

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FOURTH QUARTER ENDED 30 JUNE 2014 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Fourth Quarter ended		Cumulative Quarter ended	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
	RM'000	RM'000	RM'000	RM'000
Rental income	106,224	100,984	417,147	405,911
Other operating income	2,993	2,922	10,641	10,035
<b>Gross revenue</b>	<b>109,217</b>	<b>103,906</b>	<b>427,788</b>	<b>415,946</b>
Quit rent, assessment and insurance	(4,006)	(3,125)	(13,998)	(12,597)
Other property operating expenses	(26,388)	(22,257)	(92,813)	(94,153)
<b>Property operating expenses</b>	<b>(30,394)</b>	<b>(25,382)</b>	<b>(106,811)</b>	<b>(106,750)</b>
<b>Net property income</b>	<b>78,823</b>	<b>78,524</b>	<b>320,977</b>	<b>309,196</b>
Other income	635	451	2,278	1,402
Change in fair value of investment properties	179,122	173,487	179,122	173,487
<b>Net investment income</b>	<b>258,580</b>	<b>252,462</b>	<b>502,377</b>	<b>484,085</b>
Manager's fee	(6,559)	(6,299)	(25,834)	(24,271)
Trustee's fee	(308)	(255)	(1,103)	(991)
Finance costs	(15,848)	(15,705)	(63,031)	(63,604)
Other expenses	(655)	(1,232)	(1,285)	(2,897)
	(23,370)	(23,491)	(91,253)	(91,763)
<b>Profit before tax</b>	<b>235,210</b>	<b>228,971</b>	<b>411,124</b>	<b>392,322</b>
Income tax expense	-	-	-	-
<b>Profit for the period/year</b>	<b>235,210</b>	<b>228,971</b>	<b>411,124</b>	<b>392,322</b>
<b>Profit for the period/year comprise the following:</b>				
Realised	56,069	55,469	231,931	218,785
Unrealised	179,141	173,502	179,193	173,537
	235,210	228,971	411,124	392,322
Earnings per unit (sen)				
- realised	1.91	1.88	7.93	7.87
- unrealised	6.13	6.24	6.13	6.24
	8.04	8.12	14.06	14.11
Proposed/declared distribution per unit (sen)	2.03	2.02	8.36	8.30

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

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FOURTH QUARTER ENDED 30 JUNE 2014 (UNAUDITED)**

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

	Fourth Quarter ended		Cumulative Quarter ended	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
	RM'000	RM'000	RM'000	RM'000
<b>Profit for the period/year</b>	<b>235,210</b>	<b>228,971</b>	<b>411,124</b>	<b>392,322</b>
<b>Other comprehensive income</b>				
Cash flow hedge - fair value of derivative	(5,419)	5,516	4,944	(915)
Cash flow hedge reserve recycled to profit or loss	5,800	(9,000)	(3,200)	1,100
<b>Total comprehensive income for the period/year</b>	<b>235,591</b>	<b>225,487</b>	<b>412,868</b>	<b>392,507</b>

**Income distribution**

	Fourth Quarter ended		Cumulative Quarter ended	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
	RM'000	RM'000	RM'000	RM'000
Realised total comprehensive income for the period/year	56,069	55,469	231,931	218,785
Add: Surplus cash arising from 50% Manager's fee paid/payable in Units	3,280	3,149	12,917	12,135
Total available for income distribution for the period/year	59,349	58,618	244,848	230,920
Brought forward undistributed income available for distribution	588	523	169	142
Total available for income distribution	59,937	59,141	245,017	231,062
Less: Proposed/declared income distribution	(59,453)	(58,972)	(244,533)	(230,893)
Balance undistributed arising from rounding difference	484	169	484	169

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

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FOURTH QUARTER ENDED 30 JUNE 2014 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>As At 30.6.2014 (Unaudited)</b>	<b>As At 30.6.2013 (Unaudited)</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Plant and equipment	3,039	1,283
Investment properties	5,520,000	5,184,000
Derivative	-	7,540
	<b>5,523,039</b>	<b>5,192,823</b>
<b>Current assets</b>		
Receivables, deposits and prepayments	16,361	18,190
Cash and bank balances	54,607	58,519
Derivative	12,484	-
	<b>83,452</b>	<b>76,709</b>
	<b>5,606,491</b>	<b>5,269,532</b>
<b>FINANCED BY:</b>		
<b>Unitholders' funds</b>		
Unitholders' capital	2,702,788	2,690,002
Undistributed income	985,283	816,467
Total Unitholders' funds	<b>3,688,071</b>	<b>3,506,469</b>
<b>Non-current liabilities</b>		
Borrowings	1,000,000	1,317,850
Long term liabilities	60,279	41,956
	<b>1,060,279</b>	<b>1,359,806</b>
<b>Current liabilities</b>		
Borrowings	742,042	314,769
Trade and other payables	116,099	88,488
	<b>858,141</b>	<b>403,257</b>
	<b>5,606,491</b>	<b>5,269,532</b>
Number of units in circulation ('000 units)	2,928,715	2,919,423
<b>NET ASSET VALUE ("NAV")</b>		
- Before income distribution	3,688,071	3,506,469
- After income distribution	3,628,618	3,447,497
<b>NET ASSET VALUE PER UNIT (RM)</b>		
- Before income distribution <sup>1</sup>	1.2593	1.2011
- After income distribution <sup>2</sup>	1.2390	1.1809

<sup>1</sup> Before the 4Q 2014 proposed income distribution of 2.03 sen per unit (4Q 2013: 2.02 sen per unit).

