment	(114)	(188)
Subsequent expenditure of investment properties	(19,077)	(9,924)
Interest received	553	234
Net cash used in investing activities	<u>(18,638)</u>	<u>(9,878)</u>
FINANCING ACTIVITIES		
Issuance of commercial papers	658,000	850,000
Drawdown of revolving loans	324,000	2,893,000
Repayment of commercial papers	(957,000)	(1,400,000)
Repayment of revolving loans	-	(2,325,000)
Interest paid	(14,637)	(9,439)
Distribution paid	(58,972)	(50,963)
Net cash used in financing activities	<u>(48,609)</u>	<u>(42,402)</u>
Net (decrease)/increase in cash and cash equivalents	(742)	11,541
Cash and cash equivalents at beginning of period	58,519	25,799
Cash and cash equivalents at end of period	<u>57,777</u>	<u>37,340</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	6,319	13,626
Deposits placed with licensed financial institutions	51,458	23,714
Cash and cash equivalents at end of period	<u>57,777</u>	<u>37,340</u>

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 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. Significant accounting policies and basis of preparation

The condensed consolidated interim financial statements of the Group for the financial period ended 30 September 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.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013 and the accompanying explanatory notes attached to the unaudited condensed consolidated interim financial statements.

The consolidated financial statements of the Group for the year ended 30 June 2013 which were prepared under MFRS are available upon request from the management company's registered office at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan.

A3. Audit Report of Preceding Financial Year

The auditors have expressed an unqualified opinion on Sunway REIT's financial statement for the financial year ended 30 June 2013.

A4. Changes in Estimates

This is not applicable as no estimates were previously reported.

A5. Unusual Items

There were no material unusual items affecting the amounts reported for the current quarter ended 30 September 2013.

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

Sunway REIT has issued 2,003,500 new units at RM1.5720* per unit on 29 August 2013, being 50% payment of the Manager's fee for the quarter ended 30 June 2013. The units were listed on the Main Market of Bursa Securities on 30 August 2013.

* Based on the 10-day volume weighted average price ("VWAP") of the units up to 30 June 2013.

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

Sunway REIT's fund size increased from 2,919.4 million units to 2,921.4 million units with the issuance of new units as mentioned in Note A6.

SUNWAY REAL ESTATE INVESTMENT TRUST

FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2013 (UNAUDITED)

A8. Segmental Reporting

By segment

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

First Quarter/Cumulative Quarter

	First Quarter/Cumulative Quarter ended 30.9.2013					First Quarter/Cumulative Quarter ended 30.9.2012				
	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	70,207	14,277	10,942	4,750	100,176	73,298	16,311	10,163	-	99,772
<u>Results</u>										
Net property income	51,431	13,481	7,444	4,750	77,106	50,272	15,604	7,004	-	72,880
Other income					538					254
Trust and other expenses					(6,696)					(6,394)
Finance costs					(15,548)					(14,731)
Income before taxation					55,400					52,009
Income tax expense					-					-
Profit for the period					55,400					52,009

SUNWAY REAL ESTATE INVESTMENT TRUST

FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2013 (UNAUDITED)

A8. Segmental Reporting (Cont'd)

By property

Properties	Gross Revenue			Net Property Income		
	First Quarter/Cumulative Quarter ended			First Quarter/Cumulative Quarter ended		
	30.9.2013	30.9.2012	Change	30.9.2013	30.9.2012	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Retail						
Sunway Pyramid Shopping Mall	60,305	58,133	3.7%	45,716	40,878	11.8%
Sunway Carnival Shopping Mall	8,588	7,543	13.9%	5,505	4,671	17.9%
Suncity Ipoh Hypermarket	1,136	1,137	-0.1%	1,082	1,054	2.7%
Sunway Putra Mall	178	6,485	-97.3%	(872)	3,669	-123.8%
	70,207	73,298	-4.2%	51,431	50,272	2.3%
Hotel						
Sunway Resort Hotel & Spa	6,758	8,313	-18.7%	6,442	8,075	-20.2%
Pyramid Tower Hotel	5,115	5,708	-10.4%	5,024	5,612	-10.5%
Sunway Hotel Seberang Jaya	950	338	181.1%	900	281	220.3%
Sunway Putra Hotel	1,454	1,952	-25.5%	1,115	1,636	-31.8%
	14,277	16,311	-12.5%	13,481	15,604	-13.6%
Office						
Menara Sunway	4,328	4,114	5.2%	3,146	2,871	9.6%
Sunway Tower	4,200	3,878	8.3%	2,917	2,835	2.9%
Sunway Putra Tower	2,414	2,171	11.2%	1,381	1,298	6.4%
	10,942	10,163	7.7%	7,444	7,004	6.3%
Others						
Sunway Medical Centre	4,750	-	- *	4,750	-	- *
	4,750	-	- *	4,750	-	- *
TOTAL PORTFOLIO	100,176	99,772	0.4%	77,106	72,880	5.8%

