

APPENDIX I - TAX ADVISER'S LETTER*(Prepared for the inclusion in this Prospectus)*

**TAXATION ADVISER'S LETTER
ON TAXATION OF THE TRUST AND UNITHOLDERS
(Prepared for inclusion in this Prospectus)**

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

OSK Trustees Berhad
6th Floor, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
(the "Trustee")

24 May 2010

Dear Sirs,

TAXATION OF SUNWAY REAL ESTATE INVESTMENT TRUST AND UNITHOLDERS

This letter has been prepared for inclusion in the Prospectus in connection with the offer of units in Sunway Real Estate Investment Trust (the "REIT").

The taxation of income for both the REIT and Unitholders are subject to the provisions of the Malaysian Income Tax Act 1967 (the "Act"). The main provisions are contained in Section 61 of the Act, which deals specifically with the taxation of trust bodies in Malaysia as well as guidelines issued by the tax authorities specifically on REITs.

1. TAXATION OF THE REIT

The REIT will be regarded as Malaysian resident for Malaysian income tax purposes since the Trustee of the REIT is resident in Malaysia.

1.1 Taxation of income

The income of the REIT, consisting of rental, interest (other than interest which is exempt from income tax) and other investment income derived from or accruing in Malaysia (after deducting tax allowable expenses), will be taxable at the normal corporate tax rate (currently at 25%).

**PricewaterhouseCoopers
Taxation Services Sdn Bhd**
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The tax transparency system under Section 61A of the Act however, exempts the REIT from such taxes in a year of assessment ("YA") if the REIT distributes at least 90% of its total taxable income in the same YA.

If less than 90% of its total taxable income is distributed in a YA, then the tax transparency system under Section 61A would not apply and total taxable income of the REIT would continue to be taxed, currently at the prevailing rate of 25%. Income which has been taxed at the REIT level will have tax credits attached when subsequently distributed to Unitholders.

Dividends received by the REIT, if any, may have tax credits attached, representing tax deduction at source at the prevailing tax rate of 25%. Such tax credits will be available for set off either wholly or partly against the tax liability of the REIT. Any excess of the tax credits over the tax liability will be refundable to the REIT.

Generally, gains on disposal of investments by the REIT are regarded as capital gains and hence, will not be subject to income tax.

1.2 Exempt Income

Since REITs are considered to be unit trusts, tax exemption is available on certain income including interest or discount from the following investments:

- (a) securities or bonds issued or guaranteed by the Government;
- (b) debentures or Islamic securities, other than convertible loan stocks, approved by the Securities Commission;
- (c) Bon Simpanan Malaysia issued by Bank Negara Malaysia;
- (d) Interest income from Islamic securities originated in Malaysia, other than convertible loans stock issued in any currency other than Ringgit and approved by the Securities Commission and Labuan Offshore Financial Services Authority; and
- (e) bonds issued by Pengurusan Danaharta Nasional Berhad.

Interest paid or credited by any bank or financial institution licensed under the Banking and Financial Institutions Act 1989 or the Islamic Banking Act 1983 to the REIT are tax exempted.

Offshore sourced income received by the REIT from overseas investment will also be tax exempted.

The income exempted at the REIT level will also be exempted from tax upon distribution to Unitholders.

1.3 Tax Deductible Expenses

Since rental income of a REIT is treated as business income, expenses incurred wholly and exclusively in the production of gross rental income are allowable as tax deductions.

Similarly, capital allowance will be available on qualifying capital expenditure incurred by the REIT as tax deductions. However, any excess deductions or unabsorbed capital allowance cannot be carried forward as a deduction against future rental income.



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1.4 Real Property Gains Tax

Gains on disposal of investments by the REIT will not normally be subject to income tax. However, where the investments represent real properties and shares in real property companies¹, such gains will be subject to real property gains tax ("RPGT").

With effect from 1 January 2010, RPGT of 5% will be applicable on gains on disposal of real properties or real property companies.

RPGT is exempted for disposal of real property or real property companies held for more than 5 years.

1.5 Stamp duty

All instruments of transfer and deeds of assignment relating to the purchase of real property by the REIT are exempted from stamp duty.

2. TAXATION OF UNITHOLDERS

The taxation of Unitholders will depend on whether the Unitholders are Malaysian residents or non-residents.

2.1 Tax treatment of Unitholders

The tax treatment is dependent on whether the REIT has distributed 90% or more of total taxable income.

(a) REIT distributes 90% or more of taxable income

Where 90% or more of the REIT's total taxable income is distributed by the REIT, distributions to Unitholders will be subject to tax based on a withholding tax mechanism at the following rates:-

Unitholders	Withholding tax rate
Individuals & All Other Non-Corporate Investors such as institutional investors ²	10% ³
Non-resident corporate investors ⁴	25%

The withholding tax is a final tax and individuals and non-corporate investors will not be required to declare the income received from the REIT in their Malaysian tax returns.

¹ A real property company is a controlled company which owns or acquires real property or shares in real property companies with a market value of not less than 75 per cent of its total tangible assets. A controlled company is a company which does not have more than 50 members and is controlled by not more than 5 persons

² Institutional investor means a pension fund, collective investment scheme or such other person approved by the Minister of Finance.

³ This reduced rate of withholding tax is effective from 1 January 2009 to 31 December 2011.

⁴ Company means an incorporated body.



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No withholding tax is applicable on distributions to resident corporate investors. Resident corporate investors are required to report the distributions from REITs in their normal corporate tax return and bring the taxable REIT distributions at the normal corporate tax rate, currently at 25%.

(b) REIT distributes less than 90% of taxable income

Where less than 90% of the total taxable income is distributed by the REIT, the REIT would have paid taxes on the taxable income for the year. The distributions made by the REIT of such taxed income will have tax credits attached. The tax treatment for Unitholders would be as follows:-

- Resident individuals will be subject to tax at their own marginal rates on the distributions and be entitled to tax credits representing tax already paid by the REIT.
- Resident corporate investors are required to report the distributions from REITs in their normal corporate tax return and bring such income to tax at the normal corporate tax rate, currently at 25%.
- No further taxes or WHT would be applicable to Foreign Unitholders. Foreign Unitholders may be subject to tax in their respective jurisdictions depending on the provisions of their country's tax legislation and the entitlement to any tax credits would be dependent on their home country's tax legislation.

Distributions representing specific exempt income or gains on disposal of investments at the REIT level will not be subject to further income tax when distributed to all Unitholders.

2.2 Disposals by Unitholders

Malaysia does not impose tax on capital gains. Therefore, gains on the disposal of the Units by Unitholders which are considered to be capital in nature will not be subject to income tax. If a Unitholder has held the Units for long-term investment purposes, any gains arising from the disposal of the Units should be considered capital gains and hence, not subject to Malaysian income tax.

However, if the Units have been held as trading assets of a trade or business carried on in Malaysia, the gains arising from the sale of Units will be seen to be part of business income and subject to normal income tax. Dealers in securities and financial institutions in Malaysia (e.g. insurance companies and banks) will normally be subject to income tax since such gains will be seen to be part of their business income. Foreign dealers and financial institutions with no business presence or permanent establishment in Malaysia will not be subject to Malaysian income tax on such gains. Such gains may still be subject to tax in each foreign investors' respective home jurisdictions.

In the event of a winding up of the REIT, the taxation of gains received in the form of cash or residual distribution will depend on whether the gains are seen to be capital gains or normal business income. Unitholders holding Units for long-term investment purposes will not be taxed since such gains are seen to be capital in nature, whilst investment traders and financial institutions with business presence in Malaysia may be taxed as discussed above.

Unitholders electing to receive the income distribution by way of investment in the form of new units will be regarded as having purchased the new units out of their income distribution.

Unit splits issued by the REIT are not taxable in the hands of Unitholders.



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2.3 Stamp duty

Stamp duty payable by Unitholders relating to the purchase of Units which is approved by the Securities Commission under Section 32 of the Securities Commission Act 1993 and the transfer of such Units are exempted by virtue of Stamp Duty (Exemption) (No. 23) Order 2000.

2.4 Estate Duty

Currently, there is no estate duty in Malaysia.

We hereby confirm that the statements made in this report correctly reflect our understanding of the tax position under current Malaysian tax legislation and the interpretations thereof. This document provides the general taxation of REITs and investors in Malaysia and is not specific advice to any particular investor. We recommend that investors obtain independent advice on the tax issues associated with their respective investments in the REIT.

Yours faithfully,
for and on behalf of

PRICEWATERHOUSECOOPERS TAXATION SERVICES SDN BHD

A handwritten signature in black ink, appearing to read 'Jennifer Chang', written over a large, stylized circular mark.

Jennifer Chang
Senior Executive Director

PricewaterhouseCoopers Taxation Services Sdn Bhd has given written consent to the inclusion of the report as Taxation Adviser in the form and context in which it appears in this Prospectus and has not withdrawn such consent prior to the delivery of a copy of this Prospectus for approval.

(Prepared for the inclusion in this Prospectus)

Knight Frank



Sunway City Berhad
Level 3, Menara Sunway
Jalan Lagoon Timur, Bandar Sunway
46150 Petaling Jaya
Selangor Darul Ehsan

29th March 2010

Reference No.: V/10/0030(A)/clh

Dear Sir,

VALUATION CERTIFICATE - SUNWAY PYRAMID SHOPPING MALL
(HEREINAFTER REFERRED TO AS "THE SUBJECT PROPERTY")

We were instructed by Sunway City Berhad ("SunCity") to conduct a Valuation of the Subject Property and details of the Valuation are contained in our Valuation Report bearing Reference No. V/10/0030(A)/clh dated 29th March 2010.

This Valuation Certificate is prepared for the inclusion in the Prospectus of Sunway Real Estate Investment Trust ("Sunway REIT") in relation to listing exercise of Sunway REIT on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Valuation was prepared in conformity with the Asset Valuation Guidelines issued by Securities Commission and Manual of 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".

WE WERE INFORMED BY THE CLIENT THAT AN INDIVIDUAL AMALGAMATED TITLE IN RESPECT OF THE SUBJECT PROPERTY HAS NOT BEEN ISSUED AS YET. NOTWITHSTANDING THE ABOVE, OUR VALUATION IS ON THE BASIS THAT AN AMALGAMATED TITLE CONVEYING A SIMILAR UNEXPIRED LEASEHOLD INTEREST IN RESPECT OF THE SUBJECT PROPERTY IS FORTHCOMING AND WHEN ISSUED, WILL BE FREE OF ALL ENCUMBRANCES AND RESTRICTIVE CONDITIONS AND WITH CATEGORY OF LAND USE 'BUILDING' AND SPECIFIC USE FOR COMMERCIAL AS THE CASE MAY BE.

Brief description of the Subject Property is as attached overleaf.

APPENDIX II - VALUATION CERTIFICATES (Cont'd)

Knight Frank



IDENTIFICATION OF PROPERTY

Name and Address Sunway Pyramid Shopping Mall, No. 3, Jalan PJS 11/15, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan.

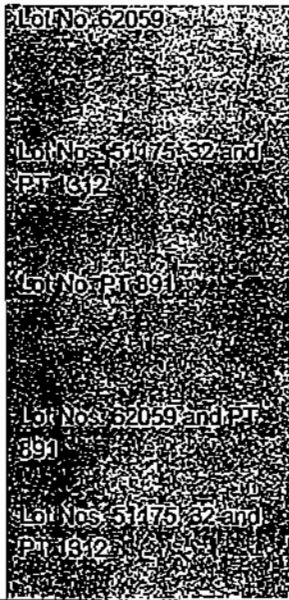
Type of Property A purpose-built 4-level retail and entertainment mega-mall together with 6 levels of elevated and 3 levels of basement car parks plus a convention centre.

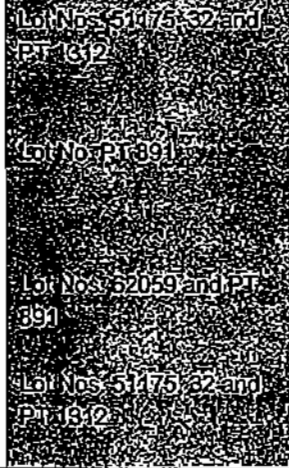
Title Particulars**Summary of Title Particulars, Sunway Pyramid Shopping Mall**

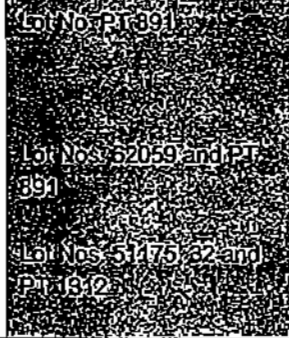
Lot Nos. : Lot Nos. 62059, 32, 51175, PT 891 and PT 1312, Title Nos. Pajakan Negeri 17414, Pajakan Negeri 9495, Pajakan Negeri 9500, HS(D) 233143 and HS(D) 259957 respectively, all within Town of Sunway, District of Petaling, Selangor Darul Ehsan

Total Land Area : 76,167.00 square metres (820,070 square feet).

Category of Land Use : Building.

Tenure :  Leasehold interest for a term of 99 years, expiring on 21st February 2102 (remaining unexpired term of about 92 years).

 Leasehold interest for a term of 99 years, expiring on 1st April 2097 (remaining unexpired term of about 87 years).

 Leasehold interest for a term of 99 years, expiring on 14th August 2105 (remaining unexpired term of about 95 years).

Registered Proprietors :  Sunway Pyramid Sdn Bhd.

 Sunway City Berhad.

Knight Frank



PROPERTY DESCRIPTION

Location	The Subject Property fronts onto the New Pantai Expressway (NPE) and it is located within Bandar Sunway, an integrated comprehensive self-contained township which comprises residential, commercial, institutional and industrial and recreational developments. Bandar Sunway is located about 20 kilometres due south-west of the Kuala Lumpur city centre and the Subject Property is easily accessible via Jalan Syed Putra, Federal Highway, exiting onto Jalan PJS 8/1 [forming part of the Lebuhraya Damansara – Puchong (LDP)], NPE and thence onto Jalan PJS11/15.
Property Description	<p>Sunway Pyramid Shopping Mall is a premier four-storey regional shopping mall in Bandar Sunway, with 715 tenancies (as at 31 December 2009) and approximately 1.69 million sq. ft. of net lettable area (NLA). The mall includes a convention centre and multi-storey parking facilities with more than 3,800 car parking bays. The mall has an Egyptian-inspired architectural design with four themed precincts each with unique interior designs and retail concepts. The mall, located at Sunway Integrated Resort, is linked to Sunway Resort Hotel & Spa, Pyramid Tower Hotel and the Sunway Lagoon, a theme park.</p> <p>Since its completion in 1997, Sunway Pyramid Shopping Mall has been and remains a prime shopping destination in the Klang Valley. The mall serves as a one-stop destination centre for this expanding area, featuring a wide variety of dining, fashion, specialty offerings and entertainment, including a 12-screen cineplex and Malaysia's only ice-skating rink. Large-scale regional competitive events have been held at the mall, such as international bowling tournaments at its 48-lane bowling alley. After the completion of expansion and refurbishment on 29 September 2007, Sunway Pyramid Shopping Mall became one of Malaysia's largest malls measured by NLA.</p>
Occupancy Status	Approximately 99.60%.
Gross Floor Area	397,341.17 square metres (4,276,945 square feet).
Net Lettable Area (NLA)	156,594.38 square metres (1,685,568 square feet).
No. of Car Parks	3,954 bays.
Planning Approvals	<p>The Subject Property is designated for commercial use.</p> <p>Sunway Pyramid Phase I was issued with Certificate of Fitness for Occupation bearing Certificates Nos. MPSJ 10221 and MPSJ.S.BGN-01-A by Subang Jaya Municipal Council dated 3rd November 1998 and 17th September 2003 respectively.</p> <p>Sunway Pyramid Phase 1 and 2 were further issued with a final Certificate of Fitness for Occupation by Subang Jaya Municipal Council dated 27th September 2007.</p>

Knight Frank



Property Performance

The following table outlines the historical operating performance of the Subject Property as extracted from the unaudited management accounts provided to us by the Client.

Historical Operating Performance, Sunway Pyramid Shopping Mall, 2007 – 2009 (Extracted from the Unaudited Management Accounts)			
	July 2006 – June 2007	July 2007 – June 2008	July 2008 – June 2009
Average Occupancy (RM'000)	93.1%	92.3%	97.9%
Total Rental Receivable	73,918	128,428	176,352
Total Rental Rebates	(1,923)	(1,834)	(5,200)
Total Other Income	6,344	7,476	9,331
Car Park Rental Income Payable to Sunway Pyramid*	2,850	3,798	5,196
Gross Income	81,189	137,868	185,679
Total Outgoings	(29,645)	(43,853)	(55,576)
Net Income	51,544**	94,015	130,103

Notes:-

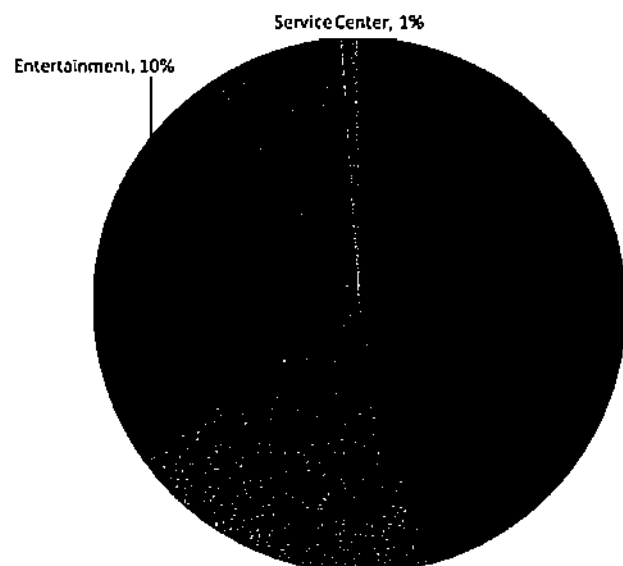
- * The Gross Income from car park operation was about RM4,292 million, RM7.446 million and RM9.845 million for periods of July 2006 – June 2007, July 2007 – June 2008 and July 2008 – June 2009 respectively as reported by Sunway Parking Management Sdn Bhd, the car park operator for Sunway Pyramid.
- ** The lower recorded Net Income for period of July 2006 – June 2007 was due to income receivable from Sunway Pyramid Phase 1 only.

Source: Sunway Pyramid Sdn Bhd

Tenancy Profile

As at the date of valuation, Sunway Pyramid Shopping Mall is mostly tenanted by specialty, anchor and mini-anchor tenants, followed by food and beverages, entertainment and a convention centre.

Most tenancies have been agreed for a 3-year term, with an option to renew thereafter on the then prevailing market rates. Some of the tenancies have a fixed increasing staggered rental rates whilst some tenancies have a fixed rental rate throughout.



Knight Frank

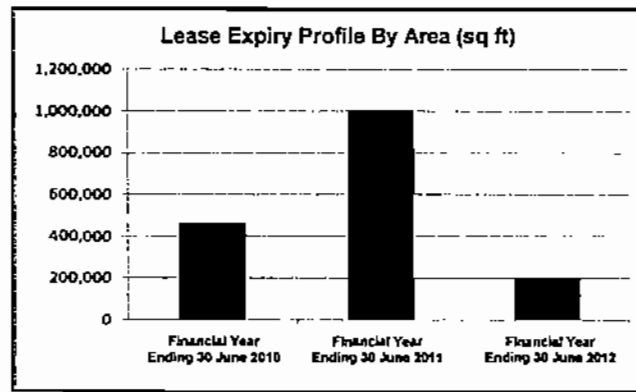


Tenancy Profile (Cont'd)

The tenancies for anchor and mini anchor tenants are mostly secured for multiple 3-year terms with some having fixed increases in rental rates and some with fixed rental rates throughout with options to renew thereafter. The majority of the tenancies (about 75%) incorporated provisions for payment of sales turnover rent.

The service charges applicable to anchor, mini and normal tenants ranges from RM0.50 to RM1.30 per square foot (psf) of NLA per month whilst the advertisement & promotion charges ranges from nil to RM0.30 psf of NLA per month.

The lease expiry analysis of the Subject Property is as follow:-



MARKET VALUE

Date of Valuation 3rd February 2010.

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.

APPENDIX II - VALUATION CERTIFICATES (Cont'd)

Knight Frank



Investment Method of Valuation

For the current term valuation of the Subject Property, we have adopted an average gross rental rate of about RM9.50 psf (excluding car park income) which is the average current passing rent, and average outgoings of about RM2.60 psf. The higher rental rate achieved during the current term valuation is due to upward rental renewals of majority of tenancies in the months of September, October and November 2009. Under the reversionary valuation, we have adopted an average gross rental rate of about RM10.50 psf (excluding car park income) and average outgoings of about RM2.70 psf on fully leased basis, which in our opinion to be fair taking into consideration our rental comparison, tenancy profile, location and existing passing rents.

The following table outlines the average rental rates of comparable retail centres:-

Retail Rental Comparison, 2009			
Property	Lot 10	Starhill	Sungei Wang Plaza
Location	Golden Triangle, Kuala Lumpur	Golden Triangle, Kuala Lumpur	Golden Triangle, Kuala Lumpur
NLA	256,811 sf	297,354 sf	510,418 sf
Average Gross Rental psf (Excluding Car Park Income)	RM8.80 psf	RM12.00 psf	RM9.80 psf*

* Note :- The Average Gross Rental Rate for Sungei Wang Plaza is derived from the net lettable area owned by CapitaLand Ltd.

For income derived from the car park operation, we have adopted a gross rental income of about RM200 per bay per month with average outgoings of about 15% of the car park gross rental.

Sunway Pyramid Car Park Operation (Gross Income Analysis)			
	July 2006 – June 2007	July 2007 – June 2008	July 2008 – June 2009
Gross Income (RM'000)	4,292	7,446	9,845
Average Income Per Bay Per Month	RM143	RM163	RM216

Other income and expenses relating to promotion charges, push cart, gross sales turnover rent and rental rebates have also been incorporated into our valuation. We have also taken into consideration a vacancy allowance rate (void) to reflect possible future vacancies, rent free periods and possibility of bad debts. The resultant Net Income is then capitalized over the remaining terms of the leasehold interests.

Yield Analysis and Comparison			
Lot 10	Starhill	Sungei Wang Plaza	KL Plaza
6.80%	6.80%	7.06%	4.00%
(Based on the proposed master lease)	(Based on the proposed master lease)	(Based on average income receivable from the portion owned by CapitaLand Ltd)	-

The yields of individual retail centres are dependent on many factors including location, tenant mix, catchment population, occupancy rate and the size of the complexes. From our yield analysis, we have noted that the existing yields of shopping complexes in Kuala Lumpur reflecting current market conditions are in the region of about 6.80% to 7.50%. We have thus adopted a yield of 6.50% for current term and 7.00% under the reversionary period, to be fair after taking into consideration of the location, size and current tenancy profiles of the Subject Property.

Knight Frank



Comparison Method of Valuation

We have identified and analyzed the recent transactions of retail centres in Kuala Lumpur and have summarized the details and our valuation approach in the following table. In our analysis and comparison, we have used the recent proposed acquisitions of Starhill Gallery and Lot 10 Shopping Centre by HSBC Institutional Trust Services (Singapore) Limited, the trustee of Starhill Global REIT, as well as the acquisition of Sungei Wang Plaza (consisting 61.9% of total retail strata area) by CapitaLand Limited. These three transactions are similar in the sense that all three consist of existing REIT properties or soon to be listed as a REIT property (in the case of Sungei Wang Plaza).

Sales Comparison and Analysis of Retail Centres in Kuala Lumpur				
	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Property	Proposed Disposal of Starhill Centre, Jalan Bukit Bintang, Kuala Lumpur	Proposed Disposal of Lot 10 Shopping Centre, Jalan Sultan Ismail, Kuala Lumpur	Sungei Wang Plaza, Jalan Bukit Bintang, Kuala Lumpur	KL Plaza, Jalan Bukit Bintang, Kuala Lumpur
Tenure	Interest in perpetuity	Leasehold interest for 99 years expiring on 29 th July 2076	Interest in perpetuity	Interest in perpetuity
Age	About 14 years	About 19 years	About 32 years	About 27 years
NLA	297,354 sf	256,811 sf	510,418 sf	227,721 sf
Consideration	RM 629,000,000	RM401,000,000	RM595,000,000	RM320,000,000
Date	18 th November 2009	18 th November 2009	25 th June 2008	15 th August 2007
Vendor	Mayban Trustees Berhad, the trustee of Starhill REIT	Mayban Trustees Berhad, the trustee of Starhill REIT	Kencana Property Management Sdn Bhd.	Noble Circle (M) Sdn Bhd (a subsidiary of Berjaya Land Bhd).
Purchaser	HSBC Institutional Trust Services (Singapore) Limited, the trustee of Starhill Global REIT	HSBC Institutional Trust Services (Singapore) Limited, the trustee of Starhill Global REIT	CapitaLand Limited.	Makna Mujur Sdn Bhd [a subsidiary of Pavilion International Development Fund Ltd and the principal of this fund is Qatar Investment Authority (QIA)].
Source	Starhill REIT announcement dated 18 th November 2009 on Bursa Securities website	Starhill REIT announcement dated 18 th November 2009 on Bursa Securities website	CapitaLand Limited's announcement dated 25 th June 2008 on Singapore Exchange website	Berjaya Land Berhad's announcement dated 15 th August 2007 on Bursa Securities website
Analysis	RM2,115 psf	RM1,561 psf	RM1,166 psf	RM 1,405 psf
Adjustments	Upward adjustment is made as the comparable has a smaller net lettable area, on strata title basis and have a proposed fixed master lease. Downward adjustment is made as the subject comparable is located in a better location, has a freehold tenure, good building condition and good tenancy mix.	Upward adjustment is made as the comparable has a smaller net lettable area, on strata title basis and have a proposed fixed master lease. Downward adjustment is made for location as the comparable is located in a better location.	Upward adjustment is made as comparable has older design, on strata title basis, smaller lettable area and the retail lots consist of less desirable lots. Downward adjustment is made for location and tenure as comparable is located in prominent location with freehold interest.	Upward adjustment is made as the comparable has older design/building, on strata title basis and smaller lettable area. Downward adjustment is made as the comparable is located in a prominent location and has a freehold interest.
Effective Adjusted Value	RM1,375 psf	RM1,405 psf	RM1,408 psf	RM1,402 psf

APPENDIX II - VALUATION CERTIFICATES (Cont'd)

Knight Frank

**Valuation Rational**

From the abovementioned adjusted values, we note that the adjusted values range from RM1,375 psf to RM1,408 psf.

Based on the adjustments mentioned above to arrive at the Market Value psf, we note that Comparable 2 is considered the most appropriate comparable, given that it has the least adjustments and have similarities with the Subject Property.

As such, a reasonable sum of RM1,405 psf is adopted as a fair representation of the Subject Property which translates to a Market Value of RM2,370,000,000.

Reconciliation of Values

Method of Valuation	Derivation of Values
Investment Method	RM2,300,000,000
Comparison Method	RM2,370,000,000

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, hotels, 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.

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Knight Frank



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.

WE WERE INFORMED BY THE CLIENT THAT AN INDIVIDUAL AMALGAMATED TITLE IN RESPECT OF THE SUBJECT PROPERTY HAS NOT BEEN ISSUED AS YET. NOTWITHSTANDING THE ABOVE, OUR VALUATION IS ON THE BASIS THAT AN AMALGAMATED TITLE CONVEYING A SIMILAR REMAINING UNEXPIRED LEASEHOLD INTEREST IN RESPECT OF THE SUBJECT PROPERTY IS FORTHCOMING AND WHEN ISSUED, WILL BE FREE OF ALL ENCUMBRANCES AND RESTRICTIVE CONDITIONS AND WITH CATEGORY OF LAND USE 'BUILDING' AND SPECIFIC USE FOR COMMERCIAL AS THE CASE MAY BE.

Having regard to the foregoing, our opinion of the Market Value of the remaining unexpired leasehold interests of about 87 years for Lot Nos. 32, 51175, and PT 1312, 92 years for Lot No. 62059 and 95 years for Lot No. PT 891, with certificates of fitness for occupation issued, subject to existing tenancies, the titles being free of all encumbrances (including the existing charge of Lot No. 62059 to Southern Bank Berhad and lien holder's caveats lodged by CIMB Bank Berhad), good, marketable and registrable, as at 3rd February 2010 is RM2,300,000,000 (Ringgit Malaysia Two Billion And Three Hundred Million Only).

For and on behalf of
KNIGHT FRANK

OOI YEW HOCK
Registered Valuer, V-273
FISM, MRICS

Date: 29th March 2010

Knight Frank



Sunway City Berhad
Level 3, Menara Sunway
Jalan Lagoon Timur, Bandar Sunway
46150 Petaling Jaya
Selangor Darul Ehsan

29th March 2010

Reference No.: V/PG/10/039(A)/ymk

Dear Sir,

VALUATION CERTIFICATE - SUNWAY CARNIVAL SHOPPING MALL
(HEREINAFTER REFERRED TO AS "THE SUBJECT PROPERTY")

We were instructed by Sunway City Berhad ("SunCity") to conduct a Valuation of the Subject Property and details of the Valuation are contained in our Valuation Report bearing Reference No. V/PG/10/039(A)/ymk dated 29th March 2010.

This Valuation Certificate is prepared for the inclusion in the Prospectus of Sunway Real Estate Investment Trust ("Sunway REIT") in relation to listing exercise of Sunway REIT on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Valuation was prepared in conformity with the Asset Valuation Guidelines issued by the Securities Commission and Manual of 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".

Brief description of the Subject Property is as attached overleaf.

Knight Frank



IDENTIFICATION OF PROPERTY

Name and Address Sunway Carnival Shopping Mall, No. 3068, Jalan Todak, Pusat Bandar Seberang Jaya, 13700 Perai, Pulau Pinang.

Type of Property A purpose-built 5-storey building comprising a shopping complex with a multi-storey car park and a convention centre.

Title Particulars Summary of Title Particulars, Sunway Carnival Shopping Mall

Lot Nos. : Lot Nos. 5497 to 5499 held under Title Nos. Pajakan Negeri 1816 to 1818 respectively, all within Mukim 1, District of Seberang Perai Tengah, State of Pulau Pinang.

Total Land Area : 32,370 square metres (348,428 square feet).

Category of Land Use : Building.

Tenure : Leasehold interest for a term of 99 years, expiring on 21st October 2092 (remaining unexpired term of about 82 years).

Registered Proprietor : Sunway Carnival Sdn. Bhd.

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Knight Frank



PROPERTY DESCRIPTION

<i>Location</i>	<p>The Subject Property is strategically located within the prime commercial precinct of Pusat Bandar Seberang Jaya which is located on the southern side of the Butterworth – Kulim Expressway. It is situated approximately 5 kilometres due east of the Butterworth Ferry Terminal and Railway Station and approximately 1.5 kilometres due west of the interchange of the Butterworth – Kulim.</p> <p>The mall is located within Pusat Bandar Seberang Jaya, a 56-acre development initiated by the Penang State government at a cost of more than RM1 billion. The township consists of office buildings, a hotel, factories and residential properties. The mall which is situated near the bridge to Penang Island and close to both the North-South Expressway and the Kulim-Butterworth Expressway principally attracts shoppers from mainland Malaysia who, prior to the development of the mall in 2007, often crossed a toll-bridge to Penang Island to fulfill their shopping needs.</p>
<i>Property Description</i>	<p>Sunway Carnival Shopping Mall is a premier five-storey lifestyle shopping mall in Pusat Bandar Seberang Jaya, with 148 tenancies (as of 31 December 2009) and approximately 484,364 sq. ft. of net lettable area. The mall includes an eight-screen cineplex, an amusement centre, a convention centre, a Parkson Department Store and Giant Supermarket.</p>
<i>Occupancy Status</i>	<p>Approximately 94.80%.</p>
<i>Gross Floor Area</i>	<p>91,332.98 square metres (983,100 square feet).</p>
<i>Net Lettable Area (NLA)</i>	<p>44,998.88 square metres (484,364 square feet).</p>
<i>No. of Car Park</i>	<p>1,104 bays.</p>
<i>Planning Approvals</i>	<p>The Subject Property is designated for commercial use.</p> <p>Sunway Carnival Shopping Mall was issued with a Certificate of Fitness for Occupation by Seberang Perai Municipal Council dated 21st June 2007.</p>

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Knicht Frank



Property Performance

The following table outlines the historical operating performance of the Subject Property for Financial Year Ended (FYE) 30th June 2008 – 2009 and six months ended 2009 as extracted from the unaudited management accounts provided to us by the Client.

Historical Operating Performance, Sunway Carnival Shopping Mall, FYE 30th June 2008 – 2009 (Extracted from the Unaudited Management Accounts)

	FYE 30 th June 2008	FYE 30 th June 2009	Six Months Ended 2009
Average Occupancy (RM'000)	86.8%	91.8%	94.1%
Total Rental Receivable	14,803	17,949	9,648
Total Rental Rebates	-	(357)	(355)
*Total Other Income	4,682	5,795	3,145
Gross Income	19,485	23,387	12,438
Total Outgoings	(9,782)	(10,970)	(5,625)
Net Income	9,703	12,417	6,813

* Note :-

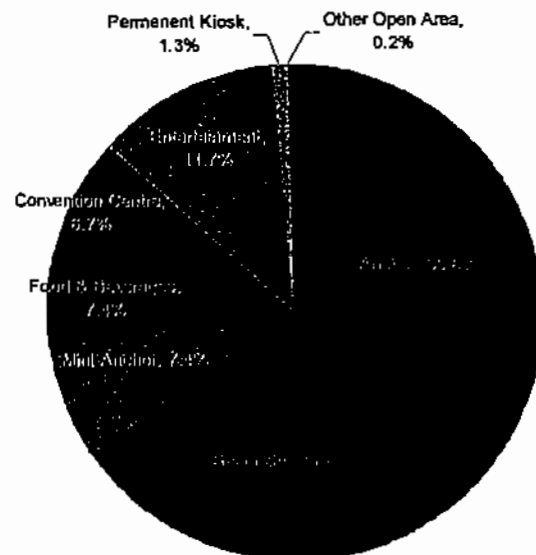
Total Other Income includes service charge, promotional charge, promotional area, car park income and convention centre.

Source: Sunway Carnival Sdn Bhd

Tenancy Profile

As at the date of valuation, Sunway Carnival Shopping Mall is mostly tenanted by anchor tenants, specialty and entertainment outlets, followed by mini anchor tenants, food and beverages, a convention centre, permanent kiosks and other open areas.

Most tenancies have been agreed for a 3-year term, with options to renew thereafter on the then prevailing market rates. Some of the tenancies have fixed increasing staggered rental rates whilst some tenancies have fixed rental rates throughout.



Knight Frank



Tenancy Profile (Cont'd)

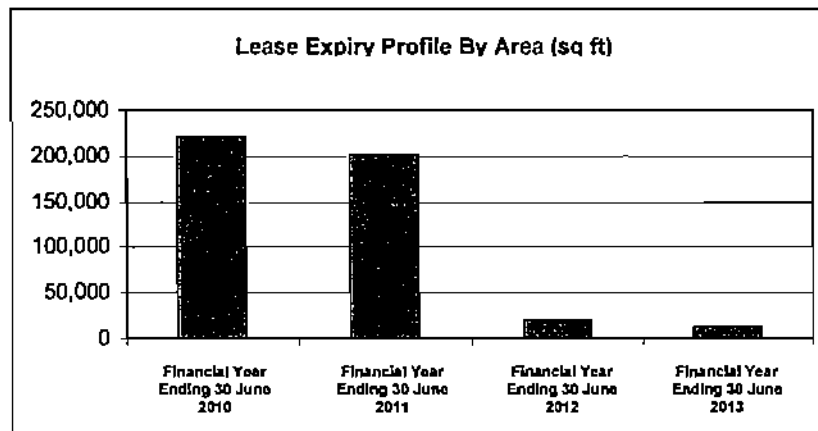
The tenancies for anchor and mini anchor tenants are mostly secured for multiple 3-year terms with some having fixed increases in rental rates and some with fixed rental rates throughout with options to renew thereafter. The majority of the tenancies (about 37.4%) incorporated provisions for payment of sales turnover rent.

The service charges applicable to normal tenants are RM1.30 per square foot (psf) of NLA per month whilst the advertisement and promotion charges are RM0.20 psf of NLA per month.

Note:

Anchor tenants, GSC and convention centre do not pay for service charges and also advertisement and promotional charges

The lease expiry analysis of the Subject Property is as follow:-



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Knight Frank



MARKET VALUE

Date of Valuation 3rd February 2010.

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

i) 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.

ii) 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

For the current term valuation of the Subject Property, we have adopted an average gross rental rate of about **RM4.33 psf** (including car park income), which is the average current passing rent, and average outgoings of about **RM1.90 psf**. Under the reversionary valuation, we have adopted an average gross rental rate of about **RM5.53 psf** (including car park income) and average outgoings of about **RM2.00 psf** on fully leased basis, which in our opinion to be fair taking into consideration our rental comparison, tenancy profile, location and existing passing rents.

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Knight Frank



Investment Method of Valuation (Cont'd)

Our assessment of the market rent of the Subject Property is based on the historical passing rental of the Subject Property. We are unable to obtain rental evidences of similar shopping complexes in Seberang Perai as there are no shopping complexes that are of a similar grade. Therefore, we have adopted the current agreed rental as the market rental. They appear fair as evidenced by the acceptance of such rental levels by so many retailers/tenants.

For income derived from the car park operation, we have adopted a gross rental income of about RM75 per bay per month with average outgoings of about 15% of the car park gross rental.

Sunway Carnival Car Park Operation (Gross Income Analysis)

	FYE 30 th June 2008	FYE 30 th June 2009
*Gross Income (RM'000)	944	1,052
Average Income Per Bay Per Month	RM71	RM79

***Note:**

Based on car counts only

Other income and expenses relating to promotion charges, gross sales turnover rent and rental rebates have also been incorporated into our valuation. We have also taken into consideration a vacancy allowance rate (void) to reflect possible future vacancies, rent free periods and possibility of bad debts. The resultant Net Income is then capitalized over the remaining terms of the leasehold interests.

Yield Analysis and Comparison

Tesco, Penang	Gurney Plaza
6.38%	5.18%

The yields of individual retail centres are dependent on many factors including location, tenant mix, catchment population, occupancy rate and the size of the complexes. From our yield analysis, we have noted that the existing yields of shopping complexes in Penang reflecting current market conditions are in the region of about 6.00% to 7.00%.

We have thus adopted a yield of 7.00% for current term and 7.50% under the reversionary period, to be fair after taking into consideration of the location, size and current tenancy profiles of the Subject Property.

Knight Frank



Comparison Method of Valuation

We have identified and analyzed transactions of retail centres in Penang and Kedah and have summarized the details and our valuation approach in the following table. In our analysis and comparison, we have used Gurney Plaza and Alor Setar Mall to arrive at the opinion of market value.

Sales Comparison and Analysis of Retail Centres in Penang and Kedah		
	Comparable 1	Comparable 2
Property	Gurney Plaza, Perslaran Gurney, Penang	Alor Setar Mall, Kedah
Tenure	Interest-in-perpetuity	Interest-in-perpetuity
Age	About 9 years	About 4 years
NLA	700,000 sf	296,532 sf
Consideration	RM 770,000,000	RM130,000,000
Date	August 2007	21 st March 2006
Vendor	Gurney Plaza Sdn. Bhd.	The Store Corporation Berhad
Purchaser	Front Winners Sdn. Bhd.	Y.S.Tang Holdings Sdn. Bhd.
Source	Singapore Exchange Announcement	Bursa Securities
Analysis	RM1,100 psf	RM438.40 psf
Adjustments	Upward adjustments have been made for the fact that the Subject Property has a better car parking ratio and improved market condition. Downward adjustments have been made to allow for the fact that the comparable is located in a better locality, has a bigger lettable area, has a freehold tenure and better tenant mix.	Upward adjustments have been made as the Subject Property is in a better locality, has a better tenant mix, better building condition, better car parking ratio and bigger lettable area as compared to the comparable and improved market condition. A downward adjustment has been made for the fact that the comparable is a freehold property.
Effective Adjusted Value	RM520 psf	RM575 psf

Valuation Rational

From the abovementioned adjusted values, we note that the adjusted values range from RM520 psf to RM575 psf.

