

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2011 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<-- Individual Quarter -->		<-- Cumulative Quarter -->	
	Current Year Quarter 30.09.2011	Preceding Year Corresponding Quarter 30.09.2010 <sup>1</sup>	Current Year To date 30.09.2011	Preceding Year To date 30.09.2010 <sup>1</sup>
	RM'000	RM'000	RM'000	RM'000
Rental income	93,010	71,251	93,010	71,251
Other operating income	2,029	1,194	2,029	1,194
<b>Gross revenue</b>	<b>95,039</b>	<b>72,445</b>	<b>95,039</b>	<b>72,445</b>
Quit rent, assessment and insurance	(2,942)	(1,793)	(2,942)	(1,793)
Other property operating expenses	(21,843)	(15,439)	(21,843)	(15,439)
<b>Property operating expenses</b>	<b>(24,785)</b>	<b>(17,232)</b>	<b>(24,785)</b>	<b>(17,232)</b>
<b>Net property income</b>	<b>70,254</b>	<b>55,213</b>	<b>70,254</b>	<b>55,213</b>
Other income	(60)	273	(60)	273
Change in fair value of investment properties	-	272,339	-	272,339
<b>Net investment income</b>	<b>70,194</b>	<b>327,825</b>	<b>70,194</b>	<b>327,825</b>
Manager's fee	(5,476)	(4,306)	(5,476)	(4,306)
Trustee's fee	(211)	(187)	(211)	(187)
Finance costs	(19,842)	(12,526)	(19,842)	(12,526)
Other expenses	(801)	(168)	(801)	(168)
	(26,330)	(17,187)	(26,330)	(17,187)
<b>Income before taxation</b>	<b>43,864</b>	<b>310,638</b>	<b>43,864</b>	<b>310,638</b>
Income tax expense	-	-	-	-
<b>Profit for the period, representing total comprehensive income for the period</b>	<b>43,864</b>	<b>310,638</b>	<b>43,864</b>	<b>310,638</b>
<b>Total comprehensive income for the period comprise the following:</b>				
Realised	44,230	38,411	44,230	38,411
Unrealised	(366)	272,227	(366)	272,227
	43,864	310,638	43,864	310,638
Earnings per unit (sen)				-
- realised	1.65	1.43	1.65	1.43
- unrealised	(0.01)	10.16	(0.01)	10.16
	1.64	11.59	1.64	11.59
Proposed/declared distribution per unit (sen)	1.75	1.51	1.75	1.51

<sup>1</sup> The comparative financial results reported refers to the period from 20 May 2010, being the date that Sunway REIT was constituted, to 30 September 2010. The acquisition of the initial portfolio of eight assets was completed on listing date, 8 July 2010.

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

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2011 (UNAUDITED)**

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

**Income distribution**

	<--- Individual Quarter --->		<---Cumulative Quarter -->	
	Current Year Quarter 30.09.2011 RM'000	Preceding Year Corresponding Quarter 30.09.2010 <sup>1</sup> RM'000	Current Year To date 30.09.2011 RM'000	Preceding Year To date 30.09.2010 <sup>1</sup> RM'000
Realised total comprehensive income for the period	44,230	38,411	44,230	38,411
Add: Surplus cash arising from 50% Manager's fee paid/payable in Units	2,738	2,153	2,738	2,153
Total available for income distribution for the period	46,968	40,564	46,968	40,564
Brought forward undistributed income available for distribution	235	-	235	-
Total available for income distribution	47,203	40,564	47,203	40,564
Less: Proposed/declared income distribution	(47,062)	(40,470)	(46,793)	(40,470)
Balance undistributed arising from rounding difference	141	94	410	94

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2011 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	As At 30.09.2011 (Unaudited)	As At 30.06.2011 (Audited)
	RM'000	RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Plant and equipment	162	122
Investment properties	4,384,339	4,379,000
	<u>4,384,501</u>	<u>4,379,122</u>
<b>Current assets</b>		
Receivables, deposits and prepayments	18,157	14,461
Deposits placed with licensed financial institutions	37,421	53,722
Cash and bank balances	9,565	4,884
Derivative financial instruments	-	706
	<u>65,143</u>	<u>73,773</u>
	<u>4,449,644</u>	<u>4,452,895</u>
<b>FINANCED BY:</b>		
<b>Unitholders' funds</b>		
Unitholders' capital	2,353,090	2,350,437
Distributable income	420,949	420,613
Total Unitholders' funds	<u>2,774,039</u>	<u>2,771,050</u>
<b>Non-current liabilities</b>		
Borrowings	1,204,326	1,502,025
Long term liabilities	49,837	52,029
	<u>1,254,163</u>	<u>1,554,054</u>
<b>Current liabilities</b>		
Borrowings	354,307	59,350
Trade and other payables	67,135	68,441
	<u>421,442</u>	<u>127,791</u>
	<u>4,449,644</u>	<u>4,452,895</u>
Number of units in circulation ('000 units)	2,689,266	2,686,898
<b>NET ASSET VALUE ("NAV")</b>		
- Before income distribution	2,774,039	2,904,100
- After income distribution	2,726,977	2,727,522
<b>NET ASSET VALUE PER UNIT (RM)</b>		
- Before income distribution	1.0315	1.0809
- After income distribution	1.0140	1.0151

