

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2014 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Third Quarter ended		Cumulative Quarter ended	
	31.3.2014	31.3.2013	31.3.2014	31.3.2013
	RM'000	RM'000	RM'000	RM'000
Rental income	105,603	104,254	310,923	304,927
Other operating income	2,479	2,194	7,648	7,113
Gross revenue	108,082	106,448	318,571	312,040
Quit rent, assessment and insurance	(3,997)	(3,129)	(9,992)	(9,472)
Other property operating expenses	(23,462)	(23,650)	(66,425)	(71,896)
Property operating expenses	(27,459)	(26,779)	(76,417)	(81,368)
Net property income	80,623	79,669	242,154	230,672
Other income	457	385	1,643	951
Net investment income	81,080	80,054	243,797	231,623
Manager's fee	(6,385)	(6,242)	(19,275)	(17,972)
Trustee's fee	(261)	(279)	(795)	(736)
Finance costs	(15,681)	(17,500)	(47,183)	(47,899)
Other expenses	(273)	(813)	(630)	(1,665)
	(22,600)	(24,834)	(67,883)	(68,272)
Income before taxation	58,480	55,220	175,914	163,351
Income tax expense	-	-	-	-
Profit for the period	58,480	55,220	175,914	163,351
Profit for the period comprise the following:				
Realised	58,462	55,203	175,862	163,316
Unrealised	18	17	52	35
	58,480	55,220	175,914	163,351
Earnings per unit (sen)				
- realised	2.00	1.98	6.02	5.99
- unrealised	-	-	-	-
	2.00	1.98	6.02	5.99
Proposed/declared distribution per unit (sen)	2.10	2.06	6.33	6.28

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 THIRD QUARTER ENDED 31 MARCH 2014 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

	Third Quarter ended		Cumulative Quarter ended	
	31.3.2014	31.3.2013	31.3.2014	31.3.2013
	RM'000	RM'000	RM'000	RM'000
Profit for the period	58,480	55,220	175,914	163,351
Other comprehensive income				
Cash flow hedge - fair value of derivative	(2,678)	2,932	10,363	(6,431)
Cash flow hedge reserve recycled to profit or loss	1,300	(3,020)	(9,000)	10,100
Total comprehensive income for the period	57,102	55,132	177,277	167,020

Income distribution

	Third Quarter ended		Cumulative Quarter ended	
	31.3.2014	31.3.2013	31.3.2014	31.3.2013
	RM'000	RM'000	RM'000	RM'000
Realised total comprehensive income for the period	58,462	55,203	175,862	163,316
Add: Surplus cash arising from 50% Manager's fee paid/payable in Units	3,192	3,121	9,637	8,986
Total available for income distribution for the period	61,654	58,324	185,499	172,302
Brought forward undistributed income available for distribution	387	194	169	142
Total available for income distribution	62,041	58,518	185,668	172,444
Less: Proposed/declared income distribution	(61,453)	(57,995)	(185,080)	(171,921)
Balance undistributed arising from rounding difference	588	523	588	523

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 THIRD QUARTER ENDED 31 MARCH 2014 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At 31.3.2014 (Unaudited)	As At 30.6.2013 (Unaudited)
	RM'000	RM'000
ASSETS		
Non-current assets		
Plant and equipment	2,217	1,283
Investment properties	5,252,712	5,184,000
Derivative financial instrument	-	7,540
	<u>5,254,929</u>	<u>5,192,823</u>
Current assets		
Receivables, deposits and prepayments	18,887	18,190
Deposits placed with licensed financial institutions	57,244	53,733
Cash and bank balances	9,422	4,786
Derivative financial instrument	17,903	-
	<u>103,456</u>	<u>76,709</u>
	<u>5,358,385</u>	<u>5,269,532</u>
FINANCED BY:		
Unitholders' funds		
Unitholders' capital	2,699,596	2,690,002
Undistributed income	811,145	816,467
Total Unitholders' funds	<u>3,510,741</u>	<u>3,506,469</u>
Non-current liabilities		
Borrowings	1,000,000	1,317,850
Long term liabilities	56,504	41,956
	<u>1,056,504</u>	<u>1,359,806</u>
Current liabilities		
Borrowings	728,843	314,769
Trade and other payables	62,297	88,488
	<u>791,140</u>	<u>403,257</u>
	<u>5,358,385</u>	<u>5,269,532</u>
Number of units in circulation ('000 units)	2,926,333	2,919,423
NET ASSET VALUE ("NAV")		
- Before income distribution	3,510,741	3,506,469
- After income distribution	3,449,288	3,447,497
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution ¹	1.1997	1.2011
- After income distribution ²	1.1787	1.1809

¹ Before the 3Q 2014 proposed income distribution of 2.10 sen per unit (4Q 2013: 2.02 sen per unit).