* Not meaningful

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2013 (UNAUDITED)**

A8. Segmental Reporting (Cont'd)

The Group comprises the following major business segments:

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

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

a) Review of current quarter/cumulative quarter results

Retail segment

The retail segment registered gross revenue of RM70.2 million for the current quarter ended 30 September 2013 (1Q 2014), lower by 4.2% or RM3.1 million compared to the preceding year corresponding quarter (1Q 2013) due to closure of Sunway Putra Mall since May 2013 for major refurbishment. Sunway Pyramid Shopping Mall, the prime income contributor, continued to enjoy healthy growth with an increase in gross revenue by 3.7% or RM2.2 million compared to 1Q 2013, mainly attributable to higher overall average rental rate (ARR) resulting from renewal/new tenancies whereby 387,587 sq.ft. was renewed/replaced with a double digit rental reversion for a 3-year term.

Sunway Carnival Shopping Mall, a premier lifestyle shopping mall in Seberang Jaya, Penang, achieved yet another commendable revenue growth of 13.9% or RM1.0 million, mainly attributable to higher overall ARR. Average occupancy rate was at 93.9% for 1Q 2014 compared to 95.7% for 1Q 2013 due to non-renewal by a mini anchor tenant which occupied 39,676 sq.ft due to a change in the tenant's business strategy.

Property operating expenses of the retail segment for 1Q 2014 was RM18.8 million, a reduction of RM4.3 million or 18.5% compared to 1Q 2013, mainly due lower utilities expense arising from energy savings upon completion of chiller retrofit exercise as well lower general building upkeep expenses at Sunway Pyramid Shopping Mall during the quarter under review. Further, the reduction in expenses was also due to closure of Sunway Putra Mall for major refurbishment.

Net property income of the retail segment for 1Q 2014 was RM51.4 million, an increase of 2.3% or RM1.2 million compared to 1Q 2013.

Hotel segment

The hotel segment registered gross revenue of RM14.3 million for 1Q 2014, lower by 12.5% or RM2.0 million compared to 1Q 2013. The performance of Sunway Resort Hotel & Spa and Pyramid Tower Hotel for current quarter were affected by the slower macro environment in the electrical and electronics (E&E) sector which these hotels predominantly serve. Sunway Resort Hotel & Spa managed to achieve slightly higher average occupancy rate of 72.4% in 1Q 2014 compared to 70.8% in 1Q 2013 with tactical promotional activities. Meanwhile, Pyramid Tower Hotel experienced lower average occupancy rate of 76.0% in 1Q 2014 compared to 78.1% in 1Q2013 despite similar tactical promotional activities as Sunway Resort Hotel & Spa.

Sunway Hotel Seberang Jaya recorded higher revenue for 1Q 2014 following the completion of the major refurbishment (commenced in December 2011 and completed in May 2013). Sunway Hotel Seberang Jaya saw its average occupancy improved to 57.8% for the 1Q 2014 compared to 49.5% in 1Q 2013 and average daily rates increased by 16% for the same period under review.

Sunway Putra Hotel's performance was adversely affected by the major refurbishment works at the adjoining Sunway Putra Mall. Occupancy and average daily rate for the current quarter slipped by 11.6% and 3.2% respectively compared to the preceding year corresponding period.

Net property income of the hotel segment for 1Q 2014 was RM13.5 million, lower by 13.6% or RM2.1 million compared to 1Q 2013, 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.