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

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2011 (UNAUDITED)**

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

	Unitholders' Capital	<-- Distributable Income -->		Total Unitholders' Funds
	RM'000	Realised RM'000	Unrealised RM'000	RM'000
<b>As at 1 July 2011</b>	2,350,437	34,261	386,352	2,771,050
Total comprehensive income for the period	-	44,230	(366)	43,864
Increase in net assets resulting from operations	2,350,437	78,491	385,986	2,814,914
<b>Unitholders' transactions</b>				
Creation of units <sup>1</sup>				
- Manager's fee paid in units	2,653	-	-	2,653
Distribution to unitholders <sup>2</sup>	-	(43,528)	-	(43,528)
Increase/(decrease) in net assets resulting from unitholders' transactions	2,653	(43,528)	-	(40,875)
<b>As at 30 September 2011 (Unaudited)</b>	2,353,090	34,963	385,986	2,774,039

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

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

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

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

	<b>30.09.2011</b>	
	<b>Units</b>	<b>Amount</b>
	<b>'000</b>	<b>RM'000</b>
Issuance of new units pursuant to 50% Manager fee paid in units:		
- at RM1.1204 per unit for the quarter ended 30 June 2011	2,368	2,653
Total Manager's fee paid in units	<u>2,368</u>	<u>2,653</u>
	<b>30.06.2011</b>	
	<b>Units</b>	<b>Amount</b>
	<b>'000</b>	<b>RM'000</b>
Units issued as partial satisfaction of the purchase consideration for properties acquired	1,025,143	920,969
Pursuant to initial public offering	1,654,969	1,486,792
	<u>2,680,112</u>	<u>2,407,761</u>
Issuance of new units pursuant to 50% Manager fee paid in units:		
- at RM0.9630 per unit for the quarter ended 30 September 2010	2,236	2,153
- at RM1.0187 per unit for the quarter ended 31 December 2010	2,331	2,375
- at RM1.0460 per unit for the quarter ended 31 March 2011	2,219	2,321
Total Manager's fee paid in units	<u>6,786</u>	<u>6,849</u>
	<u>2,686,898</u>	<u>2,414,610</u>

<sup>2</sup> Income distributed for the period from 1 April 2011 to 30 June 2011.

<sup>3</sup> Income distributed for the period from 8 July 2010 to 31 March 2011.

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2011 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	Current Year To date 30.09.2011	Preceding Year To date 30.09.2010
	RM'000	RM'000
<b>OPERATING ACTIVITIES</b>		
Cash receipts from customers	95,947	71,250
Refundable security deposits from customers	4,106	66,561
Cash paid for operating expenses	(35,749)	(6,236)
Net cash generated from operating activities	<u>64,304</u>	<u>131,575</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of plant and equipment	(51)	-
Acquisition of investment properties	-	(2,535,692)
Incidental costs on acquisition of investment properties	(7,319)	-
Subsequent expenditure of investment properties	(4,609)	-
Interest received	285	231
Net cash used in investing activities	<u>(11,694)</u>	<u>(2,535,461)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of new units	-	1,486,792
Drawdown of term loan and revolving credits	44,000	1,125,350
Repayment of revolving credits	(48,000)	(68,000)
Interest paid	(17,018)	(8,342)
Payment of unit issuance and financing expenses	-	(74,498)
Proceeds from termination of interest rate swap	316	-
Distribution paid	(43,528)	-
Net cash generated from financing activities	<u>(64,230)</u>	<u>2,461,302</u>
Net increase in cash and cash equivalents	(11,620)	57,416
Cash and cash equivalents at beginning of period	58,606	-
Cash and cash equivalents at end of period	<u>46,986</u>	<u>57,416</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	9,565	5,840
Deposits placed with licensed financial institutions	37,421	51,576
Cash and cash equivalents at end of period	<u>46,986</u>	<u>57,416</u>

Note a

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

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

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2011 (UNAUDITED)**

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

**A1. Accounting Policies and Basis of Preparation**

The unaudited interim financial statements for the financial period ended 30 September 2011 have been prepared in accordance with FRS134: Interim Financial Reporting, paragraph 9.44 of the Bursa Malaysia Securities Berhad Listing Requirements, provisions of the deed dated 20 May 2010 ("the Deed") and the Securities Commission's Guidelines on Real Estate Investment Trust ("the REITs Guidelines"). The unaudited interim financial statements have been prepared on the historical basis except for investment properties which are stated at fair value.