² After the 3Q 2014 proposed income distribution of 2.10 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 THIRD QUARTER ENDED 31 MARCH 2014 (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	-	175,862	52	175,914
Other comprehensive income				
- Cash flow hedge - fair value of derivative	-	-	10,363	10,363
- Cash flow hedge reserve recycled to profit or loss	-	-	(9,000)	(9,000)
Total comprehensive income, representing the increase in net assets resulting from operations	2,690,002	202,070	791,674	3,683,746
Unitholders' transactions				
Creation of units ¹				
- Manager's fee paid in units	9,594	-	-	9,594
Distribution to unitholders				
- Income distribution declared and paid in current period	-	(123,627)	-	(123,627)
- Income distribution proposed in prior year but paid in current period	-	(58,972)	-	(58,972)
Increase/(decrease) in net assets resulting from unitholders' transactions	9,594	(182,599)	-	(173,005)
As at 31 March 2014 (Unaudited)	2,699,596	19,471	791,674	3,510,741

	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
FOR THE THIRD QUARTER ENDED 31 MARCH 2014 (UNAUDITED)**

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

¹ Issue of new units comprise the following:

	31.3.2014	
	Units	Amount
	'000	RM'000
Issuance of new units pursuant to 50% Manager's fee paid in units:		
- at RM1.5720 per unit for the quarter ended 30 June 2013	2,004	3,149
- at RM1.4013 per unit for the quarter ended 30 September 2013	2,258	3,164
- at RM1.2390 per unit for the quarter ended 31 December 2013	2,648	3,281
Total Manager's fee paid in units	<u>6,910</u>	<u>9,594</u>
	30.6.2013	
	Units	Amount
	'000	RM'000
Issuance of new units pursuant to placement exercise at RM1.49 per unit	<u>214,765</u>	<u>320,000</u>
Issuance of new units pursuant to 50% Manager's 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 THIRD QUARTER ENDED 31 MARCH 2014 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative Quarter ended	
	31.3.2014	31.3.2013
	RM'000	RM'000
OPERATING ACTIVITIES		
Cash receipts from customers	328,941	318,464
Refundable security deposits from customers	8,818	4,368
Cash paid for operating expenses	(122,780)	(116,996)
Net cash generated from operating activities	<u>214,979</u>	<u>205,836</u>
INVESTING ACTIVITIES		
Acquisition of plant and equipment	(1,100)	(839)
Subsequent expenditure of investment properties	(65,453)	(25,749)
Interest received	1,632	919
Net cash used in investing activities	<u>(64,921)</u>	<u>(339,050)</u>
FINANCING ACTIVITIES		
Proceeds from issuance of new units	-	320,000
Issuance of commercial papers	2,151,000	5,132,000
Drawdown of revolving loans	1,068,000	3,325,000
Repayment of commercial papers	(2,455,000)	(4,967,000)
Repayment of revolving loans	(677,000)	(4,025,000)
Interest paid	(46,312)	(40,357)
Distribution paid	(182,599)	(191,085)
Net cash (used in)/generated financing activities	<u>(141,911)</u>	<u>150,189</u>
Net increase in cash and cash equivalents	8,147	16,975
Cash and cash equivalents at beginning of period	58,519	25,799
Cash and cash equivalents at end of period	<u>66,666</u>	<u>42,774</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	9,422	32,782
Deposits placed with licensed financial institutions	57,244	9,992
Cash and cash equivalents at end of period	<u>66,666</u>	<u>42,774</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 THIRD QUARTER ENDED 31 MARCH 2014 (UNAUDITED)**

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

A1. Corporate Information

Sunway Real Estate Investment Trust ("Sunway REIT" or "Fund") is a Malaysia-domiciled real estate investment trust constituted pursuant to the trust deed dated 20 May 2010 and the supplementary deed dated 10 June 2010 (collectively referred to as the "Deed") between Sunway REIT Management Sdn. Bhd. (the "Manager") and RHB Trustees Berhad (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 condensed consolidated interim financial statements comprise Sunway REIT and its subsidiaries (the "Group").

A2. Significant accounting policies and basis of preparation

The condensed consolidated interim financial statements of the Group for the financial period ended 31 March 2014 have been prepared in accordance with MFRS 134: *Interim Financial Reporting*, paragraph 9.44 of the Bursa Malaysia Securities Berhad Listing Requirements, the Deed and the Securities Commission's Guidelines on Real Estate Investment Trust ("the REITs Guidelines"). These condensed consolidated interim financial statements also comply with IAS 34: *Interim Financial Reporting* issued by the International Accounting Standards Board.

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

The consolidated financial statements of the Group for the financial year ended 30 June 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 statements 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 31 March 2014.

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

Sunway REIT has issued 2,647,700 new units at RM1.2390* per unit on 27 February 2014, being 50% payment of the Manager's fee for the quarter ended 31 December 2013. The units were listed on the Main Market of Bursa Malaysia Securities Berhad on 28 February 2014.

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

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

Sunway REIT's fund size increased from 2,923.7 million units as at 31 December 2013 to 2,926.3 million units with the issuance of new units as mentioned in Note A6.