**SUNWAY REAL ESTATE INVESTMENT TRUST
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A8. Segmental Reporting (Cont'd)

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

Office segment

The office segment recorded gross revenue of RM10.9 million, higher by 7.7% or RM0.8 million compared to 1Q 2013. Menara Sunway recorded higher revenue for 1Q 2014 mainly due to completion of the asset enhancement initiative (AEI) in 2Q 2013 which increased the net lettable area (NLA) by 14,193 sq.ft. Sunway Tower achieved higher average occupancy rate of 88.3% for 1Q 2014 compared to 1Q 2013 of 81.8% resulting from additional space taken up by an existing anchor tenant. Meanwhile, Sunway Putra Tower recorded a significant jump in revenue due to alignment of the current low rental rates to market rate from a tenancy renewed.

Property operating expenses of the office segment for 1Q 2014 was RM3.5 million, higher by 10.7% or RM0.3 million from 1Q 2013 mainly due to lesser utilities billing to tenants (utilities billing to tenants is set-off with utilities expenses) at Sunway Tower and higher general building upkeep expenses at Sunway Putra Tower.

Net property income of the office segment for 1Q 2014 was RM7.4 million, higher by 6.3% or RM0.4 million from 1Q 2013.

Others

For the current quarter ended 30 September 2013, Sunway Medical Centre contributed RM4.8 million of revenue and net property income to Sunway REIT.

Note: 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.

Income before taxation

Finance costs for 1Q 2014 was RM15.5 million, higher by 5.5% or RM0.8 million compared to 1Q 2013 mainly due to higher outstanding balance and higher average cost of debt at 3.86% compared to 3.70% in 1Q 2013 pursuant to conversion of RM1.0 billion into fixed rate borrowings.

Net profit for 1Q 2014 was RM55.4 million compared to 1Q 2013 of RM52.0 million, represent an increase of 6.5% or RM3.4 million, primarily attributable to the new income contribution from Sunway Medical Centre.

A9. 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 will typically enjoy better performance in July to December due to higher leisure business and year end corporate functions.

A10. Income Before Taxation

Included in the income before taxation are the following items:

	First Quarter ended		Cumulative Quarter ended	
	30.9.2013	30.9.2012	30.9.2013	30.9.2012
	RM'000	RM'000	RM'000	RM'000
Interest Income	(510)	(242)	(510)	(242)
Net changes in fair value of long term liabilities	(16)	(11)	(16)	(11)
Unrealised foreign exchange loss/(gain) - hedged item	7,900	(12,350)	7,900	(12,350)
Cash flow hedge reserve recycled to profit or loss	(7,900)	12,350	(7,900)	12,350
Allowance for/(reversal of) impairment of receivables	(298)	39	(298)	39
Bad debts written off	17	10	17	10
Depreciation of plant and equipment	52	14	52	14

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2013 (UNAUDITED)**

A11. Income Tax Expense

Taxation of the REIT

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

Since Sunway REIT shall be distributing 100% of its realised year-to-date income (which translates to more than 90% of its total taxable income), the REIT should not incur any tax expense for the financial year ending 30 June 2014.

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%.

A12. Income Distribution

For the quarter ended 30 September 2013, the Manager proposed an interim income distribution of approximately 100% of the realised distributable income amounting to RM58.429 million or 2.00 sen per unit, comprising taxable and non-taxable amount of 1.65 sen and 0.35 sen per unit respectively. This amount includes surplus cash arising from 50% Manager's fee payable in units of RM3.164 million.

The book closure and payment dates in respect of the proposed interim income distribution will be fixed on 14 November 2013 and 28 November 2013 respectively.

A13. Valuation of Investment properties

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

A14. Borrowings and Debt Securities

	As at 30.9.2013 RM'000	As at 30.06.2013 RM'000
<u>Short term borrowings</u>		
Secured		
- Commercial papers	16,000	315,000
Unsecured		
- Revolving loan	324,000	-
Total gross short term borrowings	<u>340,000</u>	<u>315,000</u>
Less: Discount on commercial papers	(10)	(231)
Total short term borrowings	<u>339,990</u>	<u>314,769</u>
<u>Long term borrowings</u>		
Secured term loans	325,750	317,850
Unrated medium term notes	1,000,000	1,000,000
Total long term borrowings	<u>1,325,750</u>	<u>1,317,850</u>
Total borrowings	<u>1,665,740</u>	<u>1,632,619</u>

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A14. Borrowings and Debt Securities (Cont'd)

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.