<sup>2</sup> After the 4Q 2014 proposed income distribution of 2.03 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 FOURTH QUARTER ENDED 30 JUNE 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
<b>As at 1 July 2013</b>	2,690,002	26,208	790,259	3,506,469
<b>Total comprehensive income</b>				
Profit for the period/year	-	231,931	179,193	411,124
Other comprehensive income				
- Cash flow hedge - fair value of derivative	-	-	4,944	4,944
- Cash flow hedge reserve recycled to profit or loss	-	-	(3,200)	(3,200)
Total comprehensive income, representing the increase in net assets resulting from operations	2,690,002	258,139	971,196	3,919,337
<b>Unitholders' transactions</b>				
Creation of units <sup>1</sup>				
- Manager's fee paid in units	12,786	-	-	12,786
Distribution to unitholders				
- Income distribution declared and paid in current period	-	(185,080)	-	(185,080)
- Income distribution proposed in prior year but paid in current period	-	(58,972)	-	(58,972)
Increase/(decrease) in net assets resulting from unitholders' transactions	12,786	(244,052)	-	(231,266)
<b>As at 30 June 2014 (Unaudited)</b>	<b>2,702,788</b>	<b>14,087</b>	<b>971,196</b>	<b>3,688,071</b>

	Unitholders' Capital	<-- Undistributed Income -->		Total Unitholders' Funds
	RM'000	Realised RM'000	Unrealised RM'000	RM'000
<b>As at 1 July 2012</b>	2,361,487	30,307	616,537	3,008,331
<b>Total comprehensive income</b>				
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
<b>Unitholders' transactions</b>				
Creation of units <sup>1</sup>				
- 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
<b>As at 30 June 2013 (Unaudited)</b>	<b>2,690,002</b>	<b>26,208</b>	<b>790,259</b>	<b>3,506,469</b>

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

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FOURTH QUARTER ENDED 30 JUNE 2014 (UNAUDITED)**

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

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

	<b>30.6.2014</b>	
	<b>Units</b>	<b>Amount</b>
	<b>'000</b>	<b>RM'000</b>
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
- at RM1.3400 per unit for the quarter ended 31 March 2014	2,382	3,192
Total Manager's fee paid in units	<u>9,292</u>	<u>12,786</u>
	<b>30.6.2013</b>	
	<b>Units</b>	<b>Amount</b>
	<b>'000</b>	<b>RM'000</b>
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 FOURTH QUARTER ENDED 30 JUNE 2014 (UNAUDITED)**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Cumulative Quarter ended</b>	
	<b>30.6.2014</b>	<b>30.6.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>OPERATING ACTIVITIES</b>		
Cash receipts from customers	442,606	423,601
Refundable security deposits from customers	16,094	7,801
Cash paid for operating expenses	(143,844)	(133,933)
Net cash generated from operating activities	<u>314,856</u>	<u>297,469</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of plant and equipment	(1,829)	(816)
Acquisition of investment property	-	(310,000)
Incidental costs on acquisition of investment properties	-	(3,381)
Subsequent expenditure of investment properties	(118,779)	(58,699)
Interest received	2,275	1,278
Net cash used in investing activities	<u>(118,333)</u>	<u>(371,618)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of new units	-	320,000
Issuance of commercial papers	2,976,000	6,077,000
Issuance of unrated bonds	-	1,000,000
Drawdown of revolving loans	1,477,000	3,325,000
Repayment of commercial papers	(3,279,000)	(6,312,000)
Repayment of revolving loans	(1,068,000)	(4,025,000)
Interest paid	(62,383)	(51,877)
Payment of unit issuance and financing expenses	-	(3,370)
Distribution paid	(244,052)	(222,884)
Net cash (used in)/generated financing activities	<u>(200,435)</u>	<u>106,869</u>
Net increase in cash and bank balances	(3,912)	32,720
Cash and bank balances at beginning of year	58,519	25,799
Cash and bank balances at end of year	<u>54,607</u>	<u>58,519</u>
Cash and bank balances at end of year comprise:		
Cash on hand and at banks	45,802	4,786
Deposits placed with licensed financial institutions	8,805	53,733
Cash and bank balances	<u>54,607</u>	<u>58,519</u>
Less: Deposit with a licensed financial institution with maturity of more than 3 months	(840)	-
Cash and cash equivalents at end of year	<u>53,767</u>	<u>58,519</u>

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

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FOURTH QUARTER ENDED 30 JUNE 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 (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 30 June 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 30 June 2014 except for the following:

	<b>Fourth Quarter ended</b>	
	<b>30.6.2014</b>	<b>30.6.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit before tax	235,210	228,971
Less: Fair value changes <sup>1</sup>	(179,141)	(173,502)
<b>Profit before tax, excluding unusual items</b>	<b>56,069</b>	<b>55,469</b>

<sup>1</sup> Mainly comprise change in fair value of investment properties amounting to RM179.1 million (30 June 2013: RM173.5 million), after accounting for capital expenditure of RM156.9 million (YTD 4Q 2014: RM67.1 million) with details explained in Note A13.

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

Sunway REIT has issued 2,382,200 new units at RM1.3400\* per unit on 29 May 2014, being 50% payment of the Manager's fee for the quarter ended 31 March 2014. The units were listed on the Main Market of Bursa Malaysia Securities Berhad on 30 May 2014.

\* Based on the 10-day volume weighted average price ("VWAP") of the units up to 31 March 2014.

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

Sunway REIT's fund size increased from 2,926.3 million units as at 31 March 2014 to 2,928.7 million units with the issuance of new units as mentioned in Note A6.

**SUNWAY REAL ESTATE INVESTMENT TRUST  
FOR THE FOURTH QUARTER ENDED 30 JUNE 2014 (UNAUDITED)**

**A8. Segmental Reporting**

By segment

Segmental results for the quarter ended 30 June 2014 are as follows:

Fourth Quarter

	Fourth Quarter ended 30.6.2014					Fourth Quarter ended 30.6.2013				
	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
<b>BY BUSINESS SEGMENTS</b>										
REVENUE AND EXPENSES										
Gross revenue	78,078	15,494	10,729	4,916	109,217	70,995	17,580	10,581	4,750	103,906
Net property income	53,015	14,390	6,502	4,916	78,823	49,598	16,774	7,402	4,750	78,524
Other income					635					451
Change in fair value of investment properties					179,122					173,487
Trust and other expenses					(7,522)					(7,786)
Finance costs					(15,848)					(15,705)
Profit before tax					235,210					228,971
Income tax expense					-					-
Profit for the period					235,210					228,971

**SUNWAY REAL ESTATE INVESTMENT TRUST**  
**FOR THE FOURTH QUARTER ENDED 30 JUNE 2014 (UNAUDITED)**

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

By segment (Cont'd)