**SUNWAY REAL ESTATE INVESTMENT TRUST
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A8. Segmental Reporting

By segment

Segmental results for the quarter ended 31 March 2014 are as follows:

Third Quarter

	Third Quarter ended 31.3.2014					Third Quarter ended 31.3.2013				
	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000
BY BUSINESS SEGMENTS										
REVENUE AND EXPENSES										
Gross revenue	77,574	14,935	10,657	4,916	108,082	76,307	15,097	10,294	4,750	106,448
Net property income	54,919	13,787	7,001	4,916	80,623	53,594	14,192	7,133	4,750	79,669
Other income					457					385
Trust and other expenses					(6,919)					(7,334)
Finance costs					(15,681)					(17,500)
Income before taxation					58,480					55,220
Income tax expense					-					-
Profit for the period					58,480					55,220

SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2014 (UNAUDITED)

A8. Segmental Reporting (Cont'd)

By segment (Cont'd)

Cumulative Quarter

	Cumulative Quarter ended 31.3.2014					Cumulative Quarter ended 31.3.2013				
	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000
BY BUSINESS SEGMENTS										
REVENUE AND EXPENSES										
Gross revenue	222,649	49,136	32,370	14,416	318,571	225,151	51,409	30,679	4,801	312,040
Net property income	159,666	46,421	21,651	14,416	242,154	155,815	48,910	21,146	4,801	230,672
Other income					1,643					951
Trust and other expenses					(20,700)					(20,373)
Finance costs					(47,183)					(47,899)
Income before taxation					175,914					163,351
Income tax expense					-					-
Profit for the period					175,914					163,351

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2014 (UNAUDITED)**

A8. Segmental Reporting (Cont'd)

By property

Properties	Gross Revenue			Net Property Income			Gross Revenue			Net Property Income		
	Third Quarter			Third Quarter			Cumulative Quarter ended			Cumulative Quarter ended		
	31.3.2014	31.3.2013	Change	31.3.2014	31.3.2013	Change	31.3.2014	31.3.2013	Change	31.3.2014	31.3.2013	Change
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
Retail												
Sunway Pyramid Shopping Mall	66,727	60,779	9.8%	49,277	43,866	12.3%	191,732	179,116	7.0%	142,699	127,060	12.3%
Sunway Carnival Shopping Mall	9,596	8,530	12.5%	6,051	5,549	9.0%	27,058	23,960	12.9%	16,866	15,156	11.3%
Suncity Ipoh Hypermarket	1,137	1,135	0.2%	1,055	1,053	0.2%	3,409	3,409	0.0%	3,191	3,158	1.0%
Sunway Putra Mall	114	5,863	-98.1%	(1,464)	3,126	-146.8%	450	18,666	-97.6%	(3,090)	10,441	-129.6%
	77,574	76,307	1.7%	54,919	53,594	2.5%	222,649	225,151	-1.1%	159,666	155,815	2.5%
Hotel												
Sunway Resort Hotel & Spa	7,852	7,101	10.6%	7,576	6,652	13.9%	25,524	24,922	2.4%	24,631	23,804	3.5%
Pyramid Tower Hotel	5,050	4,726	6.9%	4,942	4,627	6.8%	15,739	16,233	-3.0%	15,445	15,943	-3.1%
Sunway Hotel Seberang Jaya	1,024	695	47.3%	968	646	49.8%	3,360	1,737	93.4%	3,202	1,578	102.9%
Sunway Putra Hotel	1,009	2,575	-60.8%	301	2,267	-86.7%	4,513	8,517	-47.0%	3,143	7,585	-58.6%
	14,935	15,097	-1.1%	13,787	14,192	-2.9%	49,136	51,409	-4.4%	46,421	48,910	-5.1%
Office												
Menara Sunway	4,530	4,303	5.3%	3,186	2,997	6.3%	13,178	12,634	4.3%	9,546	8,968	6.4%
Sunway Tower	3,834	3,895	-1.6%	2,408	2,902	-17.0%	12,166	11,652	4.4%	8,130	8,485	-4.2%
Sunway Putra Tower	2,293	2,096	9.4%	1,407	1,234	14.0%	7,026	6,393	9.9%	3,975	3,693	7.6%
	10,657	10,294	3.5%	7,001	7,133	-1.9%	32,370	30,679	5.5%	21,651	21,146	2.4%
Others												
Sunway Medical Centre	4,916	4,750	3.5%	4,916	4,750	3.5%	14,416	4,801	200.3%	14,416	4,801	200.3%
	4,916	4,750	3.5%	4,916	4,750	3.5%	14,416	4,801	200.3%	14,416	4,801	200.3%
TOTAL PORTFOLIO	108,082	106,448	1.5%	80,623	79,669	1.2%	318,571	312,040	2.1%	242,154	230,672	5.0%

**SUNWAY REAL ESTATE INVESTMENT TRUST
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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 results

Retail segment

The retail segment registered gross revenue of RM77.6 million for the current quarter ended 31 March 2014 (3Q 2014), higher by 1.7% or RM1.3 million compared to the preceding year corresponding quarter (3Q 2013) despite closure of Sunway Putra Mall since May 2013 for major refurbishment, supported by resilient performance of both Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall. Sunway Pyramid Shopping Mall registered strong gross revenue growth for 3Q 2014 of 9.8% or RM5.9 million compared to 3Q 2013 primarily attributable to higher overall average rental rate (ARR) resulting from renewal/new tenancies whereby 941,347 sq.ft. was renewed/replaced with a double digit rental reversion for a 3-year term and additional income due to opening of Oasis Boulevard 5 (OB5) in 2Q 2014.