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

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

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

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

**A3. Seasonal or Cyclical Factors**

The results for the current quarter under review were not materially affected by seasonal or cyclical factors except for the hotel properties located in Sunway Integrated Resort City which registered better performance as the current quarter is typically a peak season with high tourist arrivals from the Middle East in conjunction with their summer holidays.

**A4. Unusual Items**

There were no material unusual items affecting the amounts reported for the financial period ended 30 September 2011.

**A5. Changes in Estimates**

This is not applicable as no estimates were previously reported.

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

There were no cancellations, repurchases, resale and repayments of debt and equity securities for the quarter ended 30 September 2011 except for issuance of 2,367,900 units at RM1.1204\* per unit in Sunway REIT on 21 September 2011 being 50% payment of the Manager's fee for the quarter ended 30 June 2011. The units were listed on the Main Market of Bursa Securities on 22 September 2011.

*\* Based on the 10-day volume weighted average price ("VWAP") of the units up to and including 30 June 2011.*

**A7. Income Distribution**

For the quarter ended 30 September 2011, Sunway REIT proposed an interim income distribution of approximately 100% of the realised distributable income amounting to RM47.1 million or 1.75 sen per unit. This amount includes surplus cash arising from 50% Manager's fee payable in units of RM2.7 million.

**FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2011 (UNAUDITED)**

**A8. Segmental Reporting**

(a) By segment

Segmental results for the financial period ended 30 September 2011 are as follows:

	Current Year Quarter Ended 30.09.2011				Preceding Year Quarter Ended 30.09.2010 <sup>1</sup>			
	Retail RM'000	Hotel RM'000	Office RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Total RM'000
<b>BY BUSINESS SEGMENTS</b>								
REVENUE AND EXPENSES								
Gross revenue	68,469	15,871	10,699	95,039	52,804	12,148	7,493	72,445
<u>Results</u>								
Net property income	46,731	15,600	7,923	70,254	37,926	11,659	5,628	55,213
Other income				(60)				273
Change in fair value of investment properties				-				272,339
Trust and other expenses				(6,488)				(4,661)
Financing costs				(19,842)				(12,526)
Income before taxation				43,864				310,638
Income tax expense				-				-
Profit for the period, representing total comprehensive income for the period				43,864				310,638



**SUNWAY REAL ESTATE INVESTMENT TRUST**

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

(b) By property

Properties	Gross Revenue			Net Property Income		
	Current Year Quarter	Preceding Year Corresponding Quarter	Change	Current Year Quarter	Preceding Year Corresponding Quarter	Change
	30.09.2011	30.09.2010 <sup>1</sup>		30.09.2011	30.09.2010 <sup>1</sup>	
	RM'000	RM'000	%	RM'000	RM'000	%
<b>IPO assets</b>						
Sunway Pyramid Shopping Mall	54,970	46,607	17.9%	38,503	34,492	11.6%
Sunway Carnival Shopping Mall	6,528	5,243	24.5%	3,616	2,553	41.6%
Suncity Ipoh Hypermarket	1,137	954	19.2%	1,037	881	17.7%
Sunway Resort Hotel & Spa	8,613	6,315	36.4%	8,310	6,040	37.6%
Pyramid Tower Hotel	6,039	4,848	24.6%	5,937	4,683	26.8%
Sunway Hotel Seberang Jaya	1,219	985	23.8%	1,168	936	24.8%
Menara Sunway	4,072	3,501	16.3%	3,124	2,655	17.7%
Sunway Tower	4,234	3,992	6.1%	3,225	2,973	8.5%
Total for initial portfolio	86,812	72,445	19.8%	64,920	55,213	17.6%
<b>Sunway Putra Place<sup>2</sup></b>						
Sunway Putra Mall	5,834	-	100.0%	3,575	-	100.0%
Sunway Putra Hotel	-	-	-	185	-	100.0%
Sunway Putra Tower	2,393	-	100.0%	1,574	-	100.0%
Total for Sunway Putra Place	8,227	-	-	5,334	-	-
<b>TOTAL PORTFOLIO</b>	<b>95,039</b>	<b>72,445</b>	<b>31.2%</b>	<b>70,254</b>	<b>55,213</b>	<b>27.2%</b>
<b>By segment</b>						
Retail	68,469	52,804	29.7%	46,731	37,926	23.2%
Hospitality	15,871	12,148	30.6%	15,600	11,659	33.8%
Office	10,699	7,493	42.8%	7,923	5,628	40.8%
	95,039	72,445	31.2%	70,254	55,213	27.2%

<sup>1</sup> The comparative financial results reported refers to the period from 20 May 2010, being the date that Sunway REIT was constituted, to 30 September 2010. The acquisition of the initial portfolio of eight assets was completed on listing date, 8 July 2010.