Cumulative Quarter

	Cumulative Quarter ended 30.6.2014					Cumulative Quarter ended 30.6.2013				
	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
<b>BY BUSINESS SEGMENTS</b>										
REVENUE AND EXPENSES										
Gross revenue	300,727	64,630	43,099	19,332	427,788	296,146	68,989	41,260	9,551	415,946
Net property income	212,681	60,811	28,153	19,332	320,977	205,413	65,684	28,548	9,551	309,196
Other income					2,278					1,402
Change in fair value of investment properties					179,122					173,487
Trust and other expenses					(28,222)					(28,159)
Finance costs					(63,031)					(63,604)
Profit before tax					411,124					392,322
Income tax expense					-					-
Profit for the year					411,124					392,322

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

By property

Properties	Gross Revenue			Net Property Income			Gross Revenue			Net Property Income		
	Fourth Quarter			Fourth Quarter			Cumulative Quarter ended			Cumulative Quarter ended		
	30.6.2014	30.6.2013	Change	30.6.2014	30.6.2013	Change	30.6.2014	30.6.2013	Change	30.6.2014	30.6.2013	Change
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
<b>Retail</b>												
Sunway Pyramid Shopping Mall	66,720	59,939	11.3%	47,782	43,563	9.7%	258,452	239,055	8.1%	190,481	170,623	11.6%
Sunway Carnival Shopping Mall	9,964	8,936	11.5%	5,783	5,229	10.6%	37,022	32,896	12.5%	22,649	20,385	11.1%
Suncity Ipoh Hypermarket	1,213	1,137	6.7%	1,119	1,053	6.3%	4,622	4,546	1.7%	4,310	4,211	2.4%
Sunway Putra Mall	181	983	-81.6%	(1,669)	(247)	575.7%	631	19,649	-96.8%	(4,759)	10,194	-146.7%
	78,078	70,995	10.0%	53,015	49,598	6.9%	300,727	296,146	1.5%	212,681	205,413	3.5%
<b>Hotel</b>												
Sunway Resort Hotel & Spa	7,846	6,767	15.9%	7,580	6,415	18.2%	33,370	31,689	5.3%	32,211	30,219	6.6%
Pyramid Tower Hotel	5,539	5,569	-0.5%	5,463	5,474	-0.2%	21,278	21,802	-2.4%	20,908	21,417	-2.4%
Sunway Hotel Seberang Jaya	818	1,672	-51.1%	765	1,621	-52.8%	4,178	3,409	22.6%	3,967	3,199	24.0%
Sunway Putra Hotel	1,291	3,572	-63.9%	582	3,264	-82.2%	5,804	12,089	-52.0%	3,725	10,849	-65.7%
	15,494	17,580	-11.9%	14,390	16,774	-14.2%	64,630	68,989	-6.3%	60,811	65,684	-7.4%
<b>Office</b>												
Menara Sunway	4,563	4,341	5.1%	3,322	3,149	5.5%	17,741	16,975	4.5%	12,868	12,117	6.2%
Sunway Tower	3,756	4,113	-8.7%	2,174	3,117	-30.3%	15,922	15,765	1.0%	10,304	11,602	-11.2%
Sunway Putra Tower	2,410	2,127	13.3%	1,006	1,136	-11.4%	9,436	8,520	10.8%	4,981	4,829	3.1%
	10,729	10,581	1.4%	6,502	7,402	-12.2%	43,099	41,260	4.5%	28,153	28,548	-1.4%
<b>Others</b>												
Sunway Medical Centre	4,916	4,750	3.5%	4,916	4,750	3.5%	19,332	9,551	102.4%	19,332	9,551	102.4%
	4,916	4,750	3.5%	4,916	4,750	3.5%	19,332	9,551	102.4%	19,332	9,551	102.4%
<b>TOTAL PORTFOLIO</b>	<b>109,217</b>	<b>103,906</b>	<b>5.1%</b>	<b>78,823</b>	<b>78,524</b>	<b>0.4%</b>	<b>427,788</b>	<b>415,946</b>	<b>2.8%</b>	<b>320,977</b>	<b>309,196</b>	<b>3.8%</b>

**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 RM78.1 million for the current quarter ended 30 June 2014 (4Q 2014), higher by 10.0% or RM7.1 million compared to the preceding year corresponding quarter (4Q 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 4Q 2014 of 11.3% or RM6.8 million compared to 4Q 2013 primarily attributable to higher overall average rental rate (ARR) resulting from renewal/new tenancies whereby 1,033,523 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. The improved revenue was also due to increase in service and promotion charges with effect from June 2014.

Likewise, Sunway Carnival Shopping Mall enjoyed robust growth in gross revenue by 11.5% or RM1.0 million, mainly attributable to higher ARR resulting from a double digit rental reversion for a 3-year term and increase in service and promotion charges with effect from June 2014. However, average occupancy rate was lower at 92.0% for YTD 4Q 2014 compared to 97.4% for YTD 4Q 2013 due to non-renewal by a mini anchor in June 2013 with NLA of 39,676 sq.ft. This space will be occupied by a new tenant effective from July 2014.

Property operating expenses of the retail segment for 4Q 2014 was RM25.1 million, higher by 17.1% or RM3.7 million primarily contributed by Sunway Pyramid Shopping Mall and Sunway Putra Mall. All the properties in the retail segment, except for Suncity Ipoh Hypermarket (a single tenant asset of which utilities expenses are borne by the tenant) were affected by the 17% electricity tariff hike with effect from January 2014. In addition, Sunway Pyramid Shopping Mall also incurred higher maintenance expenses during the quarter. Further, expenses was also lower in 4Q 2013 due to recovery of doubtful debts. Meanwhile, higher provision for assessment was made for Sunway Putra Mall during the quarter due to assessment hike for properties located in Kuala Lumpur.

Net property income of the retail segment for 4Q 2014 was RM53.0 million, an increase of 6.9% or RM3.4 million compared to 4Q 2013 despite loss of income contribution from Sunway Putra Mall and higher overall property operating expenses.

Hotel segment

The hotel segment registered gross revenue of RM15.5 million for 4Q 2014, lower by 11.9% or RM2.1 million compared to 4Q 2013 mainly due to lower income contribution from Sunway Putra Hotel and Sunway Hotel Seberang Jaya. The performance of Sunway Putra 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 38.8% (63.3% based on number of saleable rooms) from 57.0% in 4Q 2013, representing a reduction of 18.2%.