Likewise, Sunway Carnival Shopping Mall enjoyed robust growth in gross revenue by 12.5% or RM1.1 million, mainly attributable to higher ARR resulting from a double digit rental reversion for a 3-year term. However, average occupancy rate was lower at 92.4% for YTD 3Q 2014 compared to 96.5% for YTD 3Q 2013 due to non-renewal by a mini anchor tenant which occupied 39,676 sq.ft. since 1Q 2014 due to a change in the tenant's business strategy. A new tenant shall occupy the space from 1Q 2015 onwards.

Property operating expenses of the retail segment for 3Q 2014 was RM22.7 million, in line with 3Q 2013. Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall incurred higher utilities expenses in 3Q 2014 compared to 3Q 2013 mainly due to the 16% electricity tariff hike with effect from January 2014. The increase in expenses of these 2 shopping malls were however, off set by lower expenses at Sunway Putra Mall which is closed for major refurbishment.

Net property income of the retail segment for 3Q 2014 was RM54.9 million, an increase of 2.5% or RM1.3 million compared to 3Q 2013 despite loss of income contribution from Sunway Putra Mall.

Hotel segment

The hotel segment registered gross revenue of RM14.9 million for 3Q 2014, marginally lower by 1.1% or RM0.2 million compared to 3Q 2013 mainly due to lower income contribution from Sunway Putra Hotel. The performance of this hotel was adversely affected by the ongoing major refurbishment works at the adjoining Sunway Putra Mall since May 2013 and the hotel's own refurbishment where average occupancy rate for the current quarter slipped to 36.1% from 57.9% in 3Q 2013, representing a reduction of 21.8%. The weak performance of this hotel was however mitigated by better performance of other hotels within the segment.

Both Sunway Resort Hotel & Spa and Pyramid Tower Hotel, which are located in Sunway Resort City, collectively contributed higher revenue by 9.1% or RM1.1 mil for the current quarter mainly due to improvement in the average occupancy rate and revenue per available room (revpar). Sunway Resort Hotel & Spa's occupancy rate improved to 82.1% in 3Q 2014 compared to 69.5% in 3Q 2013 meanwhile Pyramid Tower's occupancy rate increased to 82.8% in 3Q 2014 compared to 75.8% in 3Q 2013 mainly due to the recovery in business of the hotels' clientele from the electrical and electronics (E&E) sector as well as contribution from other corporate and MICE business supported by tactical promotional activities undertaken.

Sunway Hotel Seberang Jaya contributed higher revenue by 47.3% or RM0.3 million in 3Q 2014 compared to 3Q 2013 following completion of the major refurbishment (commenced in December 2011 and completed in May 2013). Its average occupancy rate improved to 63.2% in 3Q 2014 compared to 44.8% in 3Q 2013.

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

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

Hotel segment (Cont'd)

Net property income of the hotel segment for 3Q 2014 was RM13.8 million, lower by 2.9% or RM0.4 million due to lower revenue and higher provision for assessment for Sunway Putra Hotel following upward revision of assessment by local authority.

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

Office segment

The office segment recorded gross revenue of RM10.7 million for 3Q 2014, higher by 3.5% or RM0.4 million compared to 3Q 2013. Menara Sunway recorded higher revenue by 5.3% or RM0.2 million for 3Q 2014 compared to 3Q 2013 mainly due to rental reversion at higher average rental rates. Likewise, Sunway Putra Tower recorded a commendable jump in revenue by 9.4% or RM0.2 million mainly due to alignment of the current low rental rates to market rate from a tenancy renewal. Sunway Tower, however, registered marginally lower gross revenue by 1.6% or RM0.1 million due to marginal drop in average occupancy rate from 81.8% for 3Q 2013 to 80.5% for 3Q 2014.

Property operating expenses of the office segment for 3Q 2014 was RM3.7 million, higher by 15.7% or RM0.5 million from 3Q 2013 primarily attributable to higher utilities expenses following the electricity tariff hike and provision for higher assessment for properties located in Kuala Lumpur. The higher expenses was also due to higher general building upkeep expenses at Sunway Tower.

Net property income of the office segment for 3Q 2014 was RM7.0 million, marginally lower by 1.9% or RM0.1 mil due to higher expenses.

Others

Sunway Medical Centre contributed RM4.9 million of revenue and net property income for 3Q 2014, an increase of 3.5% compared to 3Q 2013 due to rental reversion in accordance with the Master Lease Agreement.

Note: Sunway Medical Centre was acquired on 31 December 2012 and leased to Sunway Medical Centre Sdn Bhd on even date on a 10-year master lease agreement at an annual rental of RM19 million and with a 3.5% rental reversion per annum. The lease is based on a triple net basis whereby all the property operating expenses, quit rent, assessment and insurance will be borne by the lessee.

Income before taxation

Finance costs for 3Q 2014 was RM15.7 million, lower by 10.4% or RM1.8 million compared to 3Q 2013 mainly due to lower amortisation of loan upfront expenses and reduction in underwriting fee for the Commercial Papers (CPs) programme following reduction of the CPs programme underwritten limit as part of the active capital management strategies.