<sup>2</sup> Acquired on 19 April 2011. Sunway REIT has secured possession and control of Sunway Putra Place on 28 September 2011 in accordance with the High Court Order dated 28 June 2011. Please refer to material litigation in note B13 (3) for details of the case.

## SUNWAY REAL ESTATE INVESTMENT TRUST

### A9. Valuation of Investment Properties

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

### A10. Material Event

Sunway REIT obtained full control and possession of Sunway Putra Place on 28 September 2011 in accordance with the High Court Order dated 28 June 2011. Sunway Putra Place was acquired at a consideration of RM513.945 million via a public auction held at the High Court on 30 March 2011 and the acquisition was completed on 19 April 2011 with registration of title at the Kuala Lumpur land registry upon full payment.

The former owner and its parent company have instituted several lawsuits against, amongst others, Sunway REIT, the OSK Trustees Bhd (Trustee) and the Sunway REIT Management Sdn Bhd (Manager) to nullify the sale of Putra Place. The Manager, had also sought amicable resolutions to gain rightful full possession and control of Putra Place from the former owner, but after a number of failed attempts had proceeded to institute legal proceedings against the former owner. Please refer to Note B13 on the litigations.

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

Please refer to corporate proposal in note B10.

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

Sunway REIT's fund size was increased from 2,686.9 million units to 2,689.3 million units with the issuance of 2.4 million units as mentioned in note A6.

### A13. Contingent Liabilities and Assets

There were no contingent liabilities or contingent assets as at 30 September 2011.

### A14. Capital Commitments

The amount of commitments for investment properties not provided for in the unaudited interim financial statements as at 30 September 2011 were as follows:

	<b>As at 30.09.11</b>
	<b>RM'000</b>
Approved and contracted for	<u>58,975</u>

### A15. Realised and Unrealised Retained Profits

	<b>Current financial period</b>	<b>As at end of last financial year</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained profits of Sunway REIT		
- Realised	34,963	34,261
- Unrealised	385,986	386,352
	<u>420,949</u>	<u>420,613</u>

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

**B1. Review of Performance**

Quarter results

Sunway REIT recorded gross revenue of RM95.0 million for the current quarter ended 30 September 2011 (1Q 2012), representing an increase of 31.2% or RM22.6 million compared to the preceding year corresponding quarter (1Q 2011). The initial portfolio of eight properties and Sunway Putra Place contributed to the increase by RM14.4 million and RM8.2 million respectively. The retail properties from the initial portfolio had contributed an increase of RM9.8 million compared to 1Q 2011 mainly due to flow through of rental reversion from Sunway Pyramid Shopping Mall whereby approximately 1.1 million sq.ft. was renewed towards the end of Sept 2010 with a rental reversion of 16.3% for the 3-year term. The hotel properties from the initial portfolio's performance was RM3.7 million higher compared to 1Q 2011 mainly attributable to continued strong support from the commercial group for event such as corporate meetings, corporate long stays and Commercial FIT.

Property operating expenses for 1Q 2012 was RM24.8 million, an increase of RM7.6 million or 43.8% from 1Q 2011. The initial portfolio of eight properties and Sunway Putra Place contributed RM4.7 million and RM2.9 million respectively. The higher property operating expenses incurred by the initial portfolio was mainly attributable to higher service & maintenance and advertising & promotion expenses at Sunway Pyramid Shopping Mall.

Consequently, the NPI for 1Q 2012 was RM70.3 million, was 27.2% or RM15.0 million higher compared to 1Q 2011, with the initial portfolio and Sunway Putra Place contributing an increase of RM9.7 million and RM5.3 million respectively.

Finance costs for 1Q 2012 was RM19.8 million, an increase of RM7.3 million compared to 1Q 2011 primarily due to drawdown of RM514.0 million term loan to finance the acquisition of Sunway Putra Place in April 2011.