Sunway Hotel Seberang Jaya achieved higher average occupancy of 81.5% for 4Q 2014 compared to 65.8% for 4Q 2013 and higher average daily rate (ADR) following completion of the major refurbishment (commenced in December 2011 and completed in May 2013). However, revenue contribution for the current quarter was lower by 51.1% compared to 4Q 2013. In 4Q 2013, additional rental was recognised for shortfall in guaranteed rent and adjustment in hotel master lease rental pursuant to the annual statutory audit of the operator.

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

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

Hotel segment (Cont'd)

The lower income contribution from these two hotels was however, mitigated by the improved performance of Sunway Resort Hotel & Spa (SRHS), located in the Sunway Resort City ("SRC"), Bandar Sunway.

Sunway Resort Hotel & Spa (SRHS) contributed higher revenue by 15.9% or RM1.1 mil for 4Q 2014. Average occupancy rate improved to 77.3% in 4Q 2014 compared to 72.7% in 4Q 2013 mainly due to recovery of the corporate and MICE business supported by tactical promotional activities undertaken. SRHS' rental contribution for 4Q 2013 was also affected by higher operating expenses due to replenishment of hotel operating equipment and major overhaul of plant and machineries. Likewise, Pyramid Tower Hotel (PTH) also enjoyed higher average occupancy rate of 82.2% in 4Q 2014 compared to 77.9% in 4Q 2013 due to the same reason as SRHS. However, revenue growth was flattish compared to 4Q 2013 as it is not supported by food & beverage and banquet operations being a "rooms only" hotel and also at the expense of room rates.

Net property income of the hotel segment for 4Q 2014 was RM14.4 million, lower by 14.2% or RM2.4 million due to lower revenue and higher provision for assessment for Sunway Putra Hotel, following assessment hike for properties in Kuala Lumpur.

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 4Q 2014, marginally higher by 1.4% or RM0.2 million compared to 4Q 2013. Menara Sunway recorded higher revenue by 5.1% or RM0.2 million for 4Q 2014 compared to 4Q 2013 mainly due to rental reversion. Likewise, Sunway Putra Tower recorded a commendable jump in revenue by 13.3% or RM0.3 million mainly due to alignment of the current low rental rates to market rate from a tenancy renewal. Sunway Tower, however, registered lower gross revenue by 8.7% or RM0.4 million due to surrender of some space by an anchor tenant.

Property operating expenses of the office segment for 4Q 2014 was RM4.2 million, higher by 33.0% or RM1.0 million from 4Q 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 advertising expenses and agents' commission incurred for Sunway Putra Tower.

Net property income of the office segment for 4Q 2014 was RM6.5 million, marginally lower by 12.2% or RM0.9 mil due to higher expenses.

Others

Sunway Medical Centre contributed RM4.9 million of revenue and net property income for 4Q 2014, an increase of 3.5% compared to 4Q 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.

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

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

Profit before tax

Finance costs for 4Q 2014 was RM15.8 million, marginally higher by 0.9% or RM0.1 million compared to 4Q 2013 despite total outstanding borrowings increased by 6.7% primarily due to lower amortisation of loan upfront expenses and reduction in underwriting fee for the Commercial Papers (CPs) programme with effect from May 2013 (4Q 2013) following reduction of its underwritten limit as part of the active capital management strategies.

Net profit for 4Q 2014 was RM235.2 million (4Q 2013: RM229.0) comprising realised profit of RM56.1 million (4Q 2013: RM55.5 million) and unrealised profit of RM179.1 million (4Q 2013: RM173.5 million). Realised profit for 4Q 2013 of RM56.1 million represent a marginal increase of 1.1% against 4Q 2013 of RM55.5 million mainly attributable to higher net property income from the retail segment, higher interest income coupled with lower trust expenses. The unrealised profit was mainly attributable to fair value gain on investment properties after accounting for capex incurred.

**b) Review of cumulative quarter results**

Retail segment

The retail segment registered gross revenue of RM300.7 million for the cumulative quarter ended 30 June 2014 (YTD 4Q 2014), higher by 1.5% or RM4.6 million compared to the preceding year corresponding cumulative quarter (YTD 4Q 2013) despite closure of Sunway Putra Mall since May 2013 for major refurbishment due to continued robust performance of Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall as mentioned in Note A8(a) above.

With the closure of Sunway Putra Mall, the property operating expenses of the retail segment for YTD 4Q 2014 was RM88.0 million, a reduction of RM2.7 million or 3.0% compared to YTD 4Q 2013. The reduction in expenses of Sunway Putra Mall, was however, partially offset by the 17% electricity tariff hike with effect from January 2014 and higher provision for assessment for Sunway Putra Mall in 2nd half FYE2014.

Net property income of the retail segment for YTD 4Q 2014 was RM212.7 million, an increase of 3.5% or RM7.3 million compared to YTD 4Q 2013.

Hotel segment

The hotel segment registered gross revenue of RM64.6 million for YTD 4Q 2014, lower by 6.3% or RM4.4 million compared to YTD 4Q 2013 mainly due to significantly lower income contribution from Sunway Putra Hotel ("SPH"). SPH's performance was adversely affected by the ongoing refurbishment works at the adjoining Sunway Putra Mall as explained in Note A8(a) above, with drop in average occupancy from 60.2% for YTD 4Q 2013 to 42.6% (53.8% based on number of saleable rooms) for YTD 4Q 2014. Consequently the lease rental from this property declined by 52.0% from RM12.1 million for YTD 4Q 2013 to RM5.8 million for YTD 4Q 2014. The guaranteed rental for the SPH was waived for FY2014 and FY2015 in light of the disruptions from Sunway Putra Mall. Please refer to Note A16 for further details of the variation of the master lease agreement.

Sunway Resort Hotel & Spa's performance in YTD 4Q 2014 had improved with a 5.3% growth in revenue or RM1.7 million compared to YTD 4Q 2013, after experiencing a slowdown in corporate activities prior to the general election in FY2013 and a weak 1Q 2014 attributable to slower macro environment in the electrical & electronics sector which the hotel predominantly served. Average occupancy soared to 78.8% in YTD 4Q 2014 compared to 71.3% in YTD 4Q 2013, as a result of tactical promotion activities during the year supported by recovery in the corporate and MICE activities. SRHS' rental contribution for YTD 4Q 2013 was also affected by higher operating expenses due to replenishment of hotel operating equipment and major overhaul of plant and machineries.