Based on the adjustments mentioned above to arrive at the Market Value psf, we note that Comparable 1 is considered the most appropriate comparable, given that it has the least adjustments and have similarities with the Subject Property.

As such, a reasonable sum of RM520 psf is adopted as a fair representation of the Subject Property which translates to a Market Value of RM252,000,000.

There is a dearth of evidence of transactions of shopping mall that are similar in grade, size, locality, etc and as such we have utilised only two comparables.

Knight Frank



Reconciliation of Values

Method of Valuation	Derivation of Values
Investment Method	RM250,000,000
Comparison Method	RM252,000,000

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, hotels, 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 dipecah sempadan, pindah milik, cagar, pajak, pajakan kecil atau apa-apa urusan sekalipun dilupakan dengan tiada kebenaran bertulis daripada 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 remaining unexpired 82-year leasehold interest in the Subject Property, which is held under Lot Nos. 5497 to 5499, Title Nos. Pajakan Negeri 1816 to 1818 respectively, all within Mukim 1, District of Seberang Perai Tengah, State of Pulau Pinang, with certificates of fitness for occupation issued, subject to existing tenancies, the titles being free of all encumbrances (including the existing charges to Public Bank Berhad), good, marketable and registrable, as at 3rd February 2010 is RM250,000,000 (Ringgit Malaysia Two Hundred Fifty Million Only).

For and on behalf of
KNIGHT FRANK

TAY TAM
Registered Valuer, V-219
FISM

Date: 29th March 2010

Knight Frank



Sunway City Berhad
Level 3, Menara Sunway
Jalan Lagoon Timur, Bandar Sunway
46150 Petaling Jaya
Selangor Darul Ehsan

29th March 2010

Reference No.: V/PG/10/039(B)/ci

Dear Sir,

**VALUATION CERTIFICATE – SUNCITY IPOH HYPERMARKET
(HEREINAFTER REFERRED TO AS "THE SUBJECT PROPERTY")**

We were instructed by Sunway City Berhad ("SunCity") to conduct a Valuation of the Subject Property and details of the Valuation are contained in our Valuation Report bearing Reference No. V/PG/10/039(B)/ci dated 29th March 2010.

This Valuation Certificate is prepared for the inclusion in the Prospectus of Sunway Real Estate Investment Trust ("Sunway REIT") in relation to listing exercise of Sunway REIT on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Valuation was prepared in conformity with the Asset Valuation Guidelines issued by Securities Commission and Manual of 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".

Brief description of the Subject Property is as attached overleaf.

Knight Frank



IDENTIFICATION OF PROPERTY

Name and Address	SunCity Ipoh Hypermarket, No. 2, Jalan SCI 2/2, Bandar Sunway Ipoh, 31150 Ipoh, Perak Darul Ridzuan.
Type of Property	A single-storey purpose-built hypermarket.
Title Particulars	<p>Summary of Title Particulars, SunCity Ipoh Hypermarket</p> <p>Lot No. : Lot No. 331232 (formerly PT 171440) held under Title No. PN 258216 (formerly HSD 92972), Mukim Hulu Kinta, District of Kinta, Perak Darul Ridzuan.</p> <p>Land Area : 32,980 square metres (354,994 square feet).</p> <p>Category of Land Use : Building.</p> <p>Tenure : A leasehold interest for a term of 99 years, expiring on 22nd February 2100 (remaining unexpired term of about 90 years).</p> <p>Registered Proprietor : Peluang Klasik (M) Sdn Bhd.</p>

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Knight Frank



PROPERTY DESCRIPTION

Location	<p>Suncity Ipoh Hypermarket is located within Sunway City Ipoh, an on-going mixed development located along the Tambun – Tanjong Rambutan main road in the state of Perak. It is situated approximately 2.0 kilometres due north-east of Tambun town and about 9 kilometres due north-east of Greentown in Ipoh. The Ipoh Interchange (South Exit) of the North-South Highway is approximately 7.5 kilometres due west of the Subject Property.</p> <p>The Subject Property fronts onto Jalan SCI 2/2 and is easily accessible from the Ipoh Interchange (South Exit) of the North-South Highway via Jalan Tasek (also known as Jalan Sultan Azlan Shah Utara), Jalan Tambun, the Tambun – Tanjong Rambutan main road, Persiaran Lagun Sunway and thence onto Jalan SCI 2/2. Alternatively, it is accessible via the new slip road from the North-South Highway (about 2 kilometres to the south of the Ipoh South Exit) onto Jalan Tambun, the Tambun – Tanjong Rambutan main road, Persiaran Lagun Sunway and thence onto Jalan SCI 2/2.</p>
Property Description	<p>Suncity Ipoh Hypermarket is a purpose-built hypermarket building within Sunway City Ipoh. It is a single-storey purpose-built hypermarket with a mezzanine floor, a guard house, a meter room/ Tenaga Nasional Berhad substation and a Liquid Petroleum Gas (LPG) store. Surface car parking bays are provided within the compound of the site and the internal circulation areas are generally tarmacadamised.</p>
Occupancy Status	<p>The entire Subject Property is leased to GCH Retail (Malaysia) Sdn. Bhd.</p>
Gross Floor Area	<p>17,968.20 square metres (193,408 square feet).</p>
Net Lettable Area (NLA) (subject to Final Survey)	<p>16,835.52 square metres (181,216 square feet).</p>
No. of Car Parks	<p>400 bays.</p>
Planning Approvals	<p>The Subject Property is designated for commercial use.</p> <p>Suncity Ipoh Hypermarket was issued with a Temporary Certificate of Fitness for Occupation (TCF) and a Certificate of Fitness for Occupation (CF) on 28th April 2005 and 15th September 2005 respectively by Majlis Bandaraya Ipoh.</p> <p>The Proton car showroom which was erected on part of the car park area was issued with a Temporary Permit for the period of 1st January 2010 to 31st December 2010 by Majlis Bandaraya Ipoh.</p>

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Knight Frank



Property Performance

The following table outlines the historical operating performance of the Subject Property for Financial Year Ended (FYE) 30th June 2007 to 2009 as extracted from the audited accounts provided to us by the Client.

Historical Operating Performance, SunCity Ipoh Hypermarket, FYE 30 th June 2007 – 2009			
	FYE 30 th June 2007	FYE 30 th June 2008	FYE 30 th June 2009
Gross Income	2,548,241	3,802,196	4,113,852
Total Outgoings	(258,576)	(281,602)	(350,524)
Net Income	2,289,665	3,520,594	3,763,328
Total Other Income*	15,600	15,600	15,600
Total Net Income	2,305,265	3,536,194	3,778,928

* Note:-

The other income is from the sum being paid to Peluang Klasik (M) Sdn. Bhd. for giving consent to GCH Retail (Malaysia) Sdn. Bhd. to sub-let part of the car park area to Bumitage Sdn. Bhd. for the construction and use of the Proton car showroom.

Source: Peluang Klasik (M) Sdn Bhd

Tenancy Profile

Suncity Ipoh Hypermarket is leased to GCH Retail (Malaysia) Sdn. Bhd. for a Guaranteed Term of six (6) years, commencing 28th April 2005 with two renewal terms of three (3) years each.

The details of the tenancy are as below:

Tenancy Details	
Period	Rental (per month)
28/04/2005 – 27/04/2007	RM1.05 psf
28/05/2007 – 27/04/2008	RM1.70 psf
28/05/2008 – 27/04/2011	RM1.87 psf

A sum of RM1,300 per month is being paid to Peluang Klasik (M) Sdn. Bhd. for giving consent to GCH Retail (Malaysia) Sdn. Bhd. to sub-let part of the car park area to Bumitage Sdn. Bhd. for the construction and use of the Proton showroom for a five-year period commencing 1st May 2006 to 30th April 2011. This income has been taken into account in our valuation only for the duration of the term.

Knight Frank



**Tenancy Profile
(Cont'd)**

The following table outlines the historical operating outgoings of the Subject Property.

Historical Operating Outgoings, FYE 30 th June 2007 – 2009			
	FYE 30 th June 2007	FYE 30 th June 2008	FYE 30 th June 2009
Outgoings (per month)	RM0.12 psf	RM0.13 psf	*RM0.16 psf

Note:-

The operations and administrative expenses and insurance appeared to be higher in FYE 30th June 2009 due to the upgrading of safety netting which amounts to approximately RM69,000 (or RM0.03 psf). There was no upgrading work for the FYE 30th June 2007 and 2008.

Source: *Peluang Klasik (M) Sdn. Bhd.*

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Knight Frank



MARKET VALUE

Date of Valuation 3rd February 2010.

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

i) 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.

ii) 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

For the current term valuation of the Subject Property, we have adopted the current gross rental rate of **RM1.87 per square foot (psf) per month** and average outgoings of about **RM0.14 psf per month** for the term and reversionary valuation as the rental appears fair and reversion is only about 15 months away.

The following table outlines the average rental rates of comparable retail centres:-

Retail Rental Comparison, 2009		
Property	Tesco Hypermarket, Kajang	Giant Hypermarket, Sungai Petani
Location	Kajang, Selangor	Sungai Petani, Kedah
NLA	198,058	138,000 sf
Gross Rental	RM2.00 psf	RM1.75 psf

Knight Frank**Investment Method of Valuation (Cont'd)****Yield Analysis and Comparison**

Giant Hypermarket (Sungai Petani, Kedah)	Tesco Hypermarket (Jelutong, Penang)
6.98%	6.38%

The yields of individual hypermarkets are dependent on many factors including location, catchment population and the size of the building. From our yield analysis, we have noted that the existing yields of hypermarkets reflecting current market conditions are in the region of about 6% and 7%.

We have thus adopted yield of 7.00% for both term and reversion for the Subject Property to be fair after taking into consideration of the location, size and tenure of the Subject Property.

Comparison Method of Valuation

We have identified and analyzed the recent transactions of hypermarkets in Penang & Kedah and have summarized the details and our valuation approach in the following table. In our analysis and comparison, we have used the transactions of Tesco Hypermarket Jelutong, Penang (acquisition by Mayban Trustees Berhad, the trustee for Quill Capita Trust) and Giant Hypermarket Sungai Petani, Kedah (acquisition by OSK Trustees Berhad, the trustee for Axis Real Estate Investment Trust). These two transactions are existing REIT properties.

Sales Comparison and Analysis of Hypermarkets in Penang & Kedah		
	Comparable 1	Comparable 2
Property	Giant Hypermarket (Sungai Petani), Jalan Lencongan Barat, 08000 Sungai Petani, Kedah.	Tesco Hypermarket (Jelutong), Lebuhr Tengku Kudin 1, 11700 Penang.
Tenure	Interest in perpetuity	Interest in perpetuity
Age	About 3 years	About 6 years
NLA	138,000 sf	275,020 sf
Consideration	RM 38,000,000	RM 132,000,000
Date	26 th July 2007	14 th May 2008
Vendor	Raya Pegun Sdn. Bhd.	IJM Properties
Purchaser	OSK Trustees Berhad	Mayban Trustees Berhad
Source	Bursa Securities	Bursa Securities
Analysis	RM275.36 psf	RM479.97 psf
Adjustments	Upward adjustment is made as the comparable is located within in a poorer location Downward adjustment is made as the comparable has a freehold tenure.	Downward adjustment is made as the comparable is located in a better location, has a freehold tenure, better building specifications and design as well as better car parking facilities.
Effective Adjusted Value	RM275 psf	RM240 psf

Knight Frank



Valuation Rational

From the abovementioned adjusted values, we note that the adjusted values range from RM240 psf to RM275 psf.

Based on the adjustments mentioned above to arrive at the Market Value per square foot, we note that Comparable 1 is considered the most appropriate comparable, given that it has the least adjustments and have other similarities with the Subject Property.

As such, a reasonable sum of RM265 psf is adopted as a fair representation of the Subject Property which translates to a Market Value of RM48,000,000.

There is a dearth of evidence of transactions of hypermarkets that are similar in grade, size, locality, etc and as such we have utilised only two comparables.

Reconciliation of Values

Method of Valuation	Derivation of Values
Investment Method	RM50,000,000
Comparison Method	RM48,000,000

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, hotels, 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.

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Knight Frank



We wish to draw attention that the title to the Subject Property carries a restriction in interest which stipulates that "Tanah ini boleh dipindahmilik atau dipajak dengan kebenaran bertulis oleh 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 remaining unexpired leasehold interest of about 90 years for Lot No. 331232 (formerly PT 171440), with certificate of fitness for occupation issued, subject to existing tenancies, the title being free of all encumbrances (including the existing charge to HSBC Bank Malaysia Berhad), good, marketable and registrable, as at 3rd February 2010 is **RM50,000,000 (Ringgit Malaysia Fifty Million Only)**.

For and on behalf of
KNIGHT FRANK

TAY TAM
Registered Valuer, V-219
FISM

Date: 29th March 2010

Knight Frank



Sunway City Berhad
 Level 3, Menara Sunway
 Jalan Lagoon Timur, Bandar Sunway
 46150 Petaling Jaya
 Selangor Darul Ehsan

29th March 2010

Reference No.: V/10/0030(B)/csi

Dear Sir,

VALUATION CERTIFICATE - SUNWAY RESORT HOTEL & SPA (HEREINAFTER REFERRED TO AS "THE SUBJECT PROPERTY")

We were instructed by Sunway City Berhad ("SunCity") to conduct a Valuation of the Subject Property and details of the Valuation are contained in our Valuation Report bearing Reference No. V/10/0030(B)/csi dated 29th March 2010.

This Valuation Certificate is prepared for the inclusion in the Prospectus of Sunway Real Estate Investment Trust ("Sunway REIT") in relation to the listing exercise of Sunway REIT on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Valuation was prepared in conformity with the Asset Valuation Guidelines issued by Securities Commission and Manual of 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".

Brief description of the Subject Property is as attached overleaf.

Knight Frank



IDENTIFICATION OF PROPERTY

Name and Address Sunway Resort Hotel & Spa, Persiaran Lagoon, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan.

Type of Property An operational 5-star 439-room international class hotel and 3 units of typical villas together with supporting facilities and amenities.

Title Particulars The following table outlines the title particulars of the Subject Property.

Summary of Title Particulars - Sunway Resort Hotel & Spa

Lot Nos. :	Lot Nos. 35 and 51173, Title Nos. PN 9492 and PN 9498 respectively, both within Town of Sunway, District of Petaling, Selangor Darul Ehsan.
Total Land Area :	34,957 square metres (376,273 square feet).
Tenure :	Leasehold interest for a term of 99 years, expiring on 1 st April 2097 (remaining unexpired term of about 87 years).
Registered Proprietor :	Sunway Resort Hotel Sdn. Bhd.
Category of Land Use :	"Bangunan" (Building).

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Knight Frank



PROPERTY DESCRIPTION

Property Description / Location / The Sunway Resort Hotel & Spa is a 19-storey five-star hotel in Bandar Sunway with 439 guest rooms and three villas. The hotel offers recreational and entertainment facilities, including access to sports and spa facilities as well as close proximity to award-winning Sunway Lagoon (a theme park) and Sunway Pyramid Shopping Mall.

The hotel is well positioned within Bandar Sunway with direct links to Sunway Pyramid Shopping Mall, Sunway Pyramid Convention Centre, Pyramid Tower Hotel and Sunway Lagoon, with universities, offices, a medical centre and diverse food and beverage choices close by.

The hotel is readily accessible via the New Pantai Expressway, Damansara Puchong Highway, KESAS Expressway, North Klang Valley Expressway and the Federal Highway.

Notes:-

At the date of inspection, we note that the Presidential Suite has been closed for refurbishment and renovation works. We were given to understand by the client that the changes involved will include revised brickwall compartment, an additional external window, a converted air-conditional room area, a new standard double bed guest room (forming part of the Presidential Suite) with all new interior design (ID) fitting-outs and new mechanical & electrical (M&E) services. The ID and M&E upgrading work will commence on 1st March 2010 and targeted completion date is 15th June 2010.

We were further given to understand that the proposed drawings have been submitted to the fire department (BOMBA) for approval. Further to the above, an application to Majlis Perbandaran Subang Jaya will be submitted once the BOMBA's clearance letter has been issued.

Gross Floor Area 97,594.37 square metres (1,050,497 square feet).

Nos. of Car Park 649 bays.


Planning Approvals The Subject Property is located within an area designated for commercial use.

Sunway Resort Hotel & Spa is issued with a Certificate of Fitness for Occupation bearing Certificate No. MDP 1492, issued by the Majlis Daerah Petaling dated 8th July 1997.

The 3 units of typical villas are issued with a Certificate of Fitness for Occupation by the Majlis Perbandaran Subang Jaya dated 17th February 2004.

Property Performance The following table outlines the historical operating performance (extracted from the unaudited management accounts) of the Subject Property for the financial year ended (FYE) 31st December 2005 to 2009.

APPENDIX II - VALUATION CERTIFICATES (Cont'd)




Historical Operating Performance, Sunway Resort Hotel & Spa, FYE 31 st December 2005 - 2009 (Extracted from the Unaudited Management Accounts)										
	FYE 31 st December 2005	Ratio	FYE 31 st December 2006	Ratio	FYE 31 st December 2007	Ratio	FYE 31 st December 2008	Ratio	FYE 31 st December 2009	Ratio
Hotel										
Occupancy	75.5%	-	72.6%	-	76.2%	-	74.2%	-	59.0%	-
Average Room Rate	RM263.64	-	RM293.64	-	RM352.20	-	RM414.28	-	RM401.52	-
Revenue (Hotel)										
Rooms	RM32,045,247	34.7%	RM34,310,220	36.1%	RM31,438,191	34.1%	RM38,303,341	37.1%	RM37,989,793	39.6%
Food & Beverage	RM56,085,338	60.7%	RM55,460,107	58.3%	RM53,541,963	58.1%	RM59,451,480	57.5%	RM53,743,552	56.1%
Other Income	RM4,331,229	4.7%	RM5,353,674	5.6%	RM7,214,612	7.8%	RM5,574,517	5.4%	RM4,146,867	4.3%
Total Revenue	RM92,461,814	100%	RM95,124,001	100%	RM92,194,786	100%	RM103,329,339	100%	RM95,880,212	100%
Operating Expenses (Hotel)										
Departmental Costs & Expenses	RM44,307,683	47.9%	RM41,688,298	43.8%	RM40,528,217	44.0%	RM47,631,443	46.1%	RM44,031,638	45.9%
Undistributed Operating Expenses	RM22,499,683	24.3%	RM24,601,562	25.9%	RM19,998,985	21.7%	RM20,630,909	20.0%	RM23,161,633	24.2%
*Overhead Expenses	RM2,819,398	3.0%	RM3,110,652	3.3%	RM3,605,042	3.9%	RM3,208,907	3.1%	RM2,384,060	2.5%
Net Operating Profit (Hotel)	RM22,835,050	24.7%	RM25,723,489	27.0%	RM28,062,642	30.4%	RM31,856,080	30.8%	RM26,302,862	27.4%
Car Park										
Revenue	-	-	-	-	RM679,878	100%	RM762,929	100%	RM664,024	100%
Operating Expenses	-	-	-	-	RM55,000	8.1%	RM49,000	6.4%	RM46,000	6.9%
Net Operating Profit (Car Park)	-	-	-	-	RM624,878	91.9%	RM713,929	93.6%	RM618,024	93.1%

Note:-

*Hotel Management Fee had been added in the Overhead Expenses.

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Hotel Master Lease Agreement (Sunway Resort Hotel & Spa and Pyramid Tower Hotel)

Pursuant to the proposed Hotel Master Lease Agreement (final draft dated 30th April 2010) made between OSK Trustees Bhd (the "Lessor") and Sunway REIT Management Sdn Bhd (the "Manager") and Sunway Resort Hotel Sdn Bhd (the "Lessee"), the Lessor, as trustee of Sunway REIT and the registered proprietor of the Land, has agreed to grant to the Lessee and the Lessee has agreed to take on a lease of the Premises for a Term of 10 years commencing from the listing date of the Sunway REIT's units on Bursa Securities at the Total Rent (as defined below) subject to terms and conditions stated therein.

Key features of the proposed agreement are as follows:-

- Total Rent means the higher of the Guaranteed Rent (as defined below) and the Variable Rent (as defined below) for the fiscal year.
- Guaranteed Rent means the amount per annum set out in the following column payable by the Lessee in respect of the first and succeeding fiscal years during the term and references in the proposed hotel master lease agreement to 'monthly Guaranteed Rent' or 'monthly payment of Guaranteed Rent' means such Guaranteed Rent amount divided by 12.

Fiscal Year	Guaranteed Rent
1 (Commencing Date to 30 th June 2011)	RM42,044,934
2 (1 st July 2011 to 30 th June 2012)	RM42,044,934
3 (1 st July 2012 to 30 th June 2013)	RM31,569,701
4 (1 st July 2013 to 30 th June 2014)	RM31,569,701
5 (1 st July 2014 to 30 th June 2015)	RM31,569,701
6 (1 st July 2015 to 30 th June 2016)	RM31,569,701
7 (1 st July 2016 to 30 th June 2017)	RM31,569,701
8 (1 st July 2017 to 30 th June 2018)	RM31,569,701
9 (1 st July 2018 to 30 th June 2019)	RM31,569,701
10 (1 st July 2019 to 30 th June 2020)	RM31,569,701

- Variable Rent means an amount computed based on the following formula:-

$$P + [70\% \times (Q - R)]$$

Where:

P = Base Rent;

Q = Gross Operating Profit

R = Master Lease Expenses

Base rent means 20% of the Revenue for the fiscal year.

Gross Operating Profit means the amount by which the Revenue for the fiscal year exceeds Operating Expenses for the same Fiscal Year and in determining the Gross Operating Profit for any Fiscal Year, no adjustment shall be made for or on account of any deficiency in the Gross Operating Profit for any prior fiscal year.

Master Lease Expenses means:-

- the FF&E Reserve;
- the management fee payable to the Hotel Operator under the Hotel Management Agreement, and

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- c. the Base Rent.
- Lessor's Main Obligations:-
 - a. to pay all property tax, quit rents, rates, assessments and other outgoings imposed on and payable;
 - b. at its own cost, to take out and maintain a property insurance.
 - Lessee's Main Obligations:-
 - a. to keep the hotel, the services infrastructure and plant in good condition;
 - b. to maintain the premises, the FF&E and operating equipment in substantial conditions but does not extend to capital improvements and any repairs or replacements of any latent or patent defect;
 - c. to provide and set aside 2.5% of the anticipated Revenue as FF&E Reserve.

Hotel Management Agreement, Group Services Agreement and Proposed Supplementary Agreement

The Sunway Resort Hotel & Spa is managed and operated by Sunway International Hotels & Resorts Sdn Bhd (formerly known as Alison Hotels & Resorts Management Sdn Bhd) under a Management Agreement, a Group Services Agreement, both dated 1st July 2003 and a proposed supplementary agreement.

Key Salient Terms & Conditions

Date of Agreement:	1 st July 2003.
Owner:	Sunway Resort Hotel Sdn Bhd.
Operator:	Sunway International Hotels & Resorts Sdn Bhd.
Commencement Date:	1 st July 2003.
Term:	10 + 5 + 5 + 7 years.
Renewal Period:	First: 5 years, Second: 5 years, Third: 7 years
Incentive Management Fee:	5% from total Gross Operating Profit ("GOP") for each and every Year of Operation. Year 11 of the Year of Operation onwards – 7.5% on GOP.
Performance Termination:	In the event the Operator fails to achieve at least 85% of the budgeted Gross Operating Profit ("GOP") as stated in the relevant annual budget for any 3 consecutive years commencing from 1 st January 2005 for reasons other than force majeure or circumstances beyond the Operator's control, then the Owner shall have the right to terminate this Agreement With Cause.

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Proposed Car Park Tenancy Agreement

Pursuant to the Proposed Car Park Tenancy Agreement (final draft dated 30th march 2010) made between OSK Trustees Berhad (as trustee for Sunway Real Estate Investment Trust and Mega Capacity Sdn Bhd prepared by Messrs. Zaid Ibrahim & Co, furnished to us by the Client, we note the key salient terms and conditions are as follows:-

The tenancy of the proposed agreement will be for a period of three years with an option to renew for another three years. The rent payable to the Landlord by the tenant on a monthly basis will be the Base Rent and 95% of the Gross Operating Profit in accordance to the provision of the tenancy agreement.

Base Rent is an amount based on 20% of the Gross Operating Revenue.

Gross Operating Profit means the Gross Operating Revenue less the Operating Costs and the Base Rent.

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MARKET VALUE

Date of Valuation 3rd February 2010.

Valuation Methodology In arriving at our opinion of the Market Value of the Subject Property, we have relied on the Profits Method and Comparison Method of Valuation.

Profits Method (By Discounted Cash Flow):-

This method is most appropriate for properties occupied as business premises and in essence, attempts to determine the net operating profit from the trading accounts which is then capitalised.

We were furnished with actual Profit and Loss Statement (extracted from the unaudited management accounts) for the past operating years (1st January 2005 to 31st December 2009) by the Client. In carrying out our valuation assessments, we have taken into account on the current and historical performance of the hotel and subsequently carried out a reasonable projection (10-year investment horizon).

As a primary method of valuation, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the commencement of the eleventh year of the cash flow. This form of analysis allows an investor or owner to make an assessment of the long term return that is likely to be derived from a property in such a manner as to attain the desired level of investment return commensurate with the risk of that asset class. In undertaking this analysis, we have also used a wide range of assumptions for the property including the growth of average room rates and other revenues during the holding period, average occupancy rates, expense ratios and other related expenses.

The following table outlines the salient valuation assumptions adopted in undertaking our assessment:-

Summary of Parameters	
Capitalisation Rate	7.25%
Discount Rate (PV)	9.50%
Discount Period	10 years

The Capitalisation Rate used on the terminal year is generally a long term all risk yield reflecting all fluctuations and growth in business income as well as other risks and factors related to the asset.

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Valuation Methodology (Cont'd)

Our further investigation have revealed that similar income generating asset classes such as (current) shopping centres ranges from about 6.80% to 7.50%, office buildings hovering at the region of about 6.50% to 7.25% and hotels in Year 2005 - 2007 are ranging from about 6.20% to 6.80%, depending on location, tenure, building condition and other factors.

Therefore, we have adopted a capitalisation rate / all risk yield of 7.25% as in our opinion, it is the most probable expected rate of return achievable at current moment for the Subject Property as compared to other similar asset classes, assuming similar circumstances in the terminal year.

Our interpretation of the discount rate is based on our perceived risk versus the return required, looking at the rates of return of similar asset classes. A general way of determining the discount rate is to adopt the 10-year risk-free interest about (4.00%) plus additional risk premium (5% to 6%) associated with the asset class. Usually this is higher than the long term capitalisation rate.

Therefore, a discount rate of 9.50% is adopted for the Subject Property, which is about 2.00% higher than the expected rate of return to reflect additional risk premium of the asset.

Hotel and Master Lease's Projection

These projections are based on assumptions and events expected to occur in the future. Therefore no guarantee can be given that these results will be achieved. The projections are however based on Knight Frank's experience with similar projects.

The following table outlines the salient valuation assumptions adopted in undertaking our assessment:-

Summary of Forecast Operating Performance (Hotel)		
Year	Average Occupancy Rate	Average Room Rate
1	68.0%	RM420
2	70.0%	RM435
3	71.0%	RM450
4	72.0%	RM465
5	73.0%	RM480
6	74.0%	RM495
7	75.0%	RM510
8	76.0%	RM525
9	77.0%	RM540
10	78.0%	RM555
Terminal	78.0%	RM555

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*Valuation Methodology
(Cont'd)*

The increases in revenues and expenses projection for the 10-year period are in line with the past historical performance and projected future market conditions.

Summary of Forecast Operating Performance (Hotel) (January – December 2010)		
Descriptions	Total	Ratio %
Projected Revenue (Jan – Dec 2010)		
Rooms	RM45,763,116	42.1%
Food & Beverage	RM60,203,160	55.3%
Other Income	RM2,823,867	2.6%
Total Revenue	RM108,790,143	100%
Projected Expenses (Jan – Dec 2010)		
Departmental Costs & Expenses		
Rooms	RM6,635,652	6.1%
Food & Beverage	RM39,132,054	36.0%
Other Operating Expenses	RM1,010,002	0.9%
Sub-total:	RM46,777,707	43.0%
Undistributed Operating Expenses	RM23,498,671	21.6%
Hotel Management Fee	RM686,447	0.6%
Overhead Expenses	RM4,611,119	4.2%
Net Operating Profit	RM33,216,199	30.5%
Notes:-		
<i>Incentive Management Fee</i>	<i>RM1,891,366</i>	<i>1.7%</i>
<i>FF&E Reserve</i>	<i>RM2,719,754</i>	<i>2.5%</i>

Summary of Forecast Operating Performance (Car Park) (January – December 2010)		
Descriptions	Total	Ratio %
Total Revenue	RM733,333	100.0%
Operating Expenses	RM47,667	6.5%
Net Operating Profit	RM685,867	93.5%

APPENDIX II - VALUATION CERTIFICATES (Cont'd)

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Valuation Methodology
(Cont'd)

Summary of Forecast Operating Performance (Hotel & Car Park) (January – December 2010)	
Descriptions	Total
Net Operating Profit	RM33,901,866
Summary of Master Lease Computation	
Hotel Income (Base Rent + Turnover Rent)	
Base Rent (20% from Gross Of Revenue)	RM21,758,029
Turnover Rent [70% from (Net Operating Profit less Base Rent)]	RM8,020,719
Sub-total:	RM29,922,748
Car Park Income (Base Rent + Turnover Rent)	
Base Rent (20% from Gross Of Revenue)	RM146,667
Turnover Rent [95% from (Net Operating Profit less Base Rent)]	RM512,050
Less: Outgoings	RM98,808
Sub-total:	RM559,909
Total Gross Rent	RM30,482,657
Less: Operating Expenses (Landlord's Obligation)	RM1,094,525
Total Net Rent	RM29,388,132

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.

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Sales Comparison and Analysis of Hotels in Kuala Lumpur

	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Property	Novotel Kuala Lumpur City Centre, 2, Jalan Kia Peng, 50450 Kuala Lumpur	The Westin Kuala Lumpur, Hotel & Residences, 199, Jalan Bukit Bintang, 55100 Kuala Lumpur	Crown Princess Hotel, Jalan Tun Razak, 50400 Kuala Lumpur	JW Marriott Hotel, Kuala Lumpur
Type of Property	An operational 4-star 291-room international class hotel	An operational 5-star 452-room international class hotel	Part of the 12-storey podium block of City Square Centre (i.e part of Ground Floor, Car Park Level 8 & 9, Level 10 - 12) and Level 13 -36 on top of the podium block with 536 rooms of which 433 rooms are currently saleable	An 8-level podium block and the entire 24-level tower block with 5 star - 561 rooms city hotel
Date of Transaction	24 th April 2009	28 th August 2006	15 th August 2006	1 st November 2005
Consideration	RM155,000,000	RM455,000,000	RM240,000,000	RM329,000,000
Source	Bursa Securities	Bursa Securities	Bursa Securities	Starhill REIT's Annual Report 2006
Remarks	The Nomad Residences Sdn Bhd had entered into the conditional Sale and Purchase Agreement of shares with the Vendor to acquire 10,000,000 City Centre Hotel Sdn Bhd (formerly known as Hydro Hotels Sdn Bhd) shares, for a total cash consideration of RM47,300,000.	-	The property was sold together with City Square Shopping Complex and Empire Tower to the same purchaser.	The hotel is presently leased by YTL Land to the Hotel Operator for a term expiring on 31 December, 2023 pursuant to the Hotel Lease Agreement and Starhill REIT will continue to lease the Hotel to the Hotel Operator. Pursuant to the Hotel Lease Agreement, an initial annual rent of RM20,520,000 per annum is payable by the Hotel Operator monthly in advance. The monthly rental shall be increased by 5% of the then prevailing monthly rental after the expiry of 3 years from 1 December 2004 and thereafter at 5 yearly intervals.
Analysis	RM532,646 per room	RM1,006,637 per room	RM554,273 per room	RM586,453 per room

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APPENDIX II - VALUATION CERTIFICATES (Cont'd)

Sales Comparison and Analysis of Hotels In Kuala Lumpur (Cont'd)

<i>Adjustments</i>	Upward adjustment is made for the factors of time, location, building conditions/quality/age, hotel facilities/extra features and Master Lease (guaranteed rent in the form of base rent plus major income from hotel performance). Downward adjustment is made for the factors of occupancy and tenure/status.	Upward adjustment is made for the factors of time, hotel facilities/extra features and Master Lease (guaranteed rent in the form of base rent plus major income from hotel performance). Downward adjustment is made for the factors of location, occupancy, hotel operator and tenure/status.	Upward adjustment is made for the factors of time, location, building conditions/quality/age, hotel facilities/extra features and Master Lease (guaranteed rent in the form of base rent plus major income from hotel performance). Downward adjustment is made for the factor of tenure/status.	Upward adjustment is made for the factors of time, building conditions/quality/age, hotel facilities/extra features, Master Lease (guaranteed rent in the form of base rent plus major income from hotel performance, whereas the subject comparable is subject to a fixed income only) and other adjustments (block strata title). Downward adjustment is made for the factors of location, hotel operator and tenure/status.
<i>Effective Adjusted Value</i>	RM956,753 per room	RM1,155,116 per room	RM1,159,815 per room	RM1,020,428 per room

Valuation Rational From the adjusted values, we note that the value is derived ranged between RM956,753 per room to RM1,159,815 per room.

In reconciling our opinion of Market Value, we have adopted Comparable 2 (The Westin Kuala Lumpur) as the most appropriate comparable due to its star rating, building conditions and individual land title basis after making adjustments for differences in location, hotel facilities/extra features, occupancy, hotel operator, tenure/status and master lease (guaranteed rent).

Having regard to the foregoing, we have adopted the analysed value of about RM1,104,784 per room [after taking into consideration of the proposed hotel master lease arrangement (additional fee/cost payable to lessee) of about RM50,114 per room] in our valuation as a fair representation.

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Reconciliation of Values

Method of Valuation	Derivation of Values
Profits Method (By Discounted Cash Flow)	RM480,000,000
Comparison Method	RM485,000,000

Taking into consideration that the Subject Property is a commercial and income generating property, we have adopted the Market Value as derived from the Profits Method (By Discounted Cash Flow) 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 hotels 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 Profits Method (By Discounted Cash Flow) 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 remaining unexpired leasehold interest of about 87 years in the Subject Property, an operational 5-star 439-room international class hotel and 3 units of typical villas together with supporting facilities and amenities, with certificates of fitness for occupation issued, as a going concern and fully operational hotel, subject to the titles being free of all encumbrances, good, marketable and registrable, as at 3rd February 2010 is RM480,000,000 (Ringgit Malaysia Four Hundred And Eighty Million Only).

For and on behalf of
KNIGHT FRANK

OOI YEW HOCK
Registered Valuer, V-273
FISM, MRICS

Date: 29th March 2010

Knight Frank



Sunway City Berhad
 Level 3, Menara Sunway
 Jalan Lagoon Timur, Bandar Sunway
 46150 Petaling Jaya
 Selangor Darul Ehsan

29th March 2010

Reference No.: V/10/0030(C)/gct

Dear Sir,

VALUATION CERTIFICATE – PYRAMID TOWER HOTEL (HEREINAFTER REFERRED TO AS “THE SUBJECT PROPERTY”)

We were instructed by Sunway City Berhad (“SunCity”) to conduct a Valuation of the Subject Property and details of the Valuation are contained in our Valuation Report bearing Reference No. V/10/0030(C)/gct dated 29th March 2010.

This Valuation Certificate is prepared for the inclusion in the Prospectus of Sunway Real Estate Investment Trust (“Sunway REIT”) in relation to the listing exercise of Sunway REIT on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The Valuation was prepared in conformity with the Asset Valuation Guidelines issued by Securities Commission and Manual of 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”.

Brief description of the Subject Property is as attached overleaf.

Knight Frank**IDENTIFICATION OF PROPERTY**

Name and Address Pyramid Tower Hotel, Persiaran Lagoon, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan.

Type of Property A 4-star 549-room international class hotel.

Title Particulars The following table outlines the title particulars of the Subject Property.

Summary of Title Particulars – Pyramid Tower Hotel

Strata Title No. :	Strata Title No. PN 17415/M1/1/1, Parcel No. 1, Building No. M1 together with Accessory Parcel Nos. A1 to A547 (inclusive) sited on Lot No. 62060, Town of Sunway, District of Petaling, Selangor Darul Ehsan.
Tenure :	Leasehold interest for a term of 99 years, expiring on 21 st February 2102 (remaining unexpired term of about 92 years).
Share Unit:	130,000 / 221,183.
Registered Proprietor :	Sunway Resort Hotel Sdn. Bhd.
Total Strata Floor Area:	33,156 square metres (356,888 square feet).
Category of Land Use:	Not Stated.

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PROPERTY DESCRIPTION

Property Description / Location / The Pyramid Tower Hotel is a 9-storey four-star hotel in Bandar Sunway with 549 guest rooms. The hotel offers recreational and entertainment facilities, including access to sports and spa facilities as well as close proximity to award-winning Sunway Lagoon (a theme park) and Sunway Pyramid Shopping Mall.

The Pyramid Tower Hotel comprises:-

- a) 5-level basement car parks (lower levels 1 to 5);
- b) Levels 1 to 2 (supporting facilities / amenities);
- c) Levels 3 to 9 (549 hotel guest rooms);
- d) Levels 10 (mechanical and electrical floor); and
- e) Rooftop;

Please note that Levels 11 to 25 (serviced apartments known as Pyramid Suites and Studios) are not part of this Valuation.

The hotel is well positioned within Bandar Sunway with direct links to Sunway Pyramid Shopping Mall, Sunway Pyramid Convention Centre, Pyramid Tower Hotel and Sunway Lagoon, with universities, offices, a medical centre and diverse food and beverage choices close by.

The hotel is readily accessible via the New Pantai Expressway, Damansara Puchong Highway, KESAS Expressway, North Klang Valley Expressway and the Federal Highway.

Nos. of Car Park 533 bays.

Planning Approvals The Subject Property is located within an area designated for commercial use.

Pyramid Tower Hotel at Sunway Integrated Resort City is issued with a Certificate of Fitness for Occupation bearing Certificate No. 05187, issued by Subang Jaya Municipal Council dated 26th August 2004.

Property Performance The following table outlines the historical performance (extracted from the unaudited management accounts) of the Subject Property for the financial year ended (FYE) 31st December 2004 to 2009.

APPENDIX II - VALUATION CERTIFICATES (Cont'd)

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Historical Operating Performance, Pyramid Tower Hotel, FYE 31st December 2004 – 2009 (Extracted From The Unaudited Management Accounts)

Hotel	FYE 31 st December 2004		FYE 31 st December 2005		FYE 31 st December 2006		FYE 31 st December 2007		FYE 31 st December 2008		FYE 31 st December 2009	
	Ratio		Ratio		Ratio		Ratio		Ratio		Ratio	
Occupancy	-	62.2%	-	80.7%	-	83.6%	-	64.7%	-	82.6%	-	77.2%
Average Room Rate	-	RM145.80	-	RM148.31	-	RM164.13	-	RM200.64	-	RM244.32	-	RM251.14
Revenue (Hotel)												
Rooms		RM7,795,897	73.4%	RM23,341,955	72.2%	RM26,738,142	71.6%	RM33,414,089	74.7%	RM39,973,262	76.6%	RM38,266,901
Food & Beverage		RM2,634,818	24.6%	RM8,264,493	25.5%	RM9,427,948	25.3%	RM9,414,954	21.0%	RM9,617,195	18.5%	RM8,189,794
Other Income		RM193,116	1.9%	RM740,649	2.3%	RM1,171,568	3.1%	RM1,914,569	4.2%	RM2,426,370	4.7%	RM2,148,310
Total Revenue		RM10,623,831	100%	RM32,347,097	100%	RM37,337,658	100%	RM44,749,612	100%	RM52,016,827	100%	RM48,606,005
Operating Expenses (Hotel)												
Departmental Cost & Expenses		RM4,044,733	38.1%	RM9,977,067	30.8%	RM10,519,863	28.2%	RM10,774,435	24.1%	RM10,915,054	21.0%	RM10,407,134
Undistributed Operating Expenses		RM5,169,766	48.7%	RM12,020,873	37.2%	RM12,322,855	33.0%	RM12,850,633	28.7%	RM14,657,622	28.2%	RM15,208,663
Hotel Management Fee		RM116,938	1.1%	RM350,129	1.1%	RM401,072	1.1%	RM501,211	1.1%	RM599,599	1.2%	RM574,004
Overhead Expenses		RM437,637	4.1%	RM903,307	2.8%	RM1,105,024	3.0%	RM1,420,184	3.2%	RM1,677,412	3.2%	RM1,505,944
Net Operating Profit (Hotel)		RM654,756	8.0%	RM9,096,720	28.1%	RM12,988,743	34.8%	RM16,187,148	42.9%	RM24,167,140	46.5%	RM20,909,260
Car Park												
Revenue		-	-	-	-	-	-	RM901,607	100%	RM933,480	100%	RM837,512
Operating Expenses		-	-	-	-	-	-	RM72,524	8.0%	RM59,645	6.4%	RM58,648
Net Operating Profit (Car Park)		-	-	-	-	-	-	RM829,083	92.0%	RM873,835	93.6%	RM778,864
												93.0%



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Hotel Master Lease Agreement (Sunway Resort Hotel & Spa and Pyramid Tower Hotel)

Pursuant to the proposed Hotel Master Lease Agreement (final draft dated 30th April 2010) made between OSK Trustees Bhd (the "Lessor") and Sunway REIT Management Sdn Bhd (the "Manager") and Sunway Resort Hotel Sdn Bhd (the "Lessee"), the Lessor, as trustee of Sunway REIT and the registered proprietor of the Land, has agreed to grant to the Lessee and the Lessee has agreed to take on a lease of the Premises for a Term of 10 years commencing from the listing date of the Sunway REIT's units on Bursa Securities at the Total Rent (as defined below) subject to terms and conditions stated therein.