A15. Fair Value Hierarchy

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

Level 1

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

Level 2

Valuation 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 September 2013	-	18,546	-	18,546
At 30 June 2013	-	7,540	-	7,540

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.

A16. Material Event

Variation to the Master Lease Agreement dated 9 October 2012 ("MLA") in relation to Sunway Medical Centre Property ("SunMed Property") entered between RHB Trustees Berhad (formerly known as OSK Trustees Berhad) (as trustee for Sunway REIT) ("Lessor"), Sunway REIT Management Sdn Bhd ("the Manager") and Sunway Medical Centre Sdn Bhd ("SMC" or "the Lessee")

On 7 August 2013, the Manager, on behalf of the Board of Directors of Sunway REIT Management Sdn Bhd, announced that pursuant to the supplemental letter to the MLA, the Manager, Lessor and Lessee have agreed to the proposed renovation works to Level 4 (Tower Block A) and Level 5 (Tower Block B) ("**Renovation Works**") of the SunMed Property at an estimated cost of RM7.053 million. The Renovation Works are expected to be completed by 30 November 2013.

The Manager, Lessor and Lessee agreed that the final total cost and expense of the Renovation Works to be carried out at SunMed Property shall be borne by the Lessee during the construction stages and later reimbursed by the Lessor in one lump sum payment upon completion of the Renovation Work and provided that the Lessee is in receipt of the certificate of completion and compliance from the relevant authorities ("**Completion Date**").

The rent shall be increased and will be paid to the Lessor from the Completion Date or any other date as may be agreed by the parties in writing as follows:-

- a) the amount of the additional rent shall be calculated at the rate of 6.13% of the Final Total Cost and Expense.
- b) the additional rent shall be added to the existing rent which in aggregate shall constitute the new rent payable by the Lessee to the Lessor and shall therefore be subject to the agreed 3.5% annual rental increase for Year 2 onwards of the Principal Lease Period. The new rent payable shall be reflected in a separate agreement.

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

There were no material events subsequent to the quarter ended 30 September 2013.

A18. Capital Commitments

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

	As at 30.9.2013 RM'000
Approved and contracted for	286,623
Approved but not contracted for	107,374
	<u>393,997</u>

The capital commitments are mainly in relation to the major 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.

A19. Contingent Liabilities and Assets

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

A20. Transactions with Parties Related to the Manager

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

	First Quarter ended		Cumulative Quarter ended	
	30.9.2013 RM'000	30.9.2012 RM'000	30.9.2013 RM'000	30.9.2012 RM'000
<u>(Sales to)/purchases from parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Sales	(28,290)	(25,479)	(28,290)	(25,479)
- Purchases	23,449	8,917	23,449	8,917
(b) Sunway Technology Sdn. Bhd. Group ("STSB Group")				
- Sales	(132)	(121)	(132)	(121)
			As at 30.9.2013 RM'000	As at 30.06.2013 RM'000
<u>Amount owed by parties related to Manager:</u>				
(a) Sunway Berhad Group			6,795	8,263
(b) Sunway Technology Sdn. Bhd. Group			<u>1</u>	<u>3</u>
			As at 30.9.2013 RM'000	As at 30.06.2013 RM'000
<u>Amount owed to parties related to Manager:</u>				
(a) Sunway Berhad Group			7,602	8,362
(b) Sunway Technology Sdn. Bhd. Group			<u>-</u>	<u>8</u>

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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 A8.

B2. Maintenance Costs and Major Capital Expenditure

There was no unusual maintenance costs during the quarter under review. Sunway REIT incurred capital expenditure of approximately RM18.6 million during 1Q 2014 mainly involving major refurbishment at Sunway Putra Mall and car park linkages at Sunway Resort Hotel & Spa.