Although similar strategy was applied to Pyramid Tower Hotel which faced the same headwinds as Sunway Resort Hotel & Spa, its performance did not rebound as strongly and was lower by 2.4% or RM0.5 million compared to YTD 4Q 2013 despite achieving higher average occupancy at 82.4% compared to 78.7% in the previous year as it is not supported by food & beverage and banquet operations being a "rooms only" hotel and also at the expense of room rates.

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

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

Hotel segment (cont'd)

Sunway Hotel Seberang Jaya recorded 22.6% increase in revenue for YTD 4Q 2014 following completion of the major refurbishment.

Net property income of the hotel segment for YTD 4Q 2014 was RM60.8 million, lower by 7.4% or RM4.9 million compared to YTD 4Q 2013 due to lower revenue and higher provision for assessment for Sunway Putra Hotel.

Office segment

The office segment recorded gross revenue of RM43.1 million, higher by 4.5% or RM1.8 million compared to YTD 4Q 2013. Menara Sunway recorded higher revenue for YTD 4Q 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 marginal 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 4Q 2014 was RM14.9 million, higher by 17.6% or RM2.2 million from YTD 4Q 2013 mainly due to higher utilities expenses following the electricity tariff hike, provision for higher assessment for properties located in Kuala Lumpur and marketing expenses (including agents' commission) for Sunway Tower and Sunway Putra Tower.

Net property income of the office segment for YTD 4Q 2014 was RM28.2 million, marginally lower by 1.4% or RM0.4 million from YTD 4Q 2013.

Others

Sunway Medical Centre, which was acquired in Dec 2012, contributed revenue and net property income of RM19.3 million for YTD 4Q 2014, an increase of 102.4% or RM9.8 million compared to YTD 4Q 2013 due to full year income contribution and annual rental reversion of 3.5%.

Profit before tax

Finance costs for YTD 4Q 2014 was RM63.0 million, lower by 0.9% or RM0.6 million compared to YTD 4Q 2013 mainly due to the reason explained in Note A8(a) above.

Net profit for YTD 4Q 2014 was RM411.1 million (YTD 4Q 2013: RM392.3 million) comprising realised profit of RM231.9 million (YTD 4Q 2013: RM218.8 million) and unrealised profit of RM179.2 million (YTD 4Q 2013: RM173.5 million). Realised profit for YTD 4Q 2014 of RM231.9 million represent an increase of 6.0% against YTD 4Q 2013 of RM218.8 million substantially attributable to full year income contribution from Sunway Medical Centre, higher contribution from Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall.

The unrealised profit for YTD 4Q 2014 was RM179.1 million, higher by 3.2% compared to RM173.5 million for YTD 4Q 2013, after accounting for capital expenditure incurred for YTD 4Q 2014 and YTD 4Q 2013 of RM156.9 million and RM67.1 million respectively.

**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.

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**A10. Profit Before Tax**

Included in the profit before tax are the following items:

	Fourth Quarter ended		Cumulative Quarter ended	
	30.6.2014 RM'000	30.6.2013 RM'000	30.6.2014 RM'000	30.6.2013 RM'000
Interest Income	(614)	(437)	(2,207)	(1,351)
Net changes in fair value of long term liabilities	(19)	(16)	(71)	(48)
Unrealised foreign exchange loss/(gain) - hedged item	(5,800)	9,000	3,200	(1,100)
Cash flow hedge reserve recycled to profit or loss	5,800	1,100	(3,200)	11,200
Reversal of allowance for impairment of trade receivables	(205)	(388)	(328)	(464)
Bad debts written off	11	-	32	10
Depreciation of plant and equipment	127	52	355	152
Loss on disposal of plant and equipment	1	-	1	-

**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 ended 30 June 2014.

Taxation of the Unitholders

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

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

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

**A12. Income Distribution**

For the quarter ended 30 June 2014, the Manager proposed an interim income distribution of approximately 100% of the realised distributable income amounting to RM59.453 million or 2.03 sen per unit, comprising taxable and non-taxable/tax exempt amount of 1.58 sen and 0.45 sen per unit respectively. This amount includes surplus cash arising from 50% Manager's fee payable in units of RM3.28 million.

The book closure and payment dates in respect of the proposed interim income distribution will be fixed on 26 August 2014 and 10 September 2014 respectively.

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**A13. Valuation of Investment properties**

Investment properties are valued by an independent registered valuer, Knight Frank and the difference between the valuation and the carrying amounts of the respective investment properties are charged or credited to the profit or loss for the period in which they arise. During the current quarter, Sunway REIT recognised a fair value gain on investment properties of RM179.1 million (30 June 2013: RM173.5 million), after accounting for capital expenditure of RM156.9 million (YTD 4Q 2013: RM67.1 million). The details of the appraised values are as follow:

Property	Fair value		Increase RM'000
	As at 30.6.2014 * RM'000	As at 30.6.2013 ^ RM'000	
<b>Retail</b>			
Sunway Pyramid Shopping Mall	2,908,000	2,700,000	208,000
Sunway Carnival Shopping Mall	296,000	290,000	6,000
Suncity Ipoh Hypermarket	56,000	55,000	1,000
Sunway Putra Mall	352,000	254,000	98,000
	<u>3,612,000</u>	<u>3,299,000</u>	<u>313,000</u>
<b>Hotel</b>			
Sunway Resort Hotel & Spa	530,000	518,000	12,000
Pyramid Tower Hotel	295,000	295,000	-
Sunway Hotel Seberang Jaya	75,000	75,000	-
Sunway Putra Hotel	258,000	240,000	18,000
	<u>1,158,000</u>	<u>1,128,000</u>	<u>30,000</u>
<b>Office</b>			
Menara Sunway	160,000	160,000	-
Sunway Tower	180,000	190,000	(10,000)
Sunway Putra Tower	93,000	92,000	1,000
	<u>433,000</u>	<u>442,000</u>	<u>(9,000)</u>
<b>Others</b>			
Sunway Medical Centre	317,000	315,000	2,000
	<u>317,000</u>	<u>315,000</u>	<u>2,000</u>
<b>TOTAL PORTFOLIO</b>	<b><u>5,520,000</u></b>	<b><u>5,184,000</u></b>	<b><u>336,000</u></b>
Less: Capital expenditure			(156,878)
<b>Fair value gain</b>			<b><u>179,122</u></b>

\* Appraised value based on valuation carried out on 30 June 2014.

^ Appraised value based on valuation carried out on 30 June 2013.

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**A14. Borrowings and Debt Securities**

	<b>As at 30.6.2014 RM'000</b>	<b>As at 30.6.2013 RM'000</b>
<u>Short term borrowings</u>		
Secured		
- Term loans	321,050	-
- Commercial papers	12,000	315,000
Unsecured		
- Revolving loan	409,000	-
Total gross short term borrowings	<u>742,050</u>	<u>315,000</u>
Less: Discount on commercial papers	(8)	(231)
Total short term borrowings	<u>742,042</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>1,742,042</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 techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3

Valuation techniques for which the lowest input that is significant to the fair value measurement is unobservable.

The following table provides the fair value hierarchy of the Group's assets and financial instruments:

	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b>At 30 June 2014</b>				
Investment properties			5,520,000	5,520,000
Derivative	-	12,484	-	12,484
<hr/>				
<b>At 30 June 2013</b>				
Investment properties			5,184,000	5,184,000
Derivative	-	7,540	-	7,540
<hr/>				

No transfers between any levels of the fair value hierarchy took place during the current quarter and the preceding year corresponding quarter.

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**A16. Material Event**

**Variation to the Hotel Master Lease dated 29 June 2011 and the First Supplemental Agreement dated 5 January 2012 and the Second Supplemental Agreement dated 7 July 2013 between RHB Trustees Berhad (as Trustee for Sunway REIT) (the "Lessor"), Sunway REIT Management Sdn. Bhd. (the "Manager") and Sunway Putra Hotel Sdn. Bhd. (the "Lessee")**

In the previous financial year, Sunway Putra Hotel Sdn. Bhd. had appealed to the Manager and RHB Trustees Berhad for a variation to the Guaranteed Rent amount in the Hotel Master Lease Agreement for the period between 1 July 2013 to 30 June 2014 (3rd Fiscal Year) as it expects the major refurbishment being carried out on Sunway Putra Mall ("SPM"), a shopping mall situated on the adjoining property to the Sunway Putra Hotel ("SPH") commencing from 1 May 2013 for an estimated period of two (2) years will adversely affect the business of SPH. Subsequently, the Manager and the Trustee have agreed to enter into a supplemental agreement to the Hotel Master Lease ("Second Supplemental Agreement") to vary the Guaranteed Rent for the period as requested by the Lessee. The same variation to Guaranteed Rent may apply to the period from 1 July 2014 to 30 June 2015 if requested in writing by the Lessee on the basis of continuing adverse operating conditions caused by major refurbishment works at SPM and subject always to the agreement of the Trustee.

On 19 May 2014, the Manager announced that the Lessee has appealed to the Manager and the Trustee for a variation to the Guaranteed Rent for another year for the period from 1 July 2014 to 30 June 2015 (4th Fiscal Year) pursuant to the Second Supplementary Agreement as the Lessee expects that its hotel business will continue to experience adverse operating conditions due to the on-going refurbishments at the adjoining SPM. The Lessee further expects that the adverse conditions will be further exacerbated by the refurbishment works at the adjoining Sunway Putra Tower ("SPT") commencing from May 2014 to the 1st half calendar year 2015. The Manager and the Trustee have agreed and consented to the Lessee's request to vary the Guaranteed Rent for another year for the period from 1 July 2014 to 30 June 2015 in the same manner as agreed and stated in the Second Supplemental Agreement ("Letter of Variation").

The total rent payable by the Lessee to the Trustee shall be the amount calculated in accordance with the variable rent formula under the Hotel Master Lease for the period between 1 July 2014 to 30 June 2015 ("4th Fiscal Year"). As such, the applicable amount of the Guaranteed Rent in the schedule of the First Supplemental Agreement shall not apply to the 4th Fiscal Year. If the variable rent calculated is less than the amount of the Guaranteed Rent for the 4th Fiscal Year, the difference between the Guaranteed Rent and the Variable Rent ("differential sum") shall be adjusted in agreed proportions from 5th Fiscal Year until the 11th Fiscal Year and added to the Guaranteed Rent from the 5th Fiscal Year until the 11th Fiscal Year. The amount of the differential sum added to the Guaranteed Rent each year from 5th Fiscal Year until the 11th Fiscal Year shall be mutually agreed and documented by the parties in writing to supplement the Second Supplemental Agreement and this Letter of Variation.

The differential sum for the 3rd Fiscal Year was RM4.0 million whilst the estimated differential sum for the 4th Fiscal Year is RM2.0 million and as such, there is no material impact to the earnings of Sunway REIT.

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

There were no material events subsequent to the quarter ended 30 June 2014.

**A18. Capital Commitments**

The amount of commitments for investment properties not provided for in the unaudited condensed consolidated interim financial statements as at 30 June 2014 were as follows:

	<b>As at 30.6.2014 RM'000</b>
Approved and contracted for	261,383
Approved but not contracted for	145,961
	<u>407,344</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.

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**A19. Contingent Liabilities and Assets**

There were no contingent liabilities or contingent assets as at 30 June 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/year ended 30 June 2014 and 30 June 2013 as well as the balances with the parties related to the Manager as at 30 June 2014 and 30 June 2013:

	Fourth Quarter ended		Cumulative Quarter ended	
	30.6.2014 RM'000	30.6.2013 RM'000	30.6.2014 RM'000	30.6.2013 RM'000
<u>(Sales to)/purchases from parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Sales	(30,951)	(31,837)	(123,557)	(116,606)
- Purchases	50,234	8,197	126,030	40,733
(b) Sunway Technology Sdn. Bhd. Group ("STSB Group")				
- Sales	(142)	(133)	(542)	(514)
			<b>As at 30.6.2014 RM'000</b>	<b>As at 30.6.2013 RM'000</b>
<u>Amount owed by parties related to Manager:</u>				
(a) Sunway Berhad Group			4,978	8,263
(b) Sunway Technology Sdn. Bhd. Group			-	3
			<b>As at 30.6.2014 RM'000</b>	<b>As at 30.6.2013 RM'000</b>
<u>Amount owed to parties related to Manager:</u>				
(a) Sunway Berhad Group			38,403	8,362
(b) Sunway Technology Sdn. Bhd. Group			-	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 RM88.2 million for 4Q 2014 and RM156.9 million for YTD 4Q 2014 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**

	<b>Current Quarter Ended 30.6.2014 RM'000</b>	<b>Immediate Preceding Quarter Ended 31.3.2014 RM'000</b>
Profit before tax	235,210	58,480
Less: Fair value gain on investment properties	(179,122)	-
Profit before tax, excluding fair value gain on investment properties	56,088	58,480

Sunway REIT recorded a profit before tax of RM56.1 million (excluding fair value gain on investment properties), lower by RM2.4 million or 4.1% compared to the immediate preceding quarter of RM58.5 million mainly attributable to higher maintenance expenses of the shopping malls.