Key features of the proposed agreement are as follows:-

- Total Rent means the higher of the Guaranteed Rent (as defined below) and the Variable Rent (as defined below) for the fiscal year.
- Guaranteed Rent means the amount per annum set out in the following column payable by the Lessee in respect of the first and succeeding fiscal years during the term and references in the proposed hotel master lease agreement to 'monthly Guaranteed Rent' or 'monthly payment of Guaranteed Rent' means such Guaranteed Rent amount divided by 12.

Fiscal Year:	Guaranteed Rent
1 (Commencing Date to 30 th June 2011)	RM42,044,934
2 (1 st July 2011 to 30 th June 2012)	RM42,044,934
3 (1 st July 2012 to 30 th June 2013)	RM31,569,701
4 (1 st July 2013 to 30 th June 2014)	RM31,569,701
5 (1 st July 2014 to 30 th June 2015)	RM31,569,701
6 (1 st July 2015 to 30 th June 2016)	RM31,569,701
7 (1 st July 2016 to 30 th June 2017)	RM31,569,701
8 (1 st July 2017 to 30 th June 2018)	RM31,569,701
9 (1 st July 2018 to 30 th June 2019)	RM31,569,701
10 (1 st July 2019 to 30 th June 2020)	RM31,569,701

- Variable Rent means an amount computed based on the following formula:-

$$P + [70\% \times (Q - R)]$$

Where:

P = Base Rent;

Q = Gross Operating Profit

R = Master Lease Expenses

Base rent means 20% of the Revenue for the fiscal year.

Gross Operating Profit means the amount by which the Revenue for the fiscal year exceeds Operating Expenses for the same Fiscal Year and in determining the Gross Operating Profit for any Fiscal Year, no adjustment shall be made for or on account of any deficiency in the Gross Operating Profit for any prior fiscal year.

Master Lease Expenses means:-

- a. the FF&E Reserve;

Knight Frank



- b. the management fee payable to the Hotel Operator under the Hotel Management Agreement, and
 - c. the Base Rent.
- Lessor's Main Obligations:-
 - a. to pay all property tax, quit rents, rates, assessments and other outgoings imposed on and payable;
 - b. at its own cost, to take out and maintain a property insurance.
 - Lessee's Main Obligations:-
 - a. to keep the hotel, the services infrastructure and plant in good condition;
 - b. to maintain the premises, the FF&E and operating equipment in substantial conditions but does not extend to capital improvements and any repairs or replacements of any latent or patent defect;
 - c. to provide and set aside 2.5% of the anticipated Revenue as FF&E Reserve.

Hotel Management Agreement, Group Services Agreement and Proposed Supplementary Agreement

The Pyramid Tower Hotel is managed and operated by Sunway International Hotels & Resorts Sdn Bhd (formerly known as Alison Hotels & Resorts Management Sdn Bhd) under a Management Agreement, a Group Services Agreement, both dated 1st July 2003 and a proposed supplementary agreement.

Key Salient Terms & Conditions

Date of Agreement:	1 st July 2003.
Owner:	Sunway Resort Hotel Sdn Bhd.
Operator:	Sunway International Hotels & Resorts Sdn Bhd.
Commencement Date:	1 st July 2003.
Term:	10 + 5 + 5 + 7 years.
Renewal Period:	First: 5 years, Second: 5 years, Third: 7 years
Incentive Management Fee:	5% from total Gross Operating Profit ("GOP") for each and every Year of Operation. Year 11 of the Year of Operation onwards – 7.5% on GOP.
Performance Termination:	In the event the Operator fails to achieve at least 85% of the budgeted Gross Operating Profit ("GOP") as stated in the relevant annual budget for any 3 consecutive years commencing from 1 st January 2005 for reasons other than force majeure or circumstances beyond the Operator's control, then the Owner shall have the right to terminate this Agreement With Cause.

Knight Frank



Proposed Car Park Tenancy Agreement

Pursuant to the Proposed Car Park Tenancy Agreement (final draft dated 31st March 2010) made between OSK Trustees Berhad (as trustee for Sunway Real Estate Investment Trust and Mega Capacity Sdn Bhd prepared by Messrs. Zaid Ibrahim & Co, furnished to us by the Client, we note the key salient terms and conditions are as follows:-

The tenancy of the proposed agreement will be for a period of three years with an option to renew for another three years. The rent payable to the Landlord by the tenant on a monthly basis will be the Base Rent and 95% of the Gross Operating Profit in accordance to the provision of the tenancy agreement.

Base Rent is an amount based on 20% of the Gross Operating Revenue.

Gross Operating Profit means the Gross Operating Revenue less the Operating Costs and the Base Rent.

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Knight Frank



MARKET VALUE

Date of Valuation 3rd February 2010.

Valuation Methodology In arriving at our opinion of the Market Value of the Subject Property, we have relied on the Profits Method and Comparison Method of Valuation.

Profits Method (By Discounted Cash Flow):-

This method is most appropriate for properties occupied as business premises and in essence, attempts to determine the net operating profit from the trading accounts which is then capitalised.

We were furnished with actual Profit and Loss Statement (extracted from the unaudited management accounts) for the past operating years (1st January 2004 to 31st December 2009) by the Client. In carrying out our valuation assessments, we have based upon the current and historical performance of the hotel.

As a primary method of valuation, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the commencement of the eleventh year of the cash flow. This form of analysis allows an investor or owner to make an assessment of the long term return that is likely to be derived from a property in such a manner as to attain the desired level of investment return commensurate with the risk of that asset class. In undertaking this analysis, we have also used a wide range of assumptions for the property including the growth of average room rates and other revenues during the holding period, average occupancy rates, expense ratios and other related expenses.

The following table outlines the salient valuation assumptions adopted in undertaking our assessment:-

Summary of Parameters	
Capitalisation Rate	7.25%
Discount Rate (PV)	9.50%
Discount Period	10 years

The Capitalisation Rate used on the terminal year is generally a long term all risk yield reflecting all fluctuations and growth in business income as well as other risks and factors related to the asset.

Our further investigation have revealed that similar income generating asset classes such as (current) shopping centres ranges from about 6.80% to 7.50%, office buildings hovering at the region of about 6.50% to 7.25% and hotels in Year 2005 - 2007 are ranging from about 6.20% to 6.80%, depending on location, tenure, building condition and other factors.

Knight Frank



Valuation Methodology (Cont'd)

Therefore, we have adopted a capitalisation rate / all risk yield of 7.25% as in our opinion, it is the most probable expected rate of return achievable at current moment for the Subject Property as compared to other similar asset classes, assuming similar circumstances in the terminal year.

Our interpretation of the discount rate is based on our perceived risk versus the return required, looking at the rates of return of similar asset classes. A general way of determining the discount rate is to adopt the 10-year risk-free interest about (4.00%) plus additional risk premium (5% to 6%) associated with the asset class. Usually this is higher than the long term capitalisation rate.

Therefore, a discount rate of 9.50% is adopted for the Subject Property, which is about 2.00% higher than the expected rate of return to reflect additional risk premium of the asset.

Hotel and Master Lease's Projection

These projections are based on assumptions and events expected to occur in the future. Therefore no guarantee can be given that these results will be achieved. The projections are however based on Knight Frank's experience with similar projects.

The following table outlines the salient valuation assumptions adopted in undertaking our assessment:-

Summary of Forecast Operating Performance (Hotel)		
Year	Average Occupancy Rate	Average Room Rate
1	80%	RM255
2	80%	RM265
3	80%	RM275
4	82%	RM285
5	82%	RM295
6	74%	RM305
7	76%	RM315
8	84%	RM360
9	84%	RM365
10	84%	RM370
Terminal	84%	RM370

The increases in revenues and expenses projection for the 10-year period are in line with the past historical performance and projected future market conditions.

Knight Frank



**Valuation Methodology
(Cont'd)**

Summary of Forecast Operating Performance (Hotel) (January - December 2010)		
Descriptions	Total	Ratio %
Projected Revenue (January - December 2010)		
Rooms	RM40,878,540	79.5%
Food & Beverage	RM8,353,590	16.2%
Other Income	RM2,183,957	4.3%
Total Revenue	RM51,416,087	100%
Projected Expenses (January - December 2010)		
Departmental Costs & Expenses		
Rooms	RM4,905,425	9.5%
Food & Beverage	RM5,429,833	10.6%
Other Operating Expenses	RM564,004	1.1%
Sub-total:	RM10,899,262	21.2%
Undistributed Operating Expenses	RM16,196,068	31.5%
Hotel Management Fee	RM613,178	1.2%
Overhead Expenses	RM2,470,781	4.8%
Net Operating Profit	RM21,236,799	41.3%
Notes:-		
<i>Incentive Management Fee</i>	<i>RM1,185,379</i>	<i>2.3%</i>
<i>FF&E Reserve</i>	<i>RM1,285,402</i>	<i>2.5%</i>

Summary of Forecast Operating Performance (Car Park) (January - December 2010)		
Descriptions	Total	Ratio %
Total Revenue	RM904,762	100%
Operating Expenses	RM63,333	7%
Net Operating Profit	RM841,429	93%

APPENDIX II - VALUATION CERTIFICATES (Cont'd)

Knight Frank

Valuation Methodology
(Cont'd)

Summary of Forecast Operating Performance (Hotel & Car Park) (January - December 2010)	
Descriptions	Total
Net Operating Profit	RM22,078,228
Summary of Master Lease Computation	
Hotel Income (Base Rent + Turnover Rent)	
Base Rent (20% from Gross of Revenue)	RM10,283,217
Turnover Rent [70% from (Net Operating Profit less Base Rent)]	RM7,667,507
Sub-total:	RM17,950,724
Car Park Income (Base Rent + Turnover Rent)	
Base Rent (20% from Gross Of Revenue)	RM180,952
Turnover Rent [95% from (Net Operating Profit less Base Rent)]	RM627,452
Less: Outgoings	RM121,260
Sub-total:	RM687,144
Total Gross Rent	RM18,637,868
Operating Expenses (Landlord's Obligation)	RM475,000
Total Net Rent	RM18,162,868

In undertaking our valuation assessment, we have further projected a planned capital expenditure ("CAPEX") of RM24,000,000/- in Year 2015 and Year 2016 in our projection.

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.

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Knight Frank



Sales Comparison and Analysis of Hotels in Kuala Lumpur

	Comparable 1	Comparable 2	Comparable 3
Property	Novotel Kuala Lumpur City Centre, 2, Jalan Kia Peng, 50450 Kuala Lumpur	Crown Princess Hotel, Jalan Tun Razak, 50400 Kuala Lumpur	JW Marriot Hotel, Kuala Lumpur
Type of Property	An operational 4-star 291-room international class hotel	Part of the 12-storey podium block of City Square Centre (i.e part of Ground Floor, Car Park Level 8 & 9, Level 10 – 12) and Level 13-36 on top of the podium block with 536 rooms of which 433 rooms are currently saleable	An 8-level podium block and the entire 24-level tower block with 5 star - 561 rooms city hotel
Date of Transaction	24 th April 2009	15 th August 2006	1 st November 2005
Consideration	RM155,000,000	RM240,000,000	RM329,000,000
Source	Bursa Securities	Bursa Securities	Starhill REIT's Annual Report 2006
Remarks	The Nomad Residences Sdn Bhd had entered into the conditional Sale and Purchase Agreement of shares with the Vendor to acquire 10,000,000 City Centre Hotel Sdn Bhd (formerly known as Hydro Hotels Sdn Bhd) shares, for a total cash consideration of RM47,300,000.	The property was sold together with City Square Shopping Complex and Empire Tower to the same purchaser.	The hotel is presently leased by YTL Land to the Hotel Operator for a term expiring on 31 December, 2023 pursuant to the Hotel Lease Agreement and Starhill REIT will continue to lease the Hotel to the Hotel Operator. Pursuant to the Hotel Lease Agreement, an initial annual rent of RM20,520,000 per annum is payable by the Hotel Operator monthly in advance. The monthly rental shall be increased by 5% of the then prevailing monthly rental after the expiry of 3 years from 1 December 2004 and thereafter at 5 yearly intervals.
Analysis	RM532,646 per room	RM554,273 per room	RM586,453 per room
Adjustments	Upward adjustment is made for the factors of time, location, building conditions/quality/age and Master Lease (guaranteed rent in the form of base rent plus major income from hotel performance). Downward adjustment is made for the factors of hotel facilities, occupancy, tenure/status.	Upward adjustment is made for the factors of time, location, building conditions/quality/age, occupancy and Master Lease (guaranteed rent in the form of base rent plus major income from hotel performance). Downward adjustment is made for the factors of hotel facilities, tenure/status.	Upward adjustment is made for the factors of time, occupancy and Master Lease (guaranteed rent in the form of base rent plus major income from hotel performance, whereas the subject comparable is subject to a fixed income only) Downward adjustment is made for the factors of location, building conditions/quality/age, hotel operator and tenure/status.
Effective Adjusted Value	RM527,320 per room	RM598,614 per room	RM467,696 per room

APPENDIX II - VALUATION CERTIFICATES (Cont'd)

Knight Frank

**Valuation Rational**

From the adjusted values, we note that the value is derived ranged between RM467,696 per room to RM598,614 per room.

In reconciling our opinion of Market Value, we have adopted Comparable 1 (Novotel Kuala Lumpur City Centre) as the most appropriate comparable due to its star rating, building conditions and hotel operator after making adjustments for differences in location, hotel facilities, occupancy and tenure.

Having regard to the foregoing, we have adopted the analysed value of about RM491,803 per room [after taking into consideration of the proposed hotel master lease arrangement (additional fee / cost payable to lessee) of about RM34,608 per room] in our valuation as a fair representation.

Reconciliation of Values

Method of Valuation	Derivation of Values
Profits Method (By Discounted Cash Flow)	RM270,000,000
Comparison Method	RM270,000,000

Taking into consideration that the Subject Property is a commercial and income generating property, we have adopted the Market Value as derived from the Profits Method (By Discounted Cash Flow) 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 end analysis on comparables. However, in the case of more complex real estate such as hotels 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 Profits Method (By Discounted Cash Flow) the most reliable and appropriate method of valuation in our final opinion of Market Value of the Subject Property.

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Knight Frank



We wish to draw attention that the strata title to the Subject Property carries 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 remaining unexpired leasehold interest of about 92 years in Strata Title No. PN 17415/M1/1/1, Parcel No. 1, Building No. M1 together with Accessory Parcel Nos. A1 to A547 (inclusive) sited on Lot No. 62060, Town of Sunway, District of Petaling, Selangor Darul Ehsan, with certificates of fitness for occupation issued, as a going concern and fully operational hotel, free of all encumbrances, good, marketable and registrable, as at 3rd February 2010 is RM270,000,000 (Ringgit Malaysia Two Hundred And Seventy Million Only).

For and on behalf of
KNIGHT FRANK

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

Date: 29th March 2010

APPENDIX II - VALUATION CERTIFICATES (Cont'd)*(Prepared for the inclusion in this Prospectus)***Knight Frank**

Sunway City Berhad
 Level 3, Menara Sunway
 Jalan Lagoon Timur, Bandar Sunway
 46150 Petaling Jaya
 Selangor Darul Ehsan

29th March 2010

Reference No.: V/PG/10/039(C)/tak

Dear Sir,

**VALUATION CERTIFICATE - SUNWAY HOTEL SEBERANG JAYA
 (HEREINAFTER REFERRED TO AS "THE SUBJECT PROPERTY")**

We were instructed by Sunway City Berhad ("SunCity") to conduct a Valuation of the Subject Property and details of the Valuation are contained in our Valuation Report bearing Reference No. V/PG/10/039(C)/tak dated 29th March 2010.

This Valuation Certificate is prepared for the inclusion in the Prospectus of Sunway Real Estate Investment Trust ("Sunway REIT") in relation to the listing exercise of Sunway REIT on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Valuation was prepared in conformity with the Asset Valuation Guidelines issued by Securities Commission and Manual of 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".

Brief description of the Subject Property is as attached overleaf.

Knight Frank

Name and Address Sunway Hotel Seberang Jaya, No. 11, Lebuh Tenggin 2, Pusat Bandar Seberang Jaya, 13700 Perai, Pulau Pinang.

Type of Property A 4-star 202-room international class hotel.

Title Particulars The following table outlines the title particulars of the Subject Property.

Summary of Title Particulars - Sunway Hotel Seberang Jaya

Lot Nos. :	Lot No. 5785, Title No. PN 2602, Mukim 1, District of Seberang Perai Tengah, Pulau Pinang.
Land Area :	4,294 square metres (46,220 square feet).
Tenure :	Leasehold interest for a term of 99 years, expiring on 21 st October 2092 (remaining unexpired term of about 82 years).
Registered Proprietor :	Sunway Hotel (Seberang Jaya) Sdn. Bhd..
Category of Land Use :	"Bangunan" (Building).

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Knight Frank



IDENTIFICATION OF PROPERTY

Property Description / Location / The Sunway Hotel Seberang Jaya is a 17-storey, four-star hotel in Pusat Bandar Seberang Jaya with 202 rooms. The hotel's amenities include a health and fitness centre, internet access, two lounges, a restaurant, a ballroom and eight function rooms.

Sunway Hotel Seberang Jaya primarily serves business travellers seeking to access the industrial hubs and commercial zones located on Penang's mainland. Pusat Bandar Seberang Jaya is a township consisting of office buildings, factories and residential properties. Sunway Hotel Seberang Jaya is located approximately 100 metres from the Sunway Carnival Shopping Mall. The hotel is also near the access point to Penang Island, one of the Malaysia's top tourist destinations.

Notes:

Part of the corridor at the rear portion of the building on the ground level has been enclosed and converted to accommodate a bigger dining space and the Liquid Petroleum Gas (LPG) store has been relocated to an out-building without approval. However, we were given to understand by the client that the permit plan has been completed and pending submission to the Building Department for approval. Apart from these, a portion of the layout at the tenanted area on level 1A has also been changed and renovated without approval. We were given to understand by the client that the as-built drawings have been approved by BOMBA and the second inspection has been carried out by BOMBA. The drawings will be submitted as permit plan to the Building Department for approval once the fire certificate has been issued.

Gross Floor Area 16,239.45 square metres (174,800 square feet).

Nos. of Car Park 64 bays.

Planning Approvals The Subject Property is located within an area designated for commercial use.

Sunway Hotel Seberang Jaya is issued with a Certificate of Fitness for Occupation bearing Certificate No. 32/T/98, issued by Seberang Perai Municipal Council dated 20th February 1998.

Property Performance The following table outlines the historical operating performance (as extracted from the unaudited management accounts) of the Subject Property for the financial year ended (FYE) 30th June 2006 to 2009.

APPENDIX II - VALUATION CERTIFICATES (Cont'd)**Knight Frank****Historical Operating Performance, Sunway Hotel Seberang Jaya, FYE 30th June 2006 to 2009 (Extracted from the Unaudited Management Accounts)**

	FYE 30 th June 2006	Ratio	FYE 30 th June 2007	Ratio	FYE 30 th June 2008	Ratio	FYE 30 th June 2009	Ratio
Occupancy	81.5%	-	78.8%	-	81.2%	-	78.8%	-
Average Room Rate	RM129	-	RM144	-	RM152	-	RM153	-
Revenue								
Rooms	RM7,721,949	58.8%	RM8,310,882	58.8%	RM9,155,101	61.2%	RM8,922,083	63.0%
Food & Beverage	RM4,840,327	36.9%	RM5,240,570	37.1%	RM5,101,134	34.1%	RM4,603,015	32.5%
Other Income	RM562,312	4.3%	RM578,649	4.1%	RM705,552	4.7%	RM643,643	4.6%
Total Revenue	RM13,124,588	100%	RM14,130,081	100%	RM14,961,787	100%	RM14,168,741	100%
Operating Expenses								
Departmental Cost & Expenses	RM4,448,359	33.9%	RM4,798,087	34.0%	RM4,543,885	30.4%	RM4,641,912	32.8%
Undistributed Operating Expenses	RM3,168,053	24.1%	RM3,664,942	25.9%	RM3,934,805	26.3%	RM4,318,206	30.5%
Base Management Fee	-	-	-	-	-	-	RM184,225	1.3%
Group Service Fee	RM115,829	0.9%	RM124,863	0.9%	RM137,327	0.9%	RM101,333	0.7%
Overhead Expenses	RM433,367	3.3%	RM455,341	3.2%	RM497,228	3.3%	RM645,002	4.6%
Net Operating Profit	RM4,960,980	37.8%	RM5,087,048	36.0%	RM5,848,743	39.1%	RM4,278,054	30.2%

Knight Frank



Hotel Master Lease Agreement

Pursuant to the proposed Hotel Master Lease Agreement (final draft dated 30th April 2010) made between OSK Trustees Bhd (the "Lessor") and Sunway REIT Management Sdn Bhd (the "Manager") and Sunway Resort Hotel Sdn Bhd (the "Lessee"), the Lessor, as trustee of Sunway REIT and the registered proprietor of the Land, has agreed to grant to the Lessee and the Lessee has agreed to take on a lease of the Premises for a Term of 10 years commencing from the listing date of the Sunway REIT's units on Bursa Securities at the Total Rent (as defined below) subject to terms and conditions stated therein.

Key features of the proposed agreement are as follows:-

- Total Rent means the higher of the Guaranteed Rent (as defined below) and the Variable Rent (as defined below) for the fiscal year.
- Guaranteed Rent means the amount per annum set out in the following column payable by the Lessee in respect of the first and succeeding fiscal years during the term and references in the proposed hotel master lease agreement to 'monthly Guaranteed Rent' or 'monthly payment of Guaranteed Rent' means such Guaranteed Rent amount divided by 12.

Fiscal Year	Guaranteed Rent
1 (Commencing Date to 30 th June 2011)	RM4,506,726
2 (1 st July 2011 to 30 th June 2012)	RM4,506,726
3 (1 st July 2012 to 30 th June 2013)	RM3,380,044
4 (1 st July 2013 to 30 th June 2014)	RM3,380,044
5 (1 st July 2014 to 30 th June 2015)	RM3,380,044
6 (1 st July 2015 to 30 th June 2016)	RM3,380,044
7 (1 st July 2016 to 30 th June 2017)	RM3,380,044
8 (1 st July 2017 to 30 th June 2018)	RM3,380,044
9 (1 st July 2018 to 30 th June 2019)	RM3,380,044
10 (1 st July 2019 to 30 th June 2020)	RM3,380,044

- Variable Rent means an amount computed based on the following formula:-

$$P + [70\% \times (Q - R)]$$

Where:

P = Base Rent;

Q = Gross Operating Profit

R = Master Lease Expenses

Base rent means 20% of the Revenue for the fiscal year.

Gross Operating Profit means the amount by which the Revenue for the fiscal year exceeds Operating Expenses for the same Fiscal Year and in determining the Gross Operating Profit for any Fiscal Year, no adjustment shall be made for or on account of any deficiency in the Gross Operating Profit for any prior fiscal year.

Knight Frank



Master Lease Expenses means:-

- a. the FF&E Reserve;
- b. the management fee payable to the Hotel Operator under the Hotel Management Agreement, and
- c. the Base Rent.

• Lessor's Main Obligations:-

- a. to pay all property tax, quit rents, rates, assessments and other outgoings imposed on and payable;
- b. at its own cost, to take out and maintain a property insurance.

• Lessee's Main Obligations:-

- a. to keep the hotel, the services infrastructure and plant in good condition;
- b. to maintain the premises, the FF&E and operating equipment in substantial conditions but does not extend to capital improvements and any repairs or replacements of any latent or patent defect;
- c. to provide and set aside 2.5% of the anticipated Revenue as FF&E Reserve.

Hotel Management Agreement and Proposed Supplementary Agreement

The Sunway Hotel Seberang Jaya is operated by Sunway International Hotels & Resorts Sdn Bhd (formerly known as Alison Hotels & Resorts Management Sdn Bhd) under a Management Agreement dated 1st October 2008 and a proposed supplementary agreement.

Key Salient Terms & Conditions

Date of Agreement:	1 st October 2008.
Owner:	Sunway Hotel (Seberang Jaya) Sdn Bhd.
Operator:	Sunway International Hotels & Resorts Sdn Bhd.
Commencement Date:	1 st October 2008.
Term:	10 years.
Renewal Period:	First: 5 years, Second: 5 years, Third: 2 years.
Base Management Fee:	1.5% of total gross revenue.
Incentive Management Fee:	8% of the total gross operating profit until 30 th September 2018. The new incentive management fee for the renewal term shall be subject of agreement amongst Sunway Hotel Seberang Jaya, the Operator and Sunway REIT (through the REIT Manager).
Group Service Fee:	1.0% of total gross room revenue.

Knight Frank



MARKET VALUE

Date of Valuation 3rd February 2010.

Valuation Methodology In arriving at our opinion of the Market Value of the Subject Property, we have relied on the Profits Method and Comparison Method of Valuation.

Profits Method (By Discounted Cash Flow):-

This method is most appropriate for properties occupied as business premises and in essence, attempts to determine the net operating profit from the trading accounts which is then capitalised.

We were furnished with actual Profit and Loss Statement (extracted from the unaudited management accounts) for the past operating years (1st July 2005 to 30th June 2009) by the Client. In carrying out our valuation assessments, we have taken into account on the current and historical performance of the hotel and subsequently carried out a reasonable projection (10-year investment horizon).

As a primary method of valuation, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the commencement of the eleventh year of the cash flow. This form of analysis allows an investor or owner to make an assessment of the long term return that is likely to be derived from a property in such a manner as to attain the desired level of investment return commensurate with the risk of that asset class. In undertaking this analysis, we have also used a wide range of assumptions for the property including the growth of average room rates and other revenues during the holding period, average occupancy rates, expense ratios and other related expenses.

The following table outlines the salient valuation assumptions adopted in undertaking our assessment:-

Summary of Parameters	
Capitalisation Rate	7.25%
Discount Rate (PV)	9.50%
Discount Period	10 years

The Capitalisation Rate used on the terminal year is generally a long term all risk yield reflecting all fluctuations and growth in business income as well as other risks and factors related to the asset.

Our further investigation have revealed that similar income generating asset classes such as (current) shopping centres ranges from about 5.20% to 7.50%, office buildings hovering at the region of about 6.50% to 7.25% and hotels in Year 2005 - 2007 are ranging from about 6.20% to 6.80%, depending on location, tenure, building condition and other factors.



**Valuation Methodology
(Cont'd)**

Therefore, we have adopted a capitalisation rate / all risk yield of 7.25% as in our opinion, it is the most probable expected rate of return achievable at current moment for the Subject Property as compared to other similar asset classes, assuming similar circumstances in the terminal year.

Our interpretation of the discount rate is based on our perceived risk versus the returns required, looking at the rates of return of similar asset classes. A general way of determining the discount rate is to adopt the 10-year risk-free interest about (4.00%) plus additional risk premium (5% to 6%) associated with the asset class. Usually this is higher than the long term capitalisation rate.

Therefore, a discount rate of 9.50% is adopted for the Subject Property, which is about 2.00% higher than the expected rate of return to reflect additional risk premium of the asset.

Hotel and Master Lease's Projection

These projections are based on assumptions and events expected to occur in the future. Therefore no guarantee can be given that these results will be achieved. The projections are however based on Knight Frank's experience with similar projects.

The following table outlines the salient valuation assumptions adopted in undertaking our assessment:-

Summary of Forecast Operating Performance (Hotel)		
Year	Average Occupancy Rate	Average Room Rate
1	80.0%	RM158
2	80.0%	RM163
3	81.0%	RM168
4	78.0%	RM173
5	78.0%	RM178
6	81.0%	RM200
7	81.0%	RM204
8	82.0%	RM208
9	82.0%	RM212
10	82.0%	RM216
Terminal	82.0%	RM216

The increases in Revenues and Expenses projection for the 10-year period are in line with the past historical performance and projected future market conditions.

APPENDIX II - VALUATION CERTIFICATES (Cont'd)

Knight Frank

Valuation Methodology
(Cont'd)

Summary of Forecast Operating Performance (July 2009 – June 2010)		
Descriptions	Total	Ratio %
Projected Revenue (Jul09/Jun10)		
Rooms	RM9,319,472	60.8%
Food & Beverage	RM5,253,000	34.3%
Other Income	RM762,389	4.9%
Total Revenue	RM15,334,861	100%
Projected Expenses (Jul09/Jun10)		
Departmental Costs & Expenses		
Rooms	RM1,304,726	8.5%
Food & Beverage	RM3,204,330	20.9%
Other Operating Expenses	RM151,200	1.0%
Sub-total:	RM4,660,256	30.4%
Undistributed Operating Expenses	RM4,523,897	29.5%
Base Management Fee	RM230,023	1.5%
Group Service Fee	RM93,195	0.6%
Overhead Expenses	RM896,472	5.8%
Net Operating Profit	RM4,931,019	32.2%
<i>Notes:-</i>		
<i>Incentive Management Fee</i>	<i>RM466,199</i>	<i>3.0%</i>
<i>FF&E Reserve</i>	<i>RM383,372</i>	<i>2.5%</i>

Summary of Forecast Operating Performance (July 2009 – June 2010)	
Descriptions	Total
Net Operating Profit	4,931,019
Summary of Master Lease Computation	
Base Rent (20% from Gross Of Revenue)	3,066,972
Turnover Rent (70% from (Net Operating Profit less Base Rent))	1,304,833
Total Gross Rent (Base Rent + Turnover Rent)	4,371,805
Less: Operating Expenses (Landlord's Obligation)	194,844
Total Net Rent	4,176,961

In undertaking our valuation assessment, we have further projected a Planned Capital Expenditure (CAPEX) of RM7,070,000/- in Year 2012/2013 and Year 2013/2014 in our projection.

Knight Frank



Valuation Methodology (Cont'd)

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.

Sales Comparison and Analysis of Hotels in Penang, Perak and Kedah			
	Comparable 1	Comparable 2	Comparable 3
Property	Impiana Casuarina Ipoh No. 18, Jalan Raja Dr. Nazrin Shah (Jalan Gopeng), 30300 Ipoh, Perak	Northam All Suites Hotel No. 55, Jalan Sultan Ahmad Shah, 10050 Penang	Holiday Villa Alor Setar Lot 162 & 163, Jalan Tunku Ibrahim, 05000 Alor Setar, Kedah
Type of Property	A 4-star 200-room hotel	A 4-star 142-room hotel	A 4-star 155-room hotel
Date of Transaction	10 th September 2009	20 th August 2007	26 th January 2007
Consideration	RM44,000,000/-	RM61,000,000/-	RM31,000,000/-
Source	Bursa Securities	Jabatan Pemilaian dan Perkhidmatan Harta (JPPH)	Bursa Securities
Remarks	-	-	The property is being leased by Alor Setar Holiday Villa Sdn Bhd (master lessee) for a term of 10 years expiring on 22 nd June 2016. The rental payable during the term of the lease is as set out below: Year 1 to 3: RM173,083.33 per month Year 4 to 7: RM180,833.33 per month Year 8 to 10: RM188,583.33 per month
Analysis	RM220,000 per room	RM429,577 per room	RM200,000 per room
Adjustment	Upwards adjustments have been made for the fact that the Subject Property is newer, has higher occupancy rates, better brand name, bigger room size and is more secured as it is subject to a Master Lease Agreement. Downward adjustments have been made for the fact that the Subject Property has limited facilities.	Upward adjustments have been made for the fact that the Subject Property enjoys higher occupancy rates, better brand name and is easier to manage under individual title. Downwards adjustments have been made for the fact that the Subject Property is located in a poorer locality & is not within an integrated development, poorer quality of building, leasehold tenure and having limited facilities.	Upward adjustments have been made for the fact that the Subject Property is located in a better location, has higher occupancy rates, bigger room size and is easier to manage under individual title. Downward adjustments have been made for the fact that the Subject Property has limited facilities and is not within an integrated development.
Effective Adjusted Value	RM275,000 per room	RM321,109 per room	RM276,000 per room

Knight Frank



Valuation Rational

From the adjusted values, we note that the value derived ranged between RM275,000 per room to RM321,109 per room.

In reconciling our opinion of Market Value, we have relied more on Comparable 1 as it has more similarities with the Subject Property.

Having regard to the foregoing, we have adopted the analysed value of about RM257,426 per room [after taking into consideration of the proposed hotel master lease arrangement (additional fee/cost payable to lessee of about RM18,812 per room)] in our valuation as a fair representation of the value.

Reconciliation of Values

Method of Valuation	Derivation of Values
Profits Method (By Discounted Cash Flow)	RM56,000,000
Comparison Method	RM52,000,000

Taking into consideration that the Subject Property is a commercial and income generating property, we have adopted the Market Value as derived from the Profits Method (By Discounted Cash Flow) 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 hotels 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 Profits Method (By Discounted Cash Flow) the most reliable and appropriate method of valuation in our final opinion of Market Value of the Subject Property.

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Knight Frank



We wish to draw attention that the titles to the Subject Property carry a restriction in interest which stipulates that "Tanah yang dibenilik ini tidak boleh dipecah serpadan, pindah milik, cagar, pajak, pajak kecil atau apa-apa urusan sekalipun dilupuskan dengan tiada kebenaran bertulis daripada 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 leasehold term of 82 years in the Subject Property, a 4-star 202-room international class hotel, with certificates of fitness for occupation issued, as a going concern and fully operational hotel, being free of all encumbrances, good, marketable and registrable, as at 3rd February 2010 is **RM56,000,000 (Ringgit Malaysia Fifty Six Million Only)**.

For and on behalf of
KNIGHT FRANK

TAY TAM
Registered Valuer, V-219
FISM

Date: 29th March 2010

Knight Frank



Sunway City Berhad
 Level 3, Menara Sunway
 Jalan Lagoon Timur, Bandar Sunway
 46150 Petaling Jaya
 Selangor Darul Ehsan

29th March 2010

Reference No.: V/10/0030(D)/osf

Dear Sir,

VALUATION CERTIFICATE - MENARA SUNWAY AND MENARA SUNWAY ANNEXE (HEREINAFTER REFERRED TO AS "THE SUBJECT PROPERTY")

We were instructed by Sunway City Berhad ("SunCity") to conduct a Valuation of the Subject Property and details of the Valuation are contained in our Valuation Report bearing Reference No. V/10/0030(D)/osf dated 29th March 2010.

This Valuation Certificate is prepared for the inclusion in the Prospectus of Sunway Real Estate Investment Trust ("Sunway REIT") in relation to the listing exercise of Sunway REIT on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Valuation was prepared in conformity with the Asset Valuation Guidelines issued by Securities Commission and Manual of 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".

Brief description of the Subject Property is as attached overleaf.

Knight Frank



IDENTIFICATION OF PROPERTY

Name and Address Menara Sunway and Menara Sunway Annexe, Jalan Lagoon Timur, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan.

Type of Property Purpose-built office development comprising:

- i) Menara Sunway (Phase 1) – A 19-storey highrise office tower annexed with a 5-storey office block and 2½ levels of basement car park.
- ii) Menara Sunway Annexe (Phase 2) – A 7-storey office building together with a 3-storey office block and 3 levels of basement car park.

Title Particulars The following table outlines the title particulars of the Subject Property.

Summary of Title Particulars, Menara Sunway And Menara Sunway Annexe

Lot No. :	Lot No. 61760, Title No. PN 17105, Bandar Sunway, District of Petaling, Selangor Darul Ehsan.
Title Land Area :	17,967 square metres (193,395 square feet).
Tenure :	Leasehold interest for a term of 99 years, expiring on 1 st April 2097 (remaining unexpired term of about 87 years).
Registered Proprietor :	Menara Sunway Sdn Bhd.
Category Of Land Use:	'Bangunan' (Building).

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Knight Frank



PROPERTY DESCRIPTION

***Property Description /
Location***

Menara Sunway is a 19-storey office building consisting of a main tower and an annex, which is located within Bandar Sunway. Unlike a standalone office building, Menara Sunway is marketed as an office environment, where its tenants can take advantage of the convention centre and the surrounding hospitality, leisure and retail options offered by the Sunway Integrated Resort. Menara Sunway is readily accessible via the New Pantai Expressway, KESAS Expressway, Damansara Puchong Highway, Federal Highway and the North Klang Valley Expressway.

At the date of inspection, we note that part of Level B2A (measuring a combined total of 6,019 square feet) has been changed and renovated to accommodate additional offices, which are currently occupied by Decotrend Cleaning Sdn Bhd (Unit No. B2A-01) and Sunway Management Sdn Bhd (Unit No. B2A-02). We were given to understand by the client that applications for the above changes are in the process of being made. Therefore, we have excluded the Net Lettable Area of the abovementioned offices in our valuation.

Net Lettable Area

24,988.87 square metres (268,978 square feet).

Gross Floor Area

60,831.33 square metres (654,783 square feet).

Occupancy

Approximately 98.81%.

Nos. of Car Park

668 bays.

Planning Approvals

The Subject Property is located within an area designated for commercial use.

Menara Sunway and Menara Sunway Annexe are issued with Certificate of Fitness for Occupation (CFO) by the Majlis Perbandaran Petaling Jaya dated 1st June 1994 and 2nd June 1995 respectively.

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Knight Frank



Property Performance

The following table outlines the historical operating performance of the Subject Property based on the audited management accounts for the financial year ended (FYE) 30th June 2007 to 2009 and unaudited management accounts for the six months period ended 31st December 2009 as provided by the Client.

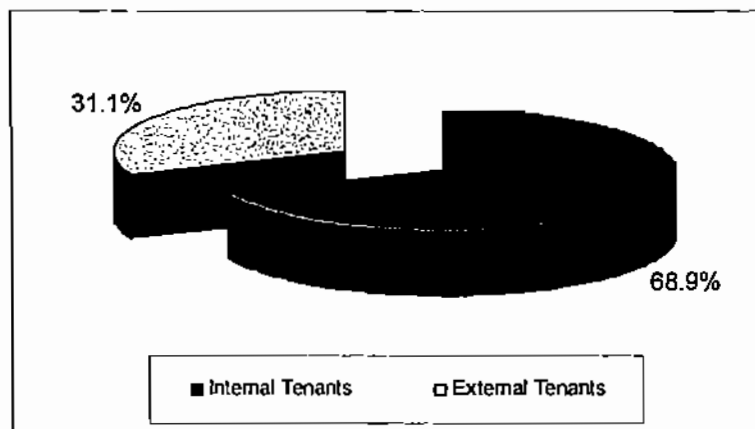
Historical Operating Performance, Menara Sunway And Menara Sunway Annexe				
	Year Ended 30 th June			Six Months Ended 31 st December 2009
	2007	2008	2009	
Average Occupancy (RM/sq. ft.)	88.6%	94.0%	97.3%	97.3%
Monthly Total Outgoings	0.88	1.03	1.16	1.29
Average Monthly Net Rental Rate	2.46	2.79	3.22	3.28

Tenancy Profile

Menara Sunway and Menara Sunway Annexe have a high quality tenant mix, with a total of 36 tenancies as of 3rd February 2010. The majority of the tenancies consist of entities owned by or affiliated with Sunway City Berhad, which occupied approximately 68.9% of the net lettable area as at 3rd February 2010. Other major tenants include Maxis Mobile Sdn Bhd and Merck Sdn Bhd. The external tenants occupied approximately 31.1% of the net lettable area.