B3. Material Changes in Quarterly Results

	Current Quarter Ended 30.9.2013 RM'000	Immediate Preceding Quarter Ended 30.6.2013 RM'000
Income before taxation	55,400	228,971
Less: Fair value gain on investment properties	-	(173,487)
Income before taxation, excluding fair value gain on investment properties	<u>55,400</u>	<u>55,484</u>

Sunway REIT recorded an income before taxation of RM55.4 million, consistent with the immediate preceding quarter (excluding fair value gain on investment properties) despite loss of contribution from Sunway Putra Mall for the full 3 months compared to 2 months in the immediate preceding quarter.

B4. Commentary on Prospects

The Malaysian economy expanded by 4.2% in 1H2013 supported by domestic demand amidst continuous weakness in exports on the back of mixed global economic landscape.

Bank Negara Malaysia ("BNM") has revised downwards the Gross Domestic Products ("GDP") forecast for CY2013 to 4.5% - 5.0% (from 5.0% - 6.0% previously). Domestic demand growth trajectory is expected to remain intact supported by accommodative monetary policy for the rest of CY2013.

Headline inflation has been inching up since beginning of CY2013 from 1.3% in January 2013 to 1.9% in August 2013. The trend is expected to persist in view of the recent increase in fuel prices, expected utility tariff hike and implementation of the minimum wage law.

The Manager expects Overnight Policy Rate ("OPR") to remain steady at 3.0% for the remaining of CY2013 as inflation remained manageable. The interest rate direction, however, is bias towards uptrend moving into CY2014.

Despite the Manager's endeavour to maintain distribution per unit ("DPU") for FY2014 notwithstanding the closure of Sunway Putra Mall, the Manager is of the view that DPU may be lower due to the softer outlook for the hotel and office segments.

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

According to Retail Group Malaysia ("RGM"), retail sales in Malaysia are expected to grow at a faster pace of 6.4% to RM94.4 billion from 5.5% recorded in 2012, underpinned by domestic demand.

On the supply side, Cheras Sentral Shopping Mall (estimated NLA of 500,000 sq. ft.), Nu Sentral (estimated NLA of 680,000 sq.ft.) and former Jaya Shopping Mall (estimated NLA of 270,000 sq. ft) are expected to be opened by end 2013.

The impending new supply of retail space in Klang Valley will inevitably heighten competition amongst retail malls and potentially lead to dilution in customers' market share. In order to stay ahead of competition, the Manager has proactively embarked on asset enhancement initiatives ("AEIs") and asset management initiatives ("AMIs") for the retail malls in the asset portfolio in addition to refresh the retail concepts to continue to attract existing and new shoppers to the malls.

The average occupancy rate for Sunway Pyramid Shopping Mall has dipped to 97.0% in 1Q2014 compared to 99.2% in 1Q2013 on the back of ongoing works to reconfigure an existing area of 23,432 sq. ft. under Oasis Boulevard 5 ("OB5 ") Project which is expected to be completed in 2Q2014. The mall has achieved a double digit rental reversion over a period of three years.

Sunway Pyramid Shopping Mall continued to attract renown international tenants into the mall such as Thomas Sabo, Swarovski Crystal, Armani Exchange and soon to be opened Sephora, Victoria Secret, H&M and TWG Tea Company. There will be ongoing efforts to continuously refresh and enhance the tenancy mix in anticipation of the increasing competition in the retail sector.

In the mainland of Penang, Sunway Carnival Shopping Mall registered a lower average occupancy rate of 93.9% in 1Q2014 vis-à-vis 95.7% in 1Q2013 mainly due to non-renewal by a mini anchor tenant occupying 39,676 sq. ft. in June 2013 in a decision arising due to change in the tenants' business strategy.

Similar to Sunway Pyramid Shopping Mall, Sunway Carnival Shopping Mall enjoyed a double digit rental reversion over a 3-year term.

Excluding Sunway Putra Mall which is undergoing refurbishment, the Manager expects the retail assets to register healthy growth in FY2014.

Review of hotel market

Tourist arrivals in 1HCY2013 has recorded a growth of 7.9% y-o-y to 12.56 million. Tourism activities is likely to pick up further in 2HCY2013 in view of the summer break for the Middle Eastern Market and year end holiday season to achieve The Ministry of Tourism's targets tourist arrivals of 28.0 million by 2014.