**B4. Commentary on Prospects**

1Q CY2014 GDP growth picked up to 6.2% YoY (4Q CY2013: 5.1% YoY) underscored by strong domestic demand growth of 7.4% (4Q CY2013: 6.4%) and 14.9% rebound in net external demand (4Q CY2013: -6.8% YoY) as exports of goods and services (1Q CY2014: +7.9% YoY) outpaced imports (1Q CY2014: +7.1% YoY).

Bank Negara Malaysia ("BNM") expects Malaysia's economy to remain on a steady growth path in the remaining three quarters of the year. 2014 full year growth is expected to hit upper-end of its GDP projection of 4.5% - 5.5%.

Inflation eased to 3.2% in May 2014 from February's high of 3.5%. It is projected to range between 3% - 4% this year and stay elevated in 2015 in view of subsidy rationalisation and GST introduction which will impact prices of goods and services.

BNM has increased the OPR by 25bps to 3.25% in July 2014. The Manager expects the interest rate hike to have a minimal impact on earnings growth for FY2015 given its high proportion of fixed rate borrowing of 76% and healthy gearing of 31%.

The Manager expects its distribution per unit ("DPU") to grow moderately in FY2015 with the re-opening of Sunway Putra Mall in 3Q FY2015.

The Manager is committed to distribute 100% of its distributable net income for FY2015.

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**B4. Commentary on Prospects (Cont'd)**

Review of retail market

1Q CY2014 retail sales came in at 4.9%, in line with Retail Group Malaysia ("RGM")'s estimate of 4.8%. For the 2Q CY2014, retail sales is expected to expand by 7%, higher than the earlier estimate of 5% made by RGM in March. Sporting goods, electrical and electronic goods as well as food delivery services will receive a boost from the FIFA World Cup in June, while the Hari Raya celebration is expected to contribute 6.3% growth in 3Q CY2014. Sales momentum is expected to sustain in 4Q 2014 backed by year end school holidays and festival celebrations as well as pre-GST buying spree. For the full year of 2014, RGM forecasts retail sales to grow at 6% (2013: +4.5%).

The retail market remained stable in 1Q CY2014, with the stock in Kuala Lumpur was at 26.07 million sq. ft. (occupancy rate at 85.9%), Selangor at 31.96 million sq. ft. (occupancy rate at 81.7%) and Penang at 16.93 million sq. ft. (occupancy rate at 70.3%). However, going forward there will be additional retail space coming on stream by 2016 in Kuala Lumpur amounting to 4.65 million sq. ft., Selangor at 8.78 million sq. ft. and in Penang at 1.1 million sq. ft.. 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 marginally lower at 97.8% in FY2014 compared to 98.3% in FY2013, affected by the expansion work carried out during the financial year (4Q 2013 to 2Q 2014) under the Oasis Boulevard 5 ("OB5") project. Sunway Pyramid Shopping Mall had a major rental reversion in September 2013. A total NLA of 1,033,523 sq. ft. or 59% of total NLA was renewed in FY2014. It achieved a double digit rental reversion over a period of three years, a feat that it has consistently achieved.

Sunway Carnival Shopping Mall's average occupancy rate dropped to 92.0% in FY2014 from 97.4% in FY2013 mainly attributed to non-renewal by a mini anchor tenant in June 2013 with NLA of 39,676 sq. ft. The vacancy has been taken up by a new mini anchor tenant commencing July 2014 and occupancy rate will recover to 99.9% in FY2015. During the financial year, a total of 251,739 sq. ft. NLA was renewed/replaced at a double digit rental reversion over a period of three years.

Sunway Putra Mall is on track to commence operation in 3QFY2015 with target occupancy of more than 70%.

The Manager expects the retail assets to continue to register healthy growth in FY2015 with income contribution from Sunway Putra Mall resuming in 3QFY2015. The Manager is cautiously optimistic on retail sales performance as the recent interest rate hike, government's on-going subsidy rationalisation measures and implementation of GST in April 2015 may affect consumer's spending power.

Review of hotel market

Both Sunway Resort Hotel & Spa and Pyramid Tower achieved higher average occupancy rate at 78.8% and 82.4% respectively in FY2014 (FY2013: 71.3% and 78.7% respectively). The better performance was driven by improved demand from corporate and leisure segments as well as MICE business supported by tactical promotional activities undertaken.

The average occupancy rate for Sunway Putra Hotel dropped to 42.6% in FY2014 (53.8% based on number of saleable room) compared to 60.2% in FY2013, affected by the ongoing major refurbishment at the adjoining Sunway Putra Mall and the hotel's own refurbishment.

Sunway Hotel Seberang Jaya's average occupancy rate continued to improve to 67.8% in FY2014 compared to 51.6% in FY2013, following completion of the refurbishment in May 2013. Occupancy rate have gradually recovered to the pre-refurbishment levels of above 70% with June 2014 recording occupancy of 83.4%.

The hospitality segment is projected to register stable growth in FY2015. The Manager expects Sunway Putra Hotel's performance to improve gradually with reduced disruption from the refurbishment works at Sunway Putra Mall and progressive completion of its own upgrading works.

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**B4. Commentary on Prospects (Cont'd)**

Review of office market

The office market remain challenging as supply continues to outstrip demand. Total existing stock in Kuala Lumpur and Selangor rose 5.68% y-o-y in 1Q CY2014 to 116.52 million sq. ft. due to completion of several office buildings. However, demand remains steady for well located, good quality and new buildings with modern features and dual compliant (green certification and MSC CyberCentre status).

The average occupancy rate for Menara Sunway was relatively stable at 98.8% in FY2014 compared to 98.9% in FY2013 and is expected to stay healthy at this level going forward.