Tenancies for internal tenants have generally been agreed for 3-year terms, with an automatic renewal thereafter for another 3 years (referred as Term 2 in our valuation) and additional 2 years (referred as Term 3 in our valuation). Renewal rental rates have been fixed at an increment of approximately 6% based on the last rate of rental and service charge paid.

Tenancies for external tenants have generally been agreed for either 1 year, 2 years and 3 years terms, with an option to renew thereafter. Some of the tenancies have a fixed increasing staggered rental rates whilst some tenancies have a fixed rental rate throughout.



Knight Frank



MARKET VALUE

Date of Valuation 3rd February 2010.

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

i) 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.

ii) 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 current passing rental (ranged from about RM3.00 psf to RM5.50 psf) in their existing tenancies as a means of deriving the income and value for the Subject Property.

	Current Term	Reversion
Average Gross Rental (excluding car park income) (RM/sq. ft.)	RM4.21	RM3.77

Our assessment of the market rental of the Subject Property under the reversionary term is based on the current asking rental of other office buildings in the surrounding vicinity. From our analysis, the adjusted derived rental rate ranged from RM3.60 psf to RM4.40 psf after making necessary adjustment for integrated development, accessibility, age/building condition and negotiation.

Knight Frank



**Investment Method
of Valuation (Cont'd)**

Thus, we have adopted the following rental rates under the reversionary term as a fair representation.

(A)	<3,000 sq ft		RM3.80 psf
(B)	3,000 sq ft to 6,000 sq ft		RM3.60 psf
(C)	> 6,000 sq ft	Menara Sunway	RM3.40 psf
(D)	Penthouse (Level 18 to 20)		RM4.80 psf
(E)	Lobby Level		RM5.20 psf
(F)	3,000 sq ft to 6,000 sq ft	3-Storey Office Block	RM3.80 psf
(G)	Lobby Level		RM4.00 psf
(H)	<3,000 sq ft		RM4.00 psf
(I)	3,000 sq ft to 6,000 sq ft	Menara Sunway Annexe	RM3.80 psf
(J)	Level 7 (No Lift Access)		RM3.00 psf
(K)	Cafeteria	Basement 1	RM600 per stall
(L)	Storage by Maxis	Basement 3	RM2.80 psf
(M)	Antennas	Rooftop	RM2,000 per month

Allowance for Outgoings

For the current term, we have adopted the total outgoings of about RM0.95 psf for Menara Sunway (19-Storey Office Tower) and RM1.20 psf for Menara Sunway Annexe (7-Storey Office Building and 3-Storey Office Block).

Under the reversionary period, we have adopted the total outgoings of about RM1.00 psf for Menara Sunway (19-Storey Office Tower) and RM1.25 psf for Menara Sunway Annexe (7-Storey Office Building and 3-Storey Office Block), which increases in parallel with increases in rental.

Rental and service charge paid by Menara Sunway tenants as a whole exclude electricity for air-conditioning consumption during normal office hours whilst the rental and service charge paid by Menara Sunway Annexe tenants as a whole include electricity for air-conditioning consumption during normal office hours. Therefore, the estimated reimbursement of air-conditioning consumption charged by Menara Sunway tenants is about RM0.35 per square foot per month.

Based on the current consumption record of air-conditioning charges as furnished to us by the Client, we have adopted RM0.35 per square foot per month as a fair representation as compared with the industry norm of about RM0.30 per square foot per month to RM0.40 per square foot per month for a typical corporate office.

Knight Frank



Investment Method of Valuation (Cont'd)

Yield

Yield Analysis and Comparison				
Block B of Glomac Business Centre	Wisma Chase Perdana	IBM Quill Building 5	Wisma UOA Pantai	Tower C, PJ Trade Centre
6.53%	6.78%	7.28%	7.14%	6.43%

The yields of individual office buildings are dependent on many factors including location, building grades, occupancy rate and the size of the buildings. From our yield analysis, we noted that the existing yields of office buildings in Klang Valley that reflect current market conditions are in the region of about 6.43% to 7.26%.

For the purpose of analysis, we have adopted current and reversionary yields in the following manner:-

		Term	Reversion
(A)	Internal Tenants	7.25 %	7.00 %
(B)	External Tenants	6.75 %	7.00 %
(C)	Level 7 Menara Sunway Annexe (No Lift Access)	7.25 %	7.00 %

Void

We have allocated 5% of the gross annual rental for voids, vacancy periods between rent reviews, which include the rent free and fitting out periods.

Present Value

A rate of return of 8.00% is adopted for discounting the future income into the present level for future term and the reversionary period due to multiple terms.

APPENDIX II - VALUATION CERTIFICATES (Cont'd)**Knight Frank**

Sales Comparison and Analysis of Office Buildings in Kuala Lumpur and Selangor					
	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Property	Block B of Glomac Business Centre, Jalan SS6/1, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan.	Wisma Chase Perdana, Off Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur.	IBM Malaysia Berhad, Quill Building 5, 3500, Jalan Teknokrat 3, 63000 Cyberjaya, Selangor Darul Ehsan.	UOA Pantai, No. 11, Jalan 4/83A, Jalan Pantai Jaya, 59200 Kuala Lumpur.	Tower C, PJ Trade Centre.
Tenure	Interest in perpetuity	Interest in perpetuity	Interest in perpetuity	Interest in perpetuity	Leasehold interest
NLA	48,814 square feet	160,009 square feet	80,000 square feet	157,481 square feet	225,196 square feet
Consideration	RM22,600,000	RM70,000,000	RM43,000,000	RM86,000,000	RM103,800,000
Date	7 th August 2009	21 st January 2009	15 th January 2008	6 th November 2007	24 th August 2007
Remarks	Held under Block Strata	Held under Block Strata	Held under Individual Title	Held under Individual Title	Held under Block Strata
Vendor	Glomac Realty Sdn Bhd	Chase Perdana Sdn Bhd	Quill Land Sdn Bhd	Magna Tiara Development Sdn Bhd (a subsidiary of UOA Holdings Sdn Bhd)	Tujuan Gemilang Sdn Bhd
Purchaser	Koperasi Kakitangan Bank Rakyat.	Sitt Tatt Berhad.	Quill Capita Trust	OSK Trustee Berhad (Trustee of UOA REIT)	Inland Revenue Department
Source	Bursa Securities	Bursa Securities	Bursa Securities	Bursa Securities	Bursa Securities
Analysis	RM463 psf	RM437 psf	RM538 psf	RM546 psf	RM461 psf
Adjustments	Upward adjustment is made for integrated development, design / age / building condition, car park ratio and strata title. Downward adjustment is made for tenure and size.	Upward adjustment is made for integrated development, design / age / building condition, car park ratio and strata title. Downward adjustment is made for tenure and size.	Upward adjustment is made for integrated development and design / age / building condition. Downward adjustment is made for tenure, size and car park ratio.	Upward adjustment is made for integrated development, design / age / building condition, car park ratio and strata title. Downward adjustment is made for tenure and size.	Upward adjustment is made for integrated development, car park ratio and strata title.
Effective Adjusted Value	RM486 psf	RM528 psf	RM511 psf	RM491 psf	RM525 psf

APPENDIX II - VALUATION CERTIFICATES (Cont'd)

Knight Frank

**Valuation Rational**

From the adjusted values, we note that the values derived range between RM457 per square foot to RM528 per square foot.

In reconciling our opinion of Market Value, we have placed greater emphasis on Comparable No. 2 (Wisma Chase Perdana) and Comparable No. 5 (Tower C, PJ Trade Centre) as they have significant similarities as the Subject Property after making the necessary adjustments for differences in tenure, being part of an integrated development, building condition / finishes, size, car park ratio and type of title.

Having regards to the foregoing, we have adopted the analysed value of about RM525.00 per square foot in our Valuation as a fair representation.

Reconciliation of Values

Method of Valuation	Derivation of Values
Investment Method	RM138,000,000
Comparison Method	RM141,000,000

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.

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Knight Frank



We wish to draw attention that the title to the Subject Property carries 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 remaining unexpired leasehold interests of about 87 years in the Subject Property, with Certificates of Fitness for Occupation issued, subject to existing tenancies and the title being free of all encumbrances, good, marketable and registrable, as at 3rd February 2010, is **RM138,000,000 (Ringgit Malaysia One Hundred And Thirty Eight Million Only)**.

For and on behalf of
KNIGHT FRANK

OOI YEW HOCK
Registered Valuer, V-273
FISM, MRICS

Date: 29th March 2010

Knight Frank



Sunway City Berhad
 Level 3, Menara Sunway
 Jalan Lagoon Timur, Bandar Sunway
 46150 Petaling Jaya
 Selangor Darul Ehsan

29th March 2010

Reference No.: V/10/0030(E)/lhc

Dear Sir,

VALUATION CERTIFICATE - SUNWAY TOWER (HEREINAFTER REFERRED TO AS "THE SUBJECT PROPERTY")

We were instructed by Sunway City Berhad ("SunCity") to conduct a Valuation of the Subject Property and details of the Valuation are contained in our Valuation Report bearing Reference No. V/10/0030(E)/lhc dated 29th March 2010.

This Valuation Certificate is prepared for the inclusion in the Prospectus of Sunway Real Estate Investment Trust ("Sunway REIT") in relation to the listing exercise of Sunway REIT on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Valuation was prepared in conformity with the Asset Valuation Guidelines issued by Securities Commission and Manual of 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".

Brief description of the Subject Property is as attached overleaf.

Knight Frank**IDENTIFICATION OF PROPERTY**

Name and Address	Sunway Tower, No. 86, Jalan Ampang, 50450 Kuala Lumpur.
Type of Property	A newly refurbished 33-storey purpose built office tower incorporating a mezzanine floor and a 2-storey penthouse level together with 6-level of elevated car park and 2 lower ground basement car parks.
Title Particulars	The following table outlines the title particulars of the Subject Property.

Summary of Title Particulars - Sunway Tower

Lot No. :	Lot No. 55 Section 45, Title No. Geran 45110, Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur.
Land Area :	2,406 square metres (25,898 square feet).
Tenure :	Interest in perpetuity.
Registered Proprietor :	Sunway Tower 2 Sdn Bhd.
Category Of Land Use:	'Bangunan' (Building).

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Knight Frank



PROPERTY DESCRIPTION

Property Description / Location Sunway Tower is a refurbished 33-storey prime office building which is strategically located near the intersection of Jalan Sultan Ismail and Jalan Ampang in Kuala Lumpur, an area commonly referred to as the Golden Triangle/Central Business District and adjacent to the entry and exit points of the Ampang-Kuala Lumpur Elevated Highway that links to major highways within and around the Klang Valley as well as the Dang Wangi light rail transit station and Bukit Nanas monorail station.

Net Lettable Area 24,936.29 square metres (268,412 square feet).

Gross Floor Area 42,419.89 square metres (456,604 square feet).

Occupancy Approximately 93.23%.

Nos. of Car Park 293 bays.

Planning Approvals The Subject Property is located within an area designated for commercial use.

The property is issued with a Certificate of Fitness for Occupation (CFO) dated 25th March 1996 and a Development Order for the proposed refurbishment of Sunway Tower dated 14th August 2008, both issued by Kuala Lumpur City Hall.

Property Performance The following table outlines the historical operating performance of the Subject Property based on the audited management accounts for the financial year ended (FYE) 30th June 2007 to 2009 and unaudited management accounts for the six months period ended 31st December 2009 as provided by the Client.

Historical Operating Performance, Sunway Tower				
	FYE 30 th June			Six Months Ended 31 st December 2009
	2007	2008	2009	
Average Occupancy (RM/sq. ft.)	N.A.	70.1%	67.1%	94.5%
Average Monthly Net Rental Rate	N.A.	RM3.35	RM3.48	RM4.31
	Dec 07 – June 08	July 08 – June 09	July 09 – Dec 09	
Monthly Total Outgoings	RM1.09	RM1.01	RM1.10	

Note:-

As Sunway Tower was acquired in November 2007, rates proceeding that month are not available and the rates for the year ended 30th June 2008 do not reflect 12 full months of operation.

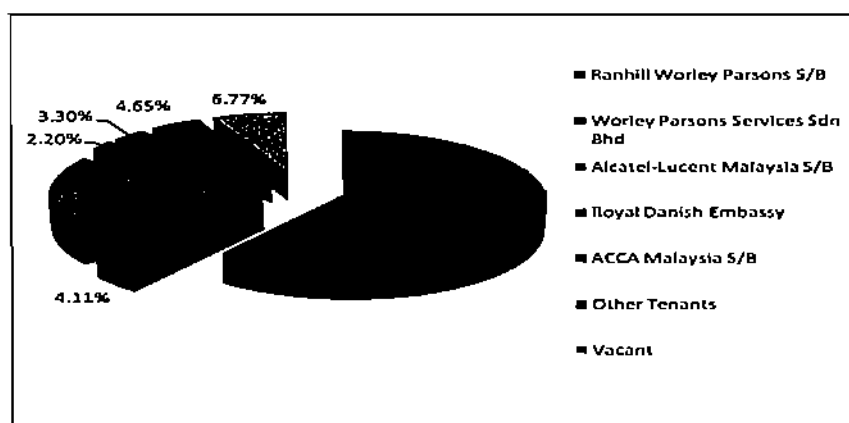
Knight Frank



Tenancy Profile

Sunway Tower has a high quality tenant mix with major tenants such as Ranhill Worley Parsons Sdn Bhd, Alcatel-Lucent Malaysia Sdn Bhd, Royal Danish Embassy, ACCA Malaysia Sdn Bhd and other tenants.

Most tenancies have been agreed for 3-year terms, with an option to renew thereafter on prevailing market rates. Some of the tenancies have a fixed increasing staggered rental rates whilst some tenancies have a fixed rental rate throughout.



MARKET VALUE

Date of Valuation

3rd February 2010.

Valuation Methodology

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

i) 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.

ii) 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.

Knight Frank



Investment Method of Valuation

Rental Rate

In undertaking our assessment of value under the capitalisation approach, we have adopted the current passing rental (ranged from about RM3.50 psf to RM6.25 psf) in their existing tenancies as a means of deriving the income and value for the Subject Property.

	Current Term	Reversion
Average Gross Rental (excluding car park Income) (RM/sq. ft.)	RM4.99	RM5.07

Our assessment of the market rental of the Subject Property under the reversionary term is based on the current asking rental of other office buildings in the surrounding vicinity. From our analysis, the adjusted derived rental rate ranged from RM4.80 psf to RM5.50 psf after making necessary adjustment for differences in location / establishment, design / age / building condition and negotiation.

Thus, we have adopted the following rental rates under the reversionary term as a fair representation.

< 8,000 square feet	RM 5.25 psf
> 8,000 square feet	RM 5.00 psf

Allowance for Outgoings

From our analysis, we have adopted the adopted the total outgoings of RM1.15 per square foot per month for current and future terms and RM1.20 per square foot per month for reversionary term to be a fair representation.

Car Park Income / Outgoings

As at the date of Valuation, we noted that the current monthly rental for car parking bays within Sunway Tower is at the region of RM 150.00 to RM 250.00 per month.

Thus, in undertaking our assessment of car park income, we have adopted the current commanding rates of the car park in our computation of value to be fair after considering the commanding car park rates within the immediate and surrounding vicinity.

Based on past year's car park operating statements, we have noted that the average outgoings for the car park is about RM37.73 per bay/month which translates to about 15% of RM250.00 which is the monthly rate for reserved car park bays. Therefore, we have adopted the outgoings of about RM35.00 per bay per month as a fair representation.

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*Investment Method
of Valuation (Cont'd)*

Yield

Yield Analysis and Comparison		
The Icon @ Tun Razak (East Wing)	Kenanga International	Menara Citibank
6.71%	7.26%	7.10%

The yields of individual office buildings are dependent on many factors including location, building grades, occupancy rate and the size of the buildings. From our yield analysis, we noted that the existing yields of office buildings in Kuala Lumpur that reflect current market conditions are in the region of about 6.70% to 7.30%.

We have thus adopted a yield of 6.50% to 7.00% for term (lower yield for those secured tenants based on long term contractual tenancies at lower than market rent and higher yield of 7.00% reflects a higher risk due to the passing rentals being higher than market rent) and 6.75% under the reversionary periods, to be fair after taking into consideration of the prevailing market condition, i.e. cautiously optimistic economic situation.

Void

We have allocated 5% of the gross annual rental for voids, vacancy periods between rent reviews, which include the rent free and fitting out periods.

Present Value

A rate of return of 7.00% is adopted for discounting the future income into the present level for future term and reversionary period.

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APPENDIX II - VALUATION CERTIFICATES (Cont'd)

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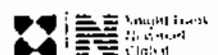
Sales Comparison and Analysis of Office Buildings in Kuala Lumpur				
	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Property	The Icon@ Tun Razak (East Wing), Jalan Tun Razak, Wilayah Persekutuan Kuala Lumpur	Kenanga International, Jalan Sultan Ismail, 50250 Kuala Lumpur	Southgate, held under Lot No. PT 657, HS (D) 115981, Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur	Menara Citibank, 165, Jalan Ampang, 55000 Kuala Lumpur
Tenure	Interest in perpetuity	Interest in perpetuity	Interest in perpetuity	Interest in perpetuity
NLA	278,182 square feet	359,944 square feet	257,943 square feet	733,634 square feet
Consideration	RM226,514,800	RM250,000,000	RM228,000,000	RM607,448,952
Date	24 th December 2009	17 th December 2009	12 th August 2009	30 th June 2009
Remarks	Held under Block Strata	Held under Individual Title	Held under Block Strata	Held under Block Strata
Vendor	Mah Sing Group Berhad	Injaz Asia Equity Property Berhad	Jastamax Sdn Bhd (wholly owned subsidiary of Mah Sing Group Berhad)	Inverfin Sdn Bhd
Purchaser	T.S.Law Realty Sdn Bhd	Permodalan Nasional Berhad	Koperasi Permodalan Felda Berhad	Hap Seng Consolidated Berhad
Source	Bursa Securities	Bursa Securities	Bursa Securities	Bursa Securities
Analysis	RM814 psf	RM695 psf	RM876 psf	RM829 psf
Adjustments	Upward adjustment is made for type of title. Downward adjustment is made for design / age / building condition.	Downward adjustment is made for location / establishment and car park ratio.	Upward adjustment is made for location / establishment and type of title. Downward adjustment is made for design / age / building condition, development concept and car park ratio.	Upward adjustment is made for size, car park ratio, type of title and ownership. Downward adjustment is made for location / establishment, design / age / building condition and development concept.
Effective Adjusted Value	RM692 psf	RM625 psf	RM701 psf	RM787 psf

Valuation Rational

From the adjusted values, we note that the values derived ranged between RM625 per square foot to RM787 per square foot.

In reconciling our opinion of Market Value, we have adopted Comparable 1 [The Icon (East Wing)] as the most appropriate comparable due to the fact that it is the most recent sale transaction and have significant similarities as the Subject Property.

Having regard to the foregoing, we have adopted the analysed value of about RM690 per square foot in our Valuation as a fair representation.



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Reconciliation of Values

Method of Valuation	Derivation of Values
Investment Method	RM185,000,000
Comparison Method	RM185,000,000

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.

Having regard to the foregoing, our opinion of the Market Value of the interest in perpetuity in the Subject Property, with Certificates of Fitness for Occupation issued, subject to the existing tenancies and the title being free of all encumbrances, good, marketable and registrable, as at 3rd February 2010 is RM 185,000,000 (Ringgit Malaysia One Hundred And Eighty Five Million Only).

For and on behalf of
KNIGHT FRANK

OOI YEW HOCK
Registered Valuer, V-273
FISM, MRICS

Date: 29th March 2010

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APPENDIX III - INDEPENDENT PROPERTY MARKET OVERVIEW REPORT (Cont'd)


Jones Lang Wootton

Proprietor: Eingham Sura man Sdn. Bhd. (78217-X)

Independent Property Market Overview Report

1.0 TERMS OF REFERENCE

Jones Lang Wootton ("JLW") has been appointed by Sunway City Berhad ("The Client") to undertake an independent property market report for eight properties as listed below.

The properties to be reviewed are listed below.

Klang Valley	Menara Sunway	Office
	Sunway Pyramid Shopping Mall	Retail Centre
	Sunway Resort Hotel & Spa	Hotel
	Pyramid Tower Hotel	
	Sunway Tower	Office
Seberang Jaya, Pulau Pinang	Sunway Carnival Shopping Mall	Retail Centre
	Sunway Hotel Seberang Jaya	Hotel
Ipoh, Perak	SunCity Ipoh Hypermarket	Hypermarket

The independent market report will cover the following key topics:

1. Economic and Demographic Overview

A brief overview of the Malaysian economy, which includes economic indicators and factors influencing for the retail, hospitality and office real estate markets.

2. Property Market Overview

Market overviews of the retail, hospitality and office real estate markets in the Klang Valley, an overview of the property market in Ipoh with regards to hypermarkets and overviews of the retail and hospitality real estate markets in Penang, including Seberang Jaya. All property market data and statistics are as at 31st December 2009.

3. Benchmarking Analysis

This section includes a microanalysis of the supply trends and rental and occupancy levels of competitors to the Sunway properties covered in this report.

4. Review of the Properties

This section includes a market review of each of the properties in terms of key strengths, rental rates and occupancy rates.



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Independent Property Market Overview Report

JLW has not undertaken any studies on the technical and structural aspects of these properties. For purposes of this study, JLW assumes that the necessary due diligence has been undertaken by the Client order to ensure that these buildings are in a good state of repair and are well-managed, ensuring sustainability of the buildings.

For purposes of this study no detailed description of the property will be provided within the report for this will be covered in detail else where in the offering circular and prospectus.



Proprietor: Bingham & Associates Sdn. Bhd. (710217-X)

Independent Property Market Overview Report

2.0 OVERVIEW OF MALAYSIA

2.1 THE MALAYSIAN ECONOMY

Upon independence in 1957, Malaysia was highly reliant on tin and rubber and more than half of its population was in poverty. Since the 1970s, the nation has transformed from a producer of raw materials into an emerging multi-sector economy and today, Malaysia's economy is broad-based and diversified with high levels of domestic demand. Globally, Malaysia is an active trading nation and the country generally continues to enjoy political stability with a diverse yet united multi-racial population.

Between 2002 and 2007, Malaysia's GDP grew steadily at an annual average growth of 5.9%. Underpinned by continued growth in construction and services sectors and supported by an impressive growth in domestic demand, the Malaysian economy expanded by 6.2% in 2007. The Malaysian economy grew 4.6% in 2008 and contracted by 1.7% in 2009, in line with the slow down in the world economy.

Due to the sharp decline in external demand in 2008/2009 and the slowdown in private investment, two stimulus packages were implemented by the Malaysian Government in order to stimulate economic growth and boost domestic demand. Despite the global and national challenging economic conditions private consumption expenditure still grew at 0.8% in 2009, albeit at a slower rate than 8.5% in 2008 and 10.4% in 2007. The first package, amounting to RM7 billion, was announced in November 2008 and was financed through savings from fuel subsidies. The second package, amounting to RM60 billion, was announced in March 2009 and was more comprehensive and focused on sustaining credit flows to support private sector activity, job creation and training as well as building capacity for the future. (Source: Economic Report 2009/2010, Ministry of Finance).

The nation's economy contracted in the first half of 2009 due to weakened external demand, with exports declining sharply by 16.3% year-over-year. With lower disposable income and cautious spending by households, private consumption also fell. Investments also declined significantly, resulting in overall contraction of the Malaysian economy of 1.7% in 2009.

In the fourth quarter of 2009, the Malaysian economy recorded positive growth of 4.5% year-over-year amidst strengthened domestic and external demand. In the fourth quarter of 2009, exports recovered, expanding by 5.1%, and all economic sub-sectors recorded improved performance. The services sector grew 5.1% and the manufacturing sector recorded positive growth of 5.3%, reflecting the improvement in both external and domestic demand, and the construction sector expanded by 9.2%.



Independent Property Market Overview Report

There was sustained growth in private consumption, with growth rising from -0.5% year-over-year in 3Q09 to 1.5% year-over-year in 4Q09, and increased public sector spending contributed to higher domestic demand in the fourth quarter supported by the holiday and festive seasons. In 4Q09, consumer confidence also grew to its highest level in almost two years. Of significance total motor vehicle sales increased by 17.6% after five consecutive quarters of decline and the continued positive growth in tourist arrivals coupled with the long school holiday season contributed to an expansion in the accommodation and restaurant sub-sector.

Public sector expenditure expanded by 1.3% while public capital spending increased substantially as the implementation of projects under the fiscal stimulus packages gained momentum during the quarter under review. In the same quarter, the development expenditure of the Government increased by 9.5% from the previous year. In addition, over 113,000 projects under the Government's two stimulus packages had been implemented or were being implemented, totalling RM17 billion in spending.

Foreign direct investment ("FDI") increased to RM7.2 billion in 4Q09 from RM6.7 billion in the 3Q09 due mainly to investments in the manufacturing and services sector.

Table 2.1.1 provides Malaysia's economic indicators/data trend between 1999 and 2012 (forecast).

APPENDIX III - INDEPENDENT PROPERTY MARKET OVERVIEW REPORT (Cont'd)

Independent Property Market Overview Report

TABLE 2.1.1

KEY ECONOMIC DATA (CALENDAR YEARS) 1999 – 2012F

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010F	2011F	2012F
Gross Domestic Product (GDP)	327.4	356.4	358.2	377.6	399.4	426.5	449.3	475.5	504.9	528.3	519.2	543.3*	569.5	594.8
Nominal GDP (RM billion)														
GDP Growth (%)	N.A.	8.8	0.5	5.4	5.8	6.8	5.3	5.8	6.2	4.6	-1.7	4.5 – 5.5*	4.0	4.4
Expenditure on GDP														
Private Consumption - % of GDP	41.6	43.8	46.1	45.0	44.6	44.0	44.8	45.0	45.8	45.2	50.2	48.1*	49.0	49.4
Growth in Private Consumption Expenditure (%)	2.9	13.0	3.0	3.9	8.1	9.8	9.1	6.8	10.4	8.5	0.8	3.8*	5.0	5.6
Government Consumption % GDP	11.0	10.2	12.0	13.0	13.0	12.6	12.3	11.9	12.2	12.5	14.3	12.7*	13.6	13.5
Population and Income														
Mid Year Population - Malaysia (million)	22.7	23.5	24.0	24.5	25.1	25.6	26.1	26.6	27.2	27.7	28.3	28.9*	29.4	29.9
GDP Per capita (US \$ at PPP)	8,078.6	9,017.5	9,206.5	9,597.8	10,135.2	10,854.1	11,531.0	12,361.8	13,238.3	13,860.0	13,510.0	14,180.0	14,650.0	15,300.0
Unemployment rate (%)	3.4	3.1	3.7	3.5	3.6	3.6	3.6	3.3	3.2	3.3	3.7	3.6*	3.4	3.4
Other														
Foreign direct investment -(US\$ million)	3,895.0	3,788.0	554.0 #	3,203	2,473.0	4,624.0	3,966.0	6,076.0	8,454.0	7,376.0	4,079.0	5,801.0	6,547.0	6,912.0

Independent Property Market Overview Report

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010f	2011f	2012f
Exchange rate (RM / US\$) – end period	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.5	3.3	3.5	3.4	3.3	3.3	3.2
Consumer Price Index (CPI) Growth (%)	2.5	1.2	1.2	1.6	1.2	2.2	3.3	3.1	2.4	4.4	1.1	2.3	2.7	2.9
Average Lending Rate (BLR) (%)	7.8	7.5	6.7	6.5	6.1	6.0	6.1	6.6	6.3	5.9	4.8	5.1	5.6	6.0

Note:

F – forecasts

- Due to the general worldwide contraction (circa 50%) in foreign investment

GDP at Constant 2000 Prices – Source: Bank Negara Malaysia Annual Report

Private & Public Consumption Expenditure Source : Bank Negara Malaysia Annual Report

Population Source : World Bank, World Development Indicators

GDP at purchasing power parity (PPP) Source : Economist Intelligence Unit (EIU)

Unemployment rate – Source : Dept of Statistics

Foreign Direct Investment – Source : IMF, International Financial Statistics

Exchange rate – Source: Bank Negara Malaysia

CPI – Source : Bank Negara, Quarterly Bulletin

Average Lending Rate – Source : Bank Negara Malaysia , Monthly Statistical Bulletin

▪ Forecasts by Bank Negara Malaysia

Other forecasts are by the Economist Intelligence Unit (EIU)

**Jones Lang Wootton**

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Independent Property Market Overview Report

2.2 NATIONAL GOVERNMENT (POLITICAL SYSTEM)

Politically, Malaysia operates in a framework of a federal parliamentary monarchy, whereby the Prime Minister of Malaysia, elected through a multi-party system, is the head of the Government. Executive power is exercised by the Government. Federal legislative power is vested in both the Government and the two chambers of parliament, the Senate (*Dewan Negara*) and the House of Representatives (*Dewan Rakyat*).



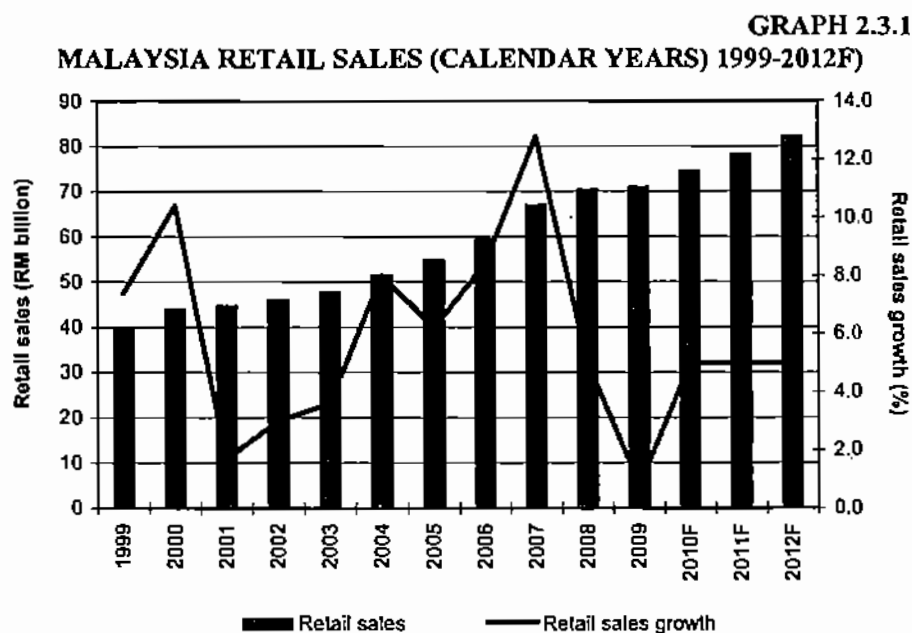
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Independent Property Market Overview Report

2.3 FACTORS AFFECTING RETAIL DEMAND

Annual retail sales in Malaysia have steadily increased since 1999, recording an average annual growth of 5.9% between 1999 and 2009. The latest statistics show that retail sales during 2008 reached RM70.5 billion and are expected to continue to grow by 0.8% and 5% to RM71.1 billion and RM74.6 billion in 2009 and 2010, respectively. Higher retail sales growth is anticipated in 2010 partially due to the improving economy, lower unemployment and the increase in overall disposable income of the working population. For example, the national pension saving scheme, the Employees Provident Fund ("EPF"), permits contributors to make withdrawals from their EPF account to reduce their housing loans, thus increasing disposable income and the propensity to spend.

Graph 2.3.1 below depicts the retail sales trend in Malaysia from 1999 to 2012 (forecast).



F – Forecast
 2009 – Estimate
 Source: Retail Group Malaysia (March 2010)



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Independent Property Market Overview Report

2.3.1 RETAILING TRENDS

Retailing activities are subject to various external forces, including customer behaviour, rival competition, the legislative framework, technological advancement and changes in societal status and values.

Table 2.3.1 shows the average annual growth rate in the number of retail outlets from 2000 to 2005 for different retail activities within Malaysia. Only select statistics since 2005 are available and the latest data for 2009 is also provided.

**TABLE 2.3.1
RETAIL OUTLET GROWTH (CALENDAR YEARS 2000 – 2009)**

Type	Total (No. of Units)			Average Annual Growth Rate (%) (%), 2000 - 2005	Average Annual Growth Rate (%) (%), 2005 - 2009
	2000	2005	2009		
Shopping Complexes	392	550	N.A.	7.0	N.A.
Shop Units ('000)	242	297	N.A.	4.2	N.A.
Hypermarkets	22	81	N.A.	29.8	N.A.
Foreign	16	68	106	33.6	11.7
Local	6	13	N.A.	16.7	N.A.
Franchisors	90	204	315	17.8	11.5
Franchisees	2,159	2,584	N.A.	3.7	N.A.
Direct Selling Licences	712	569	491	-4.4	-3.6

N.A. – To date – information is not available

Source: Ministry of Domestic Trade and Consumer Affairs

Ministry of Entrepreneur and Cooperative Development (2010)

International Data Corporation, extracted from the 9th Malaysian Plan, 2006 – 2010 (2006)

Except for a reduction in the number of direct selling licences, all retailing activity types expanded during the six year period from 2000 to 2005.

In terms of number of units, hypermarkets recorded the highest annual average growth rate of 29.8%, contributed mainly by foreign hypermarkets, followed by a 17.8% increase in the number of franchisors and a 7.0% increase in the number of shopping complexes. From 2005 to 2009, the growth rate of the number of foreign hypermarkets registered average annual growth of 11.7% per annum.

The Wholesale & Retail Trade sub sector is anticipated to continue as a major contributor to the country's economy. In line with the Government's aim to establish Malaysia as a prime regional shopping destination, many new shopping centres areas have been built and planned for and many shopping campaigns and carnivals have been introduced to attract shoppers from both local and abroad. All these efforts have accentuated the importance of the retail trade in Malaysia.



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Retail activities in Malaysia are found within department stores, supermarkets, mini markets, hypermarkets, bazaars, specialty shops, convenience stores, direct selling, wet market stalls and petrol kiosks. This wide variety reflects the various demands and growing expectations for convenience from consumers.

2.3.2 ECONOMIC PERFORMANCE AND SUPPORT FACTORS

As mentioned in Section 2.1, the Malaysian economy is now showing signs of positive growth. Furthermore, the country has low unemployment, growing GDP per capita, growing personal consumption and Government initiatives geared towards expanding the “distribution trade” sector in Malaysia, which comprises the wholesale and retail trade.

2.3.3 MEGA SALES

The “Malaysia Mega Sale Carnival” takes place every year between June and August. It is Malaysia’s biggest annual sales carnival, with special offers and discounts in most stores within the shopping malls nationwide. Retailers who participate in the Malaysia Mega Sale Carnival have benefited significantly with increased sales driven by the stronger consumer demand during the three month-long carnival.

2.3.4 TOURISM

Malaysia is experiencing a fast rate of tourism growth and development and the tourism sector is recognised by the Malaysian Government as a major source of revenue and a broader catalyst to the sustainability of the country’s economic growth.

Higher levels of tourist arrivals and tourist spending, especially on shopping and food and beverages, will contribute towards increasing retail sales growth, which will further spur the performance of the local retail market.

The tourism industry has performed favourably, with tourist arrivals increasing almost 20-fold from 1.2 million in 1974 to 23.6 million in 2009. The Visit Malaysia Year (“VMY”) 2007 campaign has been well-received, as reflected in the higher tourist arrivals in 2007, during which tourist arrivals grew 19.5% year on year. The promotion of Malaysia overseas by the Government, the attractive travel packages offered by tourism related travel agencies and increased connectivity to Malaysia by various airlines have all further contributed to this growth.

Tourism spending has grown in line with the increase in tourist arrivals. Tourist expenditure on shopping grew by 8.4% in 2008, increasing from RM12.3 billion in 2007 to RM13.3 billion.

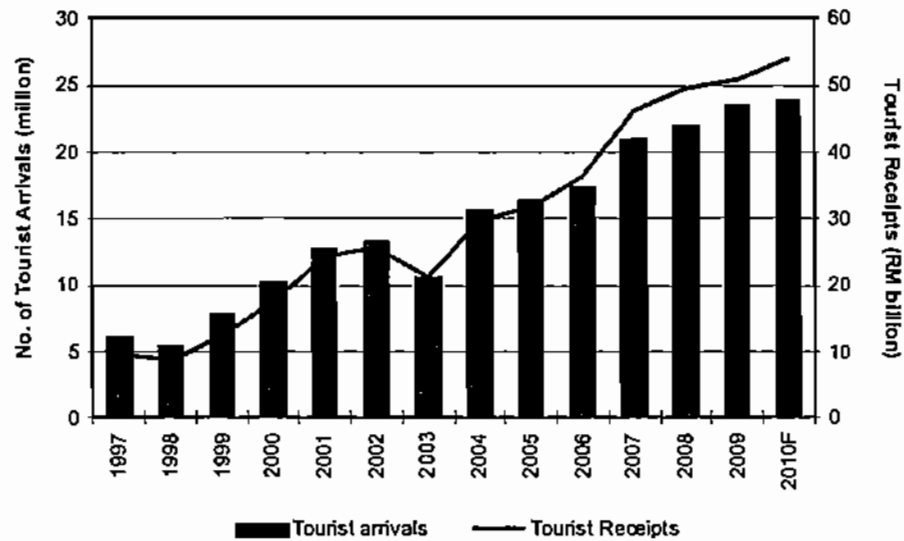


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Graph 2.3.2 illustrates the trends of tourist spending in Malaysia between 1997 and 2009.

GRAPH 2.3.2

**TOURIST ARRIVALS AND RECEIPTS: MALAYSIA
(CALENDAR YEARS 1997 - 2010F)**



F - Forecast

Source: Tourism Malaysia Website: www.tourism.gov.my (2010)

2010F: New Straits Times, dated 18 Feb 2010

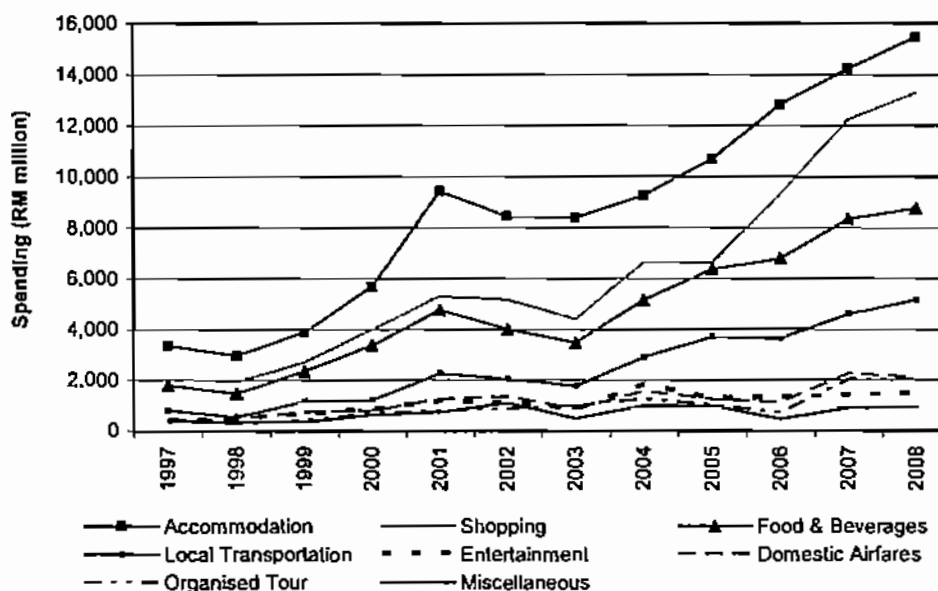


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As shown in Graph 2.3.3, shopping is one of the main expenditures of tourists visiting Malaysia.