As evidenced by the forecast reduction in GDP, external global slowdown has resulted in lower export growth. Overall manufacturing sector grew by 1.8% in 1H2013, significantly lower than the 5.2% growth registered in 1H2012. Similarly, export oriented industries registered marginal growth of 0.7% in 1H2013.

On the supply side, new hotel rooms in the Klang Valley is expected to increase by 1,800 rooms schedule for completion in 2H2013 and 4,000 rooms scheduled for completion in 2014. It is likely that occupancy rates will decline during 2014 placing downwards pressure on average room rates as hoteliers compete to attract guests and the hotel sector become more challenging.

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B4. Commentary on Prospects (Cont'd)

Review of hotel market (cont'd)

Sunway Resort Hotel & Spa and Pyramid Tower Hotel were affected by the slower macro environment in the electrical and electronics ("E&E") sector resulting in pressure on room rates as well as occupancy. Sunway Resort Hotel & Spa managed to achieve slightly higher average occupancy rate of 72.4% in 1Q2014 compared to 70.8% in 1Q2013 with tactical promotional activities. Meanwhile, Pyramid Tower Hotel experienced lower average occupancy rate of 76.0% in 1Q2014 compared to 78.1% in 1Q2013 despite similar tactical promotional activities as Sunway Resort Hotel & Spa.

The performance of Sunway Putra Hotel was adversely affected by the ongoing major refurbishment at the adjoining Sunway Putra Mall. As a result, the average occupancy rate has dropped to 43.8% in 1Q2014 versus 55.4% in 1Q2013. Similarly, average daily rates have slipped 3.2% compared to the corresponding quarter in the preceding year. The Manager expects the performance to be adversely affected for the remaining period of the financial year.

In mainland Penang, Sunway Hotel Seberang Jaya's average occupancy rate improved to 57.8% in 1Q2014 compared to 49.5% in 1Q2013 with average daily rates increased by 16% for the same period under review. The occupancy rate is expected to gradually improve to the pre-refurbishment levels of above 70%.

The Manager also expects minimal incremental in leisure business for Visit Malaysia Year 2014 in view of the customers' profile of the hotels which is predominantly corporate base.

In view of the above mentioned factors affecting the hotel businesses, the Manager cautions for a possible decline in contribution from the hotel segment in FY2014 compared to FY2013.

Review of office market

For the 1H2013, the cumulative supply of purpose built office space in KL City remained unchanged at 48.3 million sq. ft. while KL City Fringe recorded a 2.1 million sq. ft. increase. Despite the subdued performance and cautious outlook, the Kuala Lumpur office market continues to display resilience in terms of occupancy rates and average rental rates particularly for newer and better managed existing buildings in location served by more accessible public transportation.

The average occupancy rate for Menara Sunway was marginally lower at 98.5% in 1Q2014 compared to 99.4% in FY2013 due to transitional movements of tenants' office space requirement.

Meanwhile, Sunway Tower recorded higher average occupancy rate of 88.3% in 1Q2014 compared to 81.8% in 1Q2013 due to higher take up space by an existing tenant.

Sunway Putra Tower recorded lower average occupancy rate of 73.1% in 1Q2014 compared to 79.6% in 1Q2013 due to non-renewal of some tenancies.

The Manager expects income contribution from the office segment to stabilise in FY2014 compared to FY2013.

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.

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B6. Performance Benchmark

Performance indicators	Period ended 30.9.2013	Year ended 30.06.2013
a) Management expense ratio *	0.77%	0.82%
b) Total returns *	-2.2%	18.6%
c) Average annual returns *	18.4%	25.3%
d) Distribution yield *	5.6%	5.4%
e) NAV per unit (after income distribution)(RM)	1.1812	1.1809

**The performance indicators for the period ended 30 September 2013 was based on annualised results.*

- 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 annualised DPU of 7.93 sen divided by its closing price as at 30 September 2013 of RM1.42 (30 June 2013 - DPU: 8.30 sen; Closing price as at 30 June 2013: RM1.54).
- e) NAV of Sunway REIT as determined by deducting the value of all Sunway REIT's liabilities from the total asset value, divided by total issued units.

B7. Strategies and Policies

The Manager's strategies can be broadly categorised as:

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

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

B8. Manager's fee

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

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

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

Total fees accrued to the Manager for the current quarter/cumulative quarter ended 30 September 2013 was RM6.3 million compared to preceding year corresponding quarter/cumulative quarter ended 30 September 2012 of RM5.7 million.

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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/cumulative quarter ended 30 September 2013 was RM0.3 million compared to preceding year corresponding quarter/cumulative quarter ended 30 September 2012 of RM0.2 million.

B10. Status of Corporate Proposals

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

B11. Material Litigation

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

On 4 October 2011, the Federal Court heard and dismissed the application by Metroplex Holdings Sdn Bhd ("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, OSK Trustees Berhad (as trustee of Sunway REIT) ("Trustee") and Sunway REIT Management Sdn Bhd ("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.

The solicitors for the Trustee and the Manager had proceeded to obtain leave from the High Court to commence committal proceedings and filed an originating summons on 10 December 2012 commencing the committal proceedings against Metroplex before the High Court for non-compliance with some of the remaining Orders which were not enforced. The application to set aside the leave which was filed by Metroplex was heard on 6 September 2013 and a date for decision/clarification was fixed on 8 November 2013.

The proceedings for the assessment of damages pursuant to the Orders above is fixed for further mention on 19 November 2013.

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

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

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B11. Material Litigation (Cont'd)

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

The Trustee and the Manager had also filed a notice for assessment of damages before the Kuala Lumpur High Court and decision/clarification is to be delivered by the Court on 8 November 2013.

On 2 August 2013, the Kuala Lumpur High Court decided that Metroplex should not be wound up as it is still solvent. Pursuant to the High Court order, a joint stakeholder account was opened and approximately RM6,189,000 was deposited in the joint stakeholder account pending the outcome of the case on assessment of damages above.

B12. Soft commission

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

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

	Current quarter ended 30.9.2013	Immediate preceding quarter ended 30.6.2013	% change
Number of units in issue (units)	2,921,426,900	2,919,423,400	0.1%
Realised net income (RM'000)	55,384	55,469	-0.2%
Realised earnings per unit (EPU) (sen)	1.90	1.83	3.8%
Income distribution (RM'000)	58,429	58,972	-0.9%
Distribution per unit (DPU) (sen)	2.00	2.02	-1.0%
Net Asset Value (NAV) (RM'000)	3,450,723	3,447,497	0.1%
NAV per unit (After income distribution) (RM)	1.1812	1.1809	0.0%
Market price per unit (RM)	1.42	1.54	-7.8%

B14. Income Distribution

Please refer to Note A12 for details .

B15. Disclosure of Nature of Outstanding Derivative Financial Instruments

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

Type of Derivatives	Contract/ Notional Value		Fair Value	
	As at 30.9.2013	As at 30.06.2013	As at 30.9.2013	As at 30.06.2013
	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	18,546	7,540

Cross currency swap contract

In the financial year ended 30 June 2012, Sunway REIT entered into a cross currency swap contract to manage its exposure in foreign currency risk arising from foreign currency borrowings which was entered to minimize borrowing cost. Sunway REIT uses cash flow hedge to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the hedging period on the foreign currency borrowings. Where a cash flow hedge qualifies for hedge accounting, the effective portion of gains or losses on remeasuring the fair value of the hedging instrument are recognized directly in other comprehensive income until such time as the hedged item affects profit or loss, then the gains or losses are transferred to the income statement. Gains or losses on any portion of the hedge determined to be ineffective are recognised immediately in the income statement.

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B16. Risks and Policies of Derivatives

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

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

Please refer to Note A10 for details .

B18. Realised and Unrealised Retained Profits/Undistributed Income

The breakdown of the retained profits/undistributed income of the Group as at 30 September 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 30.9.2013 RM'000	As at end of previous financial year RM'000
Total retained profits/undistributed income		
- realised	22,623	26,211
- unrealised	793,381	790,259
	<u>816,004</u>	<u>816,470</u>
Less: Consolidation adjustments	(3)	(3)
Total retained profits/undistributed income	<u>816,001</u>	<u>816,467</u>

B19. Directors' Declaration

In the opinion of the Manager, this quarterly report has been prepared in accordance with MFRS 134: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Sunway REIT as at 30 September 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 29 October 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: 29 October 2013