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The approval of the Securities Commission Malaysia ("SC") for the Proposals (as defined herein) shall not be taken to indicate that the SC recommends the Proposals. You should rely on your own evaluation to assess the merits and risks of the Proposals herein.

Bursa Malaysia Securities Berhad ("Bursa Securities") takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

The units referred to herein have not been and will not be registered under the U.S Securities Act of 1933 and may not be offered or sold in the United States of America ("US") absent registration or an applicable exemption from registration. There will be no offering of the units in the US.



REIT

SUNWAY REAL ESTATE INVESTMENT TRUST

(Established in Malaysia under a deed dated 20 May 2010 and a supplemental deed dated 10 June 2010 entered into between Sunway REIT Management Sdn Bhd and OSK Trustees Berhad, both companies incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO UNITHOLDERS

IN RELATION TO

- I PROPOSED ACQUISITION BY OSK TRUSTEES BERHAD, ON BEHALF OF SUNWAY REAL ESTATE INVESTMENT TRUST ("SUNWAY REIT"), OF THE SUNMED PROPERTY (AS DEFINED HEREIN) FROM SUNWAY MEDICAL CENTRE BERHAD, A SUBSIDIARY OF SUNWAY BERHAD, FOR A TOTAL PURCHASE CONSIDERATION OF RM310 MILLION ("PROPOSED ACQUISITION");**
- II PROPOSED PLACEMENT OF SUCH NUMBER OF NEW UNITS IN SUNWAY REIT TO RAISE GROSS PROCEEDS OF UP TO RM320 MILLION AT AN ISSUE PRICE TO BE DETERMINED LATER BY WAY OF BOOKBUILDING ("PROPOSED PLACEMENT");**
- III PROPOSED UNITHOLDERS' MANDATE TO ALLOT AND ISSUE NEW UNITS OF UP TO 20% OF THE APPROVED FUND SIZE OF SUNWAY REIT PURSUANT TO CLAUSE 14.03 OF THE GUIDELINES ON REAL ESTATE INVESTMENT TRUSTS ISSUED BY THE SC ("PROPOSED MANDATE"); AND**
- IV PROPOSED INCREASE IN THE EXISTING APPROVED FUND SIZE OF SUNWAY REIT FROM 2,780,112,300 UNITS TO UP TO A MAXIMUM OF 3,650,888,858 UNITS ("PROPOSED INCREASE IN FUND SIZE")**

AND

NOTICE OF UNITHOLDERS' MEETING

Principal Adviser and Placement Agent



RHB Investment Bank Berhad

(Company No.: 19663-P)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Placement Agents



Credit Suisse (Singapore) Limited

(Company Registration Number: 197702363D)

Credit Suisse Securities (Malaysia) Sdn Bhd

(Company Registration Number: 499609-H)



The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch

(Company Registration Number: S16FC0010A)



Maybank Investment Bank Berhad

(Company No.: 15938-H)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The notice of the Meeting (as defined herein) and the Proxy Form are set out in this Circular. The Meeting will be held as follows:

Venue of the Meeting	:	Lagoon 3, Level 15, Sunway Resort Hotel & Spa, Persiaran Lagoon, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan
Date and time of the Meeting	:	Tuesday, 18 December 2012 at 3.30 p.m.
Last date and time for lodging the Proxy Form	:	Sunday, 16 December 2012 at 3.30 p.m.

If you are not able to attend and vote at the Meeting, you may appoint a proxy or not more than two proxies to attend and vote on your behalf. The completed Proxy Form shall be deposited at the Manager's registered office at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than 48 hours before the Meeting as indicated above or any adjournment thereof. The completed Proxy Form once deposited will not preclude you from attending and voting in person at the Meeting should you subsequently wish to do so.

This Circular is dated 3 December 2012

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

Act	: Companies Act, 1965
Active Equity	: Active Equity Sdn Bhd
Advance Distribution	: Advance distribution of Sunway REIT's distributable income as described in Section 3.5 of this Circular
Balance Purchase Consideration	: RM279 million being the Purchase Consideration less the Deposit
Board	: Board of Directors of the Manager
Bursa Securities	: Bursa Malaysia Securities Berhad
CMSA	: Capital Markets and Services Act, 2007
Completion Date	: A day to be mutually agreed between the Trustee and SMCB within a period of three months after all the conditions precedent under the SPA have been obtained or fulfilled or such other date as may be mutually agreed upon by the Trustee and SMCB
Deposit	: The amount of RM31 million paid by the Trustee to SMCB upon execution of the SPA as deposit and part payment of the Purchase Consideration
Director(s)	: Director(s) of the Manager
DPU	: Distribution per unit
EPF	: Employees Provident Fund Board
FYE	: Financial year ending or ended, as the case may be
GDP	: Gross domestic product of Malaysia
HMLA	: The conditional hospital master lease agreement dated 9 October 2012 entered into between the Trustee, the Manager and SMCB for the lease of the SunMed Property to SMCB which shall commence upon the Completion Date
Interested Directors	: The interested Directors of the Manager as described in Section 12.2 of this Circular
Interested Major Unitholders	: The interested major unitholders as described in Section 12.1 of this Circular
Issue Price	: Issue price of the Placement Units which shall be determined after the close of the bookbuilding process
LPD	: 26 November 2012, being the latest practicable date prior to the printing of this Circular
Manager	: Sunway REIT Management Sdn Bhd, the Manager of Sunway REIT
Meeting	: Unitholders' meeting of Sunway REIT
NAV	: Net asset value

DEFINITIONS (Cont'd)

Placement Agents	: Collectively, RHB Investment Bank, Credit Suisse (Singapore) Limited, Credit Suisse (Securities) Malaysia Sdn Bhd, The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch and Maybank Investment Bank Berhad
Placement Units	: New units in Sunway REIT to be issued pursuant to the Proposed Placement
Proposals	: Collectively, the Proposed Acquisition, the Proposed Placement, the Proposed Mandate and the Proposed Increase in Fund Size
Proposed Acquisition	: Proposed acquisition of the SunMed Property by Sunway REIT from SMCB for a purchase consideration of RM310 million, to be satisfied wholly in cash
Proposed Increase in Fund Size	: Proposed increase in the existing approved fund size of Sunway REIT from 2,780,112,300 units to up to a maximum of 3,650,888,858 units
Proposed Mandate	: Proposed unitholders' mandate to allot and issue new units of up to 20% of the approved fund size of Sunway REIT pursuant to Clause 14.03 of the REIT Guidelines
Proposed Placement	: Proposed placement of such number of Placement Units to raise gross proceeds of up to RM320 million at the Issue Price
Purchase Consideration	: The purchase consideration of the SunMed Property of RM310 million
REIT	: Real estate investment trust
REIT Guidelines	: Guidelines on Real Estate Investment Trusts (effective 21 August 2008) issued by the SC
RHB Investment Bank	: RHB Investment Bank Berhad
Reporting Accountants	: Messrs Ernst & Young
SC	: Securities Commission Malaysia
Securities Act	: US Securities Act of 1933
SMC	: Sunway Medical Centre
SMCB or Vendor or Lessee	: Sunway Medical Centre Berhad, a subsidiary of Sunway
SPA	: The conditional sale and purchase agreement dated 9 October 2012 entered into between the Trustee, on behalf of Sunway REIT, and the Vendor for the Proposed Acquisition
Sungei Way	: Sungei Way Corporation Sdn Bhd
SunMed Property	: Land and building of SMC together with SMC's plant and machinery, services infrastructure and all fixtures and fittings affixed or located or used in SMC
Sunway	: Sunway Berhad
Sunway City	: Sunway City Sdn Bhd
Sunway REIT	: Sunway Real Estate Investment Trust
Sunway REIT Holdings	: Sunway REIT Holdings Sdn Bhd, a major unitholder of Sunway REIT
Transfer	: Memorandum of transfer in respect of the SunMed Property

DEFINITIONS (Cont'd)

Trustee or Purchaser or Lessor	:	OSK Trustees Berhad, as trustee for Sunway REIT
US	:	United States of America
Valuation Guidelines	:	Asset Valuation Guidelines (effective 3 August 2009) issued by the SC
Valuation Report	:	Valuation report prepared by the Valuer dated 3 October 2012 for the valuation of the SunMed Property pursuant to the Proposed Acquisition
Valuer	:	Knight Frank (Ooi & Zaharin Sdn Bhd), the independent valuer appointed by the Trustee
VWAP	:	The volume-weighted average market price of Sunway REIT's units
<u>Currency</u>		
RM and sen	:	Ringgit Malaysia and sen, respectively

All references to "you" or "your" in this Circular are to unitholders of Sunway REIT.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

Words denoting the singular shall, where applicable, include the plural and vice versa, and words denoting the masculine shall, where applicable, include the feminine and/or neuter gender, and vice versa. References to persons shall include corporations, unless otherwise specified.

Certain amounts and percentage figures included herein have been subject to rounding adjustments. Any discrepancies between the figures shown in this Circular and figures announced by the Manager, such as annual reports, are due to rounding.

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SUNWAY REIT MANAGEMENT SDN BHD
(Company No.: 806330-X)
(incorporated in Malaysia under the Act)

Registered Office
Level 16, Menara Sunway
Jalan Lagoon Timur
Bandar Sunway
46150 Petaling Jaya
Selangor Darul Ehsan

3 December 2012

Board of Directors

Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, AO (*Chairman, Non-Independent Non-Executive Director*)
Dato' Jeffrey Ng Tiong Lip (*Chief Executive Officer, Non-Independent Executive Director*)
Dato' Ngeow Voon Yean (*Non-Independent Non-Executive Director*)
Sarena Cheah Yean Tih (*Non-Independent Non-Executive Director*)
Tan Sri Ahmad bin Mohd Don (*Independent Non-Executive Director*)
Willy Shee Ping Yah @ Shee Ping Yan (*Independent Non-Executive Director*)
Elvin A/L Bertly Luke Fernandez (*Independent Non-Executive Director*)

To : Unitholders of Sunway REIT

Dear Sir/Madam,

- I PROPOSED ACQUISITION;**
- II PROPOSED PLACEMENT;**
- III PROPOSED MANDATE; AND**
- IV PROPOSED INCREASE IN FUND SIZE.**

(COLLECTIVELY REFERRED TO AS "PROPOSALS")

1. INTRODUCTION

On 9 October 2012, RHB Investment Bank, on behalf of the Board, announced that the Trustee had on 9 October 2012 entered into the SPA with SMCB for the proposed acquisition of the SunMed Property for a total purchase consideration of RM310 million. On the same date, the Trustee and the Manager had entered into the HMLA with SMCB for the lease of the SunMed Property to SMCB which shall commence upon the Completion Date.

In addition, the Manager had also proposed to undertake the following:

- (a) placement of such number of new units in Sunway REIT to raise gross proceeds of up to RM320 million at an issue price to be determined later by way of bookbuilding;
- (b) seek unitholders' mandate to allot and issue new units of up to 20% of the approved fund size of Sunway REIT pursuant to Clause 14.03 of the REIT Guidelines; and

- (c) increase the existing approved fund size of Sunway REIT from 2,780,112,300 units to up to a maximum of 3,650,888,858 units.

On 28 November 2012, RHB Investment Bank, on behalf on the Board, announced that the SC, vide its letter dated 28 November 2012, approved the proposed value for the SunMed Property, issuance of up to 870,776,558 new units in Sunway REIT comprising up to 262,295,082 units to be issued pursuant to the Proposed Placement and up to 608,481,476 units to be issued pursuant to the Proposed Mandate and the listing of and quotation for up to 870,776,558 new units on the Main Market of Bursa Securities.

In the same approval letter, the SC also granted the Manager an exemption from complying with the requirements under Clauses 14.04(a)(i) to (iii) of the REIT Guidelines in respect of the Proposed Placement that states the Manager must obtain unitholders' approval by way of an ordinary resolution for the precise terms and conditions of the issue, in particular on – (i) the persons to whom the units will be issued (hereafter referred to as "Placees"), (ii) the amount of units to be placed to each Placee, and (iii) the issue prices of the units or, in a situation where such prices are to be determined after the date of the unitholders' approval, the basis or formula of determining such prices. Please refer to Section 11 of this Circular for further details of the SC's approval.

On 30 November 2012, RHB Investment Bank, on behalf of the Board, announced that Bursa Securities, vide its letter dated 30 November 2012, approved the listing of and the quotation for up to 870,776,558 new units in Sunway REIT comprising up to 262,295,082 units to be issued pursuant to the Proposed Placement and up to 608,481,476 units to be issued pursuant to the Proposed Mandate on the Main Market of Bursa Securities.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSALS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING MEETING.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING MEETING.

2. THE PROPOSED ACQUISITION

2.1 Description of the SunMed Property

The Trustee had on 9 October 2012 entered into the SPA with SMCB for the proposed acquisition of the SunMed Property for a total purchase consideration of RM310 million. The Proposed Acquisition entails the acquisition of the land and building of SMC, together with SMC's plant and machinery, services infrastructure and all fixtures and fittings affixed or located or used in SMC, free from all encumbrances but subject to any expressed and implied conditions of title and restrictions in interest affecting the SunMed Property.

The SunMed Property is a seven-storey purpose-built hospital building with a lower ground floor annexed with a multi-storey car park block and a convention centre. Its facilities include 342 licensed beds, 12 operating theatres, 94 consultation suites and a multi-purpose convention centre, known as the 'Swan Convention Centre', which has the capacity to host up to 500 guests. The Swan Convention Centre is equipped with audio-visual linkages with two of the operating theatres to enable live telecasts of surgical procedures.

The SunMed Property is located at No. 5, Jalan Lagoon Selatan, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan and is strategically located within Bandar Sunway. The SunMed Property forms part of a 324-hectare (800-acre) "Resort-within-a-City" integrated tourism development, the Sunway Resort City. The Sunway Resort City is a renowned self-contained township which showcases the best of education, entertainment, recreation, leisure, shopping, medical, hospitality and commercial facilities.

Other information on the SunMed Property is provided below:

Title details	: Lot 38160 and Lot 45 held under PN 12549 and PN 12550 respectively, both in the Town of Sunway, District of Petaling, State of Selangor Darul Ehsan
Tenure	: Leasehold interest for a term of 99 years, expiring on 1st April 2097, in respect of both titles
Land area	: Lot 38160 – 13,429 square metres Lot 45 – 4,765 square metres Total – 18,194 square metres
Age of building	: Phase 1 – 11 years Phase 2 – 3 years
Gross floor area (including car park area)	: 70,821.8 square metres
Gross floor area (excluding car park area)	: 50,646.8 square metres
Licensed beds	: 342 beds of which 305 beds are activated and operational
Number of car parking bays	: 675
Market value	: RM310 million
Date of valuation	: 27 August 2012
Net book value as at 31 December 2011	: RM161 million
Chargee	: HSBC Bank Malaysia Berhad
Encumbrances	: Three charges registered in favour of HSBC Bank Malaysia Berhad*
Restriction in interest	: The land shall not be transferred, leased or charged except with permission from the state authority

Note:

* *The three charges registered in favour of HSBC Bank Malaysia Berhad in respect of the SunMed Property will be discharged prior to the transfer of the SunMed Property to the Trustee pursuant to the SPA.*

Currently, there are seven consultant suites that have been added in the SunMed Property and three car park bays located at the lower ground floor that have been converted into a storage area without the prior approval/permit of the relevant authorities. SMCB had on 19 October 2012 submitted the necessary applications to the local authority, Majlis Perbandaran Subang Jaya, for their approval/permit. In the event where the local authority does not grant the necessary approvals/permit required, SMCB will restore these affected areas of the SunMed Property to their original approved state and condition. For avoidance of doubt, any costs related to the restoration of the affected areas in the instance that the aforementioned approvals/permits are not obtained will be borne by SMCB and not Sunway REIT.

2.2 Basis and justification for the Purchase Consideration

The Purchase Consideration for the SunMed Property was based on the market value of the SunMed Property, as appraised by the Valuer in the Valuation Report using the investment and comparison methods. The market value is defined as the estimated amount for which a property should exchange on the date of valuation between a willing seller and a willing buyer in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

2.3 Method of financing

As the Manager distributes at least 90% of the distributable income of Sunway REIT, there are insufficient internally generated funds to fund the Proposed Acquisition. Hence, the Manager intends to fund the Proposed Acquisition by way of debt or equity or any combination thereof, in such proportion as the Manager deems appropriate.

The equity financing is expected to be raised via the Proposed Placement (details of which are set out in Section 3 of this Circular) and in the event that debt financing is necessary, it will be drawn from Sunway REIT's existing debt financing facilities.

The amount of debt financing to fund the Proposed Acquisition, if required, will depend on the eventual proceeds raised under the Proposed Placement. The eventual proceeds to be raised from the Proposed Placement will in turn depend on, *inter alia*, market conditions, demand for the Placement Units and the Issue Price.

2.4 Liabilities to be assumed

There are no liabilities (contingent or otherwise) or guarantees to be assumed by Sunway REIT in connection with the Proposed Acquisition.

2.5 Additional financial commitment

There is no additional financial commitment required of Sunway REIT in putting the SunMed Property on-stream.

2.6 Information on SMCB

SMCB was incorporated in Malaysia under the Act on 27 April 1995 as a private limited company and was subsequently converted to a public limited company on 8 October 2002. SMCB has been operating SMC since its inception in November 1999 and has developed SMC into a reputable and quality private medical care centre with a team of qualified and experienced doctors who specialise in a wide variety of disciplines, and has a well-trained and dedicated team of nursing staff.

SMCB's present authorised share capital is RM220,000,000 comprising 200,000,000 ordinary shares of RM1.00 each and 2,000,000,000 200% redeemable cumulative convertible preference shares of RM0.01 each, of which RM131,121,845 comprising 131,121,845 ordinary shares of RM1.00 each have been issued and fully paid up.

The substantial shareholders and their respective shareholdings in SMCB as at the LPD is as follows:

Substantial shareholders	<----- Direct ----->		<----- Indirect ----->	
	Number of shares	%	Number of shares	%
Sunway City	120,141,141	91.63	-	-
Sunway	642,140	0.49	120,141,141	91.63 ^(a)
Sungei Way	-	-	120,783,281	92.12 ^(b)
Puan Sri Datin Seri (Dr) Susan Cheah Seok Cheng	-	-	120,783,281	92.12 ^(b)
Active Equity	-	-	120,783,281	92.12 ^(c)
Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, AO	-	-	120,783,281	92.12 ^(d)
Sarena Cheah Yean Tih	-	-	120,783,281	92.12 ^(d)
Evan Cheah Yean Shin	-	-	120,783,281	92.12 ^(d)

Notes:

- (a) *Deemed interest by virtue of Section 6A of the Act held through Sunway City.*
- (b) *Deemed interest by virtue of Section 6A of the Act held through Sunway and Sunway City.*
- (c) *Deemed interest by virtue of Section 6A of the Act held through Sungei Way, Sunway and Sunway City.*
- (d) *Deemed interest by virtue of Section 6A of the Act held through Active Equity, Sungei Way, Sunway and Sunway City.*

2.7 Salient terms of the SPA

(a) Agreement for sale and purchase

Subject to the terms and conditions contained in the SPA, SMCB (as registered and beneficial owner) agrees to sell and the Trustee agrees to purchase the SunMed Property at the Purchase Consideration.

(b) Manner of payment of the Purchase Consideration

- (i) The Deposit of RM31 million, which was paid by the Trustee upon the execution of the SPA.
- (ii) The Balance Purchase Consideration of RM279 million shall be paid by the Trustee on the Completion Date.

(c) Conditions precedent

The completion of the Proposed Acquisition is conditional upon the following conditions precedent, unless waived by the Trustee, being fulfilled/obtained within six months after the date of the SPA, or such other extended dates as the Trustee and SMCB may mutually agree upon in writing:

- (i) the approval of the unitholders of Sunway REIT;
- (ii) the approval or consent of any other party which has entered into any subsisting arrangement, contract or undertaking with SMCB in respect of the SunMed Property;
- (iii) the approval or consent of the financiers of the Trustee, where required;
- (iv) the notification to the Ministry of Health;
- (v) the approval or consent of SC, Bursa Securities or any other relevant regulatory authority, on terms acceptable to the Trustee, where required;
- (vi) the approval of the state authority for the transfer of the SunMed Property;
- (vii) the conditions precedent under the HMLA; and
- (viii) any other approvals of any authorities as may be deemed necessary by the Trustee and SMCB.

(d) Termination and breach

(i) SMCB's right to terminate

If the Trustee defaults in the satisfaction of the Purchase Consideration, SMCB will be entitled to terminate the SPA if the Trustee fails, within 14 days of receipt of a notice from SMCB, to remedy the breach or the matter.

(ii) The Trustee's right to terminate

The Trustee will be entitled to, at any time after any default on the part of SMCB arises, give notice to SMCB to terminate the SPA if SMCB fails within 14 days of receipt of a notice from the Trustee to remedy the breach or the matter.

(iii) Consequences of termination by SMCB

If a notice terminating the SPA is duly given by SMCB as referred to under Section 2.7(d)(i) of this Circular, then within 14 days of the giving of the notice, SMCB must return all monies paid as part of the Balance Purchase Consideration to the Trustee free of interest. In exchange, the Trustee must return or cause to be returned to SMCB all transfer and discharge documents which are in their possession with SMCB's interest intact and to re-deliver to SMCB possession of the SunMed Property, if the same has been delivered to the Trustee. The Deposit will be absolutely forfeited by SMCB as agreed liquidated damages.

(iv) Consequences of termination by the Trustee

If a notice terminating the SPA is duly given by the Trustee as referred to under Section 2.7(d)(ii) of this Circular, then within 14 days of the giving of the notice, SMCB must return all monies received as part of the Purchase Consideration to the Trustee, free of interest.

If the Trustee elects not to pursue the remedy of specific performance, SMCB must pay an additional sum equivalent to 10% of the Purchase Consideration as agreed liquidated damages to the Trustee. In exchange, the Trustee must return or cause to be returned to SMCB all transfer and discharge documents which are in their possession with SMCB's interest intact. The Trustee shall then re-deliver to SMCB possession of the SunMed Property, if the same has been delivered to the Trustee.

(v) Mitigation of risk of non-registration of Transfer

If, as at the Completion Date, after SMCB's receipt of the Balance Purchase Consideration, the Transfer is not registered, SMCB acknowledges that it holds the SunMed Property relating to such Transfer as bare trustee for and on behalf of the Trustee and it will immediately execute in favour of the Trustee an irrevocable and unconditional Power of Attorney granting to the Trustee the power to fully deal with the SunMed Property as if it was the true and rightful owner of the SunMed Property. In addition, SMCB will do all such acts and things as may be reasonably required by the Trustee in order that the Trustee may effectively deal with the SunMed Property.

(vi) Non-registration of Transfer or Discharge Documents

In the event the registration of the transfer or the discharge documents are not or cannot be effected for any reason whatsoever not due to any fault of either of the Trustee or SMCB, the Trustee shall be entitled to terminate the SPA by notice in writing to SMCB.

(vii) Specific performance

Notwithstanding the foregoing provisions, SMCB or the Trustee, as the case may be, will be entitled to the remedy of specific performance to compel the party in default to complete the sale of the SunMed Property in accordance with the provisions of the SPA and to claim damages for breach of the SPA.

(e) Real Property Gains Tax

Payment of Real Property Gains Tax in respect of chargeable gains accruing on the disposal of any chargeable asset to a REIT or a Real Property Trust Fund is exempted pursuant to the Real Property Gains Tax (Exemption) (No. 4) Order 2003. The Trustee's solicitors have been authorised by the Trustee and SMCB not to retain any retention sum payable to the Inland Revenue Board.

(f) Delivery of legal possession of the SunMed Property

Legal possession of the SunMed Property, free from all encumbrances and claims whatsoever, will be deemed delivered to the Trustee by SMCB on the Completion Date.

2.8 Salient terms of the HMLA

In addition to the Proposed Acquisition, the Trustee and the Manager have entered into the HMLA with SMCB for the lease of the SunMed Property to SMCB which shall commence upon the Completion Date. The HMLA sets out the Lessee's obligation in respect of its role as the lessee of the SunMed Property and the operator of SMC, and the Lessor's obligations as the registered owner and lessor of the SunMed Property.

The initial term of the lease shall be 10 years with an option to renew granted to the Lessee to lease the SunMed Property for a further 10 years. The lease is granted on a triple net lease basis, meaning that the rental payable excludes the outgoings such as the quit rent, assessment, utilities, insurance premiums and maintenance costs and expenses which shall be borne by SMCB. The annual rental is RM19 million for the first 12 months with an incremental rental rate of 3.5% per annum for each subsequent year for the initial 10-year term, which is payable monthly in arrears. This rental rate was negotiated on a willing Lessor willing Lessee basis after taking into consideration the prevailing market rental rates, investment returns expected by Sunway REIT and sustainability of the payment obligations of the Lessee from its operations which is dependent on prospects and financial performance of SMCB after the Proposed Acquisition is completed. The option to renew shall be on the same terms and conditions, except as provided in the HMLA, at a revised rent (and rental rate of growth, if any) based on the prevailing market rate agreed between the Lessor and Lessee. If the Trustee, Manager and SMCB are unable to agree on the new rental one month prior to the expiration of the initial term, the rental for the first 12 months of the subsequent 10-year term shall be the same amount as the rental payable during the last year of the initial term. The Trustee, Manager and SMCB shall use their best efforts during this 12-month period to agree on the rental for the remaining period of the subsequent term.

3. THE PROPOSED PLACEMENT

3.1 Details of the Proposed Placement

The Manager is proposing to undertake the private placement of new units in Sunway REIT to raise gross proceeds of up to RM320 million at the Issue Price. The net proceeds from the Proposed Placement amount to approximately RM310 million, after deducting the placement fees, acquisition fees payable to the Manager and other estimated fees and expenses (including professional fees and expenses) incurred in connection with the Proposals.

In addition to RHB Investment Bank, the Trustee will appoint Credit Suisse (Singapore) Limited, Credit Suisse (Securities) Malaysia Sdn Bhd, The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch and Maybank Investment Bank Berhad as Placement Agents to procure prospective placees for the Placement Units. The Placement Units will be placed out by way of bookbuilding process to investors that will be identified at a later stage.

Sunway REIT will not proceed with the Proposed Placement in the event that any of the conditions precedent under the SPA are not obtained or fulfilled. For the avoidance of doubt, the Proposed Acquisition may proceed even though the relevant approvals for the Proposed Placement are not

obtained, in which instance the Proposed Acquisition will then be financed from Sunway REIT's existing debt financing facilities.

The Placement Agents will work with the Manager to determine the most appropriate time to launch the Proposed Placement so as to ensure the success of the Proposed Placement, having considered the then prevailing market conditions and other factors that the Manager and the Placement Agents may consider relevant.

3.2 Placement of units

The actual number of Placement Units to be issued will depend on the Issue Price and the eventual financing plan to be adopted by the Manager.

The Placement Units may be offered to persons falling within Schedule 6 or Section 229(1)(b) of the CMSA or Schedule 7 or Section 230(1)(b) of the CMSA. These persons may include the existing key unitholders of Sunway REIT. However, the Placement Units will not be placed out to Sunway REIT Holdings and/or persons connected to it. Post-placement, Sunway's stake in Sunway REIT will remain above 33.0%, thus maintaining their commitment to remain as a long-term unitholder of Sunway REIT.

The Placement Units may be offered to local and foreign institutional investors. However, the Proposed Placement will not be offered into the US. Accordingly, the Placement Units are being offered and sold only outside the US pursuant to Regulation S under the Securities Act.

3.3 Pricing of the Placement Units

The Issue Price shall be determined after the close of the bookbuilding process. The issue price of the Placement Units will be at a discount of not more than 5% to the five-day VWAP immediately prior to the price-fixing date.

3.4 Ranking of the Placement Units

The Placement Units shall, upon allotment and issue, rank *pari passu* in all respects with the existing units except that the Placement Units will not be entitled to the Advance Distribution and any distributable income, right, benefit, entitlement and/or any other distributions that may be declared or made prior to the date of the allotment of the Placement Units.

3.5 Advance Distribution

In connection with the Proposed Placement, the Manager intends to declare an advance distribution of Sunway REIT's distributable income for the period from the beginning of the relevant financial quarter of the issuance of the Placement Units to the day immediately preceding the date on which the Placement Units will be issued to identified investors of the Proposed Placement. The quantum available under the Advance Distribution is only intended for unitholders whose names are registered in the Record of Depositors of Sunway REIT as at the entitlement date and this would serve as a means to ensure fairness to these unitholders as they would be able to enjoy fully the Advance Distribution. Accordingly, the Placement Units will not be entitled to the Advance Distribution.

The actual quantum of the Advance Distribution will be announced at a later date after the management accounts of Sunway REIT for the relevant period have been finalised.

The next distribution will comprise Sunway REIT's distributable income for the period from the day the Placement Units are issued until the end of the succeeding quarter. Quarterly distributions will resume thereafter.

3.6 Utilisation of proceeds

The gross proceeds from the Proposed Placement of up to RM320 million, which shall be utilised within one month from the completion of the Proposed Placement, are as follows:

Utilisation	Amount (RM'000)
Repayment of bank borrowings *	31,000
Settlement of the Balance Purchase Consideration ^	279,000
Estimated expenses directly in relation to the Proposed Acquisition	3,381
Estimated expenses directly in relation to the Proposed Placement	4,426
Other estimated expenses #	2,193
Total	320,000

Notes:

- * *Repayment of borrowings which was drawn from Sunway REIT's existing debt financing facilities to pay for the Deposit.*
- ^ *As provided in Section 2.3 of this Circular, the proceeds from the Proposed Placement will be used to partially or fully fund the Balance Purchase Consideration and/or to repay any borrowings drawn from Sunway REIT's existing debt financing facilities that was utilised to satisfy the Balance Purchase Consideration.*
- # *Comprising professional fees, authorities' fees and miscellaneous expenses incurred in connection with the Proposals (other than those directly incurred for the Proposed Acquisition and Proposed Placement). Any excess arising from the estimated expenses of the Proposals will be utilised for working capital.*

4. THE PROPOSED MANDATE

The Proposed Mandate will empower the Board with the flexibility to allot and issue new units in Sunway REIT at any time and for such purposes as the Board may in its absolute discretion deem fit, provided that the aggregate number of new units in Sunway REIT to be issued, when aggregated with the number of new units issued during the preceding 12 months pursuant to the Proposed Mandate does not exceed 20% of the approved fund size of Sunway REIT.

For illustrative purposes, based on the proceeds of RM320 million to be raised and an assumed issue price of RM1.22 per unit (which was the lowest transacted price per unit of Sunway REIT in the preceding six months as at the LPD), the number of Placement Units is 262,295,082 units. Based on the enlarged fund size of 3,042,407,382 (following the Proposed Placement), the Proposed Mandate will enable the Manager to issue up to approximately 608,481,476 units.

The Proposed Mandate will be effective from the date of the unitholders' approval and shall continue to be in force until 30 June 2013. Thereafter, the general mandate to issue new units of up to 20% of the approved fund size of Sunway REIT may be renewed yearly subject to the approval of the unitholders in a meeting of unitholders.

5. THE PROPOSED INCREASE IN FUND SIZE

The Manager proposes to increase the existing approved fund size of Sunway REIT from 2,780,112,300 units to a maximum of 3,650,888,858 units by the creation of up to 870,776,558 new units in Sunway REIT.

6. RATIONALE FOR THE PROPOSALS

6.1 Proposed Acquisition

The Proposed Acquisition is consistent with the key investment objective of Sunway REIT to provide its unitholders with exposure to a diversified portfolio of investments that will provide stable cash distributions with the potential for sustainable growth in NAV per unit and to be the largest REIT in Malaysia in terms of asset value.

Further, the Manager believes that the Proposed Acquisition will bring the following key benefits to unitholders of Sunway REIT:

(a) Accretive to earnings and distributable income

The Manager believes that the Proposed Acquisition will improve the earnings and the DPU to the unitholders of Sunway REIT. The Proposed Acquisition is also consistent with the Manager's acquisition growth strategy of pursuing acquisition opportunities that are earnings accretive and will provide long-term growth in DPU and/or NAV per unit.

(b) Increased income stability through the HMLA and increased weighted average lease expiry of Sunway REIT's portfolio

The Proposed Acquisition will be beneficial to Sunway REIT as the SunMed Property is expected to provide additional stability to Sunway REIT's gross rental income over the next 10 to 20 years via the HMLA. The built-in annual rental increase of 3.5% per annum for the initial 10-year term will also provide consistent revenue and distributable income growth.

With the Proposed Acquisition, Sunway REIT will benefit from the increase in the enlarged portfolio's weighted average lease to expiry based on secured gross rental income via the HMLA. The weighted average lease to expiry of Sunway REIT's enlarged portfolio will increase to approximately 2.56 years after the completion of the Proposed Acquisition from approximately 2.09 years as at 31 October 2012 (being the latest practicable date of obtaining this information prior to the printing of this Circular).

(c) Increased size of Sunway REIT's portfolio

Sunway REIT's proforma asset size will increase from approximately RM4.6 billion, as at 31 October 2012 (being the latest practicable date of obtaining this information prior to the printing of this Circular), to RM4.9 billion after the Proposed Acquisition. This increase in portfolio size further strengthens Sunway REIT's current position as the largest REIT in Malaysia by asset value.

(d) Opportunity to acquire a quality hospital building and leverage on the integrated township of the Sunway Resort City

The SunMed Property is located within the master-planned integrated township of Sunway Resort City and benefits from the population catchment area and synergies of education, entertainment, recreation, leisure, shopping, medical, hospitality and commercial facilities that form the township.

The SunMed Property has an infrastructure of 342 licensed beds, 12 operating theatres, 94 consultation suites and a multi-purpose convention centre, known as the 'Swan Convention Centre', which is able to accommodate up to 500 people and has audio-visual linkages with two operating theaters to enable live telecasts of surgical procedures.

The Proposed Acquisition is consistent with the Manager's strategy of acquiring properties in Sunway Resort City in order to maximise the operating synergies among Sunway REIT's properties located within the Sunway Resort City.

(e) The Lessee is a reputable and experienced hospital operator

SMCB has developed SMC into a reputable private and quality medical care centre with a team of qualified and experienced doctors who specialise in a wide variety of disciplines, and has a well-trained and dedicated team of nursing staff. SMC currently has over 150 medical and surgical consultants offering a high standard of specialist treatment. Doctors in SMC either practice in specialist consultation suites located within the SunMed Property or have 'admitting rights' to use all in-patient facilities, including diagnostic services and operating theatres.

Various centres of excellence have also been established to provide a more integrated approach in providing healthcare services to patients and to enable SMC to develop greater strength in niche medical services. Exemplifying SMC's strength in niche areas such as neurosciences, SMC was the first private hospital in Malaysia to perform the deep brain stimulation surgical procedure for the treatment of Parkinson's disease in 2003. Prior to the launch of the deep brain stimulation procedure in SMC, patients requiring such procedures had to seek treatment outside the country. SMC was also the first hospital in Malaysia to start a Cochlear Implant Programme in 2004 for patients with profound hearing loss.

Under the management of SMCB, SMC has obtained the following accreditations; 'ISO 9001:2008' for the provision of primary, secondary and tertiary healthcare services by SGS S.A. of Switzerland on 7 June 2012, 'ISO 15189:2007' for meeting the requirement of quality and competent medical laboratories by the Department of Standards Malaysia on 21 November 2008, and the 'Recognition of compliance with the Malaysian Hospital Accreditation Standards' by Malaysian Society for Quality in Health, 2010 – 2013 on 1 April 2010.

(f) Enhance the strategy of owning a diversified portfolio

The Proposed Acquisition is consistent with the Manager's diversification strategy and is expected to benefit the unitholders by improving the diversification of Sunway REIT's portfolio of assets by adding a quality healthcare property to Sunway REIT's portfolio of properties.

6.2 Proposed Placement

The rationale for the Proposed Placement is as follows:

- (i) the Proposed Placement will enable Sunway REIT to raise equity to finance the Proposed Acquisition or to repay the amount drawn from Sunway REIT's existing debt financing facilities that was utilised to satisfy the Purchase Consideration, as the case may be, thus lowering the gearing level as compared with funding the Proposed Acquisition wholly from debt. Please refer to Section 9.1 of this Circular for the effects of the Proposed Placement on the gearing level of Sunway REIT. This will provide Sunway REIT with sufficient headroom to make future acquisitions, which is in line with the capital management and growth strategies of Sunway REIT; and
- (ii) the Proposed Placement will involve the issuance of new units in Sunway REIT which will increase the number of units outstanding and may improve the trading liquidity of Sunway REIT and could also allow Sunway REIT to attract more local and international investors, thereby enlarging its unitholder base.

6.3 Proposed Mandate

The Proposed Mandate will allow Sunway REIT to have the flexibility to allot and issue new units in Sunway REIT to raise funds for future acquisitions, for the repayment of borrowings to reduce gearing or for future capital expenditure of Sunway REIT.

In addition to the above, the Proposed Mandate, when exercised, is also expected to improve the trading liquidity of Sunway REIT's units and could also allow Sunway REIT to attract more local and international investors, thereby enlarging its unitholder base.

6.4 Proposed Increase in Fund Size

The Proposed Increase in Fund Size will allow the Manager to issue new units in Sunway REIT pursuant to the Proposed Placement, the Proposed Mandate and any subsequent new issuance of units arising from any future corporate proposals.

7. INDUSTRY OVERVIEW AND OUTLOOK

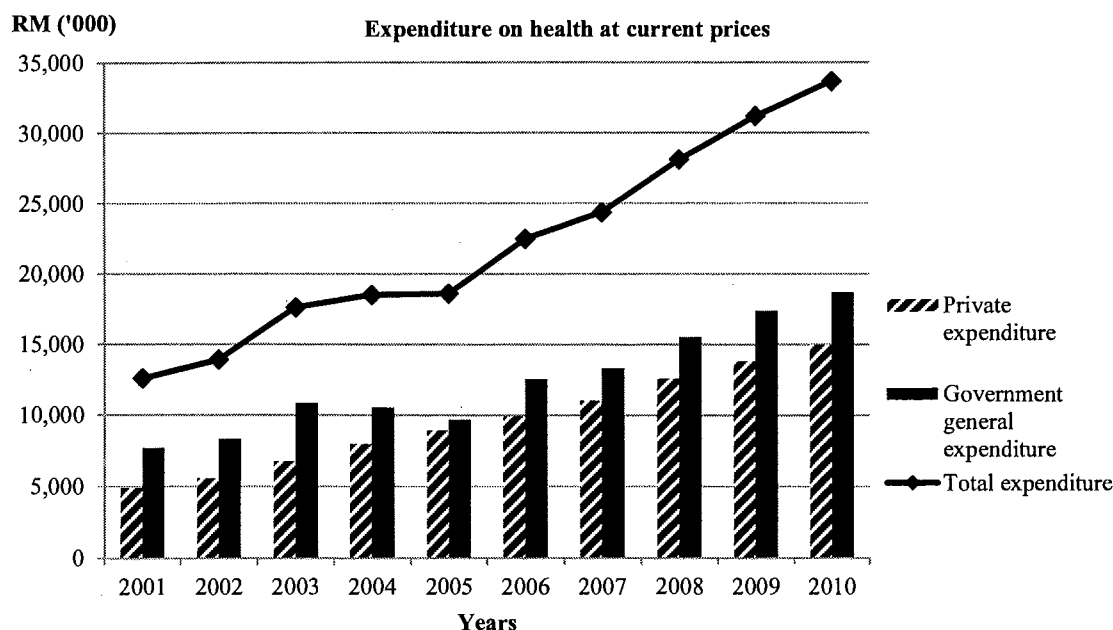
7.1 Overview and outlook of the Malaysian economy

The world economic environment remained challenging in the third quarter of 2012. Growth in the advanced economies was uneven with the US economy experiencing an improvement while several other major advanced economies continued to experience weak growth, constrained by fiscal adjustments, sluggish labour markets and impaired financial intermediation. In Asia, economic activity moderated due mainly to further weakness in external demand arising from the uncertain global environment. Amid the challenging global economic conditions, the Malaysian economy recorded a growth of 5.2% (2Q 12: 5.6%) during the quarter. Growth was affected by slower external demand, which resulted in a further decline in net real exports of goods and services. Domestic demand however, continued to sustain growth, supported by the favourable performance of private consumption and investment activity by both the private and public sectors.

During the third quarter, domestic demand expanded by 11.4% (2Q 12: 14.0%). Gross fixed capital formation registered a robust growth of 22.7% (2Q 12: 26.1%), underpinned by capital spending by both the private and public sectors. Domestic demand was also supported by the continued expansion in private consumption which grew by 8.5% (2Q 12: 8.8%), supported by favourable labour market conditions and sustained income growth. In addition, the bonus payment to civil servants, and the second (of three) pay-out of RM5,000 to Federal Land Development Authority (FELDA) settlers provided further impetus to consumer spending. Public consumption moderated to 2.3% (2Q 12: 10.9%), attributable to lower spending in and supplies and services.

(Source: Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2012, published on Bank Negara Malaysia's website <http://www.bnm.gov.my/>)

7.2 Overview and outlook of the healthcare industry



Malaysia's total expenditure on healthcare grew from RM12.6 billion in 2001 to RM33.7 billion in 2010, representing 3.6% and 4.4% of GDP, respectively. Private expenditure on healthcare made up 39.0% and 44.5% of total expenditure on healthcare in 2001 and 2010, respectively. Malaysia's private expenditure on healthcare per capita has been increasing since 2001 from RM164.47 to RM499.70 in 2010.

(Source: World Health Organisation)

The healthcare sector is one of the country's 12 National Key Economic Areas ("NKEA") as its expected contribution to Malaysia's gross national income ("GNI") will help Malaysia achieve high-income status. The healthcare industry has become a powerful engine of economic growth, due to demographic shifts such as extended longevity and a rise in lifestyle diseases such as hypertension and cardiovascular ailments and diabetes.

(Source: Economic Transformation Programme website)

The Malaysian Government is targeting to grow the healthcare industry and treble its contribution to GNI from RM15.2 billion in 2009 to RM50.5 billion by 2020. The Healthcare NKEA focuses on bringing both the public and private sectors into collaboration. Its main aim is to identify private sector initiatives and opportunities to develop the healthcare industry in a more organised and coherent manner.

(Source: NKEA – Healthcare, Economic Transformation Programme Annual Report 2011)

One of the Government's entry point projects ("EPP") in healthcare is "Reinvigorating Health Travel through Better Customer Experience, Proactive Alliances and Niche Marketing" in efforts to promote travel to Malaysia for private healthcare services. The goal of this EPP is to create a differentiated position for Malaysia and to broaden the customer base beyond Indonesia and beyond lower margin outpatient treatments. Providers of these services would be the 35 identified private hospitals earmarked to promote healthcare travel. The Malaysia Healthcare Travel Council ("MHTC") will work with private hospitals, placement agents and multiple agencies to introduce a customer experience incorporating a RM335 million investment into infrastructure and human capital to ensure sufficient hospital capacity and 5,300 trained medical professionals to support growth in demand. MHTC's goal is to ensure that this champion has the ability to impact the most critical parts of the new healthcare travel strategy which will improve the attractiveness of Malaysia as a healthcare destination.

(Source: Chapter 16 – Healthcare, A Roadmap for Malaysia, Economic Transformation Programme)

7.3 Prospects of the SunMed Property

SMCB, the Lessee of the SunMed Property operates a private medical health centre and is in the business of providing medical healthcare services specialising in a wide variety of disciplines. The ability of SMCB to pay rental to Sunway REIT will depend on the financial performance of SMC which is driven by the uptake of SMC's private medical healthcare services. The demand for medical healthcare services is in turn reliant on, amongst others, economic developments, diseases caused by sedentary lifestyles arising from increasing wealth and affluence, higher patient expectations and purchasing power.

Economic growth, the increase in private consumption and the increase in private healthcare expenditure in Malaysia as stated in Sections 7.1 and 7.2 of this Circular indicate that the Malaysian population is growing in affluence and is able to spend more on private healthcare. This demand is also supplemented with the increase in the population aged 65 years and above from 4.3% in 2006 to 5.1% in 2011 (*Source: Health Facts 2012, Health Informatics Centre Planning and Development Division, MOH*) leading to the requirement of more diagnosis and hospital-based inpatient and outpatient treatment and longer duration for care.

In addition, the Government's healthcare initiatives via the EPP to promote medical tourism, and the creation of policies to promote health awareness and support healthy lifestyle activities, may contribute to the demand for healthcare services in Malaysia that may benefit the private healthcare sector.

SMC is well-positioned to attract the growing demand for private healthcare as it is a reputable and quality private medical care centre that is located within the master-planned integrated township of Sunway Resort City. Further, SMC has over 150 medical and surgical consultants offering a high standard of specialist treatments.

(Source: The Manager)

8. RISK FACTORS

You should consider the following risk factors (which may not be exhaustive) pertaining to the Proposed Acquisition:

(a) Inability of SMCB to pay rental to Sunway REIT

If the gross revenue of SMCB is adversely affected, there will consequently be an impact on SMCB's ability to make rental payments to Sunway REIT. The risks that SMCB may be subject to which may affect SMCB's ability to make rental payments to Sunway REIT are as follows:

(i) Susceptibility of the healthcare industry to external factors outside the control of SMCB

The private healthcare industry is generally sensitive to changes in the global, regional or domestic economy. A global, regional or domestic downturn could have a material adverse effect on the operating performance of SMCB.

Other factors outside the control of Sunway REIT and the Manager include political or civil unrest, natural disasters, outbreaks of disease, increases in energy costs and other travel expenses, international military conflict, changes in law and other events which, if they occur in Malaysia or elsewhere in the world, may have a negative impact on the private healthcare business, including fewer medical tourists, in Malaysia. The occurrence of one or more of these events may have an adverse effect on Sunway REIT.

(ii) Hospitals are subject to industry-specific risks

Hospitals face the risk of increasing competition from new products or services and the risk that technological advances will render their medical and surgical services obsolete. The rising cost of healthcare technology may also adversely impact the profitability of SMCB. Hospitals may also incur initial losses and erratic profit patterns when adopting a new medical or surgical service.

In addition, hospitals may be affected by events and conditions including, among other things, demand for services offered, physicians' confidence in the facility, management capabilities, competition with other hospitals, efforts by insurers to limit charges and expenses and possible unavailability of malpractice insurance.

(iii) Competitiveness of the healthcare industry

The healthcare industry is competitive, and ongoing completion of new hospitals or renovations of competing hospital properties can reduce the competitiveness of older or existing properties. The success of a hospital, including SMC, depends on its ability to compete in areas such as brand recognition, renowned doctors, service level, international recognition, convenience of location and other factors.

There can be no assurance that new or existing competitors will not significantly offer greater convenience, services or amenities or develop, significantly expand or improve facilities at a location which is in close proximity to SMC. There may also be competition when new hospitals are opened in the vicinity of the SMC. Occupancy rates are dependent on supply and demand forces for healthcare providers. If there were to be an increase in the supply of healthcare providers that exceed increases in demand, SMC may experience lower take up of its services which would have an adverse effect on the operating performance of SMCB.

However, SMCB continuously provides training to its staff to maintain a high standard of proficiency in their respective responsibilities and to provide high quality service to customers and patients. In addition, SMCB will also make necessary investments in and acquisitions of new medical facilities and equipment in order to provide more comprehensive and up-to date medical treatments and services.

(iv) Operations of SMC are dependent upon SMCB's ability to attract and retain doctors and other healthcare professionals

Operations of SMC depend on the efforts, abilities and experience of the doctors and the medical staff at the hospital. SMCB competes with other healthcare providers in recruiting and retaining qualified doctors and other healthcare professionals. The loss of some of these medical personnel, or the inability to attract or retain sufficient numbers of qualified doctors and other healthcare professionals, could have a material and adverse effect on the operations and financial performance of SMCB.

SMCB tries to maintain its existing workforce by benchmarking staff compensation and benefits against the market to ensure a competitive remuneration package as well as providing adequate learning and development opportunities for its healthcare professionals. In addition, the management of SMCB spends substantial time to scout and recruit experienced and renowned doctors, especially in new specialisation fields to increase the areas of SMC's specialties. SMC's growing reputation as a premier healthcare provider will also facilitate the recruitment of more doctors to join SMC.

(v) SMCB may be subject to potential malpractice, negligence and other legal lawsuits

SMCB runs the risk of medical and legal claims and/or regulatory actions arising from the provision of healthcare services. The existence of such claims alone may tarnish the reputation of SMC and/or its doctors. If such claims succeed, SMCB may be liable for fines or even closure. In addition, there may be difficulty in obtaining and maintaining adequate liability and other insurance. Although SMCB will enter into a fixed term lease arrangement with Sunway REIT under the terms of the HMLA, these consequences may adversely affect the financial conditions and operating results of SMCB as the Lessee and its ability to comply with its obligations under the HMLA. SMCB, under the terms of the HMLA has agreed to indemnify Sunway REIT against all actions, claims, damages, loss, liability, costs or expenses which Sunway REIT incurs or becomes liable. However, in the event that SMCB should fail to do so, the financial performance of Sunway REIT may be adversely affected.

(vi) Changes in or non-adherence to government healthcare regulations

Healthcare is an area that is subject to extensive government regulation and dynamic regulatory changes. SMCB is continuously subject to laws and regulations, including, but not limited to, licensing and facility inspections. There may be periodic inspections by governmental and other authorities to ensure continued compliance with such laws and regulations. Failure to maintain required regulatory approvals or licences could materially and adversely affect SMCB's business and financial condition.

In addition, there can be no assurance that there will not be changes in such laws and regulations, or new interpretations of such laws and regulations which may adversely affect the operations of SMC, consequently having a negative impact on SMCB's cash flow and financial position.

(vii) Operations of SMC are subject to environmental risks

SMC may contain, or its operations may utilise, certain materials, processes or installations which are regulated pursuant to environmental laws and regulations. SMCB may therefore be liable for government fines and damages for any breaches in these laws and regulations and any consequential injuries to persons or damages to the environment and surroundings. SMCB's operating expenses could also be higher than anticipated due to the cost of complying with existing and future environmental and occupational health and safety laws and regulations.

SMCB as the Lessee under the terms of the HMLA has agreed to indemnify Sunway REIT against all actions, claims, damages, loss, costs or expenses which Sunway REIT incurs or becomes liable for. However, in the event that SMCB should fail to do so, Sunway REIT may be adversely affected.

Although SMCB will take all steps to comply with the laws and regulations in connection with such materials, processes or installations, there is no assurance that environmental liabilities will not exist in the future, or that any of such environmental liabilities will not be material to SMC and/or Sunway REIT.

(b) Inability and limitation of the Manager to effectively monitor the obligations of the Lessee under the HMLA and to actively manage the SunMed Property

The HMLA contains provisions for SMCB to maintain the SunMed Property. Although the Manager will monitor the performance of the Lessee under the HMLA and cooperate with the Lessee to develop and implement plans to improve the performance of SMC, the Manager has limited rights in regard to the management and operations of SMC. There can therefore be no assurance that SMC will continue to be operated, managed, branded or marketed at the same level in the future.

(c) Non-renewal of the HMLA

No assurance can be given that SMCB will exercise the option to renew the HMLA upon the expiry of the initial 10-year term under the HMLA. If SMCB terminates or does not renew the HMLA on expiry, the financial performance, and consequently the distributions which Sunway REIT make to unitholders, may be adversely affected. In addition, locating a replacement lessee on satisfactory terms may not be possible in a timely manner or at all.

(d) Sunway REIT may suffer material losses in excess of insurance proceeds

SMCB, under the terms of the HMLA, is required to take out and maintain property insurances for the SunMed Property on such terms as is usual for policies of this type and for not less than the full insurable value of the SunMed Property on a full replacement or reinstatement basis. However, in the event of substantial loss, the insurance coverage it carries may not be sufficient to pay the full market value or replacement cost of the lost investment or in some cases could result in certain losses being totally uninsured. Accordingly, Sunway REIT could lose some or all of the capital it has invested in the SunMed Property, and it could remain obligated for guarantees, debt, or other financial obligations (if any) related to the SunMed Property.

(e) Acquisition risk

The completion of the Proposed Acquisition is conditional upon certain conditions precedent set out in the SPA being satisfied and/or waived as the case may be, which include, among others, the approvals from the relevant authorities and unitholders of Sunway REIT. There can be no assurance that the Proposed Acquisition will not be exposed to risks such as the inability to obtain the approvals from the relevant authorities and unitholders. Further, there is no assurance that the anticipated benefits of the Proposed Acquisition will be realised or that Sunway REIT would be able to recoup its investment in the SunMed Property. There is no certainty that the Manager would be able to enhance the performance of its portfolio subsequent to the Proposed Acquisition.

Under the Malaysian land registration system, the legal title in real property does not pass until the relevant instrument of transfer has been duly registered in the relevant land registry of title in favour of the transferee. Therefore, while the Transfer may have been presented for registration at the relevant land registry, the registration process of the SunMed Property in favour of the Trustee may take a few months to complete and legal/registered title is only treated as passed to and vested in the Trustee upon registration of the transfer. As such, there is a risk of non-registration of the transfer of the SunMed Property in favour of the Trustee. To mitigate the risk of non-registration of the SunMed Property in favour of the Trustee, the SPA provides, amongst others, that as at the Completion Date after SMCB's receipt of the Balance Purchase Consideration, SMCB will acknowledge that the Trustee is the rightful beneficial owner of the SunMed Property for valuable consideration and that SMCB has no further rights, title and benefit in and to the SunMed Property.

(f) Compulsory acquisition by the Malaysian Government

The Malaysian Government has the power to compulsorily acquire any land in Malaysia pursuant to the provisions of the applicable legislation including the Lands Acquisition Act, 1960 for certain purposes where the compensation to be awarded is based on the fair market value of a property assessed on the basis prescribed in the Land Acquisition Act, 1960 and other relevant laws.

As at LPD, to the best of the Manager's knowledge, the Manager is not aware that SMCB has received any notice of acquisition or notice of intended acquisition in relation to the SunMed Property or any part thereof.

(g) Changes in or non-adherence to laws, building by-laws, codes and regulations

The SunMed Property is subject to laws, building by-laws, codes and regulations issued by the relevant regulatory bodies. There can be no assurance that there will not be changes in such laws, by-laws, codes and regulations, or new interpretations of such laws, by-laws, codes and regulations which may require extensive renovations to the SunMed Property to ensure compliance with such laws, building by-laws, codes and regulations.

(h) The valuation of the SunMed Property is based on certain assumptions and the price at which the Trustee is able to sell the SunMed Property may be different from the initial acquisition value of the SunMed Property

The valuation of the SunMed Property by the Valuer was based on certain assumptions, which are subjective and uncertain and may differ materially from actual measures of the market. Further, property valuations generally include subjective determination of certain factors relating to the SunMed Property, such as its location, relative market position and physical condition. The market value of the SunMed Property as appraised by the Valuer is not an indication of, and does not guarantee, an equivalent or greater sale price either at the present time or at any time in the future. Accordingly, there can be no assurance that the Trustee would be able to sell the SunMed Property, or that the price realisable on such sale would not be lower than the present valuation of, or the price paid to SMCB to purchase, the SunMed Property.

9. FINANCIAL EFFECTS

9.1 Effects of the Proposed Acquisition and the Proposed Placement

For the purposes of illustrating the effects of the Proposed Acquisition and the Proposed Placement, the issue price of the Placement Units has been assumed at RM1.43 per unit, being a 3% discount on the 5-day VWAP of RM1.47 as at the LPD. Accordingly, based on the proceeds to be raised of up to RM320 million, the Proposed Placement will entail the issuance of 223,776,223 units, rounded down to the nearest whole number of units.

Substantial unitholders' unitholdings

For illustrative purposes, assuming none of the Placement Units will be placed to substantial unitholders, the proforma effects of the Proposed Acquisition and the Proposed Placement on Sunway REIT's substantial unitholders' direct unitholdings are set out as follows:

Substantial unitholders	As at the LPD		After Proposed Acquisition and the Proposed Placement	
	No. of Units	% [*]	No. of Units	% [^]
Sunway REIT Holdings	986,634,185	36.53	986,634,185	33.74
EPF	271,957,900	10.07	271,957,900	9.30
AmanahRaya Trustees Berhad – Skim Amanah Saham Bumiputera	165,000,000	6.11	165,000,000	5.64
Capital Income Builder	174,950,000	6.48	174,950,000	5.98
Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, AO ^(a)	110,200,000	4.08	110,200,000	3.77
Sunway ^(b)	11,749,200	0.44	11,749,200	0.40

Notes:

* Calculated based on 2,700,625,900 units, being the number of units in circulation as at the LPD.

^ Calculated based on 2,924,402,123 units, being the number of units in circulation as at LPD and the number of new units to be issued pursuant to the Proposed Placement.

(a) Deemed a substantial unitholder due to his deemed interest by virtue of Section 6A of the Act held through Active Equity, Sungei Way, Sunway, Sunway REIT Holdings and the Manager.

(b) Deemed a substantial unitholder due to its deemed interest by virtue of Section 6A of the Act held through Sunway REIT Holdings and the Manager.

Distributable income

The Manager intends to distribute at least 90% of the distributable income of Sunway REIT for the FYE 30 June 2013. The Proposed Acquisition and the Proposed Placement are not expected to have any material effect on Sunway REIT's distribution policy as determined by the Board.

The decision of the Board to declare and pay any dividends in the future will depend on, *inter alia*, the level of cash and retained profits of Sunway REIT, the financial performance, cash flow position and financing requirements of Sunway REIT, and other factors considered relevant by the Board as well as after taking into consideration the increase in the number of units in issue as a result of the Placement Units to be issued.

DPU

The Proposed Acquisition and the Proposed Placement are not expected to have any material effect on the DPU of Sunway REIT for the FYE 30 June 2013 since the Proposed Acquisition and the Proposed Placement are only expected to be completed by March 2013. The Proposed Acquisition is expected to contribute positively to the future net property income of Sunway REIT.

Any issuance of new units in Sunway REIT pursuant to the Proposed Placement will dilute the DPU, the quantum of which would depend on the number of new units to be issued. Nevertheless, the potential impact of the dilution will depend on future returns generated from the use of funds raised from the issuance of Placement Units.

Unitholders' capital, NAV per unit and gearing

The proforma effects of the Proposed Acquisition and the Proposed Placement on the unitholders' capital, NAV per unit and gearing of Sunway REIT based on the audited financial statements of Sunway REIT as at 30 June 2012 are set out as follows:

	Audited as at 30 June 2012 (RM '000)	After the Proposed Acquisition and the Proposed Placement (RM '000)
Unitholders' capital	2,361,487	2,677,061 ^(a)
Undistributed income	646,844	644,651 ^(b)
NAV	3,008,331	3,321,712
No. of units in circulation ('000)	2,696,462	2,920,238
NAV per unit (RM)		
- Before income distribution	1.1157	1.1375
- After income distribution ^(c)	1.0968	1.1200
Total gross borrowings ^(d)	1,567,642	1,567,642 ^(e)
Total asset value	4,683,376	4,996,757
Gearing (%)	33.5	31.4

Notes:

- (a) After taking into consideration the estimated expenses in relation to the Proposed Placement of approximately RM4.426 million.
- (b) After taking into consideration other estimated expenses in relation to the Proposals (other than those directly incurred for the Proposed Acquisition and Proposed Placement) of approximately RM2.193 million.
- (c) After income distribution of RM50.963 million.
- (d) Total gross borrowings are derived after adjusting for unamortised transaction costs.
- (e) In the event the Manager decides to drawdown from the existing debt financing facilities to partially or fully fund the Proposed Acquisition, we have assumed that all proceeds to be raised from the Proposed Placement will be utilised for the repayment of the amount drawn.

For further details on the proforma effects of the Proposed Acquisition and Proposed Placement, please refer to Appendix II – Reporting accountants' letter on the proforma statement of financial position.

9.2 Effects of the Proposed Mandate

Substantial unitholders' unitholdings

Any future issuance of new units in Sunway REIT pursuant to the Proposed Mandate will dilute the substantial unitholders' unitholdings, the quantum of which would depend on the number of new units to be issued.

Distributable income

The Manager intends to distribute at least 90% of the distributable income of Sunway REIT for the FYE 30 June 2013. The Proposed Mandate is not expected to have any material effect on Sunway REIT's distribution policy as determined by the Board. The decision of the Board to declare and pay any dividends in the future will depend on, *inter alia*, the level of cash and retained profits of Sunway REIT, the financial performance, cash flow position and financing requirements of Sunway REIT and other factors considered relevant by the Board.

DPU

Any future issuance of new units in Sunway REIT pursuant to the Proposed Mandate will dilute the DPU, the quantum of which would depend on the number of new units in Sunway REIT to be issued. Any immediate dilution as a result of the increase in the number of units issued is expected to be offset by the improved future earnings of Sunway REIT attributable to the returns generated from the use of funds raised from any issuance of such new units in Sunway REIT.

Unitholders' capital, NAV per unit and gearing

Any future issuance of new units in Sunway REIT pursuant to the Proposed Mandate will enlarge the unitholders' capital. The effects of the Proposed Mandate on Sunway REIT's NAV per unit and gearing will depend on the unit issue price and the number of units to be issued under the Proposed Mandate in the future.

9.3 Effects of the Proposed Increase in Fund Size

Unitholders' capital, substantial unitholders' unitholdings, DPU, NAV per unit and gearing

The effects of the Proposed Increase in Fund Size on unitholders' capital, substantial unitholders' unitholdings, DPU, NAV per unit and gearing will depend on the number of new units in Sunway REIT to be issued, resulting in the corresponding increase in fund size.

Distributable income

The Manager intends to distribute at least 90% of the distributable income of Sunway REIT for the FYE 30 June 2013. The Proposed Increase in Fund Size is not expected to have any material effect on Sunway REIT's distribution policy as determined by the Board. The decision of the Board to declare and pay any dividends in the future will depend on, *inter alia*, the level of cash and retained profits of Sunway REIT, the financial performance, cash flow position and financing requirements of Sunway REIT, and other factors considered relevant by the Board.

10. HISTORICAL UNIT PRICES

The monthly highest and lowest transacted market prices of Sunway REIT units traded on Bursa Securities for the past 12 months preceding the date of this Circular are as follows:

	High (RM)	Low (RM)
2011		
December	1.25	1.12
2012		
January	1.29	1.19
February	1.31	1.23
March	1.27	1.21
April	1.33	1.22
May	1.31	1.22
June	1.36	1.28
July	1.47	1.36
August	1.63	1.43

	<u>High (RM)</u>	<u>Low (RM)</u>
September	1.51	1.41
October	1.55	1.45
November	1.54	1.46
Last transacted market price on 8 October 2012 (<i>being the last full trading day prior to the announcement of the Proposals on 9 October 2012</i>)		1.51
Last transacted market price on the LPD		1.47

(Source: Bloomberg)

11. APPROVALS REQUIRED

The Proposals are conditional upon the following approvals being obtained by the Manager:

- (i) the SC, which was obtained on 28 November 2012, subject to the following conditions:

Proposed Placement

- (a) the placees are not related parties of the Manager whether in their own names or through nominees;
- (b) the number of new units to be placed to a placee is capped at not more than 10% of the approved fund size of 2,780,112,300 units;
- (c) to disclose to unitholders the basis of pricing and whether the pricing will exceed a certain level below the market price;
- (d) to inform the SC prior to the listing of the Placement Units:
 - the actual number of units issued;
 - the date of issuance of the units; and
 - the date of listing of and the quotation for the units of Sunway REIT on the Main Market of Bursa Securities; and
- (e) the issuance of the Placement Units and the listing of the Placement Units on the Main Market of Bursa Securities must be completed within six months from the date of the SC's approval. The approval is deemed to lapse if the Manager fails to do so within the stipulated time frame.

Valuation of the SunMed Property

- (a) to rectify the additional consultant suites and conversion of car parking bays in the SunMed Property within 12 months from the date of SC's approval letter;
 - (b) to make half yearly announcements to Bursa Securities on the remedial actions taken to comply with the above condition; and
 - (c) to update the SC on the remedial actions taken to comply with the above condition when such announcements are made.
- (ii) Bursa Securities, which was obtained on 30 November 2012, for the listing of and quotation for up to 870,776,558 new units in Sunway REIT comprising up to 262,295,082 units to be issued pursuant to the Proposed Placement and up to 608,481,476 units to be issued pursuant to the Proposed Mandate on the Main Market of Bursa Securities;
- (iii) the approval or no objection of the state authority, which was obtained on 27 November 2012, for the transfer of the SunMed Property from SMCB to the Trustee;

- (iv) your approval to be obtained at the forthcoming Meeting to be convened; and
- (v) any other relevant authority and/or party, if required.

As stated in Section 3.1 of this Circular, Sunway REIT will not proceed with the Proposed Placement in the event that any of the conditions precedent under the SPA are not obtained or fulfilled.

The Proposed Placement and Proposed Mandate are conditional upon the Proposed Increase in Fund Size. Save as disclosed above, the Proposals are not conditional upon each other.

12. INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS OF THE MANAGER AND MAJOR UNITHOLDERS OF SUNWAY REIT AND PERSONS CONNECTED WITH THEM

The Manager and its interested related parties will not vote on the Proposals at the Meeting as it is prohibited under Clauses 15.48 and 15.49 of the REIT Guidelines, which states the following:

“15.48 A management company must not exercise the voting rights for the units it or its nominees hold in any unitholders’ meeting, regardless of the party who requested for the meeting and the matter or matters that are laid before the meeting.

15.49 Related parties of the management company should not vote or be counted in the quorum at a meeting if they have interest in the outcome of a transaction tabled for approval which is different from the interests of other unitholders.”

None of the major unitholders of Sunway REIT, Directors, major shareholders of the Manager and/or persons connected with them are interested in the Proposed Mandate and Proposed Increase in Fund Size.

Save as disclosed below, the Manager is not aware of any other major unitholders of Sunway REIT, Directors, major shareholders of the Manager and/or persons connected with them who have any interest, direct or indirect, in the Proposed Acquisition and the Proposed Placement.

12.1 Interested major unitholders of Sunway REIT

The details of the unitholdings of the interested major unitholders in Sunway REIT as at the LPD are as set out below:

Name	<----- Direct ----->		<----- Indirect ----->	
	No. of units	%	No. of units	%
Sunway REIT Holdings	986,634,185	36.53	-	-
Tan Sri Dato’ Seri Dr Jeffrey Cheah Fook Ling, AO	110,200,000	4.08	1,000,361,685	37.04 ^(a)
Sunway	11,749,200	0.44	988,612,485	36.61 ^(b)
Sungei Way	-	-	1,000,361,685	37.04 ^(c)
Active Equity	-	-	1,000,361,685	37.04 ^(d)
Puan Sri Datin Seri (Dr) Susan Cheah Seok Cheng	-	-	1,110,561,685	41.12 ^(e)
Sarena Cheah Yean Tih	-	-	1,110,564,685	41.12 ^(f)
Evan Cheah Yean Shin	-	-	1,110,561,685	41.12 ^(g)

(Collectively, the “Interested Major Unitholders”)

Notes:

- (a) *Deemed interest by virtue of Section 6A of the Act held through Active Equity, Sungei Way, Sunway, Sunway REIT Holdings and the Manager.*
- (b) *Deemed interest by virtue of Section 6A of the Act held through Sunway REIT Holdings and the Manager.*
- (c) *Deemed interest by virtue of Section 6A of the Act held through Sunway, Sunway REIT Holdings and the Manager.*
- (d) *Deemed interest by virtue of Section 6A of the Act held through Sungei Way, Sunway, Sunway REIT Holdings and the Manager.*
- (e) *Deemed interest by virtue of Section 6A of the Act held through Sunway, Sunway REIT Holdings, the Manager and spouse.*
- (f) *Deemed interest by virtue of Section 6A of the Act held through Active Equity, Sungei Way, Sunway, Sunway REIT Holdings, the Manager, parent and spouse.*
- (g) *Deemed interest by virtue of Section 6A of the Act held through Active Equity, Sungei Way, Sunway, Sunway REIT Holdings, the Manager and parent.*

As at the LPD, Sunway, through its 100% shareholding in Sunway City, has a 91.63% indirect interest in SMCB (the vendor of the SunMed Property). Accordingly, the Interested Major Unitholders are deemed interested in the Proposed Acquisition.

As the proceeds raised from the Proposed Placement will be utilised to fund the Proposed Acquisition or repay the amount drawn from Sunway REIT's existing debt financing facilities that was utilised to satisfy the Purchase Consideration, as the case may be, the Interested Major Unitholders have interest in the outcome of the Proposed Placement which may be different from the interest of other unitholders. Therefore, the Interested Major Unitholders shall abstain from voting in the resolutions relating to the Proposed Acquisition and the Proposed Placement in respect of their direct and/or indirect unitholdings in Sunway REIT at the Meeting to be convened. They have undertaken to ensure that persons connected with them will abstain from voting on the resolutions relating to the Proposed Acquisition and Proposed Placement in respect of their direct and/or indirect unitholdings (if any) in Sunway REIT at the Meeting to be convened.

12.2 Interested Directors

- (i) Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, AO is the Chairman and a Non-Independent Non-Executive Director of the Manager and a Director of SMCB as well as the Executive Chairman and a Non-Independent Executive Director of Sunway.
- (ii) Sarena Cheah Yean Tih is a Non-Independent Non-Executive Director of the Manager and is the Alternate Director to Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, AO, on the board of directors of SMCB as well as a Non-Independent Executive Director of Sunway.

(Collectively, the "Interested Directors")

Please refer to Section 12.1 of this Circular for the Interested Directors' unitholdings in Sunway REIT.

Accordingly, the Interested Directors are deemed interested in the Proposed Acquisition. As stated in Section 12.1 of this Circular, the Interested Major Unitholders have an interest in the outcome of the Proposed Placement which may be different from the interest of other unitholders. Hence, similarly the Interested Directors are also deemed to have an interest in the outcome of the Proposed Placement and have all abstained and will continue to abstain from Board deliberations and voting in respect of the Proposed Acquisition and the Proposed Placement. They will also abstain from voting on the resolutions relating to the Proposed Acquisition and the Proposed Placement in respect of their direct and/or indirect unitholdings in Sunway REIT at the Meeting to be convened.

Dato' Ngeow Voon Yean is a Non-Independent Non-Executive Director of the Manager who has an indirect interest of 70,000 units in Sunway REIT through his child. In the interest of good corporate governance, as he also sits on the Board of the Management Committee of Sunway and on the board of directors of certain subsidiaries of Sunway, he has opted to abstain and will continue to abstain from Board deliberations and voting in respect of the Proposed Acquisition and the Proposed Placement.

The Interested Directors and Dato' Ngeow Voon Yean have also undertaken to ensure that persons connected with them will abstain from voting on the resolutions relating to the Proposed Acquisition and the Proposed Placement in respect of their direct and/or indirect unitholdings (if any) in Sunway REIT at the Meeting.

12.3 Interested major shareholders of the Manager

As at the LPD, Sunway is the holding company of the Manager (wholly-owned). Sunway's direct and indirect interest in Sunway REIT is as set out in Section 12.1 above. Sunway has undertaken to ensure that persons connected with it will abstain from voting on the resolutions relating to the Proposed Acquisition and the Proposed Placement in respect of their direct and/or indirect unitholdings (if any) in Sunway REIT at the Meeting to be convened.

The table below sets out the shareholdings of the interested major shareholders of the Manager as at the LPD:

Name	<----- Direct ----->		<----- Indirect ----->	
	No. of units	%	No. of units	%
Sunway	1,000,000	100.00	-	-
Sungei Way	-	-	1,000,000	100.00 ^(a)
Puan Sri Datin Seri (Dr) Susan Cheah Seok Cheng	-	-	1,000,000	100.00 ^(a)
Active Equity	-	-	1,000,000	100.00 ^(b)
Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling, AO	-	-	1,000,000	100.00 ^(c)
Sarena Cheah Yean Tih	-	-	1,000,000	100.00 ^(c)
Evan Cheah Yean Shin	-	-	1,000,000	100.00 ^(c)

Notes:

^(a) Deemed interest by virtue of Section 6A of the Act held through Sunway.

^(b) Deemed interest by virtue of Section 6A of the Act held through Sungei Way and Sunway.

^(c) Deemed interest by virtue of Section 6A of the Act held through Active Equity, Sungei Way and Sunway.

13. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals (which is the subject of this Circular), the Manager has not announced any corporate exercise/scheme which has yet to be completed as at the LPD.

14. STATEMENT OF THE BOARD

The Board (save for the Interested Directors who are required to abstain from deliberating and voting on the Proposed Acquisition and the Proposed Placement), having considered the rationale and all aspects of the Proposals, and after careful deliberation, is of the opinion that the Proposals are in the best interests of Sunway REIT and its unitholders, and accordingly, recommends that you **vote in favour** of the resolutions pertaining to the Proposals to be tabled at the forthcoming Meeting.

15. ESTIMATED TIMEFRAME FOR COMPLETION

The tentative timetable for the Proposals is set out below:

	Indicative timing
Listing of the Placement Units	By March 2013
Completion of the Proposals	By March 2013

16. MEETING

The Meeting, the notice of which is enclosed in this Circular, will be held at Lagoon 3, Level 15, Sunway Resort Hotel & Spa, Persiaran Lagoon, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 18 December 2012 at 3.30 p.m. or at any adjournment thereof for the purpose of considering and if thought fit, passing the resolutions to give effect to the Proposals.

If you are unable to attend and vote in person at the Meeting, please complete, sign and send the enclosed Proxy Form in accordance with the instructions therein so as to be deposited at the Manager's registered office at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan, Malaysia, as soon as possible and in any event not less than 48 hours before the Meeting or at any adjournment thereof. The lodging of the Proxy Form will not preclude you from attending and voting in person at the Meeting should you subsequently wish to do so.

17. FURTHER INFORMATION

You are advised to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board
SUNWAY REIT MANAGEMENT SDN BHD

TAN SRI AHMAD BIN MOHD DON
Independent Non-Executive Director

VALUATION CERTIFICATE FOR THE SUNMED PROPERTY**Knight Frank****OSK Trustees Berhad**

As Trustee for Sunway Real Estate Investment Trust ("Sunway REIT")
6th Floor, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur

Date: 10 October 2012

Reference No.: V/12/0343/cgc

Dear Sir,

**VALUATION CERTIFICATE – SUNWAY MEDICAL CENTRE
(HEREINAFTER REFERRED TO AS THE "SUBJECT PROPERTY")**

We were instructed by OSK Trustees Berhad (As Trustee for Sunway REIT) to conduct a Valuation of the Subject Property and details of the Valuation are contained in our Valuation Report dated 3rd October 2012.

This Valuation Certificate is prepared for the purpose of inclusion in the circular to unitholders of Sunway REIT in relation to, *inter-alia*, the proposed acquisition of the Subject Property.

The Valuation was prepared in conformity with the Asset Valuation Guidelines issued by the Securities Commission and the Malaysian Valuation Standards published by the Board of Valuers, Appraisers and Estate Agents.

The basis of valuation adopted is the **Market Value** which is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing seller and a willing buyer in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

A brief description of the Subject Property is as attached overleaf.

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Ooi & Zaharin Sdn Bhd (Co. No. 585479-A)
Suite 9.01 9th Floor Menara IGB Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Malaysia
T + 603 228 99 688 F + 603 228 99 788 www.knightfrank.com

VALUATION CERTIFICATE FOR THE SUNMED PROPERTY (Cont'd)

Knight Frank



Sunway Medical Centre
No. 5, Jalan Lagoon Selatan, Bandar Sunway
46150 Petaling Jaya, Selangor Darul Ehsan

Reference No. : V/12/0343/cgc

IDENTIFICATION OF PROPERTY

Name and Address	Sunway Medical Centre, No. 5, Jalan Lagoon Selatan, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan.
Type of Property	A seven (7)-storey purpose-built hospital building with a lower ground floor annexed with a multi-storey car park block and a convention centre.
Title Particulars	The following table outlines the title particulars of the Subject Property.

Summary of Title Particulars

Lot Nos. :	Lot 38160 and Lot 45 held under Title Nos. Pajakan Negeri 12549 and Pajakan Negeri 12550 respectively, both within Town of Sunway, District of Petaling, Selangor Darul Ehsan.
Combined Land Area :	18,194 square metres (195,839 square feet).
Tenure :	Leasehold interest for a term of 99 years, expiring on 1 st April 2097 (remaining unexpired term of about 85 years), in respect of both titles.
Registered Proprietor :	Sunway Medical Centre Berhad, in respect of both titles.
Category of Land Use :	"Bangunan".
Express Condition :	"Bangunan Pemiagaan".
Restriction-In-Interest :	"Tanah yang diberi milik ini tidak boleh dipindah milik, dipajak atau digadai melainkan dengan kebenaran Pihak Berkuasa Negeri."
Encumbrances :	Charged thrice to HSBC Bank Malaysia Berhad vide Presentation Nos. 15984/2005, 18141/2007 and 96585/2010, registered on 21 st March 2005, 14 th March 2007 and 20 th September 2010 respectively, in respect of both titles.

VALUATION CERTIFICATE FOR THE SUNMED PROPERTY (Cont'd)

Knight Frank



Sunway Medical Centre
No. 5, Jalan Lagoon Selatan, Bandar Sunway
46150 Petaling Jaya, Selangor Darul Ehsan

Reference No. : V/12/0343/cgc

PROPERTY DESCRIPTION

Location

Sunway Medical Centre is strategically located within Bandar Sunway which forms part of a 324-hectare (800-acre) "Resort-within-a-City" integrated tourism development, the Sunway Resort City.

Bandar Sunway is located about 20 kilometres (12.43 miles) due south-west of the Kuala Lumpur city centre and is well connected to all parts of Klang Valley through major highways including the Federal Highway, Lebuhraya Damansara – Puchong (LDP), Lebuhraya Shah Alam (KESAS Highway), New Pantai Expressway (NPE), North-South Expressway Central Link (ELITE) and the New Klang Valley Expressway (NKVE).

Property Description

Sunway Medical Centre is sited on 2 contiguous parcels of land (Lot 38160 and Lot 45) when combined forms a rectangular shaped with a total surveyed land area of 18,194 square metres (195,839 square feet). Overall, the subject site is generally flat in terrain with its southern portion lies slightly above the frontage metalled road, Jalan Lagoon Selatan whilst the eastern and western boundaries of the site gently slope downward toward the northern site boundary.

The building is basically constructed of reinforced concrete frame with brick infills rendered externally and plastered internally supporting a reinforced concrete flat roof concealed behind parapet walls and partly laid with metal deck roofing sheets. The façade of the building is generally with combination of aluminium framed windows incorporating glass panels and plastered brickwalls.

We wish to draw attention that at the date of inspection, we note that the Magnetic Resonance Imaging (MRI) room located on the ground floor and the nursery ward located on the second floor of the building are undergoing upgrading works. To-date, we were made to understand that the upgrading of the MRI room is near completion whilst the nursery ward is expected to be completed by end of the year. Furthermore, the hydrotherapy pool area located on the ground floor of the building is closed for preparation of internal upgrading works. We were made to understand that the planning of the future usage of the area is still in progress.

Based on the hospital license bearing License No. 131005-00174-01/2011 issued by Ministry of Health (MOH), Malaysia, Sunway Medical Centre has a total licensed bed of 342 beds together with 18 cots, 23 basinets, 20 dialysis chairs ('kerusi dialisis') with one dialysis equipment / machine (mesin dialysis) and 5 leaning / recliner chairs ('kerusi sandar'). Type of facilities licensed to be provided includes:-

- 8 operating theatres
- 9 labour / delivery suites
- 10 ICU beds
- 6 CCU beds
- 10 HDU beds
- 2 PICU beds
- 3 NICU cots
- CSSD
- Nursery

VALUATION CERTIFICATE FOR THE SUNMED PROPERTY (Cont'd)



Sunway Medical Centre
 No. 5, Jalan Lagoon Selatan, Bandar Sunway
 46150 Petaling Jaya, Selangor Darul Ehsan

Reference No. : V/12/0343/cgc

PROPERTY DESCRIPTION (CONT'D)

Property (Cont'd) **Description.** At the date of inspection, we note that Sunway Medical Centre accommodates 8 operational operating theatres with additional 4 operating theatres which are currently not in operation. We were verbally informed by Sunway Medical Centre Berhad that an application letter dated 24th August 2012 has been submitted to MOH for approval to operate an additional 2 operating theatres. A site inspection for approval will be conducted by MOH within a month from the date of inspection.

Additional improvements within Sunway Medical Centre which does not form part of the delineated areas in the Approved Building Plans include seven (7) additional consultant suites and 3 car parking bays located at the lower ground floor that had been enclosed and renovated to accommodate a storage area. We were made to understand by Sunway Medical Centre Berhad that necessary action will be taken to remedy the above by either obtaining the necessary approvals or restoring the property to its original approved state.

Sunway Medical Centre further accommodates a multi-purpose convention centre known as the Swan Convention Centre with the capacity to host up to 500 guests. The Swan Convention Centre is equipped with audio-visual linkages with two of the operating theatres to enable live telecasts of surgical procedures.

Licensed Beds

342 beds of which 305 beds are activated and operational.

Gross Floor Area (including car park area)

70,821.80 square metres (762,043 square feet).
 * Based on Approved Building Plans conversion rate of 1 square metre : 10.76 square feet.

Gross Floor Area (excluding car park area)

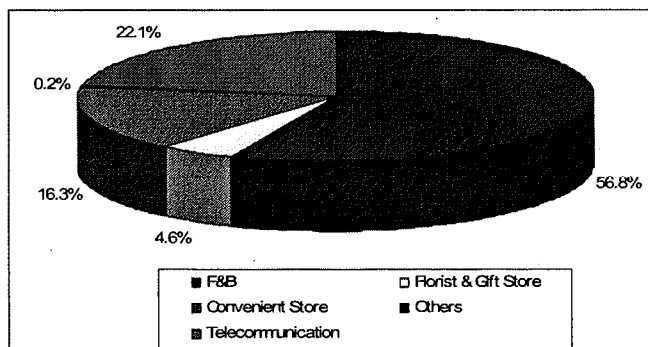
50,646.80 square metres (544,960 square feet).
 * Based on Approved Building Plans conversion rate of 1 square metre : 10.76 square feet.

Occupancy Status

The Subject Property is currently occupied and operating as a hospital.

Tenancy Profile

Sunway Medical Centre is currently occupied and operated by Sunway Medical Centre Berhad; together with various sub-tenants operating as food and beverage outlets, florist and gift store, convenient store, telecommunication and others. The above tenancies have generally been agreed based on base rental and / or sales turn over for 2-year or 3-year term, with an option to renew thereafter. Brief composition of sub-tenants by trade sector are tabulated as follows:-



VALUATION CERTIFICATE FOR THE SUNMED PROPERTY (Cont'd)

Knight Frank



Sunway Medical Centre
No. 5, Jalan Lagoon Selatan, Bandar Sunway
46150 Petaling Jaya, Selangor Darul Ehsan

Reference No. : V/12/0343/cgc

PROPERTY DESCRIPTION (CONT'D)

Nos. of Car Park 675 bays.


Planning Approvals The Subject Property is designated for commercial use as expressly stipulated in the title documents.

Sunway Medical Centre has been issued with two Certificates of Fitness for Occupation bearing Certificate No. MPSJ.S.BGN-15-A 11346 dated 11th September 2001 for Hospital Tower (Phase 1) and Certificate No. MPSJ.S.BGN-01-B 40151 dated 3rd November 2009 for East Wing, West Wing and the multi-storey car park block (Phase 2), both issued by the Majlis Perbandaran Subang Jaya.

Property Performance Attached overleaf is a table outlining the historical operating performance (extracted from the unaudited management accounts) of the Subject Property for the financial year ended (FYE) 31st December 2009 to 31st July 2012 together with a 10-Year Forecast furnished to us by Sunway Medical Centre Berhad.

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VALUATION CERTIFICATE FOR THE SUNMED PROPERTY (Cont'd)



Sunway Medical Centre
No. 5, Jalan Lagoon Selatan, Bandar Sunway
46150 Petaling Jaya, Selangor Darul Ehsan

Reference No. : V/12/0343/cgc

PROPERTY DESCRIPTION (CONT'D)

Historical Operating Performance, Sunway Medical Centre, FYE 31st December 2009-31st July 2012 (Extracted from the Unaudited Management Accounts) Together With A 10-Year Forecast

	FYE 31 st December 2009	FYE 31 st December 2010	FYE 31 st December 2011	1 st January 2012 - 31 st July 2012 (7 months)	10-Year Forecast			
					FYE 2012	FYE 2013	FYE 2014	FYE 2015
Admission (In-Patient)	27,800	30,672	30,255	18,831	34,983	36,557	38,202	39,921
Patient Day	54,290	60,748	62,055	39,142	71,443	74,454	77,805	81,306
Occupancy	65%	57%	56%	60%	64%	67%	70%	68%
Average Bed Activated	228	289	305	305	305	305	305	330
** Revenue (Patient Related Revenue)	RM124,164,000	RM144,647,522	RM160,583,190	RM104,451,588	RM185,000,000	RM203,500,000	RM223,850,000	RM235,042,500
COGS (Cost of Good Sales)	RM45,211,000	RM52,921,769	RM57,440,748	RM37,193,121	RM66,600,000	RM73,260,000	RM80,586,000	RM84,615,300
Gross Profit	RM78,953,000	RM91,725,753	RM103,142,442	RM67,258,467	RM118,400,000	RM130,240,000	RM143,264,000	RM150,427,200
*** Other Income	RM5,078,000	RM5,596,358	RM5,758,688	RM3,488,147	RM6,000,000	RM6,600,000	RM7,260,000	RM8,000,000
Less:-								
Payroll	RM53,698,000	RM57,025,526	RM60,844,653	RM37,536,855	RM66,600,000	RM73,260,000	RM80,586,000	RM84,615,300
Maintenance	RM6,106,000	RM7,035,331	RM8,222,259	RM6,681,304	RM11,100,000	RM10,175,000	RM11,192,500	RM11,752,125
Utilities	RM5,014,000	RM5,134,058	RM5,536,190	RM3,260,748	RM5,550,000	RM6,105,000	RM6,715,500	RM7,051,275
**** Administrative Expenses	**** RM9,055,000	RM7,450,278	RM7,963,205	RM4,019,987	RM7,850,000	RM8,635,000	RM9,498,500	RM10,350,425
Selling & Marketing	RM693,000	RM666,807	RM745,816	RM168,792	RM1,850,000	RM2,035,000	RM2,238,500	RM2,350,425
* EBITDA (Earning before Interest, Tax, Depreciation & Amortization)	RM9,465,000	RM20,010,111	RM25,589,007	RM19,078,928	RM31,450,000	RM36,630,000	RM40,293,000	RM42,307,650

Note: * EBITDA is subject to provision for annual capital expenditure (CAPEX). Provision of CAPEX is essential in order to maintain the Property at a reasonable condition and to keep up with its current competition level in the market. We were made to understand that the projected provision of CAPEX is based on 8% of projected Revenue.


** The revenue is inclusive of discounts given to the patients.

*** Other income includes non hospital revenue [general / clinic / retail rental income, rental from Swan Convention Centre, telephone, food & beverage (F&B), housekeeping and consultant administrative fees] and gain on assets disposal.

**** Administrative expenses amongst others include expenses relating to quit rent, assessment and fire insurance; excluding the Extraordinary fees paid amounting to RM889,486 (FYE 2010), RM2,796,361 (FYE 2011) and RM2,056,000 (FYE July 2012)

***** Administrative Expenses in year 2009 are inclusive of Extraordinary fees

VALUATION CERTIFICATE FOR THE SUNMED PROPERTY (Cont'd)



Sunway Medical Centre
No. 5, Jalan Lagoon Selatan, Bandar Sunway
46150 Petaling Jaya, Selangor Darul Ehsan
Reference No. : V/12/0343/ogc

PROPERTY DESCRIPTION (CONT'D)

Historical Operating Performance, Sunway Medical Centre, FYE 31st December 2009-31st July 2012 (Extracted from the Unaudited Management Accounts) Together With A 10-Year Forecast (Cont'd)

	10-Year Forecast					
	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020	FYE 2021
Admission (In-Patient)	41,718	43,595	45,557	47,607	49,749	51,988
Patient Day	85,197	89,031	93,037	97,224	101,599	106,171
Occupancy	71%	74%	73%	76%	79%	83%
Average Bed Activated	330	330	350	350	350	350
** Revenue (Patient Related Revenue)	RM246,794,625	RM259,134,356	RM272,091,074	RM285,695,628	RM299,980,409	RM314,979,430
COGS (Cost of Good Sales)	RM88,846,065	RM93,288,368	RM97,952,787	RM102,850,426	RM107,992,947	RM113,392,595
Gross Profit	RM157,948,560	RM165,845,988	RM174,138,287	RM182,845,202	RM191,987,462	RM201,586,835
*** Other Income	RM8,400,000	RM8,820,000	RM9,261,000	RM9,724,050	RM10,210,253	RM10,720,765
Less:-						
Payroll	RM88,846,065	RM93,288,368	RM97,952,787	RM102,850,426	RM107,992,947	RM113,392,595
Maintenance	RM12,339,731	RM12,956,718	RM13,604,554	RM14,284,781	RM14,999,020	RM15,748,971
Utilities	RM7,403,839	RM7,774,031	RM8,162,732	RM8,570,869	RM8,999,412	RM9,449,383
**** Administrative Expenses	RM10,867,946	RM11,411,344	RM11,981,911	RM12,581,006	RM13,210,057	RM13,870,559
Selling & Marketing	RM2,467,946	RM2,591,343	RM2,720,911	RM2,856,956	RM2,999,804	RM3,149,794
* EBITDA (Earning before Interest, Tax, Depreciation & Amortization)	RM44,423,033	RM46,644,184	RM48,976,392	RM51,425,214	RM53,996,475	RM56,696,298

Note: * EBITDA is subject to provision for annual capital expenditure (CAPEX). Provision of CAPEX is essential in order to maintain the Property at a reasonable condition and to keep up with its current competition level in the market. We were made to understand that the projected provision of CAPEX is based on 8% of projected Revenue.

** The revenue is inclusive of discounts given to the patients.

*** Other income includes non hospital revenue (general / clinic / retail rental income, rental from Swan Convention Centre, telephone, food & beverage (F&B), housekeeping and consultant administrative fees) and gain on assets disposal.

**** Administrative expenses amongst others include expenses relating to quit rent, assessment and fire insurance; excluding the Extraordinary fees paid amounting to RM889,486 (FYE 2010), RM2,796,361 (FYE 2011) and RM2,056,000 (FYE July 2012).

VALUATION CERTIFICATE FOR THE SUNMED PROPERTY (Cont'd)

Knight Frank



Sunway Medical Centre
No. 5, Jalan Lagoon Selatan, Bandar Sunway
46150 Petaling Jaya, Selangor Darul Ehsan

Reference No. : V/12/0343/cgc

PROPERTY DESCRIPTION (CONT'D)

Hospital Master Lease Agreement

Pursuant to a proposed Master Lease Agreement ("Agreement") made between OSK Trustees Berhad (as Trustee for Sunway REIT) ('Lessor'), Sunway REIT Management Sdn Bhd ('Manager') and Sunway Medical Centre Berhad ('Lessee'), we note that the salient terms and conditions of the Agreement are stated here below:-

- a) By a Sale and Purchase Agreement dated 9 October 2012 ("**Sale and Purchase Agreement**"), made between the Lessor as the purchaser and the Lessee as the vendor, the Lessor has agreed to purchase and the Lessee has agreed to sell the Property (as hereinafter defined) together with the P&M (as hereinafter defined) and the Fixtures & Fittings (as hereinafter defined) upon the terms and conditions therein stated.
- b) It is a condition to the Sale and Purchase Agreement that the Lessor grants to the Lessee and the Lessee takes on a lease of the Property together with the Fixtures & Fittings and P&M for the Term (as hereinafter defined) at the Rent (as hereinafter defined) and on the terms and conditions of this Agreement.

The Property is defined as a seven (7)-storey purpose-built hospital building with a lower ground floor annexed with a multi-storey car park block and a convention centre, with gross floor area of 70,821.80 square metres, bearing postal address No. 5, Jalan Lagoon Selatan, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan.

- Fixtures & Fittings means all fixtures and fittings fixed to or located or used in the Property as at the date of this Agreement and the Completion Date, excluding the P&M.
- P&M means the services infrastructure, the property systems and facilities (including without limitation, safety, heating, lighting, plumbing, sanitation, air conditioning, ventilation, fire protection safety facilities, elevators, escalators and broadband computer system) (if any, which includes the Lessor's other fixtures not specifically set out therein) as at the date of this Agreement and the Completion Date.
- The Fixtures & Fittings and P&M which is located in the Property at the Commencement Date will at all times remain the property of the Lessor. Should any of such Fixtures & Fittings and / or P&M (which belongs to the Lessor) be disposed of by the Lessee with the prior written consent of the Lessor, the proceeds from such disposal must be paid to the Lessor. All other items of Fixtures & Fittings and P&M which are brought onto the Property by the Lessee or which are replaced by the Lessee during the Term, will be the property of the Lessee.

There is a fixed term / period ("Principal Lease Period") as the term of the lease and annual rental sum payable by the Lessee to the Lessor in 12 equal instalments on monthly basis. The rent for the Principal Lease Period is:-

Year	Rent (RM)
1 (commencing from the Commencement Date)	19,000,000.00
2	19,665,000.00
3	20,353,275.00
4	21,065,639.60
5	21,802,937.00
6	22,566,039.80
7	23,355,851.20
8	24,173,306.00
9	25,019,371.70
10 (ending on the Expiry Date)	25,895,049.70

VALUATION CERTIFICATE FOR THE SUNMED PROPERTY (Cont'd)**Knight Frank**

Sunway Medical Centre
 No. 5, Jalan Lagoon Selatan, Bandar Sunway
 46150 Petaling Jaya, Selangor Darul Ehsan

Reference No. : V/12/0343/cgc

PROPERTY DESCRIPTION (CONT'D)

Notwithstanding any other provision hereof, the parties agree that if the Lessor carries out any Works [any and all construction, engineering and other works in or to the Property and the P&M which has / have an impact on the Building's structure or main mechanical and electrical (M&E) system / works] at its own cost and expense subject to such Works being mutually agreed upon by the parties and such Works are of the nature and extent that will result in the increase in the Rent, then the parties shall agree on the additional Rent payable by the Lessee based on the rate attributed to the Works.

There is an option to renew for one (1) further term of 10 years ("Secondary Lease Period") commencing from the expiry of the Principal Lease Period on the same terms and conditions except that

- i) The new lease includes any variations made to the Agreement during the Term;
- ii) The new lease includes any term which the Lessor reasonably requires due to any change of law;
- iii) Save for the fixed renewal options provided for in Clause 18, the new tenancy shall not include any further option to renew right or provision; and
- iv) Where the rent is varied during the Secondary Lease Period, the security deposit and the utilities deposit shall accordingly be adjusted based on the applicable rent payable for the first twelve months of the Secondary Lease period and the Lessee shall pay to the Lessor such shortfall prior to the commencement of such term to maintain the amount of security deposit and the utilities deposit required throughout the Secondary Lease Period.

The new rental for the Secondary Lease Period shall have been agreed between the Lessor and the Lessee before the commencement of the Secondary Lease Period based on the prevailing market rate. If the parties are unable to agree on the new rental before the expiry of one month prior the date of expiration of the Principal Lease Period, the rental for first twelve months of the Secondary Lease Period shall be the same amount of the rent for the last year of the Principal Lease Period and the parties shall use their best efforts during this twelve-month period to agree on the rental for the remaining period of the Secondary Lease Period.

Lessor's Main Covenants / Obligations / Rights:-

- i) To allow the Lessee to have quiet enjoyment;
- ii) To give the Lessee a minimum 7 days' notice to enter the Property at all reasonable times for inspections / visits;
- iii) May dedicate any part of the Building(s) or grant an easement or any other right over the Building(s) without the Lessee's consent provided that it does not adversely affect the Lessee's rights under this Agreement;
- iv) If someone else becomes entitled to receive the rent under an assignment of this Agreement by the Lessor, that person may exercise all the Lessor's right under this Agreement and the Lessee must enter into any deed reasonably required by the Lessor, at the Lessor's cost;
- v) To perform Lessee's obligations on rectifying the default if the Lessor acting reasonably determines that the Lessee has not done or considers has delayed doing or not done properly within the time frame stipulated in the written notice and the Lessee must reimburse the Lessor on written demand for the reasonable required costs and expenses incurred by the Lessor in this regard; and
- vi) To maintain and keep the entire structure and exterior of the Building and all additions thereto in good tenable repair and condition.

VALUATION CERTIFICATE FOR THE SUNMED PROPERTY (Cont'd)**Knight Frank**

Sunway Medical Centre
 No. 5, Jalan Lagoon Selatan, Bandar Sunway
 46150 Petaling Jaya, Selangor Darul Ehsan

Reference No. : V/12/0343/cgc

PROPERTY DESCRIPTION (CONT'D)**Lessee's Main Covenants / Obligations:-**

- i) To pay the Rent by monthly payments;
- ii) To pay the outgoings for each year as they become payable directly to the appropriate authorities or body levying and obtain supply of electricity, gas, telecommunications and other services from a licensed retailer of utilities;
- iii) To pay service tax and consumption tax (good and services tax, value added tax, consumption tax or any similar tax);
- iv) To carry on business all the times during the Term in accordance with the Permitted Use and comply with applicable laws;
- v) Must not do anything which could prejudice the Lessor's interest in the Property;
- vi) To obtain Lessor's prior notification in service installations; prior written consent in heavy and noisy equipment installations; prior written notification in signs installations and prior written notice in sub-letting the possession or use of the Property;
- vii) To keep the Property, Fixtures & Fittings and P&M in good and substantial condition and repair and in working order;
- viii) To repair, maintain, replace, restore to condition for business, decorate and clean the Property, Fixtures & Fittings and P&M in a proper tradesmanlike manner, do pest control, remove waste, keep and maintain drainage system in the building, keep in good condition any part of the Property which are landscaped;
- ix) To make any alterations to the Property which alterations are of a type of or nature consistent with the requirements of the Business and ensure that the works to be carried out in proper and tradesmanlike manner using quality materials and workmanship;
- x) (inclusive of sub-tenant(s) or sub-lessee(s)) Must obtain and maintain all the business licences required by law or any appropriate authorities in order to carry out the Lessee's obligations under this Agreement and the permitted use in the Property and operate the Business from the Property;
- xi) To take out and maintain insurance policies including public liability insurances, worker's compensation, contract works insurances, property, fixtures & fittings and P&M insurances and Property's insurance with licensed insurance companies;
- xii) Must not assign or novate this Agreement, part with or share possession of the Property, dispose of, deal with or assign its estate or interest in the Property or its rights and powers as the Lessee under this Agreement, grant any sublease, license, franchise or concession affecting the Property or mortgage, charge or otherwise deal with the Lessee's interest in the property without the Lessor's express written consent; and
- xiii) Must not, without the Lessor's prior written consent (such consent not to be unreasonably withheld, conditioned or delayed) and the authorisation of all appropriate authorities, erect or place on the exterior of the Property any pole, mast, wire antenna or other device whether in connection with telegraphic, telephonic, radio, television communication or any telecommunication to the Property or otherwise.

VALUATION CERTIFICATE FOR THE SUNMED PROPERTY (Cont'd)

Knight Frank



Sunway Medical Centre
No. 5, Jalan Lagoon Selatan, Bandar Sunway
46150 Petaling Jaya, Selangor Darul Ehsan

Reference No. : V/12/0343/cgc

MARKET VALUE

Date of Valuation

27th August 2012.

Valuation Methodology

For the purpose of this valuation, we have adopted the Investment and Comparison Methods of Valuation.

Investment Method

This approach considers income and expense data relating to the Subject Property being valued and estimates value through a capitalization process. Capitalization relates income (usually a net income figure) and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships (known as *capitalization rates*), *yield* or *discount rates* (reflecting measures of return on investment), or both. In general, the principle of substitution holds that the income stream which produces the highest return commensurate with a given level of risk leads to the most probable value figure.

Comparison Method

This approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison. In general, a property being valued (Subject Property) is compared with sales of similar properties that have been transacted in the open market. Listings and offerings may also be considered.

Investment Method of Valuation

Rental Rate

In undertaking our assessment of value under the capitalisation approach, we have adopted the proposed rental structure of the fixed 10-year lease with a compounding 3.5% increment from the previous year as stated in the proposed Master Lease Agreement made between OSK Trustees Berhad (as Trustee for Sunway REIT) ('the Lessor'), Sunway REIT Management Sdn Bhd ('the Manager') and Sunway Medical Centre Berhad ('the Lessee') as a means of deriving the income and value for the Subject Property under the current term.

Summary of Parameters

Term (Rental)	Year	Value (RM)
	1	19,000,000.00
	2	19,665,000.00
	3	20,353,275.00
	4	21,065,639.60
	5	21,802,937.00
	6	22,566,039.80
	7	23,355,851.20
	8	24,173,306.00
	9	25,019,371.70
	10	25,895,049.70

VALUATION CERTIFICATE FOR THE SUNMED PROPERTY (Cont'd)

Knight Frank



Sunway Medical Centre
No. 5, Jalan Lagoon Selatan, Bandar Sunway
46150 Petaling Jaya, Selangor Darul Ehsan

Reference No. : V/12/0343/cgc

MARKET VALUE (CONT'D)

Investment Method of Valuation (Cont'd)

Summary of Parameters (Cont'd)

Reversionary (Rental)	:	RM3.00 per square foot per month [based on the gross floor area (excluding car park area)]
Allowance for Outgoings	:	Based on triple net basis whereby the Lessee will undertake to pay all cost of outgoings
Void	:	3%
Capitalisation Rate	:	6.25% - 6.75% (current term) 6.50 % (reversionary term)
Present Value	:	6.25% - 6.75%

Our assessment of the market rental of the Subject Property under the reversionary term is based on market rental payable for other hospital buildings; amongst others noted are KPJ Ampang Puteri Specialist Hospital at RM2.51 per square foot per month, KPJ Damansara Specialist Hospital at RM2.04 per square foot per month and Bandar Baru Klang Specialist Hospital (now known as KPJ Klang Specialist Hospital) at RM2.54 per square foot per month. Our further investigation revealed that the above rental payable is based on gross and / or single net basis whereby the Landlord is responsible for expenses including quit rent, assessment and fire insurance.

From our analysis, the derived adjusted rental rate is in the range of RM2.32 per square foot per month to RM3.46 per square foot per month after having made diligent adjustments for prevailing market condition and differences including location / catchment area, accessibility, integrated development, building condition / design / age / quality, medical facilities / services, occupancy and other factors.

We have further noted that the average rental of the first three (3)-year term under the Master Lease Agreement (Year 1: RM19,000,000; Year 2: RM19,665,000; Year 3: RM20,353,275) (average of RM3.01 per square foot per month) is reflective of the market rental.

We have thus adopted the market rental of RM3.00 per square foot per month before void under the reversionary period as a fair representation.

Allowance for Outgoings

Based on the proposed Master Lease Agreement made between OSK Trustees Berhad (as Trustee for Sunway REIT) ('the Lessor'), Sunway REIT Management Sdn Bhd ('the Manager') and Sunway Medical Centre Berhad ('the Lessee'), we note that the annual rental payable to the Lessor is based on triple net basis whereby the Lessee will undertake to pay all cost of outgoings which include rate and levies, taxes, insurance premium, cleaning, service maintenance and repair, maintenance and repair, management and administration, security, pest control, compliance cost, lighting, gardening and landscape and car park.

VALUATION CERTIFICATE FOR THE SUNMED PROPERTY (Cont'd)

Knight Frank



Sunway Medical Centre
No. 5, Jalan Lagoon Selatan, Bandar Sunway
46150 Petaling Jaya, Selangor Darul Ehsan

Reference No. : V/12/0343/cgc

MARKET VALUE (CONT'D)

Investment Method of Valuation (Cont'd)

Void

Since the Subject Property enjoys almost 100% occupancy rate with a single and reputable operator, henceforth, under the reversionary period, we have allocated 3% of the annual rental for voids, vacancy periods between rent reviews which include the rent free and fitting out periods as a fair representation.

Yield

Our investigation have revealed that similar income generating asset classes such as (current) shopping centres ranges from about 5.30% to 7.00%, office buildings hovering at the region of about 5.20% to 6.80% and hotels since Year 2005 are ranging from about 6.20% to 7.00%, depending on location, tenure, building condition and other factors.

From our yield analysis, we have noted the yields of hospital buildings in Klang Valley reflecting current market conditions are in the region of about 5.98% to 6.81%.

We have thus adopted a yield of 6.25 % - 6.75% under current term (a range of yields are used to reflect whether the current terms are under or over rent) and 6.50% for the reversionary period to be fair and reflective of current market condition.

Comparison Method of Valuation

We have identified and analyzed the selected transacted private hospitals in Klang Valley and have summarized the details and our valuation approach in the following table. In our analysis and comparison, we have adopted the transactions of KPJ Ampang Puteri Specialist Hospital, KPJ Damansara Specialist Hospital and Bandar Baru Klang Specialist Hospital (now known as KPJ Klang Specialist Hospital).

Sales Comparison and Analysis of Private Hospitals in Klang Valley

	Comparable 1	Comparable 2	Comparable 3
Property	KPJ Ampang Puteri Specialist Hospital, No. 1, Jalan Mamanda 9, Taman Dato' Ahmad Razali, 68000 Ampang, Selangor Darul Ehsan.	KPJ Damansara Specialist Hospital, No. 119, Jalan SS 20/10, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan.	Bandar Baru Klang Specialist Hospital (now known as KPJ Klang Specialist Hospital), No. 102, Persiaran Rajawali/KU 1, Bandar Baru Klang, 41150 Klang, Selangor Darul Ehsan.
Type of Property	A purpose built private specialist hospital with a lower ground floor (comprising six (6) storey main building/wards with a lower ground floor and a four (4) storey annexe block specialists' centre)	A six (6) storey purpose built hospital building with a basement level (inclusive of approximately one and half (1½) levels of shell floors) together with open car parks	Newly completed six (6)-storey purpose built private specialist hospital building with two (2) levels of basement car park
Tenure	Leasehold interest for a term of 99 years, expiring on 17 th April 2089	Interest in perpetuity	Leasehold interest for a term of 99 years, expiring on 18 th May 2093
Date of Transaction	30 th June 2006	30 th June 2006	6 th June 2012

VALUATION CERTIFICATE FOR THE SUNMED PROPERTY (Cont'd)

Knight Frank



Sunway Medical Centre
No. 5, Jalan Lagoon Selatan, Bandar Sunway
46150 Petaling Jaya, Selangor Darul Ehsan

Reference No. : V/12/0343/cgc

MARKET VALUE (CONT'D)

Land Area	233,188 sf	179,860 sf	117,391 sf
Gross Floor Area (Including car park area)	423,675 sf	445,131 sf	348,846 sf
Gross Floor Area (Excluding car park area)	296,573 sf	311,592 sf	244,193 sf
No. of beds	230 beds	155 beds	193 beds
Consideration	RM120,000,000	RM105,000,000	RM 93,000,000
Vendor	Puteri Specialist Hospital Sdn Bhd & Johor Corporation	Damansara Specialist Hospital Sdn. Bhd.	Bandar Baru Klang Specialist Hospital Sdn. Bhd.
Purchaser	Amanah Raya Berhad (Trustee for Al-Aqar KPJ REIT)	Amanah Raya Berhad (Trustee for Al-Aqar KPJ REIT)	AmInvestment Bank (Trustee for Al-Aqar KPJ REIT)
Source	Bursa Malaysia Securities Bhd	Bursa Malaysia Securities Bhd	Bursa Malaysia Securities Bhd
Remarks	Master Lease: The lease shall be for a period of fifteen (15) years, with an option to renew for another fifteen (15) years. Lease rental (fixed and/or variable rent) shall be reviewed every three (3) years.	Master Lease: The lease shall be for a period of fifteen (15) years, with an option to renew for another fifteen (15) years. Lease rental (fixed and/or variable rent) shall be reviewed every three (3) years.	30.04.2010 - To acquire at RM 85,000,000. 30.04.2012 - Enter into a supplemental Sale and Purchase Agreement 06.06.2012 - Exchanged letters to agree on the revised purchase price of RM93,000,000. Master Lease: The lease shall be for a period of fifteen (15) years, with an option to renew for another fifteen (15) years. Lease rental shall be reviewed every three (3) years of the Commencement Date throughout the contractual term up to a maximum of fifteen (15)-year. Proposed gross rental at 8.01%, 8.12% and 8.23% for 1st, 2nd and 3rd year respectively of the purchase consideration.
Analysis	RM521,739 per bed	RM677,419 per bed	RM481,865 per bed
Adjustments	Upwards adjustments are made in terms of time, location / catchment area, integrated development, building condition / design / age / quality, medical facilities / services and car park ratio / provision.	Upwards adjustments are made in terms of time, integrated development, building condition / design / age / quality, medical facilities / services and car park ratio / provision. Downward adjustments are made for location / catchment area, occupancy and tenure.	Upwards adjustments are made in terms of location / catchment area, accessibility, integrated development, medical facilities / services, occupancy and car park ratio / provision.
Effective Adjusted Value	RM907,826 per bed	RM934,839 per bed	RM795,078 per bed

VALUATION CERTIFICATE FOR THE SUNMED PROPERTY (Cont'd)

Knight Frank



Sunway Medical Centre
No. 5, Jalan Lagoon Selatan, Bandar Sunway
46150 Petaling Jaya, Selangor Darul Ehsan

Reference No. : V/12/0343/cgc

MARKET VALUE (CONT'D)

Valuation Rational

From the adjusted values, we note that the value is derived ranged between RM795,078 per bed to RM934,839 per bed.

In reconciling our opinion of Market Value, we have placed greater emphasis on Comparable 1 (KPJ Ampang Puteri Specialist Hospital) as it has significant similarities as the Subject Property in terms of accessibility, occupancy, hospital operator, tenure and the availability of master lease.

Having regard to the foregoing, we have adopted the analysed value of about RM907,895 per bed in our valuation as a fair presentation which translates to a Market Value of RM310,500,000.

Reconciliation of Values

Method of Valuation	Derivation of Values
Investment Method	RM310,000,000
Comparison Method	RM310,500,000

Taking into consideration that the Subject Property is a commercial and income generating property, we have adopted the Market Value as derived from the Investment Method of Valuation as a fair representation of the Subject Property supported by the Market Value derived from the Comparison Method.

In a valuation of a homogeneous real estate such as vacant lands and residential homes, the Comparison Method is the most appropriate method of valuation as there are less adjustments and analysis on comparables. However, in the case of more complex real estate such as shopping complexes, office buildings and other income generating or investment properties, qualitative and quantitative adjustments are more difficult to compute or gauge to reflect the differences of the comparables and the property being valued. Therefore, we have considered the Investment Method as the most reliable and appropriate method of valuation in our final opinion of Market Value of the Subject Property.

We wish to draw attention that the titles to the Subject Property carry a restriction in interest which stipulates that "Tanah yang diberi milik ini tidak boleh dipindah milik, dipajak atau digadai melainkan dengan kebenaran Pihak Berkuasa Negeri". In this regard, our valuation is on the basis that written consent from the State Authority in respect of the aforesaid restriction in interest will not be unreasonably withheld.

Having regard to the foregoing, our opinion of the **Market Value** of the unexpired 99-year leasehold interest (remaining unexpired term of about 85 years) in the Subject Property, with certificates of fitness for occupation issued and subject to the titles being free from all encumbrances (including the existing charges to HSBC Bank Malaysia Berhad), good, marketable and registrable, as at 27th August 2012 is **RM310,000,000 (Ringgit Malaysia Three Hundred And Ten Million Only)**.

For and on behalf of
KNIGHT FRANK

Ooi Yew Hock
Registered Valuer, V-273
FRISM, MRICS

Date: 3rd October 2012

VALUATION CERTIFICATE FOR THE SUNMED PROPERTY (Cont'd)

Knight Frank



GENERAL PRINCIPLES ADOPTED AND LIMITING CONDITIONS IN THE PREPARATION OF VALUATION REPORTS

These are the general principles and limiting conditions upon which our Valuation Reports are normally prepared; they apply unless we have specifically mentioned otherwise in the body of the report.

1) MALAYSIAN VALUATION STANDARDS

The Valuation Report is carried out in accordance with the Manual of Valuation Standards published by the Board of Valuers, Appraisers and Estate Agents.

Where applicable, we have also made reference to other established valuation manuals and standards such as the International Valuation Standards (IVS) and the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual.

2) CONFIDENTIALITY

Our Valuation Report is confidential to the client or to whom it is addressed and for the specific purpose to which it refers. It may only be disclosed to other professional advisors assisting the client in respect of that purpose, but the client shall not disclose the report to any other party. Accordingly, our Valuation Report is to be relied on by the client and no other party. No responsibility is accepted to any other party and neither the whole, nor any part, nor reference thereto may be included in any published document, statement or circular, or published in any way, nor in any communication with third parties, without our prior written approval of the form and context in which it will appear. We shall bear no responsibility nor be held liable to any party in any manner whatsoever in the event of any unauthorised publication of our Valuation Report, whether in part or in whole.

3) USE OF REPORT

The opinion of value expressed in this Report is addressed to the client only and shall be used for the purpose stated or intended in this Report only. We are not responsible for any consequences arising from the Valuation Report being relied upon by any other party whatsoever or for any information therein being quoted out of context. You may not otherwise reproduce, distribute, transmit, post or disclose the content of the Report without our prior written consent.

4) SOURCE OF INFORMATION

Where it is stated in the Report that information has been supplied by the sources listed, this information is believed to be reliable and no responsibility is accepted should it prove not to be so nor warranty of any kind, be it express or implied, is intended. All other information stated without being attributed directly to another party is obtained from our searches of records, examination of documents or enquiries with the relevant authorities. This Report has been prepared on the basis that full disclosure of all information and facts which may affect the Valuation have been made known to ourselves and we cannot accept any liability or responsibility in any event, unless such full disclosure has been made to us.

5) LEGAL TITLE

Whenever possible, a private title search is conducted at the relevant Land Registry/Office but this is done to establish title particulars relevant to valuation only. Whilst we may have inspected the title of the property as recorded in the Register Document of Title, we cannot accept any responsibility for its legal validity or as to the accuracy and timeliness of the information extracted or obtained from the relevant Land Registry/Office.

6) TOWN PLANNING AND OTHER STATUTORY REGULATIONS

Information on Town Planning is obtained from the Structure Plan, Local Plan and Development Plans published by the relevant Authority. Whilst we may make verbal enquiries, we do not normally carry out requisitions with the various public authorities to confirm that the property is not adversely affected by any public schemes such as road and drainage improvements. If reassurance is required, we recommend that verification be obtained from your lawyers or other professional advisors.

Our Valuation is prepared on the basis that the premises and any improvements thereon comply with all relevant statutory regulations. It is assumed that they have been, or will be issued with a Certificate of Fitness for Occupation by the competent authority.

7) LEASES AND TENANCIES

Enquiries as to the financial standing of actual or prospective lessees or tenants are not normally made unless specifically requested. Where properties are valued with the benefit of lettings, it is therefore assumed that the lessees or tenants are capable of meeting their obligations under the lease or tenancy and that there are no arrears of rent or undisclosed breaches of covenants and/or warranties.

VALUATION CERTIFICATE FOR THE SUNMED PROPERTY (Cont'd)

Knight Frank



8) DEVELOPMENT AGREEMENTS

Unless otherwise stated, no allowances are made in our valuation for any joint venture agreement, development right agreement or other similar contracts.

9) MEASUREMENTS

All measurements are carried out in accordance with the Uniform Method of Measurement of Buildings issued by The Royal Institution of Surveyors, Malaysia.

10) SITE SURVEYS

We have not conducted any boundary checks; however, we assume that the dimensions correspond with those shown in the title document, certified plan or any relevant agreement.

11) STRUCTURAL SURVEYS

We have not carried out a building survey nor any testing of services, nor have we inspected those parts of the property which are inaccessible. We cannot express an opinion about or advise upon the condition of uninspected parts and this Report should not be taken as making any implied representation or statement about such parts. Whilst any defects or items of disrepair may be noted during the course of inspection, we are not able to give any assurance in respect of any rot, termite or pest infestation or other hidden defects.

12) SITE CONDITIONS

We do not carry out investigations on the property or neighbouring land (including the past and present uses) in order to determine the suitability of the ground conditions (including contamination or potential for contamination) and services for the existing or any new development, nor have we undertaken any archaeological, ecological or environmental surveys. Unless we are otherwise informed, our Valuation is on the basis that these aspects are satisfactory and that, where development is proposed, no extraordinary expenses or delays will be incurred during the construction period.

13) DELETERIOUS OR HAZARDOUS MATERIALS

No investigation has been carried out to determine whether or not any deleterious or hazardous materials have been used in the construction of the property, or has since been incorporated and we are therefore unable to account or report for such in the Report.

14) DISEASES AND INFESTATIONS

Whilst due care is taken to note the presence of any disease or infestation, we have not carried out any test to ascertain possible latent infestations or diseases affecting crops or stock. We are therefore unable to account for such in our Report.

15) OUTSTANDING DEBTS

In the case of buildings where works are in hand or have recently been completed, we do not normally make allowance for any liability already incurred, but not yet discharged, in respect of completed works, or obligations in favour of contractors, sub-contractors or any members of the professional or design team.

16) TAXATION, ENCUMBRANCES, STATUTORY NOTICES AND OUTGOINGS

Unless otherwise stated, no allowances are made in our valuation for any expense of realisation or for taxation which might arise in the event of a disposal, deemed or otherwise. We have considered the property as if free and clear of all charges, lien and all other encumbrances which may be secured thereon. We also assumed the property is free of statutory notices and outgoings.

17) ATTENDANCE

The instruction and the valuation assignment does not automatically bind us to attendance in court or to appear in any enquiry before any government or statutory bodies in connection with the Valuation unless agreed when the instruction is given.

18) VALIDITY PERIOD OF VALUATION REPORT

This Valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value.

REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA STATEMENT OF FINANCIAL POSITION



Ernst & Young
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REPORTING ACCOUNTANTS' LETTER ON PROFORMA STATEMENT OF FINANCIAL POSITION
(Prepared for inclusion in the Circular to Unitholders to be dated 3 December 2012)

The Trustee
OSK Trustees Berhad
6 Floor, Plaza OSK,
Jalan Ampang,
50450 Kuala Lumpur
Malaysia

3 December 2012

The Board of Directors
Sunway REIT Management Sdn Bhd
Level 16, Menara Sunway
Jalan Lagoon Timur
Bandar Sunway
46150 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs

**SUNWAY REAL ESTATE INVESTMENT TRUST ("SUNWAY REIT" OR "THE FUND")
PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE
2012**

We report on the accompanying Proforma Consolidated Statement of Financial Position of Sunway REIT as at 30 June 2012 as set out in Appendix I (which we have stamped for the purpose of identification), which have been prepared on the basis described in the Notes to the Proforma Consolidated Statement of Financial Position, for illustrative purposes only. The Proforma Consolidated Statement of Financial Position have been prepared to provide information about how the consolidated statement of financial position of Sunway REIT as at 30 June 2012 that has been presented might have been affected had the following proposals been completed on that date:

REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA STATEMENT OF FINANCIAL POSITION (Cont'd)



- (I) Proposed acquisition by OSK Trustees Berhad, on behalf of Sunway REIT, of the land and building of Sunway Medical Centre ("SMC") together with SMC's plant and machinery, services infrastructure and all fixtures and fittings affixed or located or used in SMC ("SunMed Property") from Sunway Medical Centre Berhad ("SMCB"), the vendor of the SunMed Property for a total purchase consideration of RM310 million ("Proposed Acquisition");
- (II) Proposed placement of such number of new units in Sunway REIT to raise gross proceeds of up to RM320 million at an issue price to be determined later by way of Bookbuilding ("Proposed Placement");
- (III) Proposed unitholders' mandate to allot and issue new units of up to 20% of the approved fund size of Sunway REIT pursuant to clause 14.03 of the Guidelines on Real Estate Investment Trusts issued by the Securities Commission of Malaysia ("Proposed Mandate"); and
- (IV) Proposed increase in the existing approved fund size of Sunway REIT from 2,780,112,300 units to up to a maximum of 3,650,888,858 ("Proposed Increase in Fund Size").

(Collectively referred to as "the Proposals")

The Proforma Consolidated Statement of Financial Position, because of its nature, may not be reflective of Sunway REIT's actual financial position. Furthermore, such information does not purport to predict the future financial position of Sunway REIT.

This letter is prepared at the request of the Board of Directors of Sunway REIT Management Sdn. Bhd. ("the Board"), being the Manager of Sunway REIT, and the Trustee for inclusion in the Circular to Unitholders in conjunction with the Proposals and should not be relied on for any other purpose.

Responsibilities

It is solely the responsibility of the Board to prepare the Proforma Consolidated Statement of Financial Position on the basis described in the Notes to the Proforma Consolidated Statement of Financial Position, for illustrative purposes only, using financial statements prepared in accordance with Financial Reporting Standards in Malaysia, and in a manner consistent with both the format of the financial statements and the accounting policies of Sunway REIT.

It is our responsibility to form an opinion, as to the proper compilation of the Proforma Consolidated Statement of Financial Position and to report that opinion to you.

References to "you" shall refer to each and every party to this letter.

In providing this opinion, we are not responsible in updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Proforma Consolidated Statement of Financial Position, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA STATEMENT OF FINANCIAL POSITION (Cont'd)

**Basis of opinion**

We conducted our work in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Proforma Consolidated Statement of Financial Position with the Board and responsible officers of the Manager.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Proforma Consolidated Statement of Financial Position have been properly prepared on the basis stated using financial statements prepared in accordance with Financial Reporting Standards in Malaysia, and in a manner consistent with both the format of the financial statements and the accounting policies of Sunway REIT. Our work also involves assessing whether each material adjustment made to the information used in the preparation of the Proforma Consolidated Statement of Financial Position is appropriate for the purposes of preparing the Proforma Consolidated Statement of Financial Position.

Opinion

In our opinion:-

- (a) the Proforma Consolidated Statements of Financial Position of Sunway REIT as at 30 June 2012; which have been prepared by the Board have been properly prepared on the basis stated in the accompanying notes to the Proforma Consolidated Statement of Financial Position using financial statements prepared in accordance with Financial Reporting Standards in Malaysia, and in a manner consistent with both the format of the statement of financial position and the accounting policies adopted by Sunway REIT; and
- (b) each material adjustment made to the information used in the preparation of the Proforma Consolidated Statement of Financial Position is appropriate for the purposes of preparing the Proforma Consolidated Statements of Financial Position.

REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA STATEMENT OF FINANCIAL POSITION (Cont'd)

**Other matters**

This report has been prepared for inclusion in the Circular to Unitholders in connection with the Proposals and should not be relied on for other purpose. Our work has been carried out in accordance with Malaysian Approved Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this report is not appropriate in other jurisdictions and should not be used or relied upon for any purposes other than the Proposals described above. We accept no duty or responsibility and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any type of transaction, including the sale of securities other than the Proposals.

A handwritten signature in black ink, appearing to read 'Ernst & Young', written over the printed name.

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia

A handwritten signature in black ink, appearing to read 'Yap Seng Chong', written over the printed name.

Yap Seng Chong
No 2190/12/13 (J)
Chartered Accountant

REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA STATEMENT OF FINANCIAL POSITION (Cont'd)

**Sunway Real Estate Investment Trust ("Sunway REIT")
Proforma Consolidated Statement of Financial Position as at 30 June 2012**

	Audited as at 30.6.2012 RM'000	Adjustment (N1) RM'000	Proforma RM'000
Assets			
Non-current assets			
Plant and equipment	437		437
Investment properties	4,630,000	313,381 (N5)	4,943,381
Derivative financial instrument	8,455		8,455
	<u>4,638,892</u>		<u>4,952,273</u>
Current assets			
Trade receivables	11,650		11,650
Other receivables	7,035		7,035
Cash and bank balances	25,799		25,799
	<u>44,484</u>		<u>44,484</u>
Total assets	<u>4,683,376</u>		<u>4,996,757</u>
Equity and liabilities			
Unitholders' funds			
Unitholders' capital	2,361,487	315,574 (N3)	2,677,061
Undistributed income	646,844	(2,193) (N4)	644,651
	<u>3,008,331</u>		<u>3,321,712</u>
Non-current liabilities			
Borrowings	(N6) 318,085		318,085
Long term liabilities	53,920		53,920
	<u>372,005</u>		<u>372,005</u>
Current liabilities			
Trade payables	3,067		3,067
Other payables	54,934		54,934
Borrowings	(N6) 1,245,039		1,245,039
	<u>1,303,040</u>		<u>1,303,040</u>
	<u>4,683,376</u>		<u>4,996,757</u>
Number of units in circulation ('000)	2,696,462	223,776 (N3)	2,920,238
Total gross borrowings	(N6) 1,567,642	(N8)	1,567,642
Gearing	(N6) 33.5%		31.4%
Net asset value per unit (RM) (N7)			
- Before income distribution	1.1157		1.1375
- After income distribution	1.0968		1.1200

ERNST & YOUNG (AF: 0039)
Chartered Accountants, Kuala Lumpur
For identification purposes only

REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA STATEMENT OF FINANCIAL POSITION (Cont'd)

**Sunway Real Estate Investment Trust ("Sunway REIT")
Proforma Consolidated Statement of Financial Position as at 30 June 2012****Notes to the Proforma Consolidated Statement of Financial Position**

N1. Basis of preparation and adjustment


Basis of preparation

The Proforma Consolidated Statement of Financial Position of Sunway REIT as at 30 June 2012 has been prepared for illustrative purpose, in connection with the following proposals:

- (I) Proposed acquisition by OSK Trustees Berhad, on behalf of Sunway REIT, of the land and building of Sunway Medical Centre ("SMC") together with SMC's plant and machinery, services infrastructure and all fixtures and fittings affixed or located or used in SMC ("SunMed Property") from Sunway Medical Centre Berhad ("SMCB"), the vendor of the SunMed Property for a total purchase consideration of RM310 million ("Proposed Acquisition");
- (II) Proposed placement of such number of new units in Sunway REIT to raise gross proceeds of up to RM320 million at an issue price to be determined later by way of Bookbuilding ("Proposed Placement");
- (III) Proposed unitholders' mandate to allot and issue new units of up to 20% of the approved fund size of Sunway REIT pursuant to clause 14.03 of the Guidelines on Real Estate Investment Trusts issued by the Securities Commission of Malaysia ("Proposed Mandate"); and
- (IV) Proposed increase in the existing approved fund size of Sunway REIT from 2,780,112,300 units to up to a maximum of 3,650,888,858 ("Proposed Increase in Fund Size").

(Collectively referred to as "the Proposals")

The Proforma Consolidated Statement of Financial Position as at 30 June 2012 of Sunway REIT has been prepared based on the audited statement of financial position of Sunway REIT as at 30 June 2012 and on a basis consistent with both the format of the audited financial statements and the accounting policies adopted by Sunway REIT in the preparation of the audited financial statements of Sunway REIT for the financial year ended 30 June 2012, which are in accordance with Financial Reporting Standards in Malaysia, to show the effects of the Proposals has been completed on that date.

 **ERNST & YOUNG** (AF: 0039)

Chartered Accountants, Kuala Lumpur
For identification purposes only

REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA STATEMENT OF FINANCIAL POSITION (Cont'd)

**Sunway Real Estate Investment Trust ("Sunway REIT")
Proforma Consolidated Statement of Financial Position as at 30 June 2012**

Notes to the Proforma Consolidated Statement of Financial Position (Contd.)

N1. Basis of preparation and adjustment (contd.)

Adjustments

The adjustments made in arriving at the proforma balance encompass the following:

- (I) Acquisition of SunMed Property for a cash consideration of RM310 million ("Proposed Acquisition") and settlement of estimated expenses relating to the Proposals totalling RM10 million; and
- (II) Placement of new units in Sunway REIT to raise proceeds of up to RM320 million at an issue price of RM1.43 (being a 3% discount on the 5-day volume weighted average price of the units up to 26 November 2012) ("Proposed Placement").

The total purchase consideration for the Proposed Acquisition and the estimated expenses relating to the Proposals will be fully financed by the proceeds from the Proposed Placement.

N2. The gross proceeds from the Proposed Placement of approximately RM320 million, shall be utilised as follows:

	RM'000
Repayment of bank borrowings *	31,000
Settlement of the balance of purchase consideration ^	279,000
Estimated expenses directly in relation to the Proposed Acquisition	3,381
Estimated expenses directly in relation to the Proposed Placement	4,426
Other estimated expenses #	(N4) 2,193
	320,000

* Repayment of borrowings which was drawdown from Sunway REIT's debt financing facilities to pay for the deposit.

^ The proceeds from the Proposed Placement will be used to partially or fully fund the balance of purchase consideration and/or to repay any borrowings drawdown from Sunway REIT's existing debt financing facilities that was utilised to satisfy the balance of purchase consideration.

Comprising professional fees, authorities' fees and miscellaneous expenses incurred in connection with the Proposals (other than those directly incurred by the Proposed Acquisition and Proposed Placement). Any excess arising from the estimated expenses of the Proposals will be utilised for working capital.

REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA STATEMENT OF FINANCIAL POSITION (Cont'd)

**Sunway Real Estate Investment Trust ("Sunway REIT")
Proforma Consolidated Statement of Financial Position as at 30 June 2012**

Notes to the Proforma Consolidated Statement of Financial Position (Contd.)

N3. Assuming a proposed placement of up to 223,776,223 units, representing up to 8.3% of the existing units in circulation, at an issue price of RM1.43 (being a 3% discount on the 5-day volume weighted average price of the units up to 26 November 2012).

Movement in Unitholders' capital:

	RM'000	Proforma RM'000
Balance as at 30.6.2012		2,361,487
Add: New units issued pursuant to the Proposed Placement	320,000	
Less: Estimated expenses directly in relation to the Proposed Placement ¹	(4,426)	315,574
Proforma		<u>2,677,061</u>
 New units		 223,776,223
% of existing units in circulation		8.3%

¹ The estimated expenses in relation to the Proposed Placement comprise placement fees and other estimated fees and expenses (including professional fees and expenses) incurred in connection with the Proposed Placement. These expenses are based on best estimates and are subject to change upon the completion of the Proposals.

N4. Expenses other than costs incurred in relation to the Proposed Acquisition and Proposed Placement will be charged to the statement of comprehensive income and accordingly, reflected as a reduction to the undistributed income in the Proforma Consolidated Statement of Financial Position.

These expenses are based on best estimates and are subject to change upon the completion of the Proposals.

REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA STATEMENT OF FINANCIAL POSITION (Cont'd)

**Sunway Real Estate Investment Trust ("Sunway REIT")
Proforma Consolidated Statement of Financial Position as at 30 June 2012**

Notes to the Proforma Consolidated Statement of Financial Position (Contd.)


N5. Movement in investment properties:

	Proforma RM'000
Balance as at 30.6.2012	4,630,000
Addition:	
Purchase consideration for the Proposed Acquisition	310,000
Estimated expenses directly in relation to the Proposed Acquisition*	3,381
Proforma	<u>4,943,381</u>

* Comprise 1% acquisition fee payable to the Manager and other estimated incidental costs for the Proposed Acquisition.

N6. Gearing is calculated based on total gross borrowings divided by total assets.
Total gross borrowings is derived at after adjusting for the following items:

	RM'000	RM'000
Balance as at 30.6.2012		
- Short term borrowing	1,245,039	
- Long term borrowing	<u>318,085</u>	1,563,124
Add back: Unamortised transaction costs		4,518
Total gross borrowings as at 30.6.2012		<u>1,567,642</u>
	Audited as at 30.6.2012	Proforma
Total assets (RM'000)	4,683,376	4,996,757
Gearing ratio (%)	33.5%	31.4%

 **ERNST & YOUNG** (AF: 0039)

Chartered Accountants, Kuala Lumpur
For identification purposes only

REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA STATEMENT OF FINANCIAL POSITION (Cont'd)

**Sunway Real Estate Investment Trust ("Sunway REIT")
Proforma Consolidated Statement of Financial Position as at 30 June 2012**

Notes to the Proforma Consolidated Statement of Financial Position (Contd.)

N7. Net asset value ("NAV") per unit is calculated based on total unitholders' funds divided by total number of units in circulation.

(a) Before income distribution of RM50,963,000¹ as announced on 7 August 2012:

	Audited as at 30.6.2012	Proforma
Unitholders' funds (RM'000)	3,008,331	3,321,712
Number of units in circulation ('000)	2,696,462	2,920,238
NAV per unit (RM)	<u>1.1157</u>	<u>1.1375</u>

(b) After income distribution of RM50,963,000¹ as announced on 7 August 2012:

	Audited as at 30.6.2012	Proforma
Unitholders' funds (RM'000)	3,008,331	3,321,712
Less: distribution (RM'000)	<u>(50,963)</u>	<u>(50,963)</u>
	2,957,368	3,270,749
Number of units in circulation ('000)	2,696,462	2,920,238
NAV per unit (RM)	<u>1.0968</u>	<u>1.1200</u>

¹ Final Income Distribution of 1.89 sen per unit (of which 1.38 sen per unit is taxable and 0.51 sen per unit is non-taxable) for the fourth quarter ended 30 June 2012 as announced on 7 August 2012.

N8. If existing debt financing facilities are drawdown to partially or fully fund the Proposed Acquisition, it is assumed that all proceeds to be raised from the Proposed Placement will be utilised for the repayment of the amount drawdown.

FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Directors who, individually and collectively, accept full responsibility for the accuracy of the information given in this Circular and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein false or misleading.

All information relating to SMCB was extracted from publicly available documents and/or information provided by SMCB. Therefore, the responsibility of the Directors is restricted to ensuring that the said information is accurately reproduced in this Circular.

2. CONSENTS AND CONFLICT OF INTERESTS**(a) RHB Investment Bank**

RHB Investment Bank, being the Principal Adviser for the Proposals and placement agent for the Proposed Placement, has given and has not subsequently withdrawn its written consent for the inclusion of its name and all references thereto in the form and context in which it appears in this Circular in relation to the Proposals.

EPF is a shareholder of RHB Capital Berhad, which is the holding company of RHB Investment Bank, and a unitholder of Sunway REIT. However, EPF is not involved in the day-to-day operations of RHB Investment Bank and Sunway REIT.

Notwithstanding the above, RHB Investment Bank is not aware of any existing or potential interest or any circumstance which would give rise to a conflict of interest by virtue of RHB Investment Bank's role as the Principal Adviser to the Manager for the Proposals and placement agent for the Proposed Placement.

(b) Knight Frank (Ooi & Zaharin Sdn Bhd)

Knight Frank (Ooi & Zaharin Sdn Bhd), being the valuer for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent for the inclusion of its name, certificates and all references thereto in the form and context in which it appears in this Circular in relation to the Proposed Acquisition.

The Valuer is not aware of any existing or potential interest or any circumstance which would give rise to a conflict of interest by virtue of its role as the independent registered valuer for the Proposed Acquisition.

(c) Mah-Kamariyah & Phillip Koh

Messrs Mah-Kamariyah & Phillip Koh has given and has not subsequently withdrawn its written consent for the inclusion of its name and all references thereto in the form and context in which it appears in this Circular.

Messrs Mah-Kamariyah & Phillip Koh is not aware of any existing or potential interest or any circumstance which would give rise to a conflict of interest by virtue of its role as Sunway REIT's legal advisers and due diligence solicitors for the Proposals.

(d) Ernst & Young

Messrs Ernst & Young, being the reporting accountant for the Proposals, has given and has not subsequently withdrawn its written consent for the inclusion of its name, reports and all references thereto in the form and context in which it appears in this Circular in relation to the Proposals.

FURTHER INFORMATION (Cont'd)

Messrs Ernst & Young is not aware of any existing or potential interest or any circumstance which would give rise to a conflict of interest by virtue of its role as the reporting accountant for the Proposals.

(e) Credit Suisse (Singapore) Limited (“Credit Suisse”)

Credit Suisse has given and has not subsequently withdrawn its written consent for the inclusion of its name and all references thereto in the form and context in which it appears in this Circular.

Credit Suisse is of the view that it has no conflict of interest in its capacity as placement agent in relation to the Proposed Placement in that Credit Suisse has not made any loans to the Manager, Trustee, or Sunway and in its capacity as placement agent, Credit Suisse will not receive proceeds from the Proposed Placement other than the fee it receives for acting as placement agent.

(f) Credit Suisse Securities (Malaysia) Sdn Bhd (“Credit Suisse Malaysia”)

Credit Suisse Malaysia has given and has not subsequently withdrawn its written consent for the inclusion of its name and all references thereto in the form and context in which it appears in this Circular.

Credit Suisse Malaysia is of the view that it has no conflict of interest in its capacity as placement agent in relation to the Proposed Placement in that Credit Suisse Malaysia has not made any loans to the Manager, Trustee, or Sunway and in its capacity as placement agent, Credit Suisse Malaysia will not receive proceeds from the Proposed Placement other than the fee it receives for acting as placement agent.

(g) The Hongkong and Shanghai Banking Corporation, Singapore Branch (“HSBC”)

HSBC has given and has not subsequently withdrawn its written consent for the inclusion of its name and all references thereto in the form and context in which it appears in this Circular.

HSBC is not aware of any existing or potential interest or any circumstance which would give rise to a conflict of interest by virtue of HSBC’s role as the placement agent for the Proposed Placement.

(h) Maybank Investment Bank Berhad (“Maybank”)

Maybank has given and has not subsequently withdrawn its written consent for the inclusion of its name and all references thereto in the form and context in which it appears in this Circular.

Maybank is not aware of any existing or potential interest or any circumstance which would give rise to a conflict of interest by virtue of Maybank’s role as the placement agent for the Proposed Placement.

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FURTHER INFORMATION (Cont'd)

3. MATERIAL COMMITMENTS

As at the LPD, the Board is not aware of any material commitment incurred or known to be incurred which upon being enforceable, will have an impact on the profits and NAV of Sunway REIT save for the following:

Capital expenditure for existing properties	RM'000
Approved and contracted for:	
(i) Sunway Resort Hotel & Spa	20,312
(ii) Sunway Pyramid Shopping Mall	287
(iii) Sunway Hotel Seberang Jaya	6,527
(iv) Menara Sunway	580
(v) Sunway Carnival Shopping Mall	138
(vi) Sunway Putra Mall	3,217
	<u>31,061</u>
Approved but not contracted for:	
(i) Sunway Resort Hotel & Spa	26,386
(ii) Sunway Pyramid Shopping Mall	1,984
(iii) Sunway Hotel Seberang Jaya	4,795
(iv) Menara Sunway	1,110
(v) Sunway Putra Mall	195,427
	<u>229,702</u>

4. CONTINGENT LIABILITIES

As at the LPD, the Board is not aware of any contingent liability incurred or known to be incurred by Sunway REIT which upon being enforceable, will have an impact on the profits and NAV of Sunway REIT.

5. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, Sunway REIT is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, which has a material effect on the financial position or the business of Sunway REIT and the Board has no knowledge of any proceeding pending or threatened against Sunway REIT, which might materially and adversely affect the business or financial position of Sunway REIT save for the following legal actions in relation to the acquisition of Sunway Putra Place:

- (a) **Kuala Lumpur High Court Originating Summons No.: 24NCVC-901-2011**
Court of Appeal Civil Appeal No. W-02(NCVC)-2242-2011
Federal Court Civil Application No. 08(i)-399-05/2012(W)

On 19 April 2011, Robert Ti and Kornelius Kurniadi ("Plaintiffs") commenced this action against, amongst others, the Trustee and Sunway REIT, which sought a declaration that the public auction of Putra Place held on 30 March 2011 was null and void because they were wrongly excluded from bidding and that the Trustee had contravened a condition of sale in the Proclamation of Sale.

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

FURTHER INFORMATION (Cont'd)

The Plaintiffs had appealed against the dismissal of originating summons on 27 July 2011 at the Court of Appeal. On 18 April 2012, the Court of Appeal heard and dismissed the appeal.

On 17 May 2012, the Plaintiffs served an unsealed Notice of Motion for leave to appeal to the Federal Court on the solicitors of the Trustee and the Manager. The Plaintiffs sought leave to appeal against the decision of the Court of Appeal given on 18 April 2012. The hearing of the application for leave to appeal which was fixed on 13 September 2012 has been adjourned to a date to be fixed in due course for case management.

The solicitors handling the matter are of the view that the Trustee and Sunway REIT have a strong case to resist the application for leave to appeal.

**(b) Kuala Lumpur High Court Originating Summons No.: 21NCVC-95-2011
Court of Appeal Civil Appeal No. W-02(IM)(NCVC)-3190-12/2011
Federal Court Civil Application No. 08(i)-404-05/2012(W)**

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

On 17 August 2011, the High Court fixed the hearing date for the application to strike out the case by the Trustee, the Manager and CIMB Investment Bank Berhad on 23 September 2011 which was adjourned to 20 October 2011. After the hearing of the striking out application on 20 October 2011, the High Court fixed a date for decision on 22 November 2011.

On 22 November 2011, the High Court allowed the application to strike out the case by the Trustee and the Manager with costs in aggregate sum of RM24,000 to be paid by Metroplex.

Metroplex had filed a Notice of Appeal with the Court of Appeal on 13 December 2011 to appeal against the decision of the High Court of Malaya on 22 November 2011 which allowed the striking out of the case. On 20 April 2012, the Court of Appeal heard and dismissed the appeal.

On 17 May 2012, Metroplex served an unsealed Notice of Motion for leave to appeal to the Federal Court on the solicitors of the Trustee and the Manager. Metroplex sought leave to appeal against the decision of the Court of Appeal given on 18 April 2012. The hearing of application for leave to appeal which was fixed on 13 September 2012 has been adjourned to a date to be fixed in due course for case management.

The solicitors handling the matter are of the view that the Trustee and Sunway REIT have a strong case to resist the application for leave to appeal.

**(c) Kuala Lumpur High Court Originating Summons No.: 24NCVC-1255-2011
Court of Appeal Civil Appeal No. W-02(NCVC)-1680-2011 and W-02(NCVC)-1773-2011
Federal Court Civil Application No. 08(f)-425-09-2011**

On 1 June 2011, the Trustee and the Manager brought the action against Metroplex which amongst others seek an order that 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 the Trustee is the legal owner of Putra Place since 19 April 2011 and has ordered that Metroplex, its servants or agents or otherwise hand over to the Manager control and management of Putra Place within 72 hours which was to expire at noon on 1 July 2011.

FURTHER INFORMATION (Cont'd)

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”) until the disposal of the appeal. The Court of Appeal has on 27 September 2011, dismissed the appeals with costs of RM120,000 filed by Metroplex against the Orders. The stay of execution of the Orders accordingly lapsed.

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

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. 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 on the Orders was heard and dismissed on 20 February 2012.

Separately, Metroplex had applied to the High Court for a clarification on the Orders and the application was dismissed by the High Court on 14 October 2011. Metroplex had then on 21 November 2011 filed a Notice of Motion with the Court of Appeal to appeal against the High Court’s dismissal of its application. The Court of Appeal heard and dismissed the appeal on 16 April 2012.

Metroplex had also instituted a separate suit on 20 November 2011 seeking orders, inter alia, that the Trustee and the Manager be restrained from filing any winding-up petition against it and filing of any contempt of court proceedings against it and its directors in relation to the Orders. On 29 May 2012, the High Court allowed the application of the Trustee and the Manager to strike out the Writ of Summons.

The solicitors for the Trustee and the Manager have on 2 August 2012, issued a Section 218 of the Act notice to Metroplex and filed a notice for assessment of damages before the Kuala Lumpur High Court registrar pursuant to the Orders. The solicitors handling the matter has informed that the court may either choose to award the damages as claimed for in the application, or award damages of a lesser sum and/or nominal damages, or not award any damages at all. The matter was fixed for case management on 19 September 2012. On 19 September 2012, the matter was fixed for further case management on 22 October 2012 and was thereafter fixed for final case management on 9 January 2013. The court had directed that it would proceed to fix hearing dates during the final case management regardless as to whether the defendants are prepared to proceed with the same.

FURTHER INFORMATION (Cont'd)

6. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (except public holidays) at our registered office at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway 46150 Petaling Jaya, Selangor Darul Ehsan from the date of this Circular up to and including the date of our forthcoming Meeting:

- (i) the deed dated 20 May 2010 and a supplemental deed dated 10 June 2010 entered into between the Manager and the Trustee;
- (ii) the audited financial statements of Sunway REIT for the FYE 30 June 2012 and 30 June 2011, and unaudited financial statements of Sunway REIT for the 3-month financial period ended 30 September 2012;
- (iii) the Valuation Report and the valuation certificate for the SunMed Property as referred to in Appendix I of this Circular;
- (iv) the reporting accountant's letter on the proforma consolidated statement of financial position referred to in Appendix II of this Circular;
- (v) the letters of consent referred to in Section 2 above;
- (vi) the relevant cause papers as referred to in Section 5 above;
- (vii) the SPA; and
- (viii) the HMLA.

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SUNWAY REAL ESTATE INVESTMENT TRUST

(Established in Malaysia under a deed dated 20 May 2010 and a supplemental deed dated 10 June 2010 entered into between Sunway REIT Management Sdn Bhd and OSK Trustees Berhad, both companies incorporated in Malaysia under the Companies Act, 1965)

NOTICE OF UNITHOLDERS' MEETING

NOTICE IS HEREBY GIVEN THAT a meeting of unitholders ("**Meeting**") of Sunway Real Estate Investment Trust ("**Sunway REIT**") will be held at Lagoon 3, Level 15, Sunway Resort Hotel & Spa, Persiaran Lagoon, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 18 December 2012 at 3.30 p.m. for the purpose of considering and if thought fit, passing the following resolutions, with or without modifications:

ORDINARY RESOLUTION 1

PROPOSED ACQUISITION BY OSK TRUSTEES BERHAD, ON BEHALF OF SUNWAY REIT ("TRUSTEE"), OF THE SUNMED PROPERTY (AS DEFINED HEREIN) FOR A TOTAL PURCHASE CONSIDERATION OF RM310 MILLION ("PROPOSED ACQUISITION")

"**THAT**, subject to all relevant approvals being obtained from the relevant regulatory authorities and parties (if required), approval be and is hereby given to the Trustee to acquire the land and building of Sunway Medical Centre ("**SMC**") erected on 2 parcels of land held under Lot 38160 and Lot 45 held under PN 12549 and PN 12550 respectively, both in the Town of Sunway, District of Petaling, State of Selangor Darul Ehsan together with the plant and machinery, services infrastructure and all fixtures and fittings affixed or located or used in SMC ("**SunMed Property**") from Sunway Medical Centre Berhad ("**SMCB**") a subsidiary of Sunway Berhad, for a total purchase consideration of RM310 million to be satisfied in cash, in accordance with the terms and conditions of the conditional sale and purchase agreement dated 9 October 2012 entered into between the Trustee and SMCB ("**SPA**").

AND THAT the Directors of Sunway REIT Management Sdn Bhd, the manager of Sunway REIT, ("**Manager**") and the Trustee be and are hereby authorised to give full effect to the Proposed Acquisition with full powers to negotiate, approve, agree and/or assent to any conditions, variations, revaluations, modifications and/or amendments in any manner as may be required / permitted by the relevant authorities or deemed necessary by the Directors of the Manager and the Trustee, to deal with all matters incidental, ancillary to and/or relating thereto, to take such steps and to do such acts (including execute such documents as may be required), deeds, things and matters as they may deem necessary or expedient in order to implement, finalise, to give full effect to and complete the Proposed Acquisition."

ORDINARY RESOLUTION 2

PROPOSED PLACEMENT OF SUCH NUMBER OF NEW UNITS IN SUNWAY REIT TO RAISE GROSS PROCEEDS OF UP TO RM320 MILLION AT AN ISSUE PRICE TO BE DETERMINED LATER BY WAY OF BOOKBUILDING ("PROPOSED PLACEMENT")

"**THAT** subject to the passing of Ordinary Resolution 1 and Ordinary Resolution 4, and the approvals of all relevant authorities being obtained, the Manager be and is hereby authorised to allot and issue up to a maximum of 262,295,082 units in Sunway REIT ("**Placement Units**") at an issue price to be determined later by way of bookbuilding process to investors to be identified at a later stage to raise gross proceeds of up to RM320 million.

AND THAT the Placement Units shall, upon allotment and issue, rank *pari passu* in all respects with the existing units of Sunway REIT, except that they shall not be entitled to participate in a distribution of Sunway REIT's distributable income for the period from the beginning of the relevant financial quarter of the allotment/issuance of the Placement Units to the date prior to the date on which the Placement Units will be allotted/issued to identified investors and any other income distribution, rights, allotment and/or any other distributions that may be declared prior to the date of allotment of the Placement Units.

AND FURTHER THAT the Directors of the Manager and the Trustee be and are hereby authorised to give full effect to the Proposed Placement with full powers to negotiate, approve, agree and/or assent to any conditions, variations, revaluations, modifications and/or amendments in any manner as may be required / permitted by the relevant authorities or deemed necessary by the Directors of the Manager and the Trustee, to deal with all matters incidental, ancillary to and/or relating thereto, to take such steps and to do such acts (including execute such documents as may be required), deeds, things and matters as they may deem necessary or expedient in order to implement, finalise, to give full effect to and complete the Proposed Placement and the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the Placement Units so issued."

ORDINARY RESOLUTION 3

PROPOSED UNITHOLDERS' MANDATE TO ALLOT AND ISSUE NEW UNITS OF UP TO 20% OF THE APPROVED FUND SIZE OF SUNWAY REIT PURSUANT TO CLAUSE 14.03 OF THE GUIDELINES ON REAL ESTATE INVESTMENT TRUSTS ISSUED BY SECURITIES COMMISSION MALAYSIA ("REIT GUIDELINES") ("PROPOSED MANDATE")

"**THAT** subject to the passing of Ordinary Resolution 4, the REIT Guidelines and the approvals of all relevant authorities being obtained, the Manager be and is hereby authorised to allot and issue new units in Sunway REIT at any time at such issue price, upon such terms and conditions, for such purposes and to such person(s) whomsoever as the Directors of the Manager may in their absolute discretion deem fit and expedient in the interest of Sunway REIT, provided that the aggregate number of new units in Sunway REIT to be issued, when aggregated with the number of new units in Sunway REIT issued during the preceding 12 months must not exceed 20% of the approved fund size of Sunway REIT.

AND THAT the new units in Sunway REIT to be issued pursuant to the Proposed Mandate shall, upon allotment and issue, rank *pari passu* in all respects with the existing units of Sunway REIT, except that they shall not be entitled to participate in any income distribution, rights, allotment and/or any other distributions that may be declared prior to the date of allotment of the new units in Sunway REIT.

AND FURTHER THAT the Directors of the Manager and the Trustee be and are hereby authorised to give full effect to the Proposed Mandate with full powers to negotiate, approve, agree and/or assent to any conditions, variations, revaluations, modifications and/or amendments in any manner as may be required / permitted by the relevant authorities or deemed necessary by the Directors of the Manager and the Trustee, to deal with all matters incidental, ancillary to and/or relating thereto, to take such steps and to do such acts (including execute such documents as may be required), deeds, things and matters as they may deem necessary or expedient in order to implement, finalise, to give full effect to and complete the Proposed Mandate and the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the new units in Sunway REIT so issued."

ORDINARY RESOLUTION 4

PROPOSED INCREASE IN THE EXISTING APPROVED FUND SIZE OF SUNWAY REIT FROM 2,780,112,300 UNITS UP TO A MAXIMUM OF 3,650,888,858 UNITS ("PROPOSED INCREASE IN FUND SIZE")

"THAT subject to the REIT Guidelines and approvals of all relevant authorities being obtained, the approved fund size of Sunway REIT be and is hereby increased from 2,780,112,300 units up to a maximum of 3,650,888,858 units by the creation of up to 870,776,558 new units in Sunway REIT.

AND THAT the Directors of the Manager and the Trustee be and are hereby authorised to give full effect to the Proposed Increase in Fund Size with full powers to negotiate, approve, agree and/or assent to any conditions, variations, revaluations, modifications and/or amendments in any manner as may be required / permitted by the relevant authorities or deemed necessary by the Directors of the Manager and the Trustee, to deal with all matters incidental, ancillary to and/or relating thereto, to take such steps and to do such acts (including execute such documents as may be required), deeds, things and matters as they may deem necessary or expedient in order to implement, finalise, to give full effect to and complete the Proposed Increase in Fund Size."

**By Order of the Board of Directors of
SUNWAY REIT MANAGEMENT SDN BHD
(Manager for Sunway REIT)**

**TAN KIM AUN (MAICSA 7002988)
CHIN SOO CHING @ CHEN SOO CHING (MAICSA 7042265)
Company Secretaries**

Petaling Jaya
3 December 2012

Notes:

1. *A Unitholder who is entitled to attend and vote at the Meeting, may appoint not more than 2 proxies to attend and vote instead of the Unitholder at the Meeting. A proxy may but need not be a Unitholder.*
2. *If a Unitholder has appointed a proxy to attend the Meeting and subsequently he attends the Meeting in person, the appointment of such proxy shall be null and void, and his proxy shall not be entitled to attend the Meeting.*
3. *Where a Unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than 2 proxies in respect of each securities account it holds in units standing to the credit of the said securities account.*
4. *Where a Unitholder is an exempt authorised nominee which holds units for multiple beneficial owners in 1 securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.*
5. *Where a Unitholder or the authorised nominee appoints 2 proxies, or where an exempt authorised nominee appoints 2 or more proxies, the proportion of unitholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*
6. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if such appointer is a corporation, either under its common seal or under the hand of its officer or attorney duly authorised.*
7. *The instrument appointing a proxy must be deposited at the Registered Office of the Manager at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof, either by hand, post, electronic mail or fax to (603) 5639 9507. In the case where the Unitholder is a corporation and the proxy form is delivered by fax or electronic mail, the original proxy form shall also be deposited at the Registered Office, either by hand or post not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.*
8. *In respect of deposited securities, only Unitholders whose names appear in the Record of Depositors on 7 December 2012 shall be entitled to attend, speak and vote at the Meeting.*
9. *The units referred to herein have not been and will not be registered under the U.S. Securities Act of 1933 and may not be offered or sold in the United States of America ("US") absent registration or an applicable exemption from registration. There will be no public offering of the units in the US.*



SUNWAY REAL ESTATE INVESTMENT TRUST

(Established in Malaysia under a deed dated 20 May 2010 and a supplementary deed dated 10 June 2010 entered into between Sunway REIT Management Sdn Bhd and OSK Trustees Berhad, both companies incorporated in Malaysia under the Companies Act, 1965)

PROXY FORM

SUNWAY REIT MANAGEMENT SDN BHD
 (Company No. 806330-X)
 Manager of Sunway Real Estate Investment Trust

Number of units held	
CDS Account No.	

Registered Office:
 Level 16, Menara Sunway, Jalan Lagoon Timur
 Bandar Sunway, 46150 Petaling Jaya
 Selangor Darul Ehsan, Malaysia
 Tel: (603) 5639 8855 / 5639 8832
 Fax: (603) 5639 9507

*I/We*NRIC No./Passport No./Company No.....
 (Full Name)

Tel./Mobile No.....of.....

..... being a Unitholder of
 SUNWAY REAL ESTATE INVESTMENT TRUST and entitled to vote hereby appoint:-

1ST PROXY 'A'

Full Name	Tel./Mobile No.	Proportion of unitholdings represented	
Address	NRIC No./Passport No.	No. of Units	%

and/or failing *him/her,

2ND PROXY 'B'

Full Name	Tel./Mobile No.	Proportion of unitholdings represented	
Address	NRIC No./Passport No.	No. of Units	%

100%

or failing *him/her, the Chairman of the Meeting as *my/our proxy to attend and vote for *me/us on *my/our behalf at the Unitholders' Meeting to be held at Lagoon 3, Level 15, Sunway Resort Hotel & Spa, Persiaran Lagoon, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 18 December 2012 at 3.30 p.m. and at any adjournment thereof.

In the case of a vote taken by a show of hands, *1st Proxy 'A' / *2nd Proxy 'B' (one only) shall vote on *my/our behalf.

* Strike out whichever not applicable

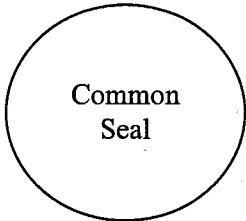


My/our proxy/proxies shall vote as follows:-

Please indicate with an "X" in the space below how you wish your votes to be cast. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting on the resolutions at his/their discretion.

NO.	ORDINARY RESOLUTIONS	1 ST PROXY 'A'		2 ND PROXY 'B'	
		FOR	AGAINST	FOR	AGAINST
1.	Proposed Acquisition				
2.	Proposed Placement				
3.	Proposed Mandate				
4.	Proposed Increase in Fund Size				

Dated this..... day of 2012



Signature of Unitholder.....

Notes:

1. A Unitholder who is entitled to attend and vote at the Meeting, may appoint not more than 2 proxies to attend and vote instead of the Unitholder at the Meeting. A proxy may but need not be a Unitholder.
2. If a Unitholder has appointed a proxy to attend the Meeting and subsequently he attends the Meeting in person, the appointment of such proxy shall be null and void, and his proxy shall not be entitled to attend the Meeting.
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4. Where a Unitholder is an exempt authorised nominee which holds units for multiple beneficial owners in 1 securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
5. Where a Unitholder or the authorised nominee appoints 2 proxies, or where an exempt authorised nominee appoints 2 or more proxies, the proportion of unitholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
6. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if such appointer is a corporation, either under its common seal or under the hand of its officer or attorney duly authorised.
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8. In respect of deposited securities, only Unitholders whose names appear in the Record of Depositors on 7 December 2012 shall be entitled to attend, speak and vote at the Meeting.

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AFFIX
STAMP

SUNWAY REAL ESTATE INVESTMENT TRUST
LEVEL 16, MENARA SUNWAY
JALAN LAGOON TIMUR
BANDAR SUNWAY
46150 PETALING JAYA
SELANGOR DARUL EHSAN
MALAYSIA

1st fold here