GRAPH 2.3.3
TOURIST SPENDING IN MALAYSIA (CALENDAR YEARS 1997 – 2008)



Source: Tourism Malaysia, (2009)

- Between 1997 and 2009, tourist arrivals grew at an average rate of 12.0% per annum to reach 23.6 million in 2009.
- Over the same period, tourist receipts have been steadily increasing at an average rate of 15.0% per annum.
- Tourism Malaysia’s latest official estimates revealed that tourist receipts for 2009 reached RM51.0 billion.

With continued promotional activities, Tourism Malaysia has forecast tourist arrivals to increase to 24.0 million in 2010 from the 23.6 million tourist arrivals recorded in 2009 and generate tourism receipts of RM54.0 billion, equating to average annual growth of 5.9%.



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2.4 FACTORS INFLUENCING HOTEL DEMAND

2.4.1 TOURISM

The Malaysian hotel sector is largely driven by international and domestic tourism. International tourism has grown strongly in recent years, driven by Government and private promotions, the Malaysia Mega Sales Carnival, and an increasing number of national and international events and attractions. For further reference, please see section 2.3.4.

Expenditure on accommodation grew by almost 9.0% in 2008, increasing from RM14.2 billion recorded in 2007 to RM15.5 billion; however this was below lower the average annual growth rate of 13.0% from 2003 to 2008.

Exceptionally high demand and room rates are normally recorded by hotels in the Klang Valley when special international events take place, such as the meeting of the Organisation of the Islamic Conference's ("OIC") Heads of States, the Non-Aligned Movement ("NAM") Summit, the ASEAN Summit and the Formula One Grand Prix.

2.4.2 PURPOSE OF TRAVEL

The vast majority of tourists visit Malaysia for holiday purposes and there has been steady growth in the percentage representation of holidaymakers. In 2008, 75.0% of the tourists visiting Malaysia visited for holiday purposes followed by a 7.0% representation from tourists travelling on business and a 4.6% representation of people visiting friends and relatives. The other two major reasons for visiting Malaysia in 2008 were for conference (2.1%) and shopping (1.6%) purposes.

Business travellers have increased steadily over the years, peaking at 1.8 million visitors in 2006. This trend however began to tail off in 2007 and primarily due to the slowdown in the global economy business travellers to Malaysia eased back to 1.5 million in 2008.

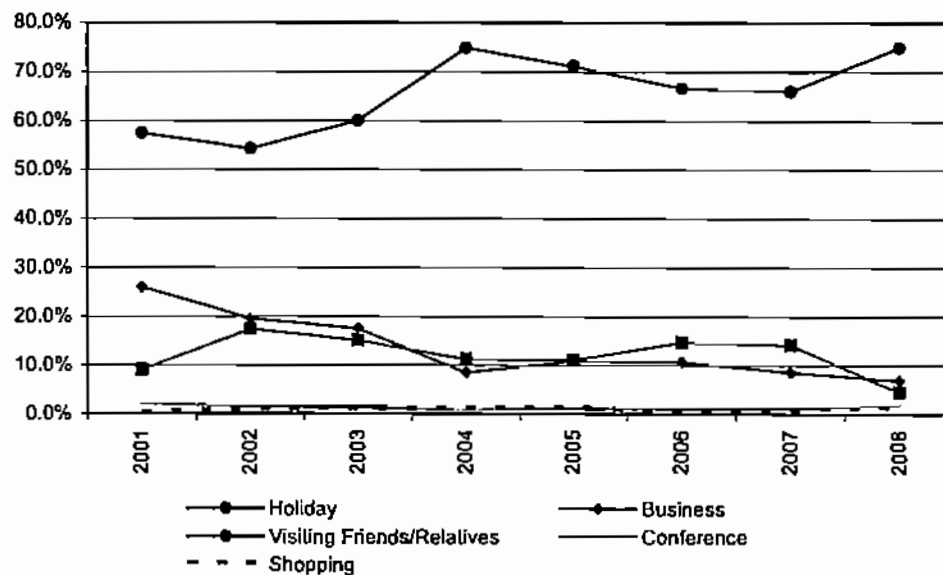


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GRAPH 2.4.1

PROFILE OF TOURISTS VISITING MALAYSIA (CALENDAR YEARS 2001 – 2008)



Source: Tourism Malaysia 2010

2.4.3 LIBERALISATION OF THE AVIATION INDUSTRY

The occupancy levels of Klang Valley hotels could be improved with the support of major airlines operating direct flights into the Kuala Lumpur International Airport ("KLIA").

The tourism industry in the Klang Valley has benefited from an increasing number of international airlines and flights serving KLIA. The further expansion of the budget carrier industry in Malaysia, which now sees local low cost carrier Air Asia flying from Kuala Lumpur to Singapore, Australia, United Kingdom, United Arab Emirates, India, China, Bangladesh and other major South East Asian cities, signifies that the local aviation industry as a whole is expanding, which will contribute positively to the demand for Klang Valley hotel rooms and facilities.

In addition, Firefly, a community airline in Malaysia also flies to a number of major cities in Indonesia, Thailand and Singapore, which will further help sustain the Klang Valley hotel market.



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2.4.4 MALAYSIA, MY SECOND HOME (“MM2H”)

In general, the MM2H programme was designed to welcome foreigners, without age limit, to reside in Malaysia beyond the time limit imposed by current travel or business visas.

MM2H participants are provided with a 10-year visa entry permit which is renewable thereafter. The programme is open to all foreigners and applicants are allowed to bring their spouses and unmarried children below the age of 18 as dependants.

2.5 FACTORS INFLUENCING OFFICE DEMAND

2.5.1 OPERATIONAL HEADQUARTERS (“OHQ”)

The Government promotes Malaysia as a location for operational headquarters (“OHQ”) of multinational companies. In the budget for 2003, the Government introduced a 100.0% income tax exemption for 10 years to foreign multinational companies setting up their OHQs in Malaysia. Such companies are granted OHQ status and tax incentives under Section 127 of the Income Tax Act 1967 for the provision of qualifying services to its offices or related companies within and outside Malaysia.

This tax exemption coupled with low operational and living costs, excellent infrastructure, political stability, low incidence of natural disasters and ample availability of English speaking workers, means that Malaysia, particularly Kuala Lumpur, is well positioned to attract more multinational companies.

2.5.2 LIBERALISATION OF THE BANKING SECTOR AND CAPITAL MARKETS

The liberalisation of Malaysia's banking industry by allowing more foreign banks to operate in the country as well as allowing existing foreign banks to widen their branch networks has had a positive effect on the Klang Valley's office market as more office and retail space is required to meet the increase in demand from the banking sector.

The decision of the Government to further open up the local capital markets industry to five foreign stock broking houses at the end of 2004 has also helped to enhance demand for office accommodation. Additionally, in 2008, it was announced that two commercial and five Islamic banking licences will be issued between 2008 and 2012.

New players in the Malaysian market and existing foreign stock broking companies will also require additional office space. Moreover, due to the nature of financial services businesses, the type of space required by international firms in this industry is usually prime quality office accommodation.



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2.5.3 OUTSOURCING BUSINESSES

Several high profile multinational companies have located their global shared services centres in Malaysia to provide outsourcing services to clients globally and thus capitalise on a multi cultural workforce that can communicate in several languages in addition to English. Malay (including Indonesian), Hindi/Tamil, and Mandarin/Cantonese (Chinese) are commonly spoken. Malaysia's talent pool has made the country a relatively attractive place for the recruitment of project managers and other senior personnel to manage multi-cultural project teams.

2.6 SOCIO ECONOMY

2.6.1 STATE POPULATION

The Client's properties being reviewed are located in the states of Selangor, Penang and Perak. This section discusses in detail the socio-economic demography of these three states.

Between the period from 2000 to 2009, Malaysia recorded a compounded annual population growth rate of 2.1%. Selangor, which is the most economically developed state in the country, recorded a relatively higher compounded annual population growth rate among the three states reviewed and Malaysia as a whole, mainly due to immigration to the state driven by the availability of greater employment opportunities there. The states of Penang and Perak recorded compounded annual population growth rates below the national average over the same time period.

TABLE 2.6.1

**POPULATION AND POPULATION GROWTH RATE BY
SELECTED STATES IN MALAYSIA (CALENDAR YEARS 2000, 2005 AND 2009)**

State	Population (Million)			Compounded Annual Growth Rate (CAGR)		
	2000	2005	2009	2000-2005	2005-2009	2000-2009
Malaysia	23.49	26.75	28.31	2.6%	1.4%	2.1%
WPKL	1.42	1.62	1.66	2.7%	0.6%	1.8%
Selangor	4.19	4.87	5.18	3.1%	1.6%	2.4%
Penang	1.33	1.50	1.58	2.4%	1.3%	1.9%
Perak	2.09	2.28	2.39	1.8%	1.2%	1.5%

WPKL – Wilayah Persekutuan Kuala Lumpur (Federal Territory)

WPKL houses the capital city of Kuala Lumpur, adjacent to Selangor State and is part of the Klang Valley

Source: Economic Planning Unit
Basic Population Characteristics by Administrative Districts,
Department of Statistics (dated June 2009)
Ninth Malaysia Plan, 2006-2010 (2006)



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In terms of urbanisation, both the states of Selangor and Penang recorded urbanization rates above the average, mainly due to these states are among the economic growth regions of Malaysia.

TABLE 2.6.2

**URBANISATION RATE BY SELECTED STATES IN MALAYSIA
(CALENDAR YEARS 2000, 2005 AND 2010E)**

State	2000	2005	2010E
Malaysia	62.0%	63.0%	63.8%
WPKL	100.0%	100.0%	100.0%
Selangor	87.7%	88.4%	89.1%
Penang	79.7%	79.8%	80.0%
Perak	59.3%	59.3%	59.3%

Note: The urbanisation rate is defined as the percentage of population in the urban area. The formula used to calculate the urbanisation rate ("UR") (%) is: $UR (\%) = (\text{population living in the urban area} / \text{total population of the defined area/location}) \times 100$.

WPKL – Wilayah Persekutuan Kuala Lumpur (Federal Territory)

WPKL houses the capital city of Kuala Lumpur, is adjacent to Selangor State and is part of the Klang Valley

e = Estimate

Source: Ninth Malaysia Plan, 2006-2010 (2006)

2.6.2 AVERAGE HOUSEHOLD INCOME

The mean monthly household income for Malaysia has increased from RM2,472 in 1999 to RM3,686 in 2007, representing a compounded annual growth rate of 5.1%. By state, Selangor registered the highest compounded annual income growth rate from 1999 to 2007, followed Malaysia, Perak, WPKL and Penang, respectively. However, the highest mean income is recorded by Selangor followed by WPKL, Penang, Malaysia and Perak.



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TABLE 2.6.3

**MEAN MONTHLY HOUSEHOLD INCOME OF SELECTED STATES
(CALENDAR YEARS 1999, 2004 AND 2007)**

State	Mean Monthly Household Income (RM)			Compounded Annual Growth Rate (CAGR)		
	1999	2004	2007	1999-2004	2004-2007	1999-2007
Malaysia	2,472	3,249	3,686	5.6%	4.3%	5.1%
WPKL	4,105	5,011	5,322	4.1%	2.0%	3.3%
Selangor*	3,702	5,175	5,580	6.9%	2.5%	5.3%
Penang	3,128	3,531	4,004	2.5%	4.3%	3.1%
Perak	1,743	2,207	2,545	4.8%	4.9%	4.8%

WPKL – Wilayah Persekutuan Kuala Lumpur (Federal Territory)

WPKL houses the capital city of Kuala Lumpur, is adjacent to Selangor State and is part of the Klang Valley

* Includes Wilayah Persekutuan Putrajaya

Source: Department of Statistics, Household Income Surveys 1999 & 2004, Ninth Malaysian Plan (2006 – 2010) – (2006) Distribution Section, Economic Planning Unit (EPU) – (2008)

2.6.3 POPULATION BY DISTRICT

Within the states of Selangor, Penang and Perak, the Client's properties under review are located in the districts of Petaling Jaya, Seberang Perai and Kinta.

As shown in the table below (and Table 2.6.1), the districts of Petaling, Seberang Perai and Kinta have all grown faster than their respective state averages.

TABLE 2.6.4

**POPULATION OF SELECTED DISTRICTS IN MALAYSIA (CALENDAR
YEARS 2000 AND 2009)**

District	Population (Million)		Compounded Annual Growth Rate (CAGR)
	2000	2009	2000-2009
Petaling, Selangor	1.18	1.55	3.1%
Seberang Perai, Penang	0.66	0.85	2.9%
Kinta, Perak	0.67	0.85	2.7%

Source: Population Housing Census of Malaysia 2000, Department of Statistics, Basic Population Characteristics by Administrative Districts, Department of Statistics, (June 2009)



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We believe that the principal reasons for this relatively high average growth rate are as follows:

- The Petaling district is a popular suburban district of Kuala Lumpur and is home to the main city in the district, Petaling Jaya. The district has grown rapidly with residential and commercial developments as well as schools, colleges and universities. Over the past several years, underpinned by Malaysian's increasing emphasis on education needs, many colleges and universities have been built in Petaling Jaya. The large and skilled population and well-developed infrastructure in the area provide a sound base for future growth and investment opportunities.
- Seberang Perai district is also located within a growth location which constantly attracts additional population growth. Seberang Perai is one of the main industrial locations in Penang and there are many job opportunities in the services and manufacturing sectors in this area.
- Kinta district, which includes Ipoh city and is the centre of economic activity in Perak, maintains higher population growth than Perak state. Historically, the district has grown as a result of the tin mining and rubber industries, which have also helped spur the development of good infrastructure, facilities and amenities.

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2.7 BANDAR SUNWAY, PETALING JAYA – SUSTAINABLE GROWTH

Bandar Sunway is an 800-acre master-planned township within Petaling Jaya, where various renowned tertiary education institutions are either located or are in close proximity. Beyond education entities, Bandar Sunway contains a mix of commercial, residential, hospitality, leisure, medical and convention properties, which will be discussed in the latter part of this section, including the Sunway Integrated Resort City ("SIRC"), in the late 1980s.

Located 18 km south-west of Kuala Lumpur, Bandar Sunway is well connected to all parts of the Klang Valley through major highways, including the New Pantai Expressway ("NPE"), Federal Highway, New Klang Valley Expressway ("NKVE"), Shah Alam Expressway ("KESAS"), North-South Expressway Central Link ("ELITE") and Damansara-Puchong Expressway ("LDP").

The integrated developments and the excellent accessibility of Bandar Sunway have positioned the township as one of the "hot spots" in Petaling Jaya and the Klang Valley. The multiple-award-winning Bandar Sunway is also the flagship development of Sunway City Berhad. Sunway City Berhad has a strong track record in developing, sustaining and enhancing its real estate portfolio and is particularly renowned for its development of townships and integrated resort/commercial/residential projects.

The major commercial properties located in Bandar Sunway are: Pyramid Tower Hotel, Sunway Resort Hotel & Spa, Sunway Pyramid Shopping Mall, Sunway Lagoon theme park, Menara Sunway, private colleges (Monash University and Sunway University College/International School) and the Sunway Medical Centre. The township was designed to also provide residences; for example, the Palm Ville Resort condominium provides 272 condominium units, the Lagoon View condominium provides 260 units and the Resort Suite provides 280 units. 1,156 terraced houses and 625 link and semi-detached houses were also built between January 1988 and October 1994.

The location of these properties have been carefully planned based on customer and tenant preferences with the aim of attracting a range of national and international businesses, retailers, shoppers, tourists and students. This results in synergies and shared benefits among the properties in the SIRC. Examples of synergies include the fact that hotel guests (many of whom visit the Sunway Lagoon Theme Park, convention centre and Menara Sunway) can conveniently shop at Sunway Pyramid Shopping Mall and the fact that world-class entertainment events hosted at Sunway Lagoon have also resulted in attracting international tourists and hotel guests. Furthermore, Sunway Medical Centre is being promoted as a medical tourism destination underpinned by the other facilities in the township. Sunway Medical Centre is also operational as a teaching hospital for the Monash University Sunway Campus.



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Sunway City Berhad is continually upgrading and improving Bandar Sunway in order to sustain its development as a premier commercial destination. Examples include the installation of a car park guidance management system with light indicators to help patrons locate a vacant bay within the large car park complex and the construction of a dedicated flyover/ramp from the NPE direct into Sunway Pyramid Shopping Mall's parking area.

Accessibility to the elevated car park of Sunway Pyramid Shopping Mall has been improved significantly with the construction of four dedicated ramps fronting the NPE to cater to visitors from both Subang Jaya and Kuala Lumpur. These improvements were made to upgrade and improve the development following the expansion of Sunway Pyramid Shopping Mall in 2007, which resulted in increased traffic flow and the ensuing requirement for more car parking spaces and hence an effective and user friendly operational management system.

Future development

With landbank for future expansion, including total unlaunched landbank of 76 acres (inclusive of 61 acres at Sunway South Quay), Sunway City Berhad intends to develop various types of properties to ensure that Bandar Sunway will remain a successful integrated township.

One on-going large-scale project is Sunway South Quay, which is located on the 178-acre southern precinct of the SIRC. Designed around a 28-acre lake, Sunway South Quay will cater to an affluent local and international residential population with waterfront villas/bungalows, luxury condominiums and serviced apartments supported by boutique shops and neighbourhood amenities. Phase One of Sunway South Quay is targeted at the growing expatriate and foreign investor community in Malaysia as well as affluent locals. Sunway City Berhad is seeking to increase the appeal of Sunway South Quay with an attractive differentiator for its developments by positioning the development with a strategic mix of residential, commercial and recreational properties providing quality security systems and other services. The extensive security system includes CCTV surveillance in all homes and a gated security system for the entire development.

In the future, Sunway City Berhad intends to extend two phases, namely SP3 and SP4, at Sunway Pyramid Shopping Mall, which on completion are anticipated to make the mall Malaysia's largest mall by size. With physical linkage to the current retail mall, phase SP3 features small-office-home-office ("SOHO") suites and phase SP4 includes retail, office blocks, and residences, both condominiums and serviced apartments.

Four office towers are also planned to be built at Bandar Sunway. The Sunway Corporate Precinct with an estimated 1.3 million sq. ft. of net lettable area is to be developed next to Sunway Resort Hotel & Spa and Menara Sunway. The development is expected to increase visitors to the SIRC by attracting more working professionals within the vicinity and enhancing the value of the existing retail and hospitality properties.



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The future expansion plans for Sunway University College are testimony to strong growth in the student population at this campus. To meet the demands of this growth, expansion plans have been put in place. Sunway University College has a 20-year master plan in order to cope with the increasing number of students and it intends to construct new school buildings, including an auditorium and a sports complex.

Outlook

The future growth in revenue and capital appreciation of the properties at Bandar Sunway will in essence be driven by integrated and attractive features of this community and by the infrastructure, management, marketing knowledge and strong brand name of Sunway City Berhad.



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3.0 REVIEW OF SUNWAY PYRAMID SHOPPING MALL

3.1 RETAIL MARKET OVERVIEW

The retail environment in Malaysia has undergone significant change over the past few decades. New retail concepts and infrastructure ranging from a variety of shopping malls, to supermarkets and superstores, retail warehouses and convenience stores have been added to the retail landscape, much at the expense of the traditional shophouses.

The most popular retail format is that of purpose-built shopping centres, which provide a more conducive retailing environment for both the retailers and shoppers, in terms of convenience and comfort.

Since the early 1990s, the retail-centre industry in the Klang Valley (note: geographically the Klang Valley covers Kuala Lumpur and part of Selangor state), as far as purpose-built retail centres are concerned, has experienced major evolution in design and layout trends, retailing concepts, tenant mix and consumers' preferences.

The fast development pace of residential developments in various parts of the Klang Valley has also resulted in rapid development of suburban shopping centres which were built to cater to the retailing needs and provide convenience to the growing suburban population. These suburban retail centres have developed relatively rapidly in recent years and provide high quality, modern retail space which competes strongly with the retail centres in the city, which were practically the only ones available during the 1970s and 1980s. The existing stock of retail space in the Klang Valley registered a ratio of 37:63 between the City Centre and the Suburbs as at the end of 2009.

3.1.1 RETAIL MARKET IN THE KLANG VALLEY

Explanatory Notes

The retail supply comprises purpose built shopping centres and retail podium blocks within office buildings. In general this retail space has been retained and managed by the developer; however a few purpose built retail centres have been sold on strata.

Definition of the Klang Valley

The Klang Valley is Malaysia's main economic growth region, made up of part of Selangor state and the Federal Territory of Kuala Lumpur.

General Study Area

The Klang Valley ("KV") retail centre supply is divided into two main geographical areas:

- *The City Centre ("CC"), which is generally within the Kuala Lumpur city area, and*



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- *The Suburbs ("Sub"), which is within the residential/ neighbourhood areas of Greater KL covers adjoining cities and towns in the state of Selangor, comprising Petaling Jaya, Shah Alam, Klang Town Centre, Klang, Seri Kembangan, Putrajaya and the Ulu Kelang/Ampang district. Selangor is a state in Malaysia which completely surrounds the Federal Territory of Kuala Lumpur.*

Sunway Pyramid Shopping Mall is located within the Petaling Jaya district in the Suburbs.

Building Grades

JLW classifies retail centres as Prime and Secondary according to the following criteria: location, accessibility, design of the centre, internal finishes, maintenance and management, quality of tenants and retail mix, image and positioning.

These factors are weighted for each building and the definitions are as follows:

Prime A grade retail centres are large scale prominent retail centres, usually less than 15 years of age, with high quality finishes, layout, well-maintained and promoted. These centres are usually in high demand, provide a variety of tenant mix and have a large number of international retailers. Examples in the KV: Suria KLCC, Pavilion KL, Mid Valley Megamall, Sunway Pyramid Shopping Mall, 1 Utama, The Curve.

Prime B grade retail centres are large scale retail centres, usually of more than 12 years of age with good quality finishes, layout and offer a good shopping environment. These centres also provide a good variety of tenant mix, made up of local and foreign retailers. Examples in the KV: Ampang Park, The Mall, Alpha Angle, Cheras Leisure Mall, Mines Shopping Fair, IOI Mall, Amcorp Mall, Subang Parade, Bangsar Shopping Centre.

Secondary A grade retail centres are small to medium scale retail centres with reasonably good tenant mix, made up of mainly local retailers and "mom and pop" stores. Examples in the KV: Kota Raya, Campbell Complex, Pertama Complex, 218 Amp Walk, Summit USJ, Atria, Jaya 33, Alam Sentral, Shaw Centrepoint. Some of these centres have been sold on a strata tile basis (i.e. individual shoplots have been sold) as opposed to the developer retaining the centre for leasing purposes. Centres that have been sold on strata often face management and tenant mix challenges.

Secondary B grade retail centres are small scale retail centres, which provide a limited variety of tenant mix, made up mainly of local retailers. Examples in the KV: PNB Darby Park, Wisma Central, Plaza CityOne, Wisma Cosway, Wisma MPL, Digital Mall, Kompleks PKNS, Plaza Pantai. As with Secondary A grade retail centres, some of these centres have been sold on a strata tile basis

The future retail supply shown in this report is classified as either Prime or Secondary, whereby upon completion, the centre will be re-evaluated for a more definite classification.



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3.1.1.1 SUPPLY

Existing Supply

Existing supply is defined as buildings which have been completed and issued with the Certificate of Completion and Compliance or the Certificate of Fitness For Occupation as it was previously referred to.

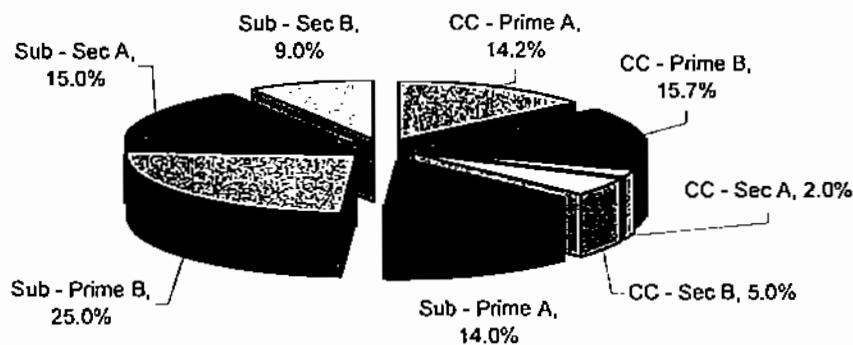
As at the end of 2009, total retail stock in the KV was 42.1 million sq. ft. of net lettable area ("NLA"), of which 63% of the stock was located in the Suburbs and 37% was within the City Centre. Prime retail space represented 69% of the total stock and Secondary space, 31%.

The majority of the City Centre Prime retail accommodation is located in Bukit Bintang, which is an established shopping belt in Kuala Lumpur and hosts a number of the city's major retail centres such as The Pavilion, Starhill Gallery, Lot 10, Sungai Wang Plaza, BB Plaza and Berjaya Times Square. Within the Suburbs, the majority of the Prime retail space is concentrated in the established residential areas to the west of Kuala Lumpur city, in Petaling Jaya. Sunway Pyramid Shopping Mall is classified as a Prime A retail centre and is one of the few very popular and prominent Prime retail centres within the western Suburbs, together with Mega Mall and The Gardens at Mid Valley, 1 Utama Phase 1 & 2 and The Curve.

The distribution of retail space by grade is presented in Graph 3.1.1.

GRAPH 3.1.1

KV RETAIL CENTRES - BY GRADE



CC - City Centre

Sub - Suburbs

Source: J.L.W. Research



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Future Supply

The future supply of retail centres is identified as retail centre developments that have yet to be issued with a Certificate of Completion or Compliance and also projects which are under construction and have been launched (i.e. being marketed and usually available for leasing).

As at the end of 2009, an additional 7.8 million sq. ft. NLA of retail space is expected to be completed in the KV between 2010 and the end of 2012. Geographically, the majority (78%) of the future retail space is located in the Suburbs, especially within the growing residential areas to the west of Kuala Lumpur city. Prime space represents 62% of the total future stock identified and chronologically, the majority (51%) of the space will be completed in 2010.

Prime retail centres which are under various stages of construction in the Suburbs include: the Empire Gallery, First Subang, SSTwo Mall, One Mont' Kiara, Solaris Dutamas, The Paradigm, Setia Walk and Setia City Mall Phase 1. All these future Prime retail centres are noted to be niche lifestyle neighbourhood malls with NLA of less than 500,000 sq. ft., except for Setia City Mall Phase 1, The Paradigm and Viva Home, which are purpose-built shopping malls within mixed developments that incorporate the concept of "shoppingtainment" (retail and entertainment).

Despite the generally healthy occupancy rates of City Centre located shopping centres; there are no major future retail centres expected to be completed in the next few years in the City Centre.

The list of major Prime retail centres scheduled for completion between 2010 and 2012 in the Suburbs are summarised below.

TABLE 3.1.1

PIPELINE OF MAJOR PRIME KV RETAIL CENTRES (CALENDAR YEARS 2010 – 2012)

Expected Year of Completion	Project	Location	Estimated Net Floor Areas (sq ft)
2010	Empire Gallery	Subang Jaya	350,000
	First Subang	Subang Jaya	140,000
	SSTwo Mall	SS2, Petaling Jaya	470,000
	One Mont' Kiara	Mont' Kiara	250,000
	Solaris Dutamas	Mont' Kiara	250,000
	Viva Home (Redevelopment of Plaza UE3)	Jalan Loke Yew	660,000

APPENDIX III - INDEPENDENT PROPERTY MARKET OVERVIEW REPORT (Cont'd)



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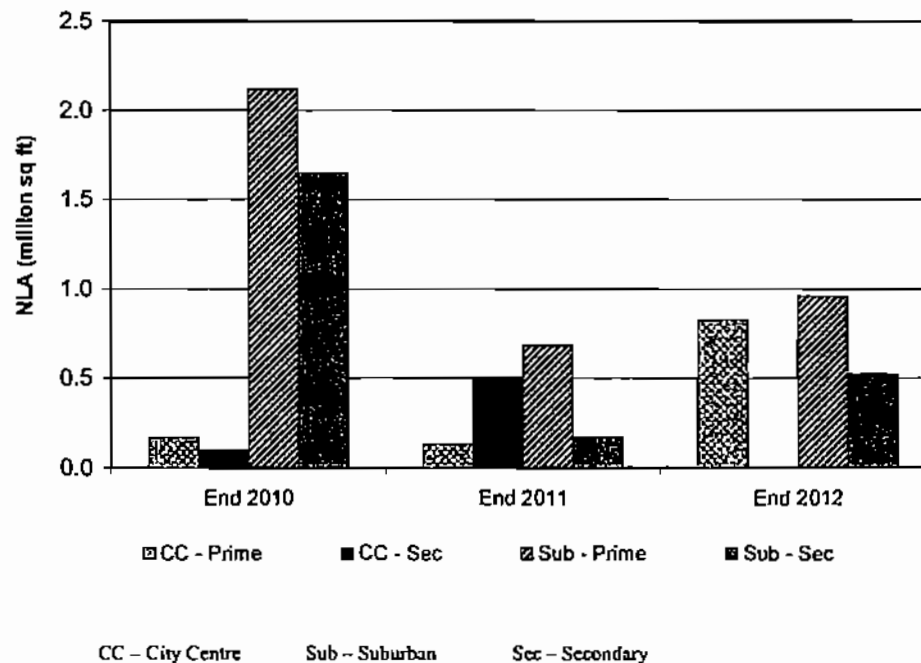
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Expected Year of Completion	Project	Location	Estimated Net Floor Areas (sq ft)
2011	The Paradigm	Kelana Jaya	685,000
	Setia Walk	Puchong	N.A. (GFA = 150,000 sq ft)
2012	Redevelopment of Jaya Shopping Centre	Section 14, Petaling Jaya	260,000
	Setia City Mall Phase 1	Setia Alam	700,000

Source: JLV Research

Graph 3.1.2 shows the distribution of the future retail centres identified in the KV by grade and year of completion.

GRAPH 3.1.2
KV RETAIL CENTRES - FUTURE SUPPLY BY GRADE (CALENDAR YEARS 2010 – 2012)



Source: JLV Research

Independent Property Market Overview Report

3.1.1.2 DEMAND**Occupancy Rate and Take Up**

The average occupancy rate of retail centres in the KV as at the end of 2009 was 84.9%. In the past three years, retail centres in the KV have recorded occupancy rates of between 85% and 86% from 2006 to the end of 2008. As at the end of 2009, the City Centre retail centres recorded an average occupancy rate of 88.1% and the suburban retail centres recorded a lower average occupancy rate at 83.1%.

In terms of building grade, Prime retail centres in both the City Centre and Suburbs recorded a higher average occupancy rate compared to Secondary retail centres. The low occupancy rates of Secondary-grade retail centres are generally due to the following factors:

- Less strategic location and poorer visibility.
- Poor design and layout.
- Lack of promotional and advertising efforts by the centres.
- Management and control issues, especially for retail centres of which individual retail lots were sold on strata title, instead of the owner retaining the entire retail centre and leasing out the retail lots. The ones sold on strata title would have been bought by investors looking to lease out the lots for rental income, and normally do not have the benefit of the retail centres' tenant mix in mind, resulting in a poor overall retail mix and quality.

Table 3.1.2 provides the occupancy rate for the retail accommodation according to grade in the KV.

TABLE 3.1.2

AVERAGE OCCUPANCY RATE OF KV RETAIL CENTRES BY GRADE AS AT THE END OF CALENDAR YEAR 2009

Location	Occupancy Rate (%)
Klang Valley	85
City Centre	88
Prime	90
Prime A	99
Prime B	82
Secondary	83
Secondary A	85
Secondary B	82
Suburban	83
Prime	93
Prime A	99

Independent Property Market Overview Report

Location	Occupancy Rate (%)
Prime B	89
Secondary	68
Secondary A	74
Secondary B	58

Source: J.L.W Research

Pre-1990s, many of the larger and more prominent retail centres, registering near almost full occupancy rates, were located in the City Centre. Today, retail centres in the City Centre remain popular with retailers, with newer retail centres opening in the 1990s, such as: Lot 10, Starhill Gallery and Suria KLCC. One of the newest retail centres in the City Centre is the Pavilion KL on Jalan Bukit Bintang, which opened in September 2007. However, despite a growing population, sustainable economic growth and increasing consumer spending, City Centre retail centres are facing strong competition from suburban malls.

Retail centres in the Suburbs have gained much popularity, with the growth of townships in the Klang Valley. This is especially prominent in the localities of Petaling Jaya and Subang Jaya the two most established residential areas to the west of Kuala Lumpur city, where the more popular, successful and well-managed malls of the Suburbs are located, namely 1 Utama, Sunway Pyramid Shopping Mall and The Curve.

The popularity of the retail centres in the Suburbs, especially among the retailers is due to its large residential population catchment area, easy access via various major highways and the high affluence of the residents. Over the years, despite the increasing supply of retail space in the Suburbs, the retail centres in the Suburbs, especially the Prime ones, have continued to register good occupancy rates.

Newer retail centres are generally better designed compared with older retail centres, and have good prominence, visibility and frontage with good internal and external circulation as well as better accessibility, car parking and amenities for the disabled, which create a more welcoming and favourable environment for shoppers and retailers.

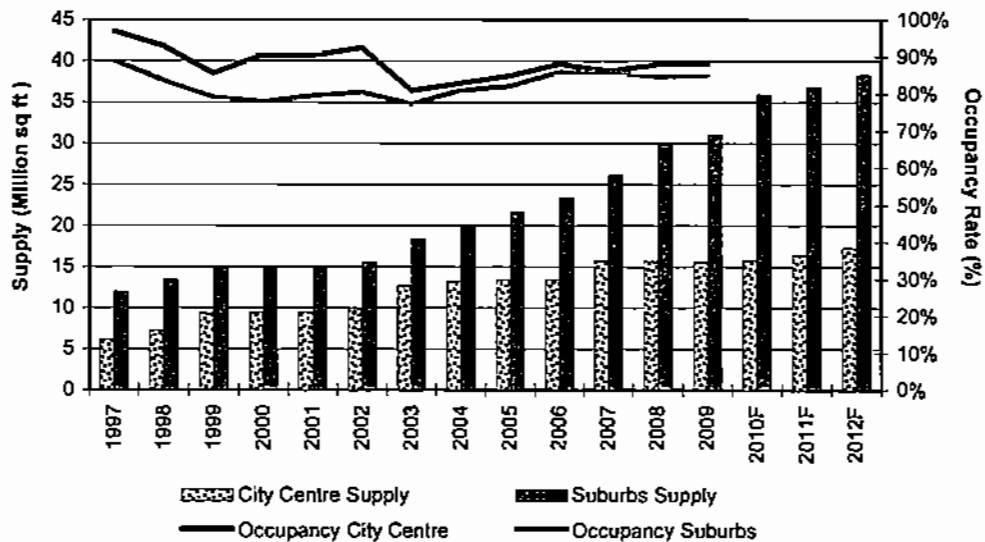
Graph 3.1.3 depicts the supply and occupancy trend of retail centres in the City Centre and the Suburbs. In Sunway Pyramid Shopping Mall, the average occupancy rates in 2008 and 2009 were 92% and 99%, respectively.



Proprietor: Singham Subramaniam Sdn. Bhd. (78217-X)

Independent Property Market Overview Report

**GRAPH 3.1.3
SUPPLY AND OCCUPANCY TRENDS FOR KV RETAIL CENTRES
(CALENDAR YEARS 1997 – 2012F)**



F - forecast
Source: J.L.W Research

Retailer Activity

Shopping centres have sought to position themselves as places of recreation in addition to shopping by adding more entertainment and dining options. With the increasing affluence of the population, shoppers have now become more conscious of the changes in fashion and lifestyle trend

In the past few years, international retailers have not confined themselves to setting-up their flagship stores within retail centres in the city, but have moved out to some of the larger and more popular retail centres at the fringe of the city or the Suburbs. A number of new fashion brands have been aggressively entering the Malaysian retail market since the late 1990s, such as Topshop, Dorothy Perkins, Miss Selfridge, Zara, Raoul, Sketchers, Kenneth Cole, GAP, Pumpkin Patch and Forever 21, which have all opened their flagship stores in suburban retail centres. Department stores such as Parkson and Metrojaya have also introduced their new concept stores in suburban retail centres, indicating the high confidence levels of the retailers in suburban retail centres.



Proprietor: Sunbeam Suburban Sdn. Bhd. (78217-X)

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In the last two years, a number of new international retailers commenced operations in good quality Prime retail centres. Notable retail movements in 2009 included:

- Bubba Gump Shrimp Co., a US-based chain of seafood restaurants opened its first outlet in The Curve in 2008, followed by the second outlet in Sunway Pyramid Shopping Mall in 2009. Its outlet in Sunway Pyramid Shopping Mall is the largest in Asia, measuring 9,000 sq. ft.
- The US-based fast food operator, Wendy's opened its first outlet in Sunway Pyramid Shopping Mall in 2008, with subsequent outlets in Berjaya Times Square and IOI Mall in 2009.
- Naza Tutti Frutti (M) Sdn Bhd, the master franchise holder for US-based Tutti Frutti frozen yogurt in Malaysia since July 2009, has to date opened six outlets, which are located in Sunway Pyramid Shopping Mall (flagship store), IOI Mall, Bangsar Shopping Centre and TTDI in the Suburbs, and in Berjaya Times Square and Capital Square in the City Centre.
- Taiwan-based restaurateur Mr Baoz opened its first outlet in Pavilion in 2008, with the second outlet in Johor Bahru and the third outlet in 1 Utama Shopping Centre in 2009.
- Australian-based Theobroma Chocolate Lounge opened its first few outlets in Prime shopping centres, namely 1 Utama and Pavilion Kuala Lumpur in 2008 and The Curve in 2009. It plans to open a total of 24 outlets in Malaysia over the next 5 years.
- Jaspal Co. Ltd, a fashion retailer from Thailand, made its debut in Malaysia in 2008 with the opening of its concept store in Pavilion KL, followed by the next two outlets in 1 Utama and Mid Valley Megamall. In 2009, the retailer opened its fourth outlet in Sunway Pyramid Shopping Mall.
- Franchise living ware supplier from Japan, Daiso, opened its first store in Peninsular Malaysia in The Curve in 4Q08, followed by another outlet in IOI Mall Extension in 2009.
- International fast food chicken chain, Popeyes @ Louisiana Kitchen opened its first outlet in Malaysia in Taman Tun Dr Ismail in the Suburbs in January 2009. Subsequently, the company expanded with opening of new outlets, e.g. in Wangsa Walk in Wangsa Maju within the Suburbs, which was completed in 3Q09.
- Established fashion retailer Esprit, opened another outlet in Sunway Pyramid Shopping Mall, despite already having a presence in the mall with its existing Esprit Concept Store.



Proprietor: Singham Balam Sdn. Bhd. (78217-X)

Independent Property Market Overview Report

- Paddington House of Pancakes expanded its existing outlet in the retail centre. Other new retailers, i.e. Cotton On and The Opera Club opened in the mall in 2009.
- Established department store operator, Parkson Corp Sdn Bhd aims to expand its retail space by 15.0% per annum, which translates into an estimated 2 to 3 stores in Malaysia. The retailer has signed an agreement with Greenhill Resources Sdn Bhd to occupy 120,000 sq. ft. of retail space spanning two levels in Setia City Mall in Setia Alam, which is in the development pipeline.

3.1.1.3 MARKET INDICATORS**Market Rentals**

Prime retail rentals in the KV have increased steadily while rentals of Secondary retail centres have been relatively stable. However, due to the economic uncertainties during 2009, some landlords of retail centres reportedly provided small rental rebates and promotional allowances to tenants.

In the City Centre, the average gross monthly rental rates for ground levels ranged between RM20.00 and RM45.00 per sq. ft. in Prime A retail centres and between RM12.00 and RM25.00 per sq. ft. in Prime B retail centres. The average ground floor rents for Secondary grade A and B retail centres in the city ranged between RM6.00 and RM10.00 per sq. ft. per month.

The average gross monthly rental rates for ground floor space in suburban malls are estimated to be in the range of between RM12.00 and RM30.00 per sq. ft. for Prime A retail centres and between RM10.00 and RM20.00 per sq. ft. for Prime B retail centres. The average ground floor rents for Secondary grade A and B retail centres in the Suburbs ranged between RM5.00 and RM8.00 per sq. ft. per month.

Sunway Pyramid Shopping Mall's ground floor space rental rates range between RM10.00 and RM32.00 per sq. ft. per month.