Net income for 1Q 2012 was RM43.9 million and RM 310.6 million was recorded for 1Q 2011. Included in the results for 1Q 2011 was fair value gain on investment properties of the initial portfolio amounting to RM272.3 million resulting from difference between the acquisition costs and appraised value as at IPO. Excluding the fair value gain, net income for 1Q 2012 would have been higher by 14.6% or RM5.6 million. Overall, the initial portfolio had performed better by RM7.4 million offset by loss of RM 1.8 million from Sunway Putra Place. There was no income recorded from Sunway Putra Hotel in 1Q 2012 due to the litigation as mentioned in Note B13. Sunway REIT secured full control and possession of Sunway Putra Place on 28 September 2011 and as such does not expect further losses from this property.

Note :

The results for 1Q 2011 were lesser by 7 days due to acquisition of the initial portfolio of eight properties was completed on 8 July 2010, being the listing date of Sunway REIT. The impact of adjusting for the 7 days to 1Q2011 is as follows:

	1Q 2012	Adjusted 1Q 2011	Change	
	RM'million	RM'million	RM'million	%
Revenue	95.0	79.1	15.9	20.1%
Operating Expenses	24.8	18.7	6.1	32.6%
Net Property Income	70.3	60.4	9.9	16.4%
Realised Net Income	44.2	42.2	2.0	4.7%

## SUNWAY REAL ESTATE INVESTMENT TRUST

### B1. Review of Performance (Cont'd)

#### Maintenance costs and major capital expenditure

There was no unusual maintenance costs during the quarter under review. However, Sunway REIT incurred capital expenditure of approximately RM5.3 million during the quarter under review involving the following:

Type of enhancement	Rationale
1) Carpark linkage from Sunway Resort Hotel & Spa (SRHS) to Pinnacle <sup>1</sup>	To integrate underground carpark for buildings within Sunway Integrated Resort City thus making available an additional 1,000 carpark bays at Pinnacle to shoppers of Sunway Pyramid Shopping Mall.
2) Alfresco with NLA of 34,815 sf	To optimise use of space above the carpark linkages.
3) New loading dock & back of house (BOH)	To improve the façade and BOH efficiency of SRHS.
4) Pedestrian linkbridge/linkway from SRHS to Pinnacle	To create easy, safe & comfortable access between the properties for pedestrians, thus encouraging greater footfall from the offices to Sunway Pyramid Shopping Mall & SRHS during lunch hour and after work.

The enhancement is expected to be completed by July 2014 with an estimated total costs of RM61.5 million.

### B2. Material Changes in Quarterly Results

	Current Quarter Ended 30.09.11 RM'000	Preceding Quarter Ended 30.06.11 RM'000
Income before taxation	43,864	154,057
Less: Fair value gain on investment properties	-	(113,230)
Income before taxation, excluding fair value gain on investment properties	43,864	40,827

Sunway REIT recorded an income before taxation (excluding fair value gain) of RM43.9 million, higher by RM3.1 million or 7.6% compared to the immediate preceding quarter of RM40.8 million mainly attributable to lower losses from Sunway Putra Place of RM1.8 million compared to RM4.8 million in the immediate preceding quarter.

### B3. Prospects

Global economic landscape has flipped from modest growth expectation to possibility of double dip recession in the advanced economies on the back of sovereign debt issues, sovereign ratings downgrade in the U.S. and slower global economy activities.

On the domestic front, downside risk to external demand have increased following slower global economic activities. Malaysia economy is expected to remain resilient supported by domestic spending led by government infrastructure spending and strong private investment. Private sectors believe that GDP growth will come in below 5.0% for 2011 and 2012.

The Budget 2012 announced on 7 October 2011 is expected to be supportive of domestic spending. From infrastructure spending through ETP and 10MP to the slew of goodies being dished out to the public, the spillover is positive for consumerism.

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

On monetary policy front, Bank Negara Malaysia (BNM) has decided to pause the normalisation and leave the OPR unchanged at 3.00% due to the heightened uncertainties arising from global developments which has created greater downside risks to growth.

In view of growth concerns outweighing inflationary pressure at this juncture, BNM is expected to maintain its accommodative monetary policy throughout financial year June 2012.

The Manager expects Sunway REIT's portfolio of assets to be resilient and continue to perform well supported by sustainable growth from the initial portfolio of 8 properties and positive contribution from Sunway Putra Place.

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

Review of retail market

The domestic consumption patterns is somewhat insulated from the external headwinds in the developed economies.

Retail sales in Malaysia expanded by 8.2% in the first half of 2011. Following that, Malaysia's retail sales growth for 2011 is revised upwards to 6.5% from 6.0% previously, which bring total retail sales for the year to RM82 billion. Retail sales is likely to remain sustainable in view of the upcoming festivities and year end Malaysia Mega Sale.