Net profit for 3Q 2014 was RM58.5 million compared to 3Q 2013 of RM55.2 million, represent an increase of 5.9% or RM3.3 million, primarily attributable to higher net property income from the retail segment and lower finance costs as mentioned above.

b) Review of cumulative quarter results

Retail segment

The retail segment registered gross revenue of RM222.6 million for the cumulative quarter ended 31 March 2014 (YTD 3Q 2014), lower by 1.1% or RM2.5 million compared to the preceding year corresponding cumulative quarter (YTD 3Q 2013) due to closure of Sunway Putra Mall since May 2013 for major refurbishment. Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall continue to achieve robust growth due to higher average rental rate as mentioned in Note A8(a) above.

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A8. Segmental Reporting (Cont'd)

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

Retail segment (Cont'd)

Property operating expenses of the retail segment for YTD 3Q 2014 was RM63.0 million, a reduction of RM6.4 million or 9.2% compared to YTD 3Q 2013, mainly due to closure of Sunway Putra Mall. The decrease in property operating expenses was also contributed by Sunway Pyramid Shopping Mall which incurred lower utilities expense in the first half FYE 2014 (prior to the tariff hike in January 2014) arising from energy savings upon completion of chiller retrofit exercise in 4Q 2013 and lower provision for doubtful debts.

Net property income of the retail segment for YTD 3Q 2014 was RM159.7 million, an increase of 2.5% or RM3.9 million compared to YTD 3Q 2013 despite loss of income contribution from Sunway Putra Mall.

Hotel segment

The hotel segment registered gross revenue of RM49.1 million for YTD 3Q 2014, lower by 4.4% or RM2.3 million compared to YTD 3Q 2013 mainly due to lower income contribution from Sunway Putra Hotel as the performance of this hotel was adversely affected by the ongoing major refurbishment works as explained in Note A8(a) above.

Both Sunway Resort Hotel & Spa (SRHS) and Pyramid Tower Hotel (PTH) experienced weaker performance in 1Q 2014 primarily attributable to slower macro environment in the electrical and electronics (E&E) sector which these hotels predominantly served. Subsequent to the recovery in business of the hotels' clientele from the electrical and electronics (E&E) sector as well as contribution from other corporate and MICE business supported by tactical promotional activities undertaken, the YTD 3Q 2014 performance of SRHS has improved by 2.4% or RM0.6 million compared to YTD 3Q 2013 and PTH managed to partially recover from its sluggish performance experienced in 1st half FYE 2014 with better performance in 3Q 2014. PTH's revenue for YTD 3Q 2014 was lower by 3.0% or RM0.5 million compared to YTD 3Q 2013 but improved from shortfall of 7.1% or RM0.8 million recorded for YTD 2Q 2014 compared to YTD 2Q 2013.

Sunway Hotel Seberang Jaya recorded almost two fold increase in revenue for YTD 3Q 2014 following completion of the major refurbishment as explained in Note A8(a) above.

Net property income of the hotel segment for YTD 3Q 2014 was RM46.4 million, lower by 5.1% or RM2.5 million compared to YTD 3Q 2013.

Office segment

The office segment recorded gross revenue of RM32.4 million, higher by 5.5% or RM1.7 million compared to YTD 3Q 2013. Menara Sunway recorded higher revenue for YTD 3Q 2014 mainly due to completion of the asset enhancement initiative (AEI) in 2Q 2013 and higher average rental rate from rental reversion. Meanwhile, Sunway Tower recorded higher revenue mainly due to improved YTD average occupancy rate and Sunway Putra Tower achieved better average rental rate as explained in Note A8(a) above.

Property operating expenses of the office segment for YTD 3Q 2014 was RM10.7 million, higher by 12.4% or RM1.2 million from YTD 3Q 2013 mainly due to the reasons explained in Note 8(a).

Net property income of the office segment for YTD 2Q 2014 was RM21.7 million, higher by 2.4% or RM0.5 million from YTD 3Q 2013.

Others

Sunway Medical Centre contributed RM14.4 million of revenue and net property income for YTD 3Q 2014, an increase of 200.3% or RM9.6 million compared to YTD 3Q 2013 as this property was only acquired in 2Q 2013 and there was a 3.5% rental reversion in the current quarter.

Income before taxation

Finance costs for YTD 3Q 2014 was RM47.2 million, lower by 1.5% or RM0.7 million compared to YTD 3Q 2013 mainly due to the reason explained in Note A8(a) above.

Net profit for YTD 3Q 2014 was RM175.9 million compared to YTD 3Q 2013 of RM163.4 million, represent an increase of 7.7% or RM12.5 million, primarily attributable to the full 9 months income contribution from Sunway Medical Centre and higher net property income from the retail segment.