Sunway Tower recorded marginally higher average occupancy rate of 84.3% in FY2014 compared to 83.0% in FY2013. However, the occupancy rate is expected to decline significantly in FY2015 as the anchor tenant will surrender approximately 72,000 sq. ft. NLA. The Manager is actively seeking for replacement of tenants for the vacancy and this represent an opportunity for us to improve the tenancy mix to be less reliant on the anchor tenant. The impact is expected to be minimal as Sunway Tower contributed only 3.2% of FY2014 net property income.

The average occupancy rate for Sunway Putra Tower declined to 74.2% in FY2014 compared to 78.0% in FY2013. A tenant did not renew due to the disruption caused by refurbishment works at the adjoining Sunway Putra Mall. The Manager expects the occupancy rate to improve upon completion of refurbishments in 2HFY2015.

In view of the challenging business operating environment arising from the oversupply situation, the Manager expects income contribution from the office segment to be lower in FY2015.

**B5. Investment Objectives**

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

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

**B6. Performance Benchmark**

<b>Performance indicators</b>	<b>Year ended 30.6.2014</b>	<b>Year ended 30.6.2013</b>
a) Management expense ratio	0.78%	0.82%
b) Total returns	-0.7%	18.6%
c) Average annual returns	18.8%	25.3%
d) Distribution yield	5.8%	5.4%
e) NAV per unit (after income distribution)(RM)	1.2390	1.1809

- a) The ratio of expenses incurred in operating Sunway REIT to the NAV of Sunway REIT.
- b) Total return represents the change in unit price from beginning of financial year plus distribution yield for the year.
- c) Average annual return is the sum of the return rates of Sunway REIT over a given number of years divided by that number of years.
- d) Based on DPU of 8.36 sen divided by its closing price as at 30 June 2014 of RM1.44 (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.

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**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 30 June 2014 was RM6.559 million and RM25.834 million respectively compared to preceding year corresponding quarter and cumulative quarter ended 30 June 2013 of RM6.299 million and RM27.371 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.

**B9. Trustee Fee**

Pursuant to the Deed constituting Sunway REIT, the Trustee is entitled to receive up to 0.03% per annum of the net asset value of Sunway REIT, net of all applicable taxes, duties and levies imposed by the relevant authorities in Malaysia, is calculated on a monthly accrual basis, based on a year of 12 months. The total Trustee's fee for the current quarter and cumulative quarter ended 30 June 2014 was RM0.308 million and RM1.103 million respectively compared to preceding year corresponding quarter and cumulative quarter ended 30 June 2013 of RM0.255 million and RM0.991 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.

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**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

After the Federal Court has on 20 February 2012 dismissed Metroplex Holdings Sdn Bhd's application for leave to appeal, RHB Trustees Berhad (as trustee of Sunway REIT) ("Trustee") and Sunway REIT Management Sdn Bhd ("Manager") proceeded with the enforcement of the remaining parts of the Orders made by the High Court that have not been enforced, *inter alia*, the damages awarded to the Trustee. The damages are subject to an assessment of damages to be undertaken by the High Court.

The Trustee and the Manager instituted the assessment proceedings to determine the amount of damages to be paid by Metroplex.

The hearings for the assessment of damages were held on 15 and 16 May 2014 and the matter has been fixed for decision on 27 August 2014.

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 and the amount is to be released pending the outcome of the case on assessment of damages mentioned in Note B11(1) above 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**

	<b>Current quarter ended 30.6.2014</b>	<b>Immediate preceding quarter ended 31.3.2014</b>	<b>% change</b>
Number of units in issue (units)	2,928,714,900	2,926,332,700	0.1%
Realised net income (RM'000)	56,069	58,462	-4.1%
Realised earnings per unit (EPU) (sen)	1.91	2.00	-4.5%
Income distribution (RM'000)	59,453	61,453	-3.3%
Distribution per unit (DPU) (sen)	2.03	2.10	-3.3%
Net Asset Value (NAV) (RM'000)	3,628,618	3,449,288	5.2%
NAV per unit (After income distribution) (RM)	1.2390	1.1787	5.1%
Market price per unit (RM)	1.44	1.36	5.9%

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**B14. Income Distribution**

Please refer to Note A12 for details .

**B15. Disclosure of Nature of Outstanding Derivative Financial Instruments**

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

Type of Derivatives	Contract/ Notional Value		Fair Value	
	As at 30.6.2014	As at 30.6.2013	As at 30.6.2014	As at 30.6.2013
	RM'000	RM'000	RM'000	RM'000
<b>Cross currency swap contract</b>				
- Less than 1 year	310,800	-	12,484	-
- More than 1 year but less than 3 years	-	310,800	-	7,540
	310,800	310,800	12,484	7,540

Cross currency swap contract

In the financial year ended 30 June 2012, Sunway REIT entered into a cross currency swap contract to manage its exposure in foreign currency risk arising from foreign currency borrowings which was entered to minimize borrowing cost. Sunway REIT uses cash flow hedge to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the hedging period on the foreign currency borrowings.

Where a cash flow hedge qualifies for hedge accounting, the effective portion of gains or losses on remeasuring the fair value of the hedging instrument are recognized directly in other comprehensive income until such time as the hedged item affects profit or loss, then the gains or losses are transferred to the income statement. Gains or losses on any portion of the hedge determined to be ineffective are recognised immediately in the income statement.

The cross currency swap contract and its corresponding hedged position have been reclassified from long term to short term in 3Q 2014 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 30 June 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 .

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**B18. Realised and Unrealised Retained Profits/Undistributed Income**

The breakdown of the retained profits/undistributed income of the Group as at 30 June 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.

	<b>Year ended 30.6.2014 RM'000</b>	<b>As at end of previous financial year RM'000</b>
Total retained profits/undistributed income		
- realised	14,090	26,211
- unrealised	971,196	790,259
	<u>985,286</u>	<u>816,470</u>
Less: Consolidation adjustments	(3)	(3)
Total retained profits/undistributed income	<u>985,283</u>	<u>816,467</u>

**B19. Directors' Declaration**

In the opinion of the Manager, this quarterly report has been prepared in accordance with MFRS 134: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Sunway REIT as at 30 June 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 11 August 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: 11 August 2014**