For the quarter ended 30 September 2011, Sunway Pyramid Shopping Mall's average occupancy was steady at 98.2%. During the quarter, approximately 122,000 sq. ft. of retail space were renewed with average rental reversion of 16.0% over a period of three years. The rental reversion was in line with last year's achievement. Retail spending during the quarter was buoyed by the Hari Raya sales.

Meanwhile, average occupancy for Sunway Carnival Shopping Mall was steady at 88.5% and expected to improve to 89.9% by October 2011 with the entry Toys R Us. The Manager expects the rental reversion to be flattish due to consumerism is not as vibrant compared to Penang island.

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

Review of hotel market

The Ministry of Tourism targets tourist arrival to reach 25 million in 2011 where arrivals from business tourism to grow by 5% to 8% annually to bring business tourist arrivals from 1.2 million to 2.9 million by year 2020. The establishment of Malaysia Convention & Exhibition Bureau (MyCEB) under the ETP's business tourism project will continue to position Malaysia as the world's leading international meetings, incentives, conventions and exhibitions (MICE) destinations.

In the first quarter ended 30 September 2011, both Sunway Resort Hotel and Spa and Pyramid Tower Hotel enjoyed average occupancy rates of 77.5% and 83.0%. Similarly, average room rates have improved compared to the preceding year corresponding quarter. The month of June and July are typically the peak months on tourist arrival particularly from the Middle East, however, tapered off in August due to Ramadhan month.

Meanwhile, Sunway Hotel Seberang Jaya's average occupancy rate for the first quarter ended 30 September 2011 stood at 75.3% due to strong demand from the corporate and government sectors.

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

Review of hotel market (cont'd)

The mainland of Seberang Jaya is attracting the entry of new hotels due to inflow of foreign investments in the Northern Corridor. Despite increased competition during the quarter, business in Sunway Hotel Seberang Jaya enjoyed moderate growth. In order to maintain its competitiveness, the hotel will undergo major refurbishment this financial year. With closure of rooms and function rooms/ ballroom on a progressive basis, the Manager expects lower income contribution from this hotel.

Overall, the hotel assets are expected to continue to benefit from healthy demand from both business travelers and tourists riding on continuous promotion of Malaysia internationally.

Sunway Resort Hotel and Spa and Pyramid Tower Hotel will be less susceptible to slowdown from the western economies as the hotels' customers base are well diversified amongst Asian countries. The hotels will continue to focus on strategies to promote the hotels as the preferred destination for MICE activities.

Review of office market

The incoming supply of new office space Kuala Lumpur of approximately 13.29 million square feet from 2011 to 2014 is likely to put pressure on rental rates.

Menara Sunway and Sunway Tower's average occupancy rate were largely unchanged at 99.8% and 94.4% respectively. Major renewal will take place at Sunway Tower for financial year ending June 2012. The two tenants collectively account for 84.0% of total net lettable area of Sunway Tower. While the Manager is constantly monitoring this event, we are of the view that the rental rate remains affordable and competitive.

The Manager expects the performance to be maintained despite the incoming supply of office space.

Review of Sunway Putra Place

The Court of Appeal and Federal Court have on 27 September 2011 and 4 October 2011 respectively dismissed the appeals filed by Metroplex Holdings Sdn. Bhd. and affirmed that OSK Trustees Berhad (as Trustee for Sunway REIT) is the rightful owner of Putra Place.

With the latest development, the property managers have gained possession of Sunway Putra Place (including the hotel) on 28 September 2011.

Sunway Putra Mall achieved occupancy rate of 66.0% and we are still in the process of engaging the remaining occupants occupying 16% of the lettable area thus will bring overall occupancy to 82.0%.

Average occupancy at Sunway Putra Tower stood at 90.4% for the quarter ended 30 September 2011. We expect occupancy levels to move towards 95% in the second half of this financial year due to our affordable rental rates.

Since possession of the Sunway Putra Hotel, occupancy was in the region of 20% due to winding down of business by the previous owner. We expect to rebuild the business to its previous occupancy levels of 65% in the next quarter.

The Manager has initiated engagement with consultants to embark on refurbishment plans. The Manager expects positive contribution from Sunway Putra Place for the financial year ending June 2012.

## SUNWAY REAL ESTATE INVESTMENT TRUST

### B4. Investment Objectives

The Manager's key investment objective for Sunway REIT is to provide the unitholders with exposure to a diverse portfolio of authorised investments (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.