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A9. Seasonality of Operations

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

A10. Income Before Taxation

Included in the income before taxation are the following items:

	Third Quarter ended		Cumulative Quarter ended	
	31.3.2014 RM'000	31.3.2013 RM'000	31.3.2014 RM'000	31.3.2013 RM'000
Interest Income	(572)	(366)	(1,593)	(914)
Net changes in fair value of long term liabilities	(18)	(14)	(52)	(32)
Unrealised foreign exchange loss/(gain) - hedged item	(1,300)	3,020	9,000	(10,100)
Cash flow hedge reserve recycled to profit or loss	1,300	(3,020)	(9,000)	10,100
Allowance for/(reversal of) impairment of receivables	272	153	(123)	(76)
Bad debts written off	-	-	21	10
Depreciation of plant and equipment	118	41	228	100

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 31 March 2014, the Manager proposed an interim income distribution of approximately 100% of the realised distributable income amounting to RM61.453 million or 2.10 sen per unit, comprising taxable and non-taxable/tax exempt amount of 1.71 sen and 0.39 sen per unit respectively. This amount includes surplus cash arising from 50% Manager's fee payable in units of RM3.192 million.

The book closure and payment dates in respect of the proposed interim income distribution will be fixed on 16 May 2014 and 29 May 2014 respectively.

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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 31.3.2014 RM'000	As at 30.6.2013 RM'000
<u>Short term borrowings</u>		
Secured		
- Term loans	326,850	-
- Commercial papers	11,000	315,000
Unsecured		
- Revolving loan	391,000	-
Total gross short term borrowings	<u>728,850</u>	<u>315,000</u>
Less: Discount on commercial papers	(7)	(231)
Total short term borrowings	<u>728,843</u>	<u>314,769</u>
<u>Long term borrowings</u>		
Secured term loans	-	317,850
Unrated medium term notes	1,000,000	1,000,000
Total long term borrowings	<u>1,000,000</u>	<u>1,317,850</u>
Total borrowings	<u>1,728,843</u>	<u>1,632,619</u>

Included in the long term borrowings for 30 June 2013 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. This loan has been reclassified from long term to short term in the current quarter as it will be due for repayment within the next 12 months.

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 31 March 2014	-	17,903	-	<u>17,903</u>
At 30 June 2013	-	7,540	-	<u>7,540</u>

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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A16. Material Event

There were no material events during the quarter ended 31 March 2014.

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

There were no material events subsequent to the quarter ended 31 March 2014.

A18. Capital Commitments

The amount of commitments for investment properties not provided for in the unaudited condensed consolidated interim financial statements as at 31 March 2014 were as follows:

	As at 31.3.2014 RM'000
Approved and contracted for	311,751
Approved but not contracted for	173,952
	<u>485,703</u>

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

A19. Contingent Liabilities and Assets

There were no contingent liabilities or contingent assets as at 31 March 2014.

A20. Transactions with Parties Related to the Manager

The following table provides information on the transactions which have been entered into with parties related to the Manager during the period ended 31 March 2014 and 31 March 2013 as well as the balances with the parties related to the Manager as at 31 March 2014 and 30 June 2013:

	Third Quarter ended		Cumulative Quarter ended	
	31.3.2014 RM'000	31.3.2013 RM'000	31.3.2014 RM'000	31.3.2013 RM'000
<u>(Sales to)/purchases from parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Sales	(29,937)	(29,605)	(92,606)	(84,769)
- Purchases	29,033	9,725	75,796	32,536
(b) Sunway Technology Sdn. Bhd. Group ("STSB Group")				
- Sales	(136)	(130)	(400)	(381)
			As at 31.3.2014 RM'000	As at 30.6.2013 RM'000
<u>Amount owed by parties related to Manager:</u>				
(a) Sunway Berhad Group			6,429	8,263
(b) Sunway Technology Sdn. Bhd. Group			-	3
			As at 31.3.2014 RM'000	As at 30.6.2013 RM'000
<u>Amount owed to parties related to Manager:</u>				
(a) Sunway Berhad Group			10,879	8,362
(b) Sunway Technology Sdn. Bhd. Group			6	8

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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 RM23.3 million for 3Q 2014 and RM68.7 million for YTD 3Q 2013 mainly involving major refurbishment at Sunway Putra Mall, Sunway Putra Hotel and car park linkages & annex building at Sunway Resort Hotel & Spa.

B3. Material Changes in Quarterly Results

	Current Quarter Ended 31.3.2014 RM'000	Immediate Preceding Quarter Ended 31.12.2013 RM'000
Income before taxation	58,480	62,034

Sunway REIT recorded an income before taxation of RM58.5 million, lower by RM3.6 million or 5.7% compared to the immediate preceding quarter primarily attributable to lower overall net property income from the hotel segment. The hotel segment will typically enjoy better business from July to December (first & second quarter of the financial year) due to higher leisure business and year end corporate functions.

B4. Commentary on Prospects

The Malaysian economy expanded by 5.1% in 4Q CY2013 (3QCY 2013: 5.0%) supported by domestic demand (4Q CY2013: 6.4%) and continuous improvement in exports growth at 2.9% (3Q CY 2013: 1.7%). Economy for the full year grew 4.7% compared to 5.6% in 2012.

Bank Negara Malaysia ("BNM")'s 2014 real GDP growth forecast range widens to 4.5% - 5.5% from 5.0% - 5.5% previously on lower domestic demand and worries over inflation.

Malaysia inflation continues on an upward trend to 3.5% in February 2014. It is expected to accelerate to 3% - 4% this year (from 2% - 3% previously) and stay elevated in 2015 in view of subsidy rationalisation and GST introduction which will impact prices of goods and services.

The Manager expects the Overnight Policy Rate ("OPR") to remain steady at 3.0% for 1H CY2014 but bias towards uptrend moving into 2H 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.

Review of retail market

Retail Group Malaysia ("RGM") expects 1Q CY2014 retail sale to rise by 4.8% compared to 7.5% in 1Q CY2013 despite the Chinese New Year celebrations. However, it was better over the previous year's Christmas quarter which saw a 3.9% increase in sales. For the full year, RGM is maintaining its retail sale forecast of 6% growth or RM97.2 billion (CY 2013: 4.5%) on anticipation of price increases from retailers across all sub-sector.

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B4. Commentary on Prospects (Cont'd)

Review of retail market (Cont'd)

Incoming supply of retail space into the Malaysian property market is expected to create pressure on existing outlets looking to maintain their tenancy and rental rates. A total of 6.4 million sq ft of new retail space in Klang Valley is expected to be completed this year. Vacancy has historically hovered around 9% to 11% over the last five years and 2013 has been a stable year for retail centres in the Klang Valley. The Manager does not expect the new supply to have material adverse impact to Sunway REIT's retail portfolio.

The average occupancy rate for Sunway Pyramid Shopping Mall was 97.8% in YTD 3Q2014 compared to 98.8% in YTD 3Q2013 mainly due to the reconfiguration work for an existing area of 23,432 sq. ft. under the Oasis Boulevard 5 ("OB5") Project which commenced in April 2013 (4Q 2013) was completed in 2Q 2014. The mall has achieved a double digit rental reversion over a period of three years for a total NLA of 941,378 sq. ft.

Sunway Pyramid Shopping Mall continued to attract renown international tenants into the mall such as Superdry and Factorie by Cotton On. 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 92.4% in YTD 3Q2014 vis-à-vis 96.5% in YTD 3Q2013 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. The space will be occupied by a new mini anchor tenant w.e.f. July 2014.

Sunway Carnival Shopping Mall continued to register healthy rental reversion trend. In YTD 3Q2014, the mall recorded a double digit rental reversion over a period of 3 years for new and renewed tenancies totaling 197,582 sq. ft.

Excluding Sunway Putra Mall which is undergoing refurbishment, the Manager expects the retail assets to register healthy growth in FY2014. The Manager is also cautious going forward that the retail sector would have slower sales as a result of the various government subsidy rationalisation measures, which would cause consumers to be more cautious with their spending.

Review of hotel market

Tourist arrivals into Malaysia in CY2013 was 25.72 million people with corresponding tourist receipts of RM65.44 billion, reflecting year-on-year ("y-o-y") growth of 2.7% and 7.98% respectively (CY2012: 25.03 million arrivals with tourist receipts of RM60.6 billion). Tourism activities is likely to pick up further in CY2014 in view of Visit Malaysia Year 2014 (VMY).

Overall Average Occupancy Rate (AOR) in Klang Valley was stagnant in CY2013 at 69%. 4-star hotels performed comparatively poorer than 3 and 5 star hotels, falling 2% to 68% in CY2013. 5-star hotels bucked the general trend, strengthening by 2% to 70% in CY2013.

In CY2014, occupancy is likely to strengthen to 70% assuming current economic trends stays on track. 5-star hotels are expected to continue seeing robust occupancy whilst 3 and 4-star hotels is forecasted to see stable to moderate improvement in occupancy in CY2014.

Future supply for CY2014 in Klang Valley is projected to grow faster than in CY2013 to a total 48,127 rooms or a 5.2% increase y-o-y, representing 163 hotels in total. Despite the expectation of more intense competition going forward, the continuous effort by the Malaysian Government to promote tourism as a priority will cushion the increase in supply.

Sunway Resort Hotel & Spa achieved higher average occupancy rate of 82.1% in 3Q2014 compared to 69.5% in 3Q2013 whilst Pyramid Tower Hotel achieved higher average occupancy rate of 82.8% in 3Q2014 compared to 75.8% in 3Q2013. The improvement was mainly due to the recovery in business of the hotels' major clientele from the electrical and electronics ("E&E") sector and tactical promotional activities undertaken.

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B4. Commentary on Prospects (Cont'd)

Review of hotel market (cont'd)

The performance of Sunway Putra Hotel was adversely affected by the ongoing major refurbishment at the adjoining Sunway Putra Mall and the hotel's own refurbishment. As a result, the average occupancy rate has dropped to 36.1% in 3Q2014 versus 57.9% in 3Q2013. The Manager expects the performance to be at this level for the remaining period of the financial year.

In mainland Penang, Sunway Hotel Seberang Jaya's average occupancy rate improved to 63.2% in 3Q2014 compared to 44.8% in 3Q2013 following the completion of the major refurbishment in May 2013.

Despite the improved performance from Sunway Hotel Resort & Spa, Pyramid Tower Hotel and Sunway Hotel Seberang Jaya, but in view of the weaker performance from Sunway Putra Hotel and lower performance in 1Q2014, the Manager cautions for a possible decline in contribution from the hotel segment in FY2014 compared to FY2013.

Review of office market

Office stock in Klang Valley stood at 92.7 million sq ft in CY2013 with office supply increased by 3.6 million sq ft during the year. Net absorption was 3.3 million sq ft or 20% higher compared to CY2012. Vacancy rates decrease in CY2013 to 14% from 16.2% in CY2012.

An estimated of 6.6 million sq ft (or 7.1% of existing stock) of new office space is expected to be completed this year. The office segment will continue to be a tenant's market in CY2014 as incoming supply will keep the office rental market competitive.

The average occupancy rate for Menara Sunway was marginally lower at 98.8% in YTD 3Q2014 compared to 99.0% in YTD 3Q2013 due to transitional movements of tenants' office space requirement.

Sunway Tower recorded higher average occupancy rate of 85.0% in YTD 3Q2014 compared to 81.8% in YTD 3Q2013 due to higher take up space by an existing tenant. However, the asset manager expects the occupancy rate to decline going forward due to the oversupply of Kuala Lumpur office market.

Sunway Putra Tower recorded lower average occupancy rate of 73.9% in YTD 3Q2014 compared to 78.1% in YTD 3Q2013 due to non-renewal of some tenancies. The asset manager expects the occupancy rate to decline marginally due to the on-going accelerated refurbishment exercise of Putra Place.

In view of the above coupled with rising operation costs, the Manager expects income contribution from the office segment to decline marginally 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 31.3.2014	Year ended 30.6.2013
a) Management expense ratio *	0.80%	0.82%
b) Total returns *	-5.5%	18.6%
c) Average annual returns *	17.6%	25.3%
d) Distribution yield *	6.2%	5.4%
e) NAV per unit (after income distribution)(RM)	1.1787	1.1809

* The performance indicators for the period ended 31 March 2014 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 8.43 sen divided by its closing price as at 31 March 2014 of RM1.36 (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 and cumulative quarter ended 31 March 2014 was RM6.385 million and RM19.275 million respectively compared to preceding year corresponding quarter and cumulative quarter ended 31 March 2013 of RM6.242 million and RM21.072 million respectively. Included in the Manager's fee of the comparative period was the acquisition fee of RM3.1 million paid to the Manager on the acquisition of Sunway Medical Centre in 2Q 2013 and this fee was capitalised as part of the acquisition costs.

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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 and cumulative quarter ended 31 March 2014 was RM0.261 million and RM0.795 million respectively compared to preceding year corresponding quarter and cumulative quarter ended 31 March 2013 of RM0.279 million and RM0.736 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-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. On 13 December 2013 the court allowed the defendants to set aside the leave to commence committal proceedings. There was no order as to costs.

The proceedings for the assessment of damages pursuant to the Orders above was mentioned on 20 December 2013 whereby the judge then fixed the case management on 28 February 2014 and hearing dates on 25 & 26 March 2014. On 17 March 2014, the High Court allowed the defendant's application to fix the new hearing dates for 15th and 16th May 2014. The estimated assessment of damages is RM6.2 million to RM6.9 million.

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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

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

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

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 31.3.2014	Immediate preceding quarter ended 31.12.2013	% change
Number of units in issue (units)	2,926,332,700	2,923,685,000	0.1%
Realised net income (RM'000)	58,462	62,016	-5.7%
Realised earnings per unit (EPU) (sen)	2.00	2.12	-5.7%
Income distribution (RM'000)	61,453	65,198	-5.7%
Distribution per unit (DPU) (sen)	2.10	2.23	-5.8%
Net Asset Value (NAV) (RM'000)	3,449,288	3,450,358	0.0%
NAV per unit (After income distribution) (RM)	1.1787	1.1801	-0.1%
Market price per unit (RM)	1.36	1.24	9.7%

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 31.3.2014	As at 30.6.2013	As at 31.3.2014	As at 30.6.2013
	RM'000	RM'000	RM'000	RM'000
Cross currency swap contract				
- Less than 1 year	310,800	-	17,903	-
- More than 1 year but less than 3 years	-	310,800	-	7,540
	310,800	310,800	17,903	7,540

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2014 (UNAUDITED)**

B15. Disclosure of Nature of Outstanding Derivative Financial Instruments (Cont'd)

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.

The cross currency swap contract and its corresponding hedged position have been reclassified from long term to short term in current quarter as its maturity period is less than 12 months.

B16. Risks and Policies of Derivatives

The Group did not enter into any new derivatives during the quarter ended 31 March 2014.

The risks and policies relating to the management of derivative financial instrument are similar to those disclosed in the annual financial statements for the financial year ended 30 June 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 31 March 2014 into realised and unrealised profits/undistributed income is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Period ended 31.3.2014 RM'000	As at end of previous financial year RM'000
Total retained profits/undistributed income		
- realised	19,474	26,211
- unrealised	791,674	790,259
	<u>811,148</u>	<u>816,470</u>
Less: Consolidation adjustments	(3)	(3)
Total retained profits/undistributed income	<u>811,145</u>	<u>816,467</u>

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE THIRD QUARTER ENDED 31 MARCH 2014 (UNAUDITED)**

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 31 March 2014 and of its financial performance and cash flows for the quarter ended on that date and duly authorised for release by the Board of the Manager on 29 April 2014.

BY ORDER OF THE BOARD

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

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

**Petaling Jaya
Date: 29 April 2014**