TABLE 3.1.3

**GROSS (ASKING) RENTALS OF KV RETAIL CENTRES
AS AT THE END OF CALENDAR YEAR 2009**

Locality	Ground Floor (RM per sq ft/Month)
City Centre	
Prime A	20 – 45
Prime B	12 – 25
Secondary A	9 – 10
Secondary B	6 – 10

APPENDIX III - INDEPENDENT PROPERTY MARKET OVERVIEW REPORT (Cont'd)



Proprietor: Engham Sula man Sdn. Bhd. (78217-X)

Independent Property Market Overview Report

Locality	Ground Floor (RM per sq ft/Month)
Suburban	
Prime A	12 – 30
Prime B	10 – 20
Secondary A	6 – 8
Secondary B	5 – 6

Note: Market rentals quoted are for regular individual lots (i.e. between 500 and 1,000 sq ft) and not anchor tenant space.

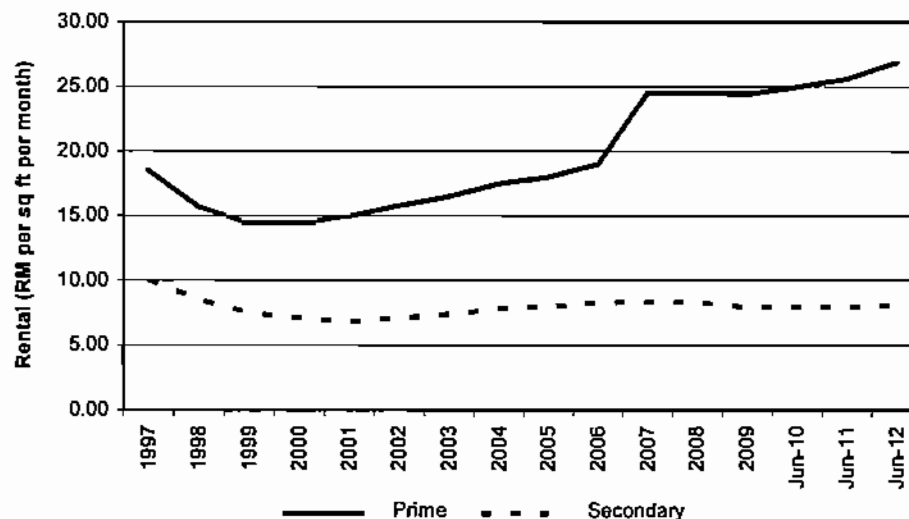
(a) The wide range in the rental rates recorded by Prime A retail centre space is due to factors such as lower rental rates due to better deals / incentives offered by the retail centre management to the retailers, good relationship between the management and retailers, poor / hidden outlets due to bad mall layout etc.

(h) The wide range in the rental rates for Prime B retail centre space is due to the high numbers of retail centres in the 'Prime B' basket, which comprise of a wide quality range.

Source: JLW Research

Graph 3.1.4 shows the gross average monthly ground floor rental trend of retail centres in the KV from 1997 to June 2012 (forecast).

GRAPH 3.1.4
GROSS AVERAGE MONTHLY GROUND FLOOR RENTAL OF
KV RETAIL CENTRES (CALENDAR YEARS 1997 – 2012F)



Source: JLW Research



Proprietor: Singham Sazman Sdn. Bhd. (78217-X)

Independent Property Market Overview Report

We believe that robust demand from both local and foreign retailers underpinned by growth in consumer spending from a growing population will continue to drive rentals at popular Prime retail centres upwards. Meanwhile, rentals for Secondary retail accommodation are expected to remain stable during the next two years with prospects for slight growth in 2012.

Market Prices

The market price refers to the price of retail centres on an enbloc basis. The average market price of retail centres in the KV is estimated to be between RM125 per sq. ft. for Secondary retail centres and RM715 per sq. ft. for Prime retail centres. The better quality, fully leased Prime retail centres in the City Centre are expected to achieve market prices in excess of RM1,000 per sq. ft.

The estimated average market prices of Prime City Centre retail centres ranged between RM465 per sq. ft. and RM715 per sq. ft. and between RM295 per sq. ft. and RM500 per sq. ft. for Prime centres located in the Suburbs. The better quality, fully leased Prime retail centres in the Suburbs would be expected to achieve market prices in excess of RM1,000 per sq. ft.

Average market prices of Secondary City Centre retail centres ranged between RM220 per sq. ft. and RM350 per sq. ft. and between RM125 per sq. ft. to RM190 per sq. ft. for Secondary suburban centres.

TABLE 3.1.4

ESTIMATED AVERAGE MARKET PRICES (ON ENBLOC) OF KV RETAIL CENTRES AS AT THE END OF CALENDAR YEAR 2009

Locality	RM per sq ft
City Centre	
Prime A	590 – > 715
Prime B	465 – 590
Secondary A	300 – 350
Secondary B	220 – 300
Suburban	
Prime A	400 – > 500
Prime B	295 – 400
Secondary A	160 – 190
Secondary B	125 – 160

Source: JLV Research

APPENDIX III - INDEPENDENT PROPERTY MARKET OVERVIEW REPORT (Cont'd)

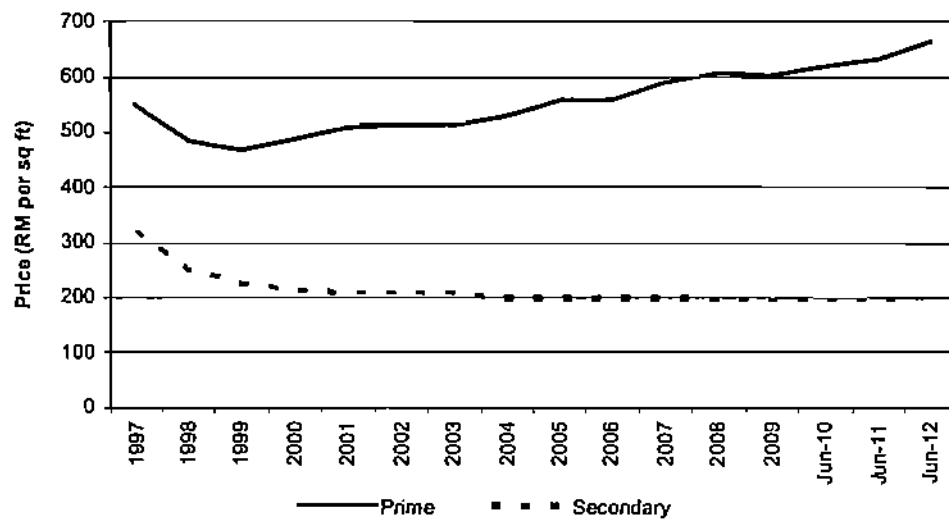


Proprietor: Sunway Suburban Sdn. Bhd. (78217-X)

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The trend of the average market prices of retail centres in the KV from 1997 to June 2012 (forecast) is shown in Graph 3.1.5 below.

GRAPH 3.1.5
TREND OF AVERAGE MARKET PRICES FOR KV RETAIL CENTRES
(CALENDAR YEARS 1997 – 2012F)



Source: JLW Research

Several retail centres in the City Centre and the Suburbs were sold in 2007, 2008 and 2009. The majority of the retail centres sold is located in prominent and established retail locations, with the buyers having intention to refurbish, upgrade and improve the premises. The relatively active investment trend over the last few years indicates strong investor confidence in the local retail market.

Details of the sales transactions in the KV in the past three years are tabulated below:

TABLE 3.1.5
SALE TRANSACTIONS OF KV RETAIL CENTRES
(CALENDAR YEARS 2007 – 2009)

Building / Location	Grade	Net Lettable Area (sq ft)	Transacted Price (RM)	Price Per sq ft (RM)	Year Transacted
City Centre					
KL Plaza	Prime B	232,702	470 million*	N.A	2007
Jalan Imbi					


Jones Lang Woolton

Proprietor: Ingram Sula man Sdn. Bhd. (78217-X)

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Building / Location	Grade	Net Lettable Area (sq ft)	Transacted Price (RM)	Price Per Sq ft (RM)	Year Transacted
Sungei Wang Plaza Jalan Bukit Bintang	Prime B	510,418 (61.9% of the total retail strata area of 824,000 sq ft)	595 million	1,166	2008
Starhill Gallery Jalan Bukit Bintang	Prime A	297,354	629 million	N.A	2009
Lot 10 Shopping Centre Jalan Bukit Bintang	Prime A	256,811	401 million*	N.A	2009
Suburban					
Mines Shopping Fair Mines Resort City, Seri Kembangan	Prime B	680,000	432 million	635	2007
Atria Shopping Centre SS22, Damansara Jaya	Secondary A	208,401	75 million	360	2007
Summit USJ Persiaran Kewajipan, USJ 1, Subang Jaya	Secondary A	846,657	260 million*	N.A	2007

N.A – Not available

* The sale and transacted price forms part of a transaction that consists of a few components in the integrated development.

Source: JLW Research

The transactions (where full data is available) range between RM360 per sq. ft. and RM1,166 per sq. ft. There are, however, no recent transactions of very high quality Prime suburban shopping malls of the same quality as Sunway Pyramid Shopping Mall, Mega Mall at Mid Valley and 1 Utama and therefore “comparable” transaction data is not available.

Yield

Lack of detailed information on previous transactions has resulted in continued difficulties in assessing a benchmark for yields. The yield of individual retail centres is dependent on many factors, including location, tenant mix, catchment population, occupancy rate and the size of the complex.

With good prospects for further rental growth and increasing investor activity, we estimate that KV retail net equivalent yields generally range between 7.25% (for high end Prime buildings) and 9.0% (for Secondary buildings).



Proprietor: Singham & Associates Sdn. Bhd. (78217-X)

Independent Property Market Overview Report

The yield range is provided as a general guideline only and is by no means definitive due to the physical, economic and financial characteristics of each individual retail centre.

3.1.1.4 MARKET PROSPECTS

Since the onset of the global and local economic downturn, many retailers have put their expansion plans on hold and adopted a wait-and-see attitude due to negative impact of the economic recession on retail sales and profit margins in 2009. Many retailers offered heavy discounts and value-for-money packages to attract shoppers. Retailers, particularly in the fashion, electrical and electronic, and home furnishing sectors, actively promoted warehouse sales to improve turnover.

However, towards the end of 2009, retail sentiments improved, owing to the various festive seasons, school holidays and the Malaysia Mega Sales campaign. We expect that the retail market is expected to continue to show further improvements into 1H10 as shoppers continue to spend in tandem with the broader economic recovery anticipated in 2010.

The Prime retail centres in the Suburbs will continue to see strong demand due to the large residential market catchment with strong purchasing power. Although there are a number of Prime suburban retail centres, the owners of each centre have adopted different concepts to differentiate and position the centre. A number of new retail centres are being built in prominent commercial locations in the Suburbs, however, their relatively small sizes when compared to the existing larger malls is likely to limit the range of products available. Hence, these new retail centres are not expected to be strong competitors to the existing larger Prime centres in the Suburbs.

Suburban retail centres have generally been perceived as being a more secure investment than City Centre retail centres due to the presence of a more stable target residential market catchment in the Suburbs. Most City Centre retail centres cater to a more unpredictable market catchment with office workers and tourists forming the majority of the target market, especially during week days. The more modern, newer developments catering to the "stay all day" concept are also generally found in the Suburbs.

Demand for Prime retail space will be from both local and foreign retailers. A large majority of the retailers will continue to look for retail space in existing "Prime quality" malls which will continue to perform well provided that there are frequent promotions and a continuous high level of management.

One positive trend that has emerged in the KV market is the expansion of new market entrants, such as Daiso from Japan, Jaspal from Thailand and Charles & Keith from Singapore. These retailers have provided the local retail market with more brand variety.



Proprietor: Singnam Sula man Sdn. Bhd. (78217-X)

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We expect that the retail market is expected to show positive sales growth into 2010. Many landlords of retail centres, especially those with relatively high occupancy rates, are expected to maintain their rental rates at prevailing levels. Owners of retail centres with occupancy rates nearing or at 100% and have retailers “waiting” to take suitable outlets should they become vacant may even raise their respective rental rates.



Proprietor: Singham Sazman Sdn. Bhd. (78217-9)

Independent Property Market Overview Report

3.2 REVIEW AND BENCHMARKING ANALYSIS

With Phase 1 being completed in 1997 and Phase 2 in 2007, Sunway Pyramid Shopping Mall is a purpose-built, thematic retail centre with NLA of 1.69 million sq. ft.. It has 800 retail lots and had an average occupancy rate of 98.9% for the six months ending 31 December 2009. The mall includes a 12-screen Cineplex, a 48-lane ten pin bowling alley and an ice rink. The mall comprises four levels of retail floors with a total of 12 levels (three basements, three at lower ground, ground and seven upper levels) of car park. Car park and retail space are common on levels Basement 1, Lower Ground 1 and 2, Ground and One.

The mall is one of the major property components of the Sunway Integrated Resort. The retail centre includes the 143,467 sq. ft. Sunway Pyramid Convention Centre, which occupies level 6 of the retail centre. Sunway Pyramid Shopping Mall has a direct link to Sunway Resort Hotel & Spa and Pyramid Tower Hotel and the Sunway Lagoon Water Theme Park is also within the immediate vicinity.

Competition

A number of major commercial developments similar to Sunway Pyramid Shopping Mall have been selected and reviewed as benchmarks. The projects have been identified as competitors to Sunway Pyramid Shopping Mall due to their similar location as part of a large integrated development.

The selected developments include Bandar Utama (Phase 1 and 2), the cluster of retail centres in Mutiara Damansara, retail developments within Mid Valley City and the Mines Shopping Fair within the Mines Resort City. Table 3.2.1 summarises the competitive assessment of these four selected retail centres against Sunway Pyramid Shopping Mall.

Independent Property Market Overview Report
TABLE 3.2.1
ANALYSIS AND SUMMARY OF KEY CHARACTERISTICS FOR COMPARABLE PROJECTS IN THE KV

Project	Location / Access	Development Concept / Special Features	Property Components & Size	Target Market	Net Lettable Area of Retail (sq ft)	Occupancy (%)	Ground Floor Gross Rental (per month)	Anchor Tenants	Other notable Tenants	Remarks
Sunway Pyramid Shopping Mall 4 storeys A suburban mall to the west of Kuala Lumpur city	Off the NPE and LDP. Access via highways: Federal Highway, LDP, NPE, KESAS. Of the selected retail centres, Sunway Pyramid has the advantage of being accessible via five major highways. Future plans: Internal monorail system to link to the future LRT system.	A "one-stop, thematic retail centre for everything". An all-day round shopping (extensive shopping, leisure, entertainment and dining experience). Oasis Boulevard – al-fresco dining and night entertainment. Unique architectural design (Egyptian-inspired Pyramid). Car parking system with light indications.	Retail, a 4 star hotel (349 rooms) and a 5-star hotel (439 rooms). Other component within the Sunway Pyramid Shopping Mall: Convention centre measuring 143,469 sq ft. Sunway Lagoon Water Theme Park is in the vicinity.	Middle to high income group Residents, tourists, students, office workers.	1.69 million	99%	RM10.00 – RM32.00 per sq ft	Jusco, Parkson, Giant	TGV, MPH, Popular, The Body Shop, MNG, Guess, G2000, British India, Forever 21, TGI Friday's, Tony Roma's, Starbucks, Coffee Bean, Lorenzo, Harvey Norman, Pyramid Mega Lanes, Red Box.	The retail levels are directly linked to the hotels, convention centre and are adjacent to the theme park. All of the property components share the same car park which is "common property" retained and managed by Sunway. Direct access from both directions of the New Pantai Expressway into the retail centre's car park via slip road and a specially built flyover ramp. The 2 retail wings (the old wing and the new wing) have been well designed as one entity (one is unable to differentiate the old and new wing of the centre). The retail floor layout plan provides for prominent single layer lots with no "dead-end" units.
1 Utama 3 storeys (Old Wing) 6 storeys (New Wing)	Town Centre of Bandar Utama Off the LDP Highway	A "one-stop" shopping, lifestyle and entertainment centre.	Retail, 5 star hotel – 418 rooms and office towers.	Middle to high income group Residents, office workers, families	1.6 million	99%	RM25.00 – RM40.00 per sq ft	Jusco, Parkson, Giant	MPH, Poh Kong, Toys R' Us, Armani Exchange, Guess, G2000, Calvin Klein, DKNY, Forever	The retail centre is physically linked to the hotel on the ground and first floors. Has 2 cinema operators – GSC and TGV.

APPENDIX III - INDEPENDENT PROPERTY MARKET OVERVIEW REPORT (Cont'd)



Proprietary System 340 Main St, 3rd, Fl, 75217-30

Independent Property Market Overview Report

Project	Location /Access	Development Concept / Special Features	Property Components & Size	Target Market	Net Lettable Area of Retail (sq ft)	Occupancy (%)	Ground Floor Gross Rental (per month)	Anchor Tenants	Other notable Tenants	Remarks
A suburban mall to the west of Kuala Lumpur city	Access via highway: NKVE, LDP, Sprint Highway	Rainforest zone with a suspension bridge, a fresco dining concept and emphasis on nature and forest trees							21, TGI Friday's, Starbucks, Coffee Bean, U-Bowl, Neway Karaoke	The new wing is an extension of the popular 1 Utama (old wing) and is positioned as a high-end retail centre compared with the old wing which caters to the middle income household.
Mutiara Damansara	Core commercial centre of Mutiara Damansara Off the LDP Highway	A cluster of retail centres, including the newly opened Courts Megastore at Wisma Beniley.	Retail, 4 star hotel - 150 rooms, offices.	Middle to high income group Residents, office workers.	1.5 million The Curve - 700,000 sq ft Ikano - 423,000 sq ft	The Curve - 98% Ikano - 100%	The Curve: RM18.00 - RM30.00 per sq ft Ikano: RM15.00 - RM20.00 per sq ft	Metrojaya - The Curve. IKEA, Tesco. Cold Storage (Ikano)	The Curve: Red Box, FOS, Body Shop, Marche, Dome, MNG, Liz Claiborne, Borders, Anikku Ikano: Harvey Norman, Pet Store, Austino, Padini Concept Store	Introduce a new retail concept: The Curve - a retail centre with an open air street mall Ikano Power Centre - Big box retail centre. e@Curve - Designated entertainment centre Tesco - Hypermarket
E@ Curve (formerly known as Cineleisure) (5 storeys)	Access via highway: LDP, NKVE, Sprint Highway	A shopping destination for household goods (Tesco), home and furnishing (IKEA, Ikano), dining and entertainment (The Curve, e@Curve)			e@Curve - 228,000 sq ft Tesco - 120,000 sq ft	Tesco - 100%	e@Curve: RM7.00 - RM20.00 per sq ft		e@Curve: Calbay Cineplex, Tony Roma's	Except for Tesco, the retail centres are connected via pedestrian bridges and walkways. Surrounded by the residential areas of Mutiara Damansara, Damansara Perdana and Kota Damansara.
Suburban malls to the west of Kuala Lumpur city	Off the Federal Highway. Accessible via train - a dedicated KTM Komuter Station	A 'one-stop' shopping, lifestyle and entertainment centre, built as the largest "regional" shopping mall in Malaysia.	Retail, a 3-star hotel (Cititel) and a 4-star hotel (Boulevard), offices, residences and the exhibition centre (55,352	Middle to high income. Office workers, tourists (local and foreign), families	1.7 million The new retail centre, i.e. The Gardens (800,000 sq ft) is interlinked to Mid Valley Megamall.	100%	RM30.00 - RM50.00 per sq ft	Mid Valley Megamall: Jusco, Carrefour, Metrojaya The Gardens: Isetan, Robinsons,	Mid Valley Megamall: GSC, Esprit, Giordano, Guess, MNG, British India, F.O.S., Starbucks, Coffee Bean, Dome, Bomba,	Part of the Mid Valley City mixed development comprising residential, hotel, offices, retail. All commercial components are interlinked.
Mid Valley Megamall 5 storeys A mall at the fringes of Kuala Lumpur city										

APPENDIX III - INDEPENDENT PROPERTY MARKET OVERVIEW REPORT (Cont'd)

Independent Property Market Overview Report

Project	Location /Access	Development Concept / Special Features	Property Component & Size	Target Market	Net Lettable Area of Retail (sq ft)	Occupancy (%)	Ground Floor Gross Rental (per month)	Anchor Tenants	Other notable Tenants	Remarks
Mines Resort City - Mines Shopping Fair 4 storeys A suburban mall to the south of Kuala Lumpur city	Off the BESRAYA highway Close to the Serdang Komuter station Access via highways: North-South Highway, SILK Highway, KESAS.	Divided into Centre Court, North Court and South Court for easy navigation.	The Garden Hotel (448 rooms) and Residences (179 apartments units) are recently completed.	Middle income group. Residents in Seri Kembangan, Bukit Jalil, etc. Office workers, students, tourists.	Effectively 2.5 million sq ft of retail space with linkage at lower ground, ground floor and first floor (bridge) levels only.	98%	RM9.00 - RM13.00 per sq ft	Cold Storage	MPH, Poh Kong, Topshop, California Fitness. The Gardens: Ted Baker, DKNY, Club Monaco, Coach, Gap, Hugo Boss, Banana Republic.	Part of the Mines Resort City. Two large lakes offering cruises, i.e. massage cruise, sunset dinner cruise. A Canal water feature flows through one section of the mall and canal/lake boat rides are available. All buildings are free standing with no linkages except for the convention centre which is linked to the mall via a bridge. Does not have a good floor layout and no prominent major department store. Giant supermarket is the main anchor tenant.

APPENDIX III - INDEPENDENT PROPERTY MARKET OVERVIEW REPORT (Cont'd)



Proprietary. Singapore Suburban Sdn. Bhd. (78317-X)

Independent Property Market Overview Report

Project	Location /Access	Development Concept / Special Features	Property Components & Size	Target Market	Net Lettable Area of Retail (sq ft)	Occupancy (%)	Ground Floor Gross Rental (per month)	Anchor Tenants	Other notable Tenants	Remarks
										<p>Historically there was poor management, maintenance and lack of marketing and promotion of the retail centre and the resort. However, in 2007 the retail centre was acquired by CapitaLand and improvements to the retail centre are ongoing. Upgrading to the car park, lighting, flooring and tenant mix have been made.</p> <p>The convention centre is 462,848 sq. ft. The ground floor of the convention centre has been converted to office space and the upper level can be converted to office suites depending on demand. The middle level can still be used for conventions and functions.</p>

LDP - Lebuhraya Damansara Puchong
 NPE - New Pantai Expressway
 KESAS - Shah Alam Expressway
 NKVE - New Klang Valley Expressway
 LRT - Light rail transit

Source: J.L.W Research

**Jones Lang Wootton**

Proprietor: Singham Subraman Edn. Bhd. (78217-X)

Independent Property Market Overview Report

Summary of the Comparative Assessment

- A number of the competitive major developments are located in integrated mixed developments which comprise of commercial, hospitality, residential, meeting facilities (convention centre) and a theme park property within the development.
- Among the competitive developments identified above, the Mines Shopping Fair is the only designated retail centre which is free standing with no direct physical link to the majority of the other components within the Mines Resort City.
- All the comparative developments are considered mega (or regional) retail centres with NLA of more than 1.0 million sq. ft., with the exception of the Mines Shopping Fair, which has a NLA of 0.7 million sq. ft. These retail developments provide a wide variety of goods, lifestyle, entertainment and dining choices. A large scale development usually has more to offer in terms of retail goods, events and activities, coupled with a good tenant mix, advertising and promotions to attract and retain shoppers.
- Asking rentals for the competitive retail centres, namely 1 Utama and The Curve, are generally at par with those at Sunway Pyramid Shopping Mall.
- Sunway Pyramid Shopping Mall was developed in two phases, having completed its new wing in 2007. The two retail wings have been well designed and "linked" as one entity and are not differentiated from one another. As for 1 Utama, the retail centre has been divided into the "new wing" and the "old wing" and is managed by two different parties.
- Being integrated developments, physical integration with other property components is important to generate a smooth flow of shoppers within the development. Space and circulation planning of a retail centre is also important to ensure a quality overall tenant mix. Furthermore, the manner in which a retail centre is managed and promoted in terms of tenant mix, space planning and circulation of the centre are all determining factors in ensuring the success of the retail centre.

Based on the above observation, Sunway Pyramid Shopping Mall has the attractions and attributes necessary to differentiate and position the retail centre more effectively against other integrated developments in the KV.


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3.3 OUTLOOK

Location

Sunway Pyramid Shopping Mall is situated in the main commercial centre of Bandar Sunway. Bandar Sunway is located in Petaling Jaya in the state of Selangor. Petaling Jaya is the most established residential and commercial suburb in the KV. Bandar Sunway is situated approximately 18 kilometers to the south-west of Kuala Lumpur city centre and 8 kilometers to the west of Petaling Jaya city centre and is easily accessible by a number of major highways.

Bandar Sunway comprises residential, commercial, industrial and recreational properties. The retail centre is surrounded by established residential schemes of Subang Jaya, Puchong and Petaling Jaya, in its immediate surroundings, providing a ready and growing shopper catchment.

Sunway Integrated Resort also includes Menara Sunway (an office building), private colleges (Monash University and Sunway University College) and a medical centre. The development is well planned and allows for synergies between the various components.

Accessibility

Sunway Pyramid Shopping Mall is located along Jalan PJS 11/15, PJS 11 in Bandar Sunway. Bandar Sunway is accessible via five major highways, namely the North Klang Valley Highway, Federal Highway, Lebuhraya Damansara-Puchong ("LDP"), New Pantai Expressway ("NPE") and Shah Alam Expressway ("KESAS"), which are linked to Kuala Lumpur city and other highways, indirectly providing Bandar Sunway with easy access to other parts of the KV.

Occupancy and Rental Rates

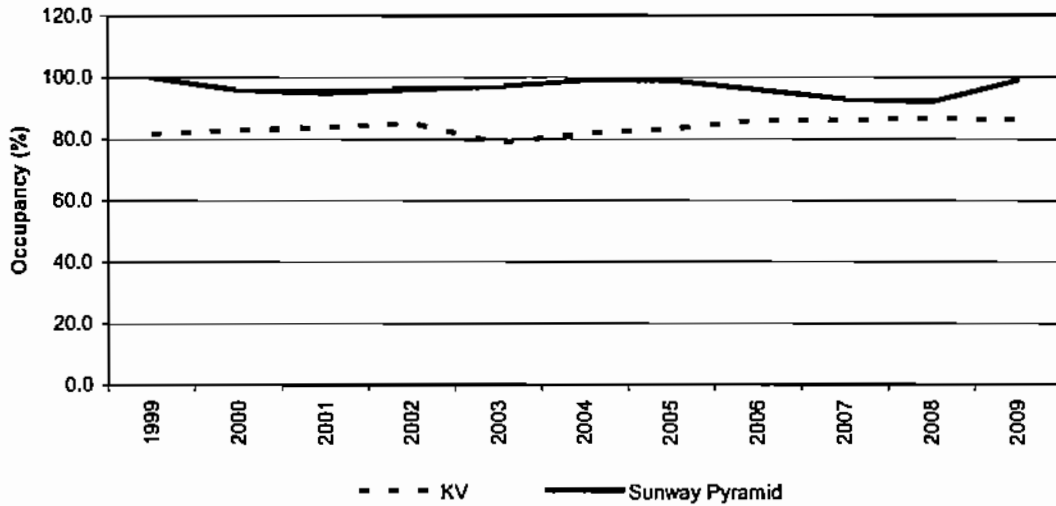
Sunway Pyramid Shopping Mall has been steadily recording an above-average occupancy rate of 95% and above since its inception in 1998. The average occupancy rate of the retail centre however, reduced marginally to 93% with the opening of the new wing in September 2007, when a large majority of the retail outlets were undergoing fit outs and renovation. However, the occupancy rate increased quickly as pre-committed tenants occupied their new retail outlets.

Sunway Pyramid Shopping Mall registered an average occupancy rate of 98.9% for the six months ending 31 December 2009.



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GRAPH 3.3.1
AVERAGE OCCUPANCY RATES (CALENDAR YEARS 1999 – 2009)



Source: J.L.W Research

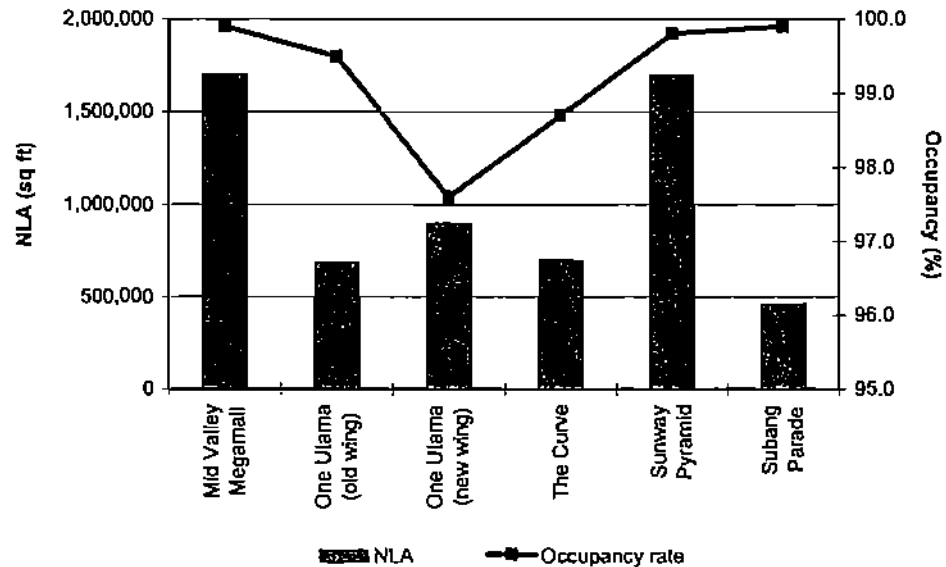
The average occupancy rate recorded by Sunway Pyramid Shopping Mall is relatively high compared with the average occupancy rates of other major retail centres in the KV.



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GRAPH 3.3.2
SUPPLY AND OCCUPANCY RATES OF SELECTED KV RETAIL CENTRES
AS AT THE END OF CALENDAR YEAR 2009



Source: J.L.W Research

The average rental rate at Sunway Pyramid Shopping Mall has increased year-on-year each year since 2000 (Refer Graph 3.3.3). The average overall gross rental rate achieved by the retail centre in 2009 was RM8.77 per sq. ft. per month, a 72.0% increase from RM5.09 per sq. ft. recorded in 2000. This equates to an average annual growth rate of 6.2%.

Despite various external challenges and challenging global events over the past several years, Sunway Pyramid Shopping Mall has shown resilience; rental rates have never decreased, even during the recent global financial crisis and subsequent national economic recession which materialised in 2009.



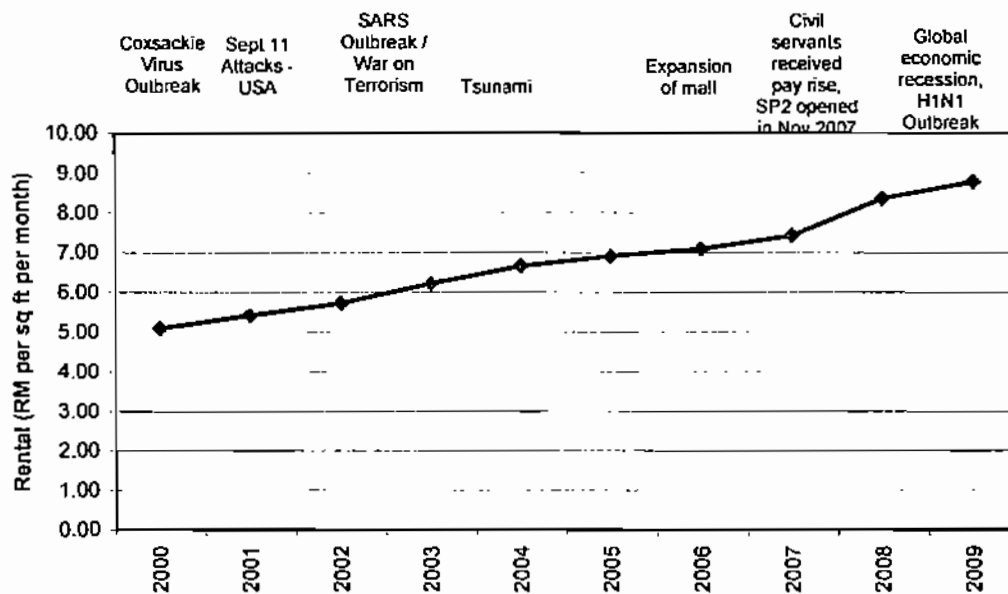
Jones Lang Wootton

Proprietor: Singham Sulaiman Sdn. Bhd. (78217-X)

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GRAPH 3.3.3

HISTORICAL TREND OF GROSS MONTHLY RENTAL AT SUNWAY PYRAMID SHOPPING MALL (CALENDAR YEARS 2000 – 2009)



Note: Gross rental inclusive of convention area but excludes car park, pyramid ice and promotion
 Gross rental is for all retail space and includes the relatively large anchor tenant space
 SP2 – Sunway Pyramid Shopping Mall Phase 2 (expansion wing)
 Source: Sunway City Bhd

Target / Catchment Market

The catchment market for Sunway Pyramid Shopping Mall is substantial given that it is situated within one of the most populated suburbs in the KV.

- Residential Catchment

The residents in the immediate catchment of Bandar Sunway (within Subang Jaya and USJ) were estimated to be 437,121 as at the end of 2000. Applying the assumption that the average annual population growth was 4.0% per annum, the estimated residential population catchment of Sunway Pyramid Shopping Mall in 2009 is 622,160.

- Theme Park

Although the number of visitors to the neighbouring Sunway Lagoon Theme Park fluctuated between 2000 and 2009, the theme park received an average of 0.9 million visitors for the same period.

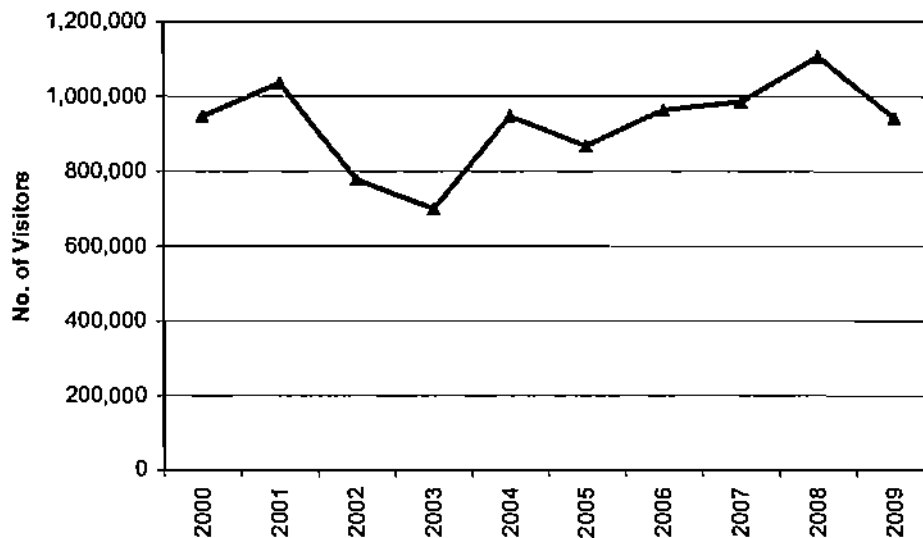


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GRAPH 3.3.4

**TOTAL VISITORSHIP TO THE SUNWAY LAGOON THEME PARK
(CALENDAR YEARS 2000 – 2009)**



Source: Sunway City Bhd

- Student Population

The student population of the Sunway University College and Monash University Sunway Malaysia, which currently totals 13,551, also forms part of the potential catchment for Sunway Pyramid. The student's population is anticipated to increase by 39.0% to 18,892 over the next three years, according to Sunway City Berhad.

- Hotel Guests

The Sunway hotels within the Sunway Integrated Resort registered a total of 429,747 hotel guests in 2009.

Sunway Pyramid Shopping Mall also benefits from having a broader catchment market which consists of:

- Attendees of events at the convention centre
- Office workers in the vicinity of Bandar Sunway
- Local and foreign tourists

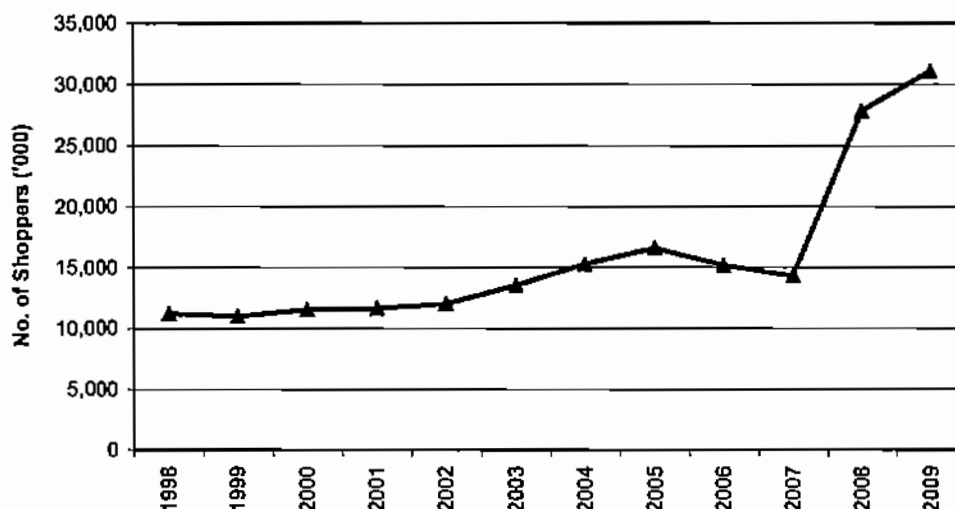


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GRAPH 3.3.5

**TREND OF SHOPPER FLOW IN SUNWAY PYRAMID SHOPPING MALL
(CALENDAR YEARS Years1998 – 2009)**



Source: Sunway City Bhd

The number of shoppers visiting Sunway Pyramid Shopping Mall has increased markedly since 1998, rising from 11.2 million to 31.1 million shoppers in 2009, constituting an average growth of 9.7% per annum (Refer Graph 3.3.5). The number of shoppers reduced between 2005 and 2006 when retailing activities within the centre were disrupted while Phase 2 was being constructed. Upon the completion of Phase 2, the number of shoppers to the retail centre increased to 17.2 million in 2007 from 15.2 million in 2006, registering annual growth of 13.0%.

Achievements

Sunway Pyramid Shopping Mall has received numerous awards, which are listed below:

- Best Shopping Center Award 2000 by the International Real Estate Federation (Fiabci)
- Malaysia Tourism Award 2004 by Tourism Malaysia
- Most Supportive Shopping Outlet 2004 – Shopping Complex by Tourism Malaysia
- Cleanest Toilet Award 2005 by Majlis Perbandaran Suhang Jaya
- Floral Fest 2007 Best Decoration (Shopping Mall) by Tourism Malaysia
- Lihur & Traverama Tourism Award 2007 Best Shopping Destination
- The Inaugural Asia Shopping Centre Awards 2008: Silver Award for Development and Design category


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- Best Promotions and Events for Tourism Malaysia's Malaysia Year End Sale (MYES) 2009 (Suburban)
- Best Thematic Decoration Minister of Tourism for Tourism Malaysia's MYES 2009 Malaysia (Suburban)

SWOT Analysis
Strengths

JLW has classified Sunway Pyramid Shopping Mall as a Prime A retail centre due to its location, quality design, good tenant mix and range of merchandise, concept and specifications, retail floor layout and circulation.

Key strengths of Sunway Pyramid Shopping Mall are summarised below:

- Highly accessible via five major highways leading to Subang Jaya, Shah Alam, Klang, Puchong and Petaling Jaya.
- Improved accessibility via flyover, which is directly linked from the eastbound carriageway of the New Pantai Expressway ("NPE") to the car park in the mall.
- Within an established and self contained township of Bandar Sunway and surrounded by established affluent residential schemes, providing the mall with a wealthy immediate catchment market.
- Located within Selangor, the most populated and affluent state in Malaysia.
- Large student population residing in the vicinity of the mall and people working in nearby shopoffices, provides a readily available catchment which helps to boost weekday traffic.
- The mall provides for a "One stop retail centre for everything".
- Its unique Egyptian-inspired theme and design is an attraction in itself.
- Anchored by three major anchor tenants, namely Jusco, Parkson and Giant.
- Integration with hotels and a premier theme park enables a broader catchment for the retail centre.
- Management proactively seeks to understand their shoppers, consumers psychographics and trends.
- Retailers are of medium to high end profile, aiming at a broader target market, instead of targeting at a limited group, for instance the high income group alone.