For the quarter ended 30 September 2011, the Manager proposed an interim income distribution of 1.75sen per unit to be paid on 1 December 2011. The Manager is confident of providing stable cash distributions going forward and will endeavour to grow the net asset value over a longer period of time. There was no change in the objectives during the period under review.

### B5. Performance Benchmark

Performance indicators	Quarter ended 30 September 2011	Quarter ended ended 30 September 2010
a) Annualised management expense ratio	0.9%	0.8%
b) Total returns/average annual returns	6.3%	14.7%
c) Annualised distribution yield	6.3%	6.9%
d) NAV per unit (after income distribution)(RM)	1.0140	0.9753

- The ratio of annualised expenses incurred in operating Sunway REIT to the NAV of Sunway REIT.
- Total return represents the change in unit price (based on institutional price) from beginning of financial year plus distribution yield for the period. Average annual return is the sum of the return rates of Sunway REIT over a given number of years divided by that number of years. Since Sunway REIT only have one year distribution yield and capital appreciation history (for the financial period ended 30 June 2011), there is no difference between the total return and average annual return.
- Based on annualised DPU of 6.9 sen divided by its closing price as at 30 September 2011 of RM1.11 (30 June 2011 - DPU: 6.7 sen; Closing price as at 30 June 2011: RM1.11).
- NAV of Sunway REIT as determined by deducting the value of all Sunway REIT's liabilities from the total asset value, divided by total issued units.

### B6. Strategies and Policies

The Manager's strategies can be broadly categorised as:

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

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

### B7. Manager's fee

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

- Base fee of 0.3% per annum on the total assets value;
- 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;
- 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
- 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).

## SUNWAY REAL ESTATE INVESTMENT TRUST

### B7. Manager's fee (Cont'd)

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

Total fees accrued to the Manager for the current quarter ended 30 September 2011 was RM5.5 million compared to RM4.3 million in preceding year corresponding quarter.

### B8. Trustee Fee

Pursuant to the Deed constituting Sunway REIT, the Trustee is entitled to receive up to 0.03% per annum of the net asset value of Sunway REIT, net of all applicable taxes, duties and levies imposed by the relevant authorities in Malaysia, is calculated on a monthly accrual basis, based on a year of 12 months. The total Trustee's fee for the current quarter ended 30 September 2011 was RM0.2 million consistent with preceding year corresponding quarter.

### B9. Taxation

#### Taxation of the REIT

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

Since Sunway REIT shall be distributing 100% of its realised year-to-date income (which translates to more than 90% of its total taxable income), the REIT should not incur any tax expense for the financial year ending 30 June 2012.

#### Taxation of the Unitholders

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

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

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

### B10. Status of Corporate Proposal

On 14 October 2011, the Board of Directors of Sunway REIT Management Sdn Bhd, the Manager of Sunway REIT announced that SunREIT Capital Berhad (formerly known as Noble Pioneer Sdn Bhd) ("SunREIT Capital" or the "Issuer"), a wholly owned subsidiary of Sunway REIT, had received approval from the Securities Commission vide its letter dated 12 October 2011 to establish a Medium Term Note Programme ("MTN Programme") of RM3.0 billion in nominal value, pursuant to which medium term notes ("MTNs") may be issued from time to time.

SunREIT Capital is a special purpose vehicle incorporated specifically for the issuance of the MTNs under the MTN Programme, whose shares are held by OSK Trustees Berhad on behalf of Sunway REIT ("REIT Trustee").

Issue 1 of MTN Programme shall entail the issuance of RM1.56 billion MTNs in nominal value comprising the following classes:-

Class	Preliminary Rating	Amount (up to RM'million)
Class A MTNs	AAA	1,230.0
Class B MTNs	AA1	75.0
Class C MTNs	AA3	50.0
Class D MTNs	A1	152.0
Class E MTNs	A2	53.0
TOTAL		1,560.0



## SUNWAY REAL ESTATE INVESTMENT TRUST

### B10. Status of Corporate Proposal (Cont'd)

The MTN Programme has an expected tenure of up to eighteen (18) years and a legal tenure of up to twenty (20) years commencing from the date of first issuance under the MTN Programme.

The MTNs may be issued via direct/private placement, bought deal basis or book running basis, all without prospectus.

The proceeds of the MTNs shall be utilised by the Issuer for the purpose of advancing to Sunway REIT where the REIT Trustee shall utilise such proceeds for financing (including repayment of cash utilised by Sunway REIT to part finance) the investment activities (including capital expenditure and the related acquisition and financing expenses) of Sunway REIT and/or refinancing of existing/future borrowings undertaken by Sunway REIT for its investment activities (including capital expenditure and the related acquisition and financing expenses) and/or working capital requirements of Sunway REIT and to defray expenses incurred in relation to the MTN Programme as well as to refinance maturing MTNs on their respective maturity dates subsequent to the first issuance of the MTNs.

### B11. Borrowings and Debt Securities

	As at 30.09.2011	As at 30.06.2011
	RM'000	RM'000
Short term borrowings		
- Secured revolving credit	55,350	59,350
- Secured term loan	300,000	-
	355,350	59,350
Long term borrowings		
- Secured term loan	1,214,000	1,514,000
Total borrowings	1,569,350	1,573,350
Less: Unamortised transaction costs	(10,717)	(11,975)
	1,558,633	1,561,375

All the bank borrowings are denominated in Ringgit Malaysia.

### B12. Derivative Financial Instruments - Swap

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

Type of Derivatives	Contract/ Notional Value		Fair Value Assets	
	As at 30.09.2011	As at 30.06.2011	As at 30.09.2011	As at 30.06.2011
	RM'000	RM'000	RM'000	RM'000
Interest rate swap agreement - More than 3 years but less than 4 years	-	100,000	-	706

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

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

**B13. Material Litigation**

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

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

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

The Plaintiffs have appealed against the dismissal of originating summons on 27 July 2011 at the Court of Appeal. The case is fixed for case management on 3 November 2011.

High Court Originating Summons No. 24NCVC-952-2011 and Court of Appeal No. W-02(IM)(NCVC )-2095-2011

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

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

Metroplex Berhad (Provisional Liquidators Appointed) has filed a Notice of Appeal with the Court of Appeal on 8 August 2011 to appeal against the decision of the High Court of Malaya given on 27 July 2011 ordering that the Originating Summons dated 25 April 2011 be struck out against, amongst others, OSK Trustees Berhad, Sunway REIT and Sunway REIT Management Sdn Bhd. The case is fixed for further case management on 17 November 2011.

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

On 6 May 2011, Metroplex Holdings Sdn Bhd (Plaintiff) commenced the case against amongst others OSK Trustees Berhad, Sunway REIT and Sunway REIT Management Sdn Bhd seeking to set aside the sale of Putra Place to OSK Trustees Berhad (as trustee of Sunway REIT) at the auction conducted by the Kuala Lumpur High Court on 30 March 2011. The Plaintiff claims that the auction on 30 March 2011 was not a valid public auction and that OSK Trustees Berhad (as trustee of Sunway REIT) was not entitled to bid at the auction. The High Court has fixed the case for hearing on 17 August 2011.

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

**B13. Material Litigation (Cont'd)**

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

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

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

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

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

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

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

- a) 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;
- b) to pay mesne profits from 19 April 2011 until possession is delivered up;
- c) 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;
- d) to pay interest on all sums ordered to be paid at such rate and for such period the Court deems proper;
- e) restrained from lodging any further private caveat over Putra Place and any private caveat lodged by them after 29 April 2011 be also cancelled and removed forthwith by the Pendaftar Hakmilik Wilayah Persekutuan.

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

Metroplex's application for leave to appeal to Federal Court originally fixed for hearing on the 24 October 2011 was adjourned to a date to be determined, to be heard by another panel.

## SUNWAY REAL ESTATE INVESTMENT TRUST

### B14. 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.

### B15. Summary of EPU, DPU, NAV and Market Price

	Quarter ended 30 September 2011	Immediate preceding quarter ended 30 June 2011	% change
Number of units in issue (units)	2,689,266,300	2,686,898,400	0.1%
Realised net income (RM'000)	44,230	41,069	7.7%
Earnings per unit (EPU) (sen)	1.64	5.74	-71.4%
Income distribution(RM'000)	47,062	43,528	8.1%
Distribution per unit (DPU)(sen)	1.75	1.62	8.0%
Net Asset Value (NAV) (RM'000)	2,726,977	2,727,522	0.0%
NAV per unit (RM)	1.0140	1.0151	-0.1%
Market price per unit (RM)	1.11	1.11	0.0%

### B16. Income Distribution

The Manager has proposed an interim income distribution of 1.75 sen per unit for the first quarter ended 30 September 2011 comprising taxable and non-taxable amount of 1.62 sen and 0.13 sen per unit respectively. The book closure and payment dates in respect of the proposed interim income distribution will be fixed on 17 November 2011 and 1 December 2011 respectively.

### B17. Directors' Declaration

In the opinion of the Manager, this quarterly report has been prepared in accordance with FRS 134: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Sunway REIT as at 30 September 2011 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 1 November 2011.

#### BY ORDER OF THE BOARD

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

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

**Petaling Jaya**  
**Date: 1 November 2011**