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Weaknesses

- Heavy volume of cars going to Bandar Sunway results in traffic congestion in the area.
- Fewer public transportation options, such as a direct link to Light Rail Transit ("LRT") or KTM Komuter community train service.
- Constructed on 5 parcels of leasehold land expiring in 2102 and 2105.

Opportunities

- The "queue" of retailers to operate within the centre indicates the strong confidence levels retailers have in the mall.
- Continuous review of the tenant mix to cater to the needs of the market catchment.
- Increasing level of disposable income and tourism spending.
- Due to the "waiting list" for retail space, the owner has the ability to increase rental rates and create a stronger tenant mix.

Threats

- The potential increase in the local cost of living could result in lower consumer spending, which could affect the retailers bottom line.
- Competition from existing large scale Prime malls which are located nearer to the city centre, such as Mid Valley Megamall.
- Sunway Pyramid Shopping Mall is located within a "competing" area experiencing rapid development growth; Subang Jaya and Puchong are areas in which there are a number of competitive retail centres in the development pipeline.
- The development of new malls, although on a smaller scale, could result in a dilution of retail market share.



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Outlook for Sunway Pyramid Shopping Mall

Sunway Pyramid Shopping Mall is a Prime quality suburban retail centre, which over the last ten years, has secured above average occupancy rates supported by a strong population catchment in the immediate vicinity of Bandar Sunway / Subang Jaya including Petaling Jaya and also other parts of the KV, such as Shah Alam, Klang, Puchong and Seri Kembangan. Currently Sunway Pyramid Shopping Mall is almost fully occupied at 99% occupancy. The retail centre has many positive attributes including its strategic location with easy access to major highways, within a large affluent residential population catchment and its unique theme, design, concept and integration with the other “attractions” namely the hotels and theme park.

The overall outlook for the future trading performance of Sunway Pyramid Shopping Mall over the next five years is positive considering the demand for retail centres from the growing suburban residential community.

Generally, suburban retail centres have been perceived as being a more secure investment than city centre retail centres due to the more stable target residential market catchment available in the suburban areas. The residents in these areas are regular shoppers to these suburban retail centres. Many of the city centre retail centres cater to a more unpredictable market catchment, with office workers and tourists forming the majority of the target market, especially during week days. The more modern, newer developments catering for today’s modern lifestyle and adopting the “stay all day” concept are also generally found in suburban areas.

With approximately 350 tenancies expiring in 2010, there is a good window of opportunity to increase the rental revenue and also make changes to the tenant mix and retailer positioning within the mall. In the short to medium term, Sunway Pyramid is also likely to benefit from limited competition in the surrounding vicinity. With limited new mega retail centres being completed in the locality in the short term to medium term, the outlook is promising provided that the retail centre continues to be well managed, maintained and promoted, and also continues to maintain the appropriate tenant mix.



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4.0 REVIEW OF SUNWAY RESORT HOTEL & SPA AND PYRAMID TOWER HOTEL

4.1 KLANG VALLEY HOTEL MARKET OVERVIEW

For purposes of this report, the overview of the hotel market will be provided for two study areas.

Firstly, the General Study Area ("GSA") where statistics on general market indicators and activity in the Klang Valley will be provided on a macro basis, and secondly, the Defined Study Area ("DSA"), which will focus on areas where there are or would be development of greatest competition to Sunway Hotel Resort & Spa and Pyramid Tower Hotel.

Explanatory Notes

Definition of the Klang Valley ("KV")

The KV is Malaysia's main economic growth region, made up of the Federal Territory of Kuala Lumpur and part of the State of Selangor.

GSA

- 1. Kuala Lumpur City ("KLC") – encompasses all locations within the perimeters of the Federal Territory of Kuala Lumpur*
- 2. Outside Kuala Lumpur City ("OKLC") – covers adjoining cities and towns in the state of Selangor, comprising Petaling Jaya, Shah Alam, Klang Town Centre, Klang, Seri Kembangan and the Ulu Kelang/Ampang district. The State of Selangor completely surrounds the Federal Territory of Kuala Lumpur.*

Sunway Resort Hotel & Spa and Pyramid Tower Hotel are both located within the Petaling Jaya locality.

This section of the report covers all classes of hotels which accommodate 100 rooms and above in the KV

JLW classifies the hotel supply into three categories, namely International, Business and Budget Classes.

International Class hotels generally offer luxurious premises, widest range of high quality guest services as well as recreational facilities such as wellness centres and health and fitness facilities. These hotels provide more spacious rooms with high-class decorations and furnishings, and are usually affiliated to an established brand name or international hotel chain. This category includes 5-star hotels and "premier quality" 4-star hotels.



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Business Class hotels generally provide high standards of hospitality and good quality guest services, marginally below International Class hotels' standards and are priced slightly lower than the International Class hotels. The services, design and interiors of the hotel are usually conceptualised to meet present day business needs and lifestyle, e.g. with business centres. 4-star and good quality 3-star business hotels are classified under this category.

Budget Class hotels generally provide a limited range of amenities and services. These hotels usually cater for budget conscious business/leisure travellers. They are generally rated as 3-star and below.

JLW considers the following factors in classifying the respective hotels:

1. *Location – hotels in established commercial locations are more inclined towards International or Business Class hotel*
2. *Accessibility – easily accessed by road and especially by modern public transportation (i.e. Light Rail Transit -LRT)*
3. *Design and layout – size of the rooms, lobby, number of lifts*
4. *Facilities, amenities and services provided – a wide range of recreational facilities, food and beverage outlets, meeting and conference facilities.*
5. *Internal finishes – high quality of furniture and fittings*
6. *External façade – attractive design and finishes*
7. *Rack rates and achieved room rates*

Average Daily Room Rate (“ADRR”) is defined as the sum which is attained by dividing the actual achieved room rates by the total number of rooms occupied per day, which reflects the real gross revenue of the hotel operator.

Revenue per Available Room (“RevPar”) is calculated by multiplying the ADRR of a hotel by its occupancy rate. It may also be calculated by dividing a hotel's total guestroom revenue by the room count and the number of days in the period being measured. RevPar does not take into account revenue from other hotel services such as restaurants, spas, golf courses etc.

MICE – Meetings, Incentives, Conventions and Exhibitions.

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4.1.1 OVERVIEW OF THE GSA – KV

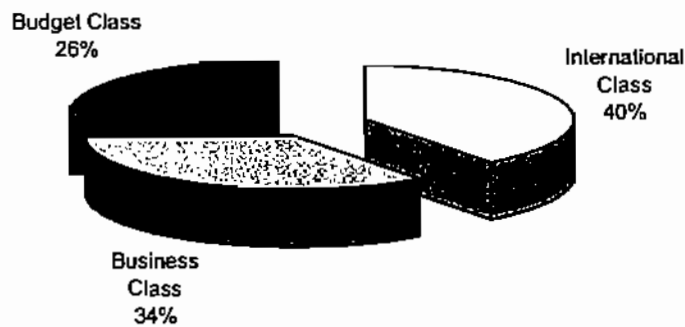
4.1.1.1 SUPPLY

Existing Supply

Based on JLW’s monitored sample of hotels with 100 rooms and above, there were a total of 34,994 hotel rooms in the KV as at the end of 2009. 70% of these hotel rooms are located within the KLC and the remaining 30% are located in the OKLC, in areas such as Petaling Jaya, Shah Alam, Klang, Seri Kembangan, Ulu Kelang, Bangi, Kajang, Sepang and Putrajaya.

As depicted in the graph below, the International Class hotels represent the largest share with 13,939 rooms or 40% of the total existing room supply, followed by the Business Class hotels with 12,010 rooms, or 34% and the Budget Class category with 9,045 rooms, or 26%.

**GRAPH 4.1.1
 DISTRIBUTION OF KV EXISTING HOTEL ROOM SUPPLY BY
 CLASSIFICATION**



Source: JLW Research

The following graph shows the percentage distribution of existing hotel supply by classification and location as at end-2009.

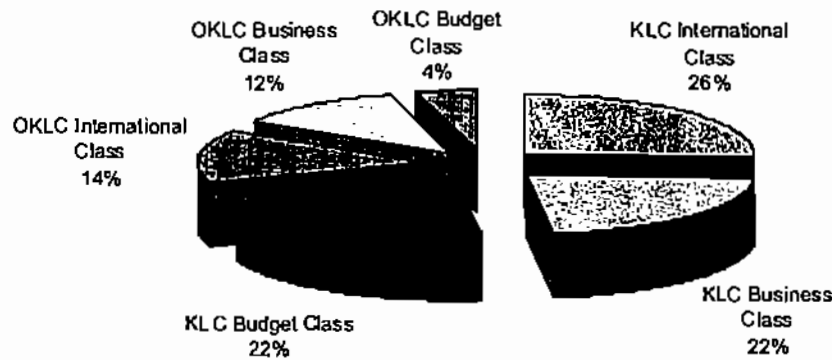
APPENDIX III - INDEPENDENT PROPERTY MARKET OVERVIEW REPORT (Cont'd)



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**GRAPH 4.1.2
DISTRIBUTION OF EXISTING KV HOTEL ROOM SUPPLY BY
CLASSIFICATION AND LOCATION**

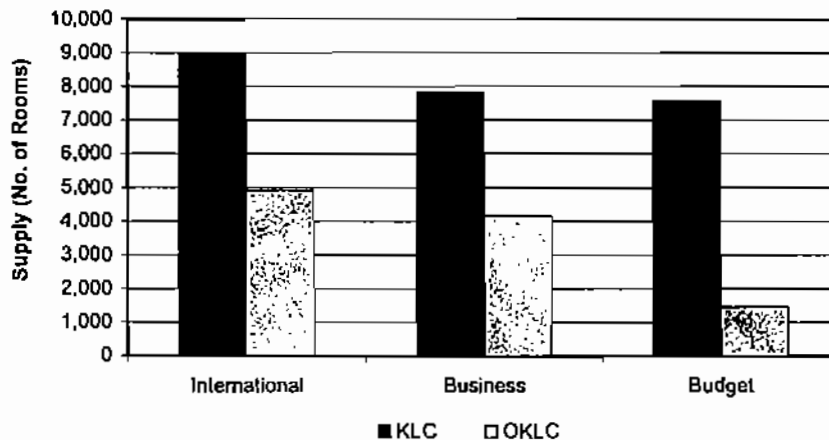


Source: JLW Research

Within the KLC, 37% of the total supply is International Class hotels, 32% of supply is Business Class hotels and the balance of 31% is within the Budget Class hotel category.

As tourism and business activities in the suburbs are more dispersed compared with the city centre, there are only 10,557 rooms in the OKLC, of which 47% is International Class, 39% is Business Class and the remaining 14% is Budget Class.

**GRAPH 4.1.3
PERCENTAGE DISTRIBUTION OF EXISTING KV HOTEL ROOM SUPPLY
BY CLASSIFICATION**



Source: JLW Research



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The table below summarises some prominent hospitality brand names currently represented in the KV. It is noted that the majority of the leading foreign, international hotel chains are found within the KLC and prominent commercial locations in the OKLC.

TABLE 4.1.1
MAJOR KV FOREIGN AND LOCAL HOTEL OPERATORS

Hotel Chain	Name of Hotel	Hotel Class	Location
<i>Foreign</i>			
Mandarin Oriental Hotel Group	Mandarin Hotel Kuala Lumpur	International	KLC
JAL Hotels	Nikko Hotel	International	KLC
Prince Hotels	Prince Hotel & Residence Kuala Lumpur	International	KLC
Starwood Hotel & Resorts	The Westin Kuala Lumpur	International	KLC
	Hotel Imperial Kuala Lumpur	International	KLC
	Le Meridien (K.L. Sentral)	Business	KLC
	Sheraton Subang Hotel & Towers	International	OKLC
Hilton Hotels	Hilton Kuala Lumpur Hotel (K.L. Sentral)	International	KLC
	Hilton Petaling Jaya Hotel	International	OKLC
Marriott International	JW Marriott Hotel Kuala Lumpur	International	KLC
	Ritz-Carlton Kuala Lumpur	International	KLC
	Renaissance Hotel Kuala Lumpur	International	KLC
	Putrajaya Marriott	International	OKLC
Shangri-La Hotels & Resorts	Shangri-La Kuala Lumpur	International	KLC
	Traders Hotel Kuala Lumpur	Business	KLC
	Shangri-La Putrajaya	International	OKLC
Intercontinental Hotels Group	Holiday Inn Glenmarie	International	OKLC
Millennium & Copthorne Hotels	Grand Millennium Kuala Lumpur	International	KLC
Accor International	Novotel Kuala Lumpur	Business	KLC
<i>Local</i>			
CHM Hotels	The Gardens Hotel	International	KLC
	Boulevard Hotel	Business	KLC
	Cititel Mid Valley	Budget	KLC
	Cititel Express	Budget	KLC
Swiss-Garden International	Swiss-Garden Hotel	Business	KLC
	Swiss Inn Kuala Lumpur	Budget	KLC
Equatorial Group	Hotel Equatorial Kuala Lumpur	Business	KLC
	Hotel Equatorial Bangi-Putrajaya	International	OKLC
Residence Hotels & Resorts	Best Western Premier Seri Pacific Hotel	International	KLC
	Residen Hotel @ UNITEN	Budget	OKLC

Source: JLW Research



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Future Supply

The future supply of hotels is identified as hotel developments that have yet to open for business. This includes hotel projects that are planned or proposed, under construction as well as projects that have been put on hold.

Projects to be completed between 2010 and 2012 (inclusive)

As at 4Q09, 4,673 rooms are expected to be completed between 2010 and 2012 (inclusive) in the KV.

The location breakdown of the future supply in the KV is presented in the table below.

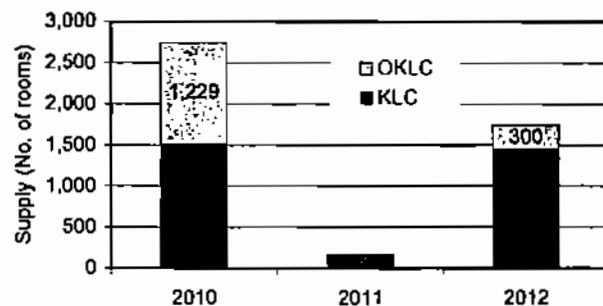
TABLE 4.1.2

**DEVELOPMENT PIPELINE IN THE KV
(BY YEAR OF COMPLETION AND LOCALITY)
(CALENDAR YEARS 2010 – 2012)**

Location	2010	2011	2012	Subtotal	% Distribution
KLC	1,520	180	1,445	3,145	67%
OKLC	1,228	0	300	1,528	33%
Total	2,748	180	1,745	4,673	-
% Distribution	59%	4%	37%	100%	100%

Source: J.L.W Research

It is expected that 59%, 37% and 4% of future supply will be completed in 2010, 2011 and 2012, respectively. 55% of 2010 supply is expected to be in the KLC.



Source: J.L.W Research

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Of future supply in the KV between 2010 and 2012, Business Class hotels represent the largest share with 50% of future supply, followed by the International Class hotels with 30% and the Budget Class hotels with 20%.

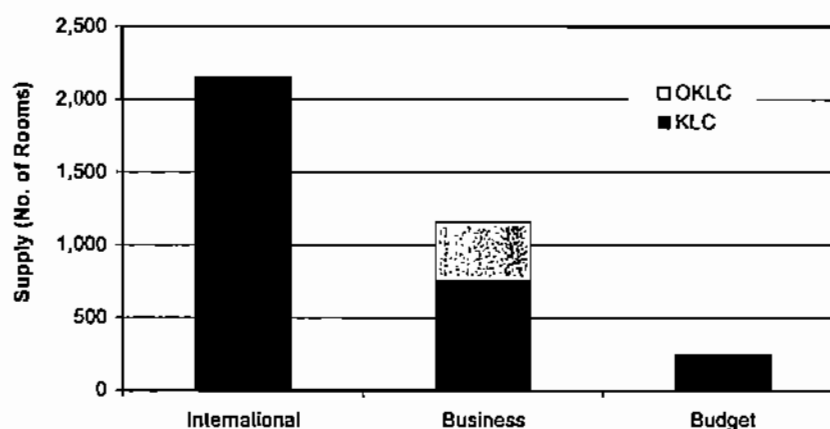
Projects to be completed Post 2012

A total of 3,567 rooms have been identified for completion post 2012. International Class hotel rooms account for the majority with 60%, followed by Business Class rooms with 33% and Budget Class rooms with 7%.

The graph below illustrates the post-2012 supply of future hotel rooms identified within the KV by classification:

GRAPH 4.1.4

**FUTURE HOTEL ROOM SUPPLY IN THE KV –
BY CLASSIFICATION/LOCATION (POST-CALENDAR YEAR 2012)**



Source: J.L.W Research

4.1.1.2 DEMAND

The demand for hotel rooms in the KV depends significantly on factors such as prevailing travelling conditions and seasonal trends.

Based on historical market performance, the first quarter of the year is typically a slow period for KV hotels, with this time of the year being the slowest season for corporate meetings/seminars. Hotel occupancy rates gradually increase during the second quarter of the year and reach a peak period during the third and fourth quarter of the year, respectively.

The strongest demand is usually recorded in the third quarter of the year, corresponding with the long summer holidays in Europe, the US and the Middle East. The second highest occupancy rate is normally registered in the fourth quarter of the year, which corresponds with the long year-end school holidays in the Asia Pacific region.



Prosektor: Singham Subraman Sdn. Bhd. (78217-X)

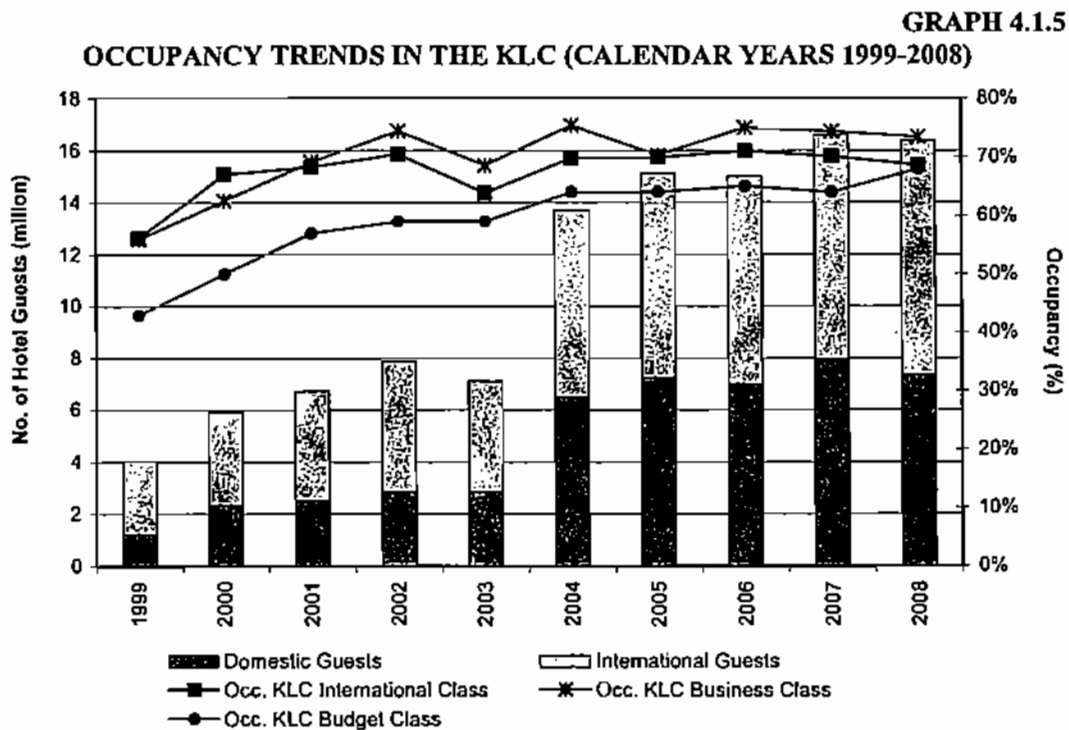
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4.1.1.3 OCCUPANCY RATES AND DEMAND SNAPSHOT

KLC

Kuala Lumpur is the capital city and main financial centre of Malaysia and hotels located in the KLC generally cater to business executives and vacation travellers.

The graph below provides the annual occupancy trend for International, Business and Budget Class hotels in the KLC.



Based on the period between 1999 and 2008, the number of hotel guests staying in the KLC has generally increased by an average of 16.7% per annum. Compared with 1999, the total number of hotel guests in Kuala Lumpur has increased more than fourfold, increasing from 4.1 million guests in 1999 to 16.4 million guests in 2008.

In general, occupancy rates of all classes of the KLC hotels have remained relatively stable with the notable exception being in 2003. Demand for hotel rooms in the KLC declined marginally in 2003 as a result of global terrorism and the SARS outbreak.



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The overall annual KLC occupancy rate was 70% in 2008, compared with 74% recorded in 2007. Hotels which were refurbished in 2009 included:

- Concorde Hotel - Business Class
- Shangri La Kuala Lumpur - International Class

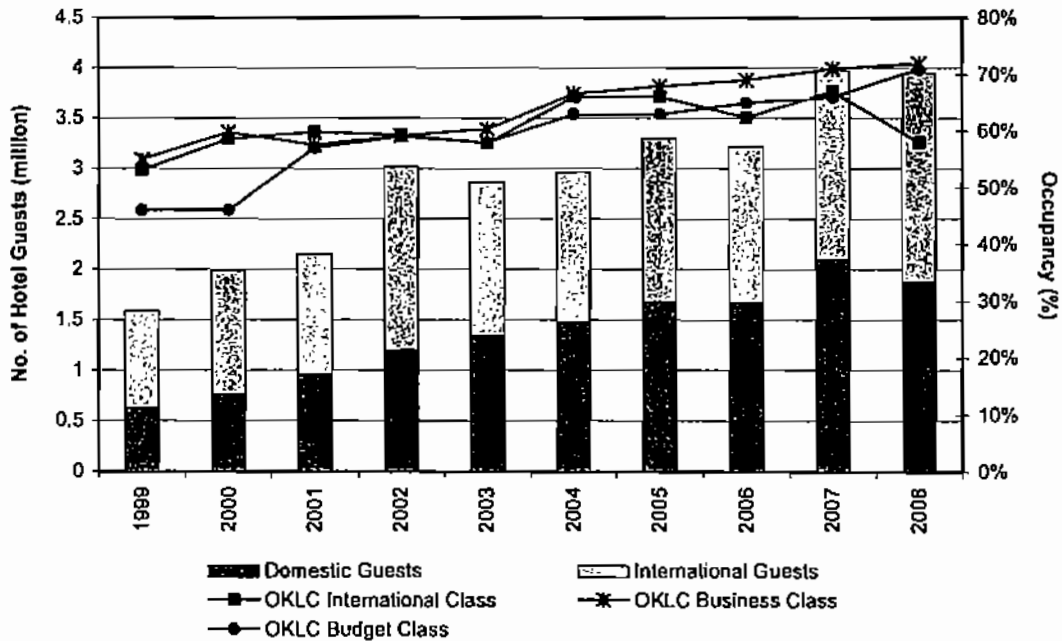
The average occupancy rate of 70% in 2008 was marginally higher than 69% registered in 2007. The Budget and Business Class hotels registered higher occupancy rates, 68% and 73% for 2008, respectively, compared with 64% and 71% in 2007, respectively.

OKLC

Hotels outside the city centre are more inclined towards business clientele. The average occupancy rate of OKLC hotels steadily increased from 57% in the early part of the decade to 67%, as at the end of 2008.

The graph below depicts the occupancy trend for International and Business Class hotels in the OKLC.

GRAPH 4.1.6
OCCUPANCY TREND IN THE OKLC (CALENDAR YEARS 1999-2008)



Source: J.L.W Research
MIHR Consulting Sdn. Bhd.
Tourism Malaysia



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From 1999 to 2008, the number of hotel guests in the OKLC grew from 1.6 million to 4.0 million, representing average annual growth of 10.7%.

Additionally, growth in domestic guests has superseded that of foreign guests. Between 1999 and 2008, the number of domestic guests grew at 13.0% per annum versus growth in foreign guests of 8.9% per annum.

The growth of domestic hotel guests is in part due to the Government's aggressive promotion of domestic tourism via the re-launching of the "Cuti-cuti Malaysia" (Holiday in Malaysia) Campaign in 2004. The campaign was launched by the Government in order to cushion the effect of declines in foreign tourists (mainly due to the SARS epidemic) on Malaysia's tourism industry.

In the OKLC, Business Class hotels have always generally outperformed International Class hotels in terms of average annual / occupancy rates. As at the end of 2008, Business Class hotels registered a 72% occupancy rate compared with 58% in the International Class segment. This is generally due to the strong demand from industrialists and business travellers who tend to stay near to their work place and / or business clientele and do not require hotel accommodation in the city centre.

4.1.1.4 MARKET INDICATORS

ADRR and RevPar

The ADRRs of hotels in the KV depend largely on the seasonality and overall demand of the hotel market. Exceptionally high ADRRs are normally recorded by International and Business Class hotels when special international events take place, such as the meeting of the Organisation of the Islamic Conference's Heads of States, the Non-Aligned Movement, Summit, the Association of South-East Asian Nations ("ASEAN") Summit and the Formula One Grand Prix.

KLC

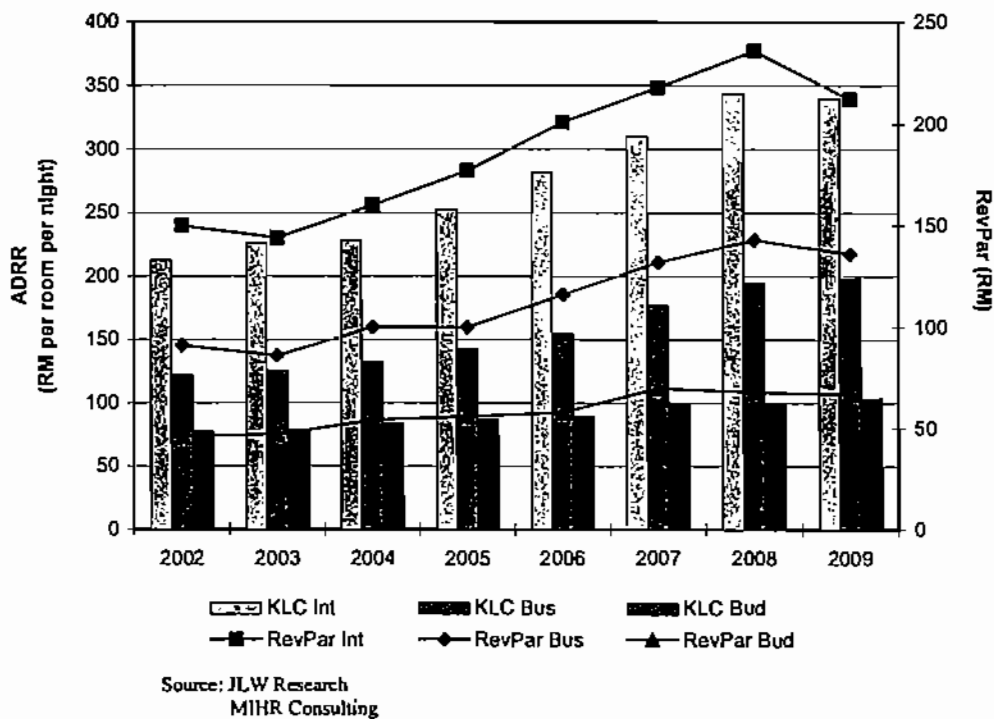
Between 2002 and 2009, the KLC International Class hotels registered average ADRR growth of 6.9% per annum, with the RevPar growing at 5.1% per annum. Over the same period, the ADRR and RevPar of KLC Business Class hotels increased by 7.2% and 5.9% per annum, respectively.

Graph 4.1.7 below depicts the average escalating ADRR trends for all classes of hotels in the KLC between 2002 and 2009, corresponding with positive growth in the number of hotel guests.

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GRAPH 4.1.7

ADRR AND REVPAR TRENDS OF KLC HOTELS (CALENDAR YEARS 2002 – 2009)



In the KLC International Class category, the Mandarin Oriental Kuala Lumpur registered the highest ADRR in 2009 at RM638 per room per night. The hotel is located within the KLCC mixed-use development which includes the Petronas Twin Towers, the Suria KLCC Shopping Centre and the KLCC Convention Centre.

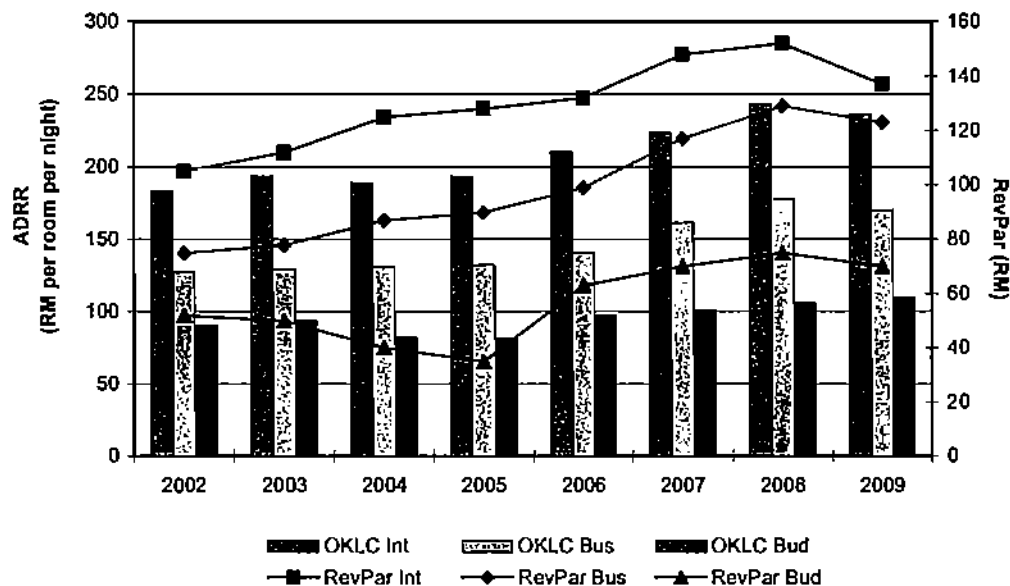
Within the Business Class category, the Traders Hotel registered the highest ADRR in the KLC in 2009 at RM353 per room per night. Opened in 2006, the Traders Hotel also forms part of KLCC.

OKLC

In general, as hotels in the OKLC are geographically dispersed and located away from the tourism belt of the KV, ADRRs and RevPar are generally lower than that of hotels located in the KLC. However, the ADRR and RevPar of some hotels, especially those with a specific target market, corporate tie-ups and affiliations may record better ADRR and RevPar growth due to specialised market positioning.

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GRAPH 4.1.8

**ADRR AND REVPAR TRENDS OF OKLC HOTELS
(CALENDAR YEARS 2002 – 2009)**


Source: JLW Research
MIHR Consulting

Between 2002 and 2009, the average ADRR of the OKLC International Class hotels increased by 3.8% per annum, from RM184 per room per night in 2002 to RM238 per room per night in 2009. Over the same period, average RevPar grew by an annual average growth rate of 3.9% from RM105 in 2002 to RM137 in 2009.

The OKLC Business Class hotels witnessed average ADRR growth of 4.5% per annum from 2002 and 2009, with RevPar growing at an average rate of 7.6% per annum.

In 2009, Sunway Resort Hotel & Spa achieved an ADRR of RM398, which was RM160 higher than the ADRR of OKLC International Class hotels.

For the Business Class category, the Royale Bintang Damansara Hotel in Mutiara Damansara achieved the highest ADRR in 2009 at RM253 per room per night, compared with RM251 per room per night recorded by Pyramid Tower Hotel. The Royale Bintang Damansara Hotel, which lies approximately 20 kilometres to the north of the Sunway Integrated Resort, forms part of the core commercial centre of Mutiara Damansara. Mutiara Damansara is a popular township development located within the Petaling Jaya locality.



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Due to the seasonal nature of the hotel trade, quarterly ADRRs are generally higher for the second and third quarters of the year due to greater demand from a general increase in business activities and foreign tourist arrivals. The ADRRs of hotels generally fluctuate depending on demand for hotel rooms.

4.1.1.5 MARKET PRICES

In terms of the hotel investment market in the KV, a notable trend in recent years has been that of local or foreign investors/real estate funds purchasing and reviving poor performing and often “run down” hotels with perceived growth potential. Purchasers were generally those with hotel business expertise buying hotels from vendors for whom hotels are categorized as non-core assets.

It is estimated that average net yields in the KV are generally within the range of 7% to 9%. This yield range should serve only as a guideline and is by no means definitive. The physical, economic and financial characteristics of each individual property investment must be considered on its own individual merits.

A summary of select hotels transactions from 2005 to 2009 in the KV is presented in Table 4.1.3 below.

32% of all transaction value over this time frame, or RM607.3 million, involved hotels purchased by hoteliers. An additional 31% or RM589.0 million, was purchased by REITS, 24% or RM455.0 million involved international investment companies and 13% or RM240.0 million involved funds.

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TABLE 4.1.3

SELECTED HOTEL TRANSACTIONS IN THE KV

Hotel	Star Rating	No. of Rooms	Transacted Price (RM)	Price Per Room (RM)	Date of Transaction	Vendor/ Purchaser/ Remarks
Sheraton Imperial Hotel and Faber Imperial Court (office) - Imperial Kuala Lumpur Jalan Sultan Ismail International Class KLC	5	398	225 mil	N.A.	2005	Vendor: Faber Group Bhd and ITT Sheraton. Purchaser: Rajawali Group (Indonesia) The sale included 130,000 sq. ft. of office space.
Novotel Hydro Majestic Jalan Perak Business Class KLC	4	268	72 mil	270,000	2005	Vendor: Bumi Warna Indah Sdn Bhd. Purchaser: Excellia Ent Sdn Bhd. It was an abandoned project which was completed and opened in 2006.
JW Marriott Hotel Kuala Lumpur Jalan Bukit Bintang International Class KLC	5	561	329 mil	\$86,453	2005	Vendor: YTL Land Sdn. Bhd. Purchaser: Starhill REIT

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Hotel	Star Rating	No. of Rooms	Transacted Price (RM)	Price Per Room (RM)	Date of Transaction	Vendor/ Purchaser/ Remarks
The Westin Jalan Bukit Bintang International Class KLC	5	452	455 mil	1,006,600	2006	Vendor : Ireka Sdn. Bhd. Purchaser : Newwood Assets Limited (Thailand)
Crown Princess Hotel Jalan Tun Razak International Class KLC	5	571	240 million	420,300	2006	Vendor : AP Land Purchaser : Affluent Impact Sdn Bhd (Macquarie Global Property Advisors - Australia) The sale forms part of a larger transaction which includes an office tower and a retail podium.
Sheraton Subang Hotel & Towers Subang Jaya International Class OKLC	5	502	140 mil	278,900	2006	Vendor : Jeram Bintang (Faber Berhad) Purchaser : Far East Consortium / Malaysian Land Properties Berhad (Hong Kong) Only 302 rooms were operational.
Hotel Summit Subang Jaya Business Class OKLC	4	332	260 mil	N.A.	2007	Vendor: Media Inc. Development Purchaser: AmFirst REIT The sale forms part of a larger transaction which includes an office tower and a retail podium.

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Hotel	Star Rating	No. of Rooms	Transacted Price (RM)	Price Per Room (RM)	Date of Transaction	Vendor/ Purchaser/ Remarks
Piccolo Mondo Hotel & Galleria <i>Jln. Bukit Bintang</i> <i>Budget Class KLC</i>	N.A.	239	15.3 mil	N.A.	2008	Vendor: Absolute Prestige Sdn. Bhd. Purchaser: Sinar Merdu Sdn. Bhd. (a wholly-owned subsidiary of Berjaya Vacation Club Berhad)
Novotel Jalan Kia Peng <i>International Class</i> <i>KLC</i>	4	291	RM155 million	RM512,646	2009	Vendor: Pulai Springs Bhd Purchaser: The Nomad Residences Sdn. Bhd

Source: JLV Research



Proprietor: Engiam Suleiman Sdn. Bhd. (76217-X)

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4.2 REVIEW AND BENCHMARKING ANALYSIS**Sunway Resort Hotel & Spa**

Completed in 1997, Sunway Resort Hotel & Spa, is a 19-storey 5-star hotel with 439 rooms and three villas (completed in 2004). The hotel forms part of Sunway Integrated Resort and is adjacent to Pyramid Tower hotel.

Sunway Resort Hotel & Spa's average occupancy rate, excluding the three villas, was 68.0% for the six months ending 31 December 2009.

Pyramid Tower Hotel

Completed in 2004, Pyramid Tower Hotel and is a 9-storey, 4-star hotel with 549 rooms. The hotel forms part of the Sunway Integrated Resort and is directly linked to Sunway Pyramid Shopping Mall and adjacent to Sunway Resort Hotel & Spa.

Pyramid Tower Hotel's average occupancy rate was 82.2% for the six months ending 31 December 2009.

4.2.1 SUPPLY**Existing Supply**

Various areas in the KV, i.e. KLC and OKLC, have been selected to form a "micro" analysis of the hotel market with which Sunway Resort Hotel & Spa and Pyramid Tower Hotel (the subject properties) are in direct competition.

The Defined Study Area ("DSA"), in relation to the subject properties, includes the following locations:

- Petaling Jaya
- Subang Jaya
- Fringes of Subang Jaya
- Fringes of Shah Alam
- Bandar Utama
- Mid Valley City
- Seri Kembangan

Sunway Resort Hotel & Spa and Pyramid Tower Hotel are located within Petaling Jaya.

A number of "self-contained" mixed use developments, which follow the concept of "work, live, entertainment and relax" in an "all in one" development have been selected and reviewed to benchmark their performance against Sunway Resort Hotel & Spa and Pyramid Tower Hotel.



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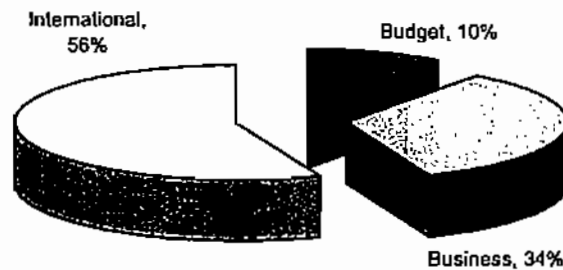
The selected hotels include the One World Hotel in Bandar Utama, the Royale Bintang Damansara Hotel in Mutiara Damansara, hotel developments within the Mid Valley City and the Palace of the Golden Horses within the Mines Resort City, Seri Kembangan.

Within the DSA there are 15 hotels providing approximately 6,174 rooms. The supply in the DSA represents 18% of the total existing supply in the KV (34,994 rooms).

The following graph depicts the distribution of hotel rooms in the DSA, by classification.

GRAPH 4.2.1

HOTEL ROOMS IN THE DSA BY CLASSIFICATION



Source: JLW Research

Hotels that are located in the DSA are as follows:

TABLE 4.2.1

SELECTED HOTELS IN THE DSA

Hotel	Total Rooms	Location	Operator (Foreign / Local)
International			
Sunway Resort Hotel & Spa	439	Petaling Jaya	Sunway International Hotels & Resorts (Local)
Hilton Petaling Jaya Hotel	565	Petaling Jaya	Hilton International (Foreign)
Holiday Villa Hotel & Suites Subang	383	Subang Jaya	Antara Holiday Villas (Local)



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Hotel	Total Rooms	Location	Operator (Foreign / Local)
Grand Dorsett Subang Hotel (formerly Sheraton Subang Hotel & Towers)	362/502*	Subang Jaya	Grand Dorsett International (Foreign)
One World Hotel	438	Bandar Utama	Bandar Utama City Sdn. Bhd. (part of See Hoy Chan Group) (Local) Owner-operated. Tie up with Worldhotels Deluxe Collections Group under its "World Deluxe Collection"
Saujana Kuala Lumpur	313	Shah Alam	Peremba Group (Local)
The Gardens Hotel	448	Mid Valley City	CHM Hotels (IGB Bhd) (Local)
Palace of the Golden Horses	481	Seri Kembangan	Country Heights Group (Local) In association with Worldhotels Deluxe Collections Group under its "World Deluxe Collection"
Total International	3,431		
Business			
Pyramid Tower Hotel	549	Petaling Jaya	Sunway International Hotels & Resorts (Local)
Eastin Hotel	388	Petaling Jaya	CPC Group Sdn. Bhd. (Local)
Royale Bintang Mutiara Damansara	150	Petaling Jaya	A subsidiary of Boustead Group (Local)
Holiday Inn Glenmarie	287	Shah Alam	Intercontinental Hotels Group (Foreign)
Boulevard Hotel	390	Mid Valley City	CHM Hotels (IGB Bhd) (Local)
Summit Hotel	333	Subang Jaya	Meda Hotels Sdn. Bhd. (Local)
Total Business	2,097		
Budget			
Cititel Mid Valley	646	Mid Valley City	CHM Hotels (IGB Bhd) (Local)
Total Budget	646		
GRAND TOTAL	6,172		

* Only 362 rooms were operational as at end 2009
Source: J.L.W Research

Future Supply

In the DSA, there are 501 hotel rooms in the development pipeline which are expected to be completed in 2010. This represents 18% of the future supply (2,748 rooms) identified for completion in the KV in 2010.

No rooms are identified for completion in the DSA between 2011 and 2012 and 400 rooms, representing 5% of the total future supply identified to be completed in the KV (8,240 rooms), are anticipated to be completed post 2012.



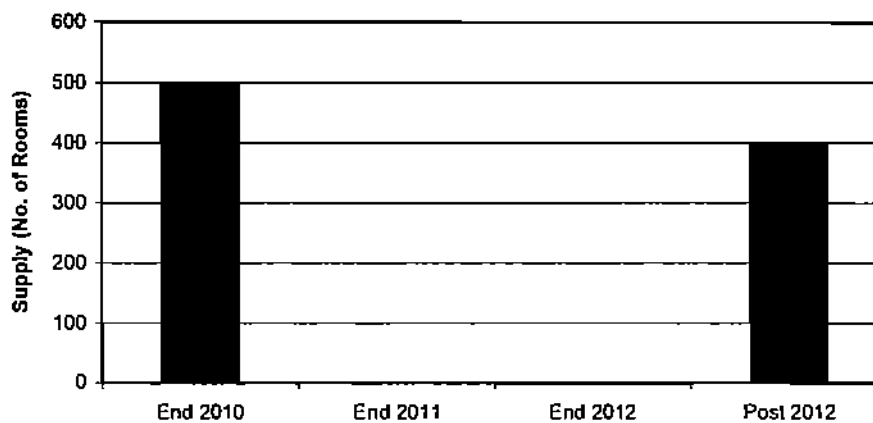
Proprietor: Engham 644 man Sdn. Bhd. (78217-X)

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Graph 4.2.2 shows the supply of future hotel rooms in the DSA by year of completion.

GRAPH 4.2.2

**SUPPLY OF FUTURE HOTEL ROOMS IN THE DSA BY
YEAR OF COMPLETION
(CALENDAR YEAR 2010 – POST CALENDAR YEAR 2012)**



Source: J.L.W Research

All future hotel rooms in the DSA are of the Business Class category, details of which are presented in the table below.

TABLE 4.2.2

FUTURE HOTELS IDENTIFIED IN THE DSA

	Project	Location	Class	Rooms	Development Status
2010					
	Royale Bintang Mutiara Damansara (Phase 2)	Mutiara Damansara	Business	301	Under construction
	Premier Hotel (Bukit Tinggi Commercial Centre)	Bandar Bukit Tinggi	Business	200	Under construction
Total 2010				501	
Post-2012					
1.	Damansara Uptown – Phase 3	Damansara Utama	Business	400	Planning
Total Post-2012				400	
Total New Supply in the DSA				901	

Source: J.L.W Research



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4.2.2 AVERAGE OCCUPANCY RATES AND DEMAND SNAPSHOT

International Class

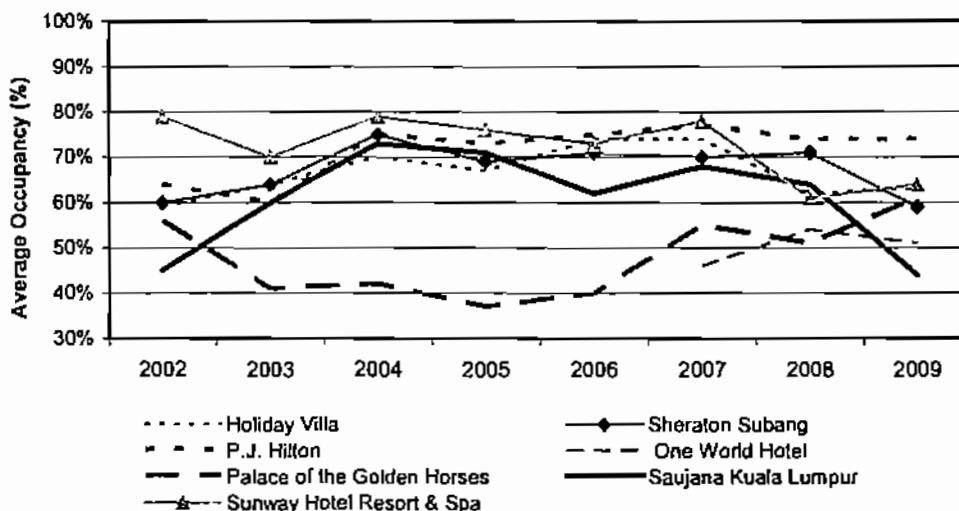
Demand for hotel rooms depends to a large extent on the location, transport accessibility, service standards, range of facilities as well as whether the hotel is part of a franchise or independent. The availability of flexible conference facilities, surrounding amenities and a global marketing distribution network significantly enhances the success of hotels.

An increasing number of hotel guests, especially business professionals, are looking for modern and contemporary hotels with reliable services at competitive rates. In response to this, hotels which provide innovative enhancements to existing operations, such as retail conveniences and WiFi connectivity, will have additional upside in terms of occupancy rates and revenues.

In 2009, the International Class hotels in the DSA recorded average occupancy rates of between 44% and 74%, with the lowest and highest occupancy rate being registered by the Saujana Kuala Lumpur and Hilton Petaling Jaya Hotel (“P.J. Hilton”) respectively.

Graph 4.2.3 below compares the occupancy trend of selected hotels in the DSA in relation to Sunway Resort Hotel & Spa.

**GRAPH 4.2.3
OCCUPANCY TRENDS OF SELECTED INTERNATIONAL CLASS HOTELS
IN THE DSA (CALENDAR YEARS 2002 – 2009)**



Note: Sheraton Subang is now known as Grand Dorsett Subang Hotel
 Source: JLV Research
 MIHR Consulting
 Sunway City Berhad



Jones Lang Wootton

Proprietor: Synguan Sidiiman Sdn. Bhd. (78217-X)

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Performance trends at Sunway Resort Hotel & Spa are mostly comparable to the PJ Hilton, except for in 2008 and 2009 when Sunway Resort Hotel & Spa recorded lower occupancy rates due to the higher room rates. Sunway Resort Hotel & Spa has a different target market to the PJ Hilton, with the former being more leisure, corporate and conference-oriented and the latter being more business/corporate-oriented.

Sunway Resort Hotel & Spa, compared with the Palace of the Golden Horses, enjoys a greater geographical advantage as it is strategically situated in close proximity to some of the more vibrant places in the KV such as USJ, Subang Jaya, Puchong, Sungei Way Free Trade Zone and Petaling Jaya Town Centre. It is served by four major highways, namely the Federal Highway, Kesas Highway, the New Pantai Expressway and Lebuh raya Damansara-Puehong, which provide easy access around the KV.

In addition, the overall integration of the hotel is better planned, with convenient linkages amongst the various property components, compared with the Palace of the Golden Horses. Sunway Resort Hotel & Spa is accessible via Pyramid Tower Hotel, Sunway Pyramid Mall and Sunway Pyramid Convention Centre either through internal walkways, link bridges or at carpark levels.

Sunway Resort Hotel & Spa is considered to be better positioned to attract conventions and meetings with its extensive MICE facilities, which include the adjacent 150,000-sq. ft. Sunway Pyramid Convention Centre and numerous meeting rooms. Sunway Integrated Resort's popularity as a choice MICE destination is demonstrated through the successful hosting of large-scale events listed in the table below:

TABLE 4.2.3
MAJOR EVENTS HELD AT SUNWAY RESORT HOTEL & SPA
(CALENDAR YEARS 2007 – 2009)

Event	Date
MTV World Stage	Aug 2009
Professional Investment Services 2009 - Australia	1 st – 16 th Apr 2009
International Youth Fellowship Global Camp 2009	21 st – 29 th Jan 2009
Millenium3 Financial Services, Australia - Conference	Mar 2008
Kohler Co, USA – Conference & Exhibition	Mar 2008
Financial Planning Association of Malaysia – Conference & Tradeshow	Feb 2008
Miss Tourism Metropolitan International World Final	11 th Dec 2007 - 3 rd Jan 2008
STAR TV, India - Conference	28 th Nov – 1 st Dec 2007
Asia Pacific Regional (CIRED)	27 th - 29 th Nov 2007
BSF International (Bible Study Fellowship) - All Asia Leaders' Retreat	5 th - 07 th Oct 2007
The 4th Malaysian International Ballroom Dancing Grand Prix	18 th Aug 2007
24th World Congress of Pathology & Laboratory Medicine	Aug 2007
Malaysian Dental Association - 64th MDA-AGM Scientific Convention & Trade Exhibition	14th - 17th June 2007

Source: Sunway City Berhad



Proprietor: Singham Satalman Sdn. Bhd. (78217-X)

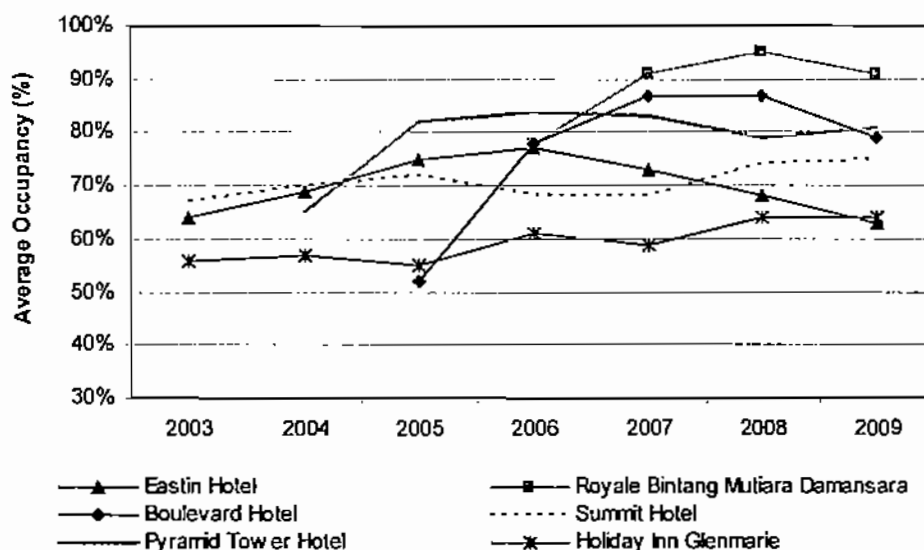
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Business Class

Graph 4.2.2 below compares the occupancy trend of selected Business Class hotels in the DSA in relation to Pyramid Tower Hotel.

GRAPH 4.2.4

**OCCUPANCY TRENDS OF SELECTED BUSINESS CLASS HOTELS
IN THE DSA (CALENDAR YEARS 2003 – 2009)**



Source: J.L.W Research
MIHR Consulting
Sunway City Berhad

As depicted in the graph above, Pyramid Tower Hotel was amongst the top three best performing hotels within the DSA in 2009.

The Boulevard Hotel forms part of the Mid Valley City integrated development, which comprises two shopping malls, condominiums, office towers, three classes of hotels (International, Business and Budget Class) and a block of International Class standard serviced apartments. Except for the condominium towers and stratified offices, all the properties within the Mid Valley City, including the Gardens Hotel & Residences, are interconnected, thus offering good synergy and patron circulation flow. The Boulevard Hotel has recorded growth in occupancy levels, due to the fact that the Mid Valley City development is strategically positioned between Petaling Jaya and Kuala Lumpur city centre.

**Jones Lang Wootton**

Proprietor: Singham Sultman Sdn. Bhd. (78217-X)

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Although the Summit Hotel, Holiday Inn Glenmarie and The Eastin Hotel were the weakest performing amongst the six hotels, they compete with the Pyramid Tower Hotel in terms of banquet & conference facilities and “walk-in” business guests. Despite having limited surrounding amenities and no branding of international affiliation, the Eastin is a popular venue for government seminars. Meanwhile, the Summit Hotel attracts “walk-in” business guests from Singapore and surrounding areas such as Subang Jaya, Petaling South, Shah Alam and Klang, and has a loyalty programme in place.

Budget Class

One Budget Class hotel (Cititel Mid Valley), in the DSA, has consistently recorded an average occupancy rate of over 80% since 2003. In 2009 it achieved a healthy average occupancy rate of 84%.

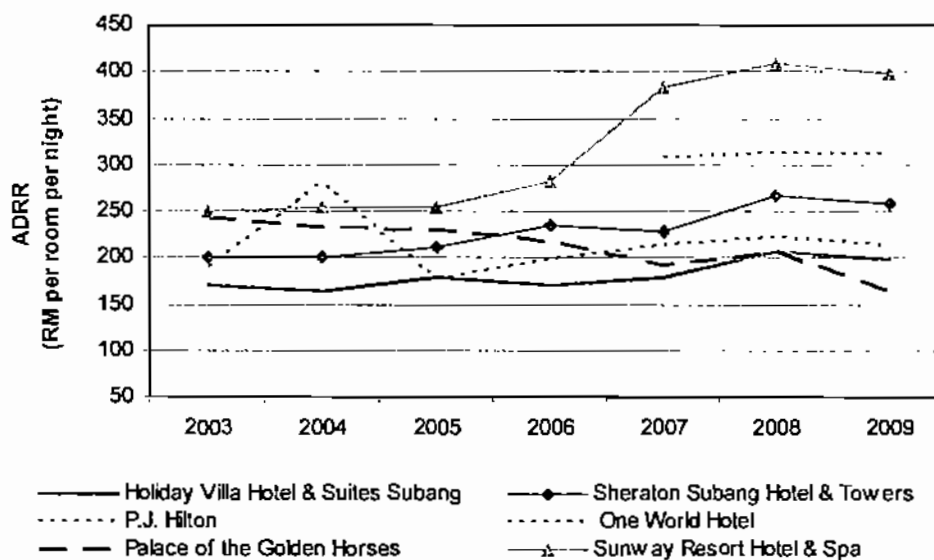
4.2.3 MARKET INDICATORS**4.2.3.1 ADRR****International Class**

The ADRRs of the International Class hotels in the DSA range between RM163 per room per night and RM386 per room per night. The lowest ADRR was recorded by the Palace of the Golden Horses while the highest ADRR was recorded by Sunway Resort Hotel & Spa.

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GRAPH 4.2.5

**ADRR OF SELECTED INTERNATIONAL CLASS HOTELS IN THE DSA
(CALENDAR YEARS 2003 – 2009)**



Source: J.L.W Research
MIHR Consulting
Sunway City Berhad

Due to fluctuating demand between 2003 and 2005, there were “price wars” amongst the International Class hotels in the DSA to attract customers, but Sunway Hotel Resort & Spa has recorded higher rates since 2007 after the completion of the first phase of its refurbishment programme. Details of the refurbishment program are shown in the table below:

TABLE 4.2.4

SUNWAY HOTEL RESORT & SPA REFRUBISHMENT PROGRAM

Phase	Floor	Handover to hotel	No of rooms
Phase 1	Level 21 (executive rooms)	October 2007	23
	Level 21 (club rooms)	June 2007	
	Level 20	June 2007	27
	Level 19	July 2007	34
	Level 18	July 2007	34
	Level 17	July 2007	34
	Level 16	July 2007	31
Phase 2A	Level 12	Jan 2008	20
	Level 11	Feb 2008	20
	Level 10	Feb 2008	20
	Level 9	Mac 2008	20
	Level 8	Apr 2008	38

APPENDIX III - INDEPENDENT PROPERTY MARKET OVERVIEW REPORT (Cont'd)



Proprietor: Singham Sulaiman Sdn. Bhd. (78217-X)

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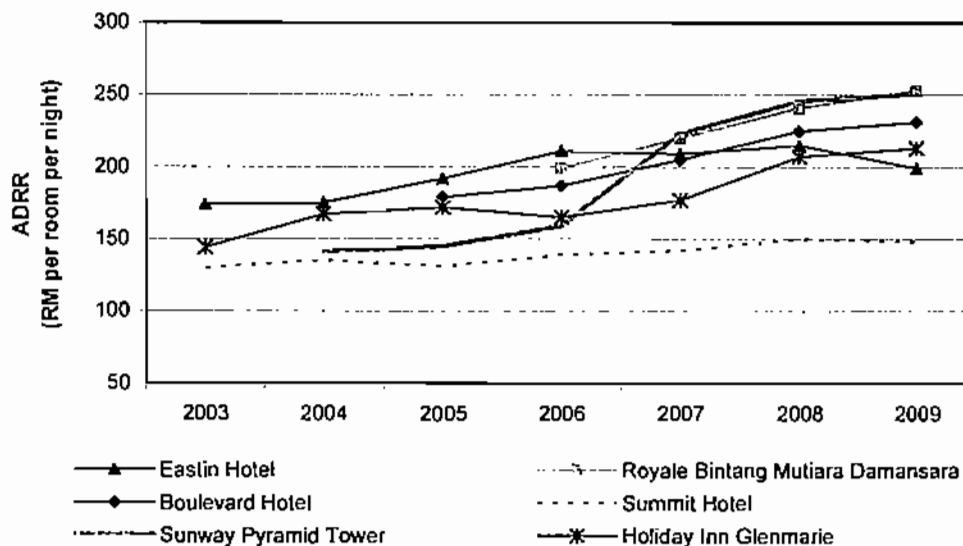
Phase	Floor	Handover to hotel	No of rooms
Phase 2	Level 7	July 2008	38
	Level 6	July 2008	36
	Level 5	July 2008	36
	Level 3	Dec 2008	14
	Level 2	Dec 2008	14
			439

Source: Sunway City Berhad

Business Class

From 2003 to 2009, the ADRRs of the Business Class hotels in the DSA generally rose. The Royale Bintang Mutiara Damansara Hotel, Holiday Inn Glenmarie, the Boulevard, Eastin Hotel and the Summit Hotel recorded ADRRs of RM253, RM231, RM213, RM199 and RM148 per room per night in 2009, respectively. In the same period, Pyramid Tower Hotel achieved RM251 per room per night.

GRAPH 4.2.6

**ADRR OF SELECTED BUSINESS HOTELS IN THE DSA
(CALENDAR YEARS 2003 – 2009)**


Source: JLV Research
MHIR Consulting
Sunway City Berhad



Independent Property Market Overview Report

4.2.4 MARKET PROSPECTS

The general outlook for the hotel sector in the DSA is positive, driven by:

- Strong Government support. In the Budget 2010, to further intensify the tourism industry, the Government will allocate a total of RM899 million in 2010, which include upgrading the quality of infrastructure in tourism centres throughout the country and providing more tourism products and events. The Government is also supporting the medical tourism industry by enhancing tax incentives for healthcare service providers who offer services to foreign health tourists.
- Limited future supply of hotels in the DSA in the short-to-medium term, with only the Royale Bintang Mutiara Damansara Phase 2 and Premier Hotel (Bukit Tinggi Commercial Centre) due for completion by the end of 2010. These hotels are unlikely to pose a major threat to Sunway Resort Hotel & Spa or Pyramid Tower Hotel due to their focus on the leisure, corporate, MICE and medical tourism markets.

Hotels in the DSA are predominately stand alone hotels, with only a limited few being part of a mixed development. Moreover, amongst the competing integrated/resort developments identified in the DSA, many have experienced slow market demand due to isolated location, poor management and lack of synergy between the “integrated” components.

Sunway Resort Hotel & Spa and Pyramid Tower Hotel have positive outlooks based on the following:

- Both are strategically located within established commercial, industrial as well as residential precincts in the KV.
- The hotels enjoy excellent accessibility, with convenient access via multiple major roads and expressways such as the New Pantai Expressway, Federal Highway, Lebuhraya Damansara-Puchong and the KESAS highway.
- The hotels form an integral part of an Integrated Resort which provide integration between the retail, office, entertainment, education and medical components.
- The hotels have been designed and built with quality specifications and provisions, including the adequate number of guest rooms, ample number of F&B outlets, large meeting and banqueting facilities as well as leisure and recreational facilities.



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4.3 SUNWAY RESORT HOTEL & SPA OUTLOOK

Achievements

Industry accolades awarded to Sunway Resort Hotel & Spa include those listed in the table below:

TABLE 4.3.1

**AWARDS WON BY SUNWAY RESORT & SPA
(CALENDAR YEARS 2001 – 2009)**

Year Awarded	Award	Awarding Body
2001	The Best Employers in Malaysia	In partnership with Hewitt Associates, The Asian Wall Street Journal and the Far Eastern Economic Review
2001	FIABCI Prix d'Excellence - 1 st Runner Up in the Leisure Category	The International Real Estate Federation (FIABCI)
2001	Best Hotel Development	FIABCI Malaysia
2001	Outstanding Contribution to Tourism in the private sector category – Sunway Lagoon Resort	Tourism Malaysia
2002	Investors in People Worldwide Standard Certification (IIP Worldwide) – Excellence in workforce development	Malaysian Institute of Quality Assurance (MIQA)
2004/2007	National Excellence OSH Award Dec 2004 & Feb 2007 – Hotel & Restaurant Industry Category	National Council for Occupational Safety & Health (NCOSH)
2005	Minister's Award in Human Resources Development - Large Enterprise Category (service sector)	Ministry of Human Resources and Pembangunan Sumber Manusia Berhad (PSMB)
2005	Award of Excellence in Hospitality Asia's Platinum Awards for the Best 5-star MICE Hotel	World Asia Publishing
2006	Best New Spa Award – Mandara Spa	Malaysia Spa and Wellness Award
2007	Awarded Hospitality Asia Platinum Award	World Asia Publishing
2008	Awarded Hospitality Asia Platinum Award	World Asia Publishing
2009	Malaysia Spa and Wellness Awards 2009	Asia Spa & Wellness Promotion Council

Outlook of Sunway Resort Hotel & Spa

Sunway Resort Hotel & Spa is regarded as a “resort destination” due to the fact that it adjoins the Sunway Pyramid Shopping Mall, the Sunway Lagoon Theme Park, educational institutions, a medical centre and the Sunway Pyramid Convention Centre.

The integration factor has successfully created a continuous flow of hotel guests from the corporate, leisure, families segments for the hotel, with the trend expected to continue given that the resort is well positioned to benefit from the growing MICE and medical tourism market.



Proprietor: Singham Subraman Sdn. Bhd. (78217-X)

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In terms of the leisure market, while the Middle Eastern market will continue to be one of its major sources of income, the hotel is set to capture emerging source of markets like India and China.

However, although the hotel is able to benefit from being part of an integrated resort, it also faces competition from other neighbouring and newer hotels in terms of competitive rates and product offerings, such as from the Gardens Hotel & Residences which is also part of an integrated development and offers a combination of different classes of hotels to suit different budget needs.

Nevertheless, Sunway Resort Hotel & Spa has the added advantage of capturing a broader target market including leisure tourists, corporate guests and families of students and patients. In addition, the hotel operator is also aggressively promoting online booking, which is expected to further expand its target market.

There are no future projects in the DSA which might emerge as a competition to the hotel. The Royale Bintang Mutiara – Phase 2 in Mutiara Damansara is unlikely to pose much threat due to its room inventory being smaller than the subject hotel.

SWOT Assessment

In the assessment of Sunway Resort Hotel & Spa, JLW have specifically looked at the strengths, weaknesses, opportunities and threats concerning the subject property. This includes taking into consideration, amongst others, its location and accessibility, concept/theme, service delivery, building attributes and facilities provided.

Strengths

- Accessible by five major highways.
- Located within an established and self-contained township of Bandar Sunway and surrounded by an established affluent population.
- Located within Selangor, the most populated and developed state in Malaysia.
- Part of a “one stop destination” which combines the concept of “Work, Play, Live and Entertainment” under one roof.
- Good accessibility and linkages with other components within the Sunway Integrated Resort.
- Strong marketing team - active in participating in international road shows.
- Recipient of multiple awards, including recognition for workforce development and enhancing customer services.



Proprietor: Singham Saktiman Sdn. Bhd. (78217-X)

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Weaknesses

- Fewer public transportation options, e.g. lacking a direct link to Light Rail Transit (“LRT”) or KTM Komuter.
- Constructed on leasehold land expiring in 2097.

Opportunities

- Opportunity to tap into the emerging medical tourism segment and the growing MICE source markets such as China and India.
- Growing online room booking, which is anticipated to result in further reductions in operational costs.
- Relaxed government measures on visa applications for health tourists and selected foreign business groups.
- Generally limited supply of future hotel rooms in the development pipeline.
- Enhanced future accessibility to the suburbs of KL via monorail and LRT system.
- Increase in number of low cost air carriers/flights such as Air Asia and FireFly.

Threats

- Competition from neighbouring and newer hotels such as hotels within the Mid Valley City.

Sunway Resort Hotel & Spa has a number of positive attributes that surpass its weaknesses and threats and this supports favourable investment prospects.



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4.4 PYRAMID TOWER HOTEL OUTLOOK**Outlook of Pyramid Tower Hotel**

Pyramid Tower Hotel has consistently achieved high occupancy rates primarily due to:

- 1) Synergies from being part of the Sunway Integrated Resort
- 2) Locational advantage being in the vicinity of major commercial and industrial areas in Petaling Jaya, Shah Alam and Subang.
- 3) Ability to provide guests 5-star hotel facilities at competitive "4-star" rates.

Being part of the Sunway Integrated Resort has enabled the hotel to capture a continuous flow of hotel guests from the corporate, leisure and families segments. Budget conscious guests will be enticed to stay in Pyramid Tower Hotel whilst enjoying 5-star facilities at the neighbouring Sunway Resort Hotel & Spa. The ability of Pyramid Tower Hotel to provide additional amenities via Sunway Resort Hotel & Spa compares it well against other budget hotels which do not enjoy such an affiliation. The trend is expected to continue given that the resort is also well positioned to benefit from the growing MICE, medical tourism and sports tourism markets.

There are no future projects in the DSA which might emerge as a competition to the hotel, other than the Royale Bintang Mutiara Damansara Hotel (Phase 2). However, Pyramid Tower Hotel has the added advantage of being integrated with the Sunway Resort Hotel & Spa. The Royale Bintang Mutiara Damansara Hotel (Phase 2) / The Royale Bintang Surian is merely an "extension" of the existing hotel, i.e. guests will be charged similar rates.

SWOT Assessment

In the assessment of Pyramid Tower Hotel, JLW has specifically looked at the strengths, weaknesses, opportunities and threats concerning the proposed subject development. This includes taking into consideration, amongst others, its location and accessibility, concept/theme, service delivery, building attributes and facilities provided.

Strengths

- Good accessibility to major highways.
- Enhanced future accessibility in the KV via extended LRT system.
- Located within an established and self-contained township of Bandar Sunway and is surrounded by an established affluent population.
- Located in Selangor, the most populated and developed state in Malaysia



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- Part of a “one stop destination” which combines the concept of “Work, Play, Live and Entertainment” under one roof.
- Good accessibility and linkages with other components within the Sunway Integrated Resort.
- Ability to provide guests 5-star hotel facilities at attractive 4-star rates.
- Strong marketing team - active in participating in international road shows.

Weaknesses

- No recreational and limited F&B facilities in the hotel; however, the hotel guests are able to share facilities with the interlinked Sunway Resort Hotel & Spa.
- There is a general lack of corporate ambience at the reception area
- Limited modern public transportation in Bandar Sunway (i.e. LRT and KTM services), although there are regular buses serving the area.
- Constructed on 5 parcels of leasehold land expiring in 2102 and 2105.

Opportunities

- Growing online room booking – further reduction in operational costs.
- Relaxed government measures on visa applications for health tourists and selected foreign business groups.
- Generally limited supply of future hotel rooms in the development pipeline, which reduces the level of “new” competition.
- There has been a growing demand for MICE facilities in the country as a whole, as indicated in the positive growth in the number of conference arrivals in Malaysia.
- Increase in the number of tourist arrivals and increased ease of travelling with more low cost carrier airlines offering cheap and affordable prices.



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Threats

- More intense competition and attractive promotional packages being offered by hotels in the DSA to attract potential guests.

Pyramid Tower Hotel has a number of good local endowments and positive attributes that surpass the overall weaknesses and threats and this supports favourable investment prospects.



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5.0 REVIEW OF MENARA SUNWAY

5.1 KLANG VALLEY OFFICE MARKET OVERVIEW

The Klang Valley ("KV") office stock is divided into two principal geographical areas, namely "Kuala Lumpur City" ("KLC") and "Outside Kuala Lumpur City" ("OKLC").

This assessment comprises purpose built office accommodation either within stand alone (5 storeys and more and non-government buildings) buildings or integrated within mixed commercial developments.

KV Sub-Locations

Within the KLC, the office supply is geographically categorised under five locations:

1. The Golden Triangle ("GT") stretches along Jalan Ampang, Jalan Sultan Ismail, Jalan Bukit Bintang and the Kuala Lumpur City Centre ("KLCC") site. This prime office location is where most of the modern and high rise office buildings are situated and it supersedes the Central Business District as the "city centre" of Kuala Lumpur. Sunway Tower (see section 6.0 of this report) is located in the Golden Triangle.
2. The Central Business District ("CBD") is the older commercial area at the heart of the city (also known as the Central Planning Area as defined in the Federal Territory Kuala Lumpur Comprehensive Development Plan No. 1040). This locality is dominated by secondary grade accommodation, as there has been limited opportunity for new development due to the depleted "land bank" in the area.
3. The Decentralised Area ("DC") is not one concentrated area but is located around the fringes of Kuala Lumpur about 5km to 10km radius from the city centre. The main commercial areas include, Sungai Besi, Cheras, Kampung Pandan, Jalan Ampang, Jalan Ipoh, Segambut and Duta/Bukit Tunku. These locations generally provide secondary grade office accommodation within a mixture of modern and older buildings.
4. Damansara Heights ("DH") is an established high end residential and commercial area located about 6 km to the west of the city centre. Multinationals are well represented in the high rise corporate offices in this area. Damansara Heights is an exclusive residential neighbourhood and a popular location with middle to upper class Malaysians and expatriates.


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5. The Bangsar/Pantai ("B/P") locality, located about 5km to 7km southwest of the city centre, is adjacent to DH and is rapidly becoming an emerging office location. This area includes two large scale commercial developments, namely KL Sentral and Mid Valley. KL Sentral comprises office, condominium, retail and hotel components and is an intermodal transportation hub served by the majority of Kuala Lumpur's rail-based public transportation network. Mid Valley includes the Megamall and The Gardens shopping centres, office towers, signature offices and hotels.

Within OKLC, the office stock is categorised into seven locations. The offices are usually located within commercial town centres.

1. Petaling Jaya ("PJ"), the first planned town in Malaysia, was developed in the 1950s as the satellite town for Kuala Lumpur and following almost sixty years of development, PJ's strategic location resulted in the "town" being granted "city status" on 20th June 2006 and the city is now home to the majority of the commercial accommodation in the OKLC areas. PJ hosts many large industrial related companies and is a popular location with tenants who do not need to be in the centre of Kuala Lumpur. **Menara Sunway is located in Petaling Jaya.**
2. As one of the oldest and established suburban residential areas, Subang Jaya ("SJ") is a "self-contained township" located between PJ to its east and Shah Alam to its west. Bandar Sunway is located in the vicinity of SJ. Due to the proximity between them, the much larger area of UEP Subang Jaya ("USJ") and Bandar Sunway are often collectively referred to as Subang Jaya.
3. Shah Alam ("SA") the capital administrative city of Selangor Darul Ehsan and the first planned city in Malaysia is located approximately 25 kilometres west of Kuala Lumpur city centre and is situated on either side of the Federal Highway. The majority of Shah Alam's residential development is on the north side of the Federal Highway and the industrial zones are on the south side.
4. Klang Town ("KLG") is the main commercial hub situated close to Port Klang. Klang is divided by the Klang River into Klang North and Klang South and the former is generally more commercial while the residential areas and government offices are located in Klang South.
5. Other Areas ("OA") are sporadically located commercial developments or clusters include office accommodation in locations such as The Mines Business Park in Sungei Besi, Selangor Darul Ehsan and Pandan Indah in the Cheras locality.



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6. Cyberjaya ("CJY") is being monitored due to its relatively rapid growth in recent years and the demand it has attracted, particularly from foreign and local IT based companies. Cyberjaya, launched in 1999, is approximately 40 kilometres south of Kuala Lumpur and is accessible via major highways. Due to the "previous" planning guidelines in Cyberjaya, office buildings are generally less than 5 storeys.
7. Putrajaya ("PJY") is the Federal Administrative Centre of Malaysia and many Government offices have re-located there. Putrajaya is a Federal Territory and covers an area of 4,931 hectares. Its western boundary adjoins the eastern boundary of Cyberjaya. The city is located approximately 25 kilometres south of Kuala Lumpur and 20 kilometres north of the Kuala Lumpur International Airport ("KLIA").

JLW subdivides the office buildings within the KV into prime and secondary office buildings, which are further defined as:

- **Super Prime** grade buildings are those with advanced "Building Automation Systems", high level computerised M&E as well as 'state-of-the-art' telecommunications and provide excellent overall office accommodation. The Petronas Twin Towers is the only office building in this category.
- **Prime A** grade buildings are usually less than 12 years of age and provide very good overall office accommodation. These buildings generally have flooring incorporating three compartment trunking but have good floor-to-ceiling heights which could adequately incorporate raised floors, floor loadings to accept IT equipment and computer servers and have good sized floorplates often with minimal columns. These buildings will also have high quality security in terms of equipment and personnel. The majority of these buildings are located in heavily commercialised areas such as the city centre, Damansara Heights and Bangsar/Pantai.
- **Prime B** grade buildings are buildings which are usually less than 12 years of age and provide good overall office accommodation. These buildings are generally older than "Prime A" buildings but with similar features, layouts and floorplates. Security is also likely to be less intense with less sophisticated equipment.
- **Secondary A** grade buildings are generally those of more than 12 years of age and provide average office accommodation. These buildings tend to have smaller floorplates and their layouts are not as functional as Prime B buildings. They are also likely to have aging building services in terms of lifts and supporting IT infrastructure.
- **Secondary B** grade buildings are generally more than 12 years of age and provide very basic office accommodation. These buildings are generally considered not to be of institutional investment standard and generally do not have underfloor trunking or building services and security systems are aging and very basic.



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5.2 REVIEW AND BENCHMARKING ANALYSIS

Completed in 1993, Menara Sunway comprises a purpose built 19-storey office tower building with a seven-storey annex block. The building has a total net lettable area of 268,978 sq. ft. with more than 660 car park bays. Its average occupancy rate was 97.3% for the six months ending 31 December 2009.

A detailed analysis of the offices in Petaling Jaya ("PJ") and Subang Jaya ("SJ"), the Defined Study Area ("DSA") will be carried out, as Menara Sunway is located in Bandar Sunway, PJ which is also in the vicinity of SJ.

5.2.1 OVERVIEW OF THE DSA - PJ AND SJ

5.2.1.1 SUPPLY

Existing Supply

As at the end of 2009, the total stock of office space in PJ as is 10.0 million sq. ft. The PJ area has the most supply of office space in the OKLC areas, the majority of which is prime grade office stock.

There is a total of 2.0 million sq. ft. of office space in SJ, of which secondary grade space represents 59%.

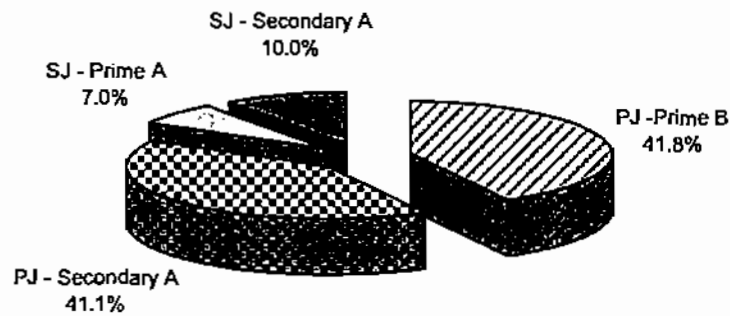
The total office space in the DSA is 12.0 million sq. ft. of which 51% is Secondary space and 49% is prime space.

Graph 5.2.1 shows the distribution of the office space in the DSA by grade.


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GRAPH 5.2.1
OFFICES IN THE DSA BY GRADE


Source: J.L.W Research

There are no Prime A office buildings in PJ and SJ. However, there are a number of high quality Prime B offices in PJ including Menara Axis, Menara Sunway, 8 First Avenue (Plaza IBM), CP Tower, Quill 9, Surian Tower and PJ8.

Prime B offices in SJ include Wisma Mesiniaga, Wisma Consplant 1, Wisma Consplant 2 and Heitech Village.

Future Supply

The PJ market is forecasted to receive an additional 2.1 million sq. ft. of office space by the end of 2012. 45% of this new office space will be completed in 2010 and 15% and 40% will be completed in 2011 and 2012, respectively.

Within SJ, a total of 1.4 million sq. ft. of office accommodation will be completed by the end of 2012. 69% of the new offices will be completed in 2011 and the remaining 31% will be completed in 2012. No new office supply is expected to be completed in 2010.

Within the DSA, the total future space identified between 2010 and 2012 is 3.5 million sq. ft. Graph 5.2.2 shows the breakdown of the future office in the DSA by grade.

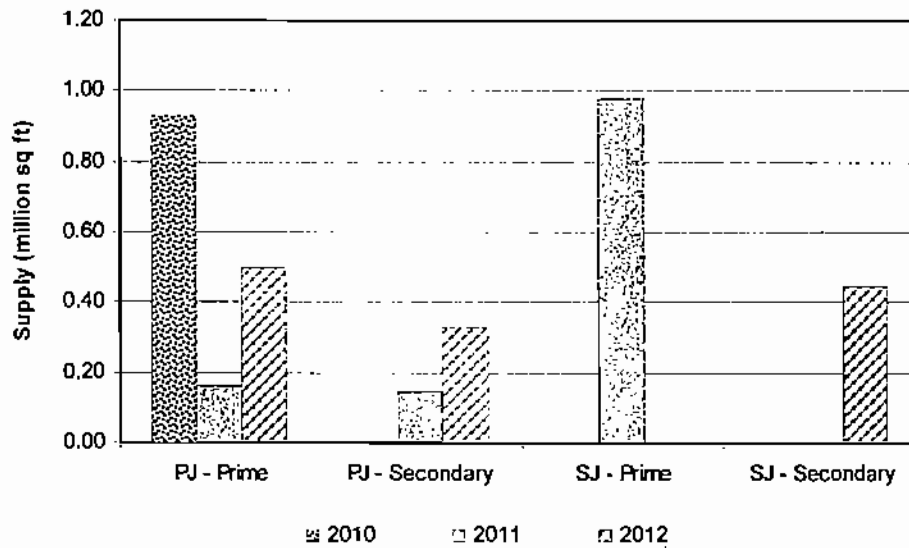


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GRAPH 5.2.2

**FUTURE SUPPLY OF OFFICES IN THE DSA BY GRADE
(CALENDAR YEARS 2010-2012)**



Source: JLW Research

A total of 5.7 million sq. ft. of office space is currently earmarked for completion post-2012 in PJ. Generally, these projects have either been granted approval by the local authorities or are at preliminary planning stage.

In SJ, the total future office space expected to be completed post 2012 is 0.9 million sq. ft. contributed by three office developments, two of which have been granted approval and the remaining project waiting for planning approval by the local authorities.

Details of the future office buildings, scheduled to be completed between 2010 and 2012 in the DSA, are provided in the table below.

APPENDIX III - INDEPENDENT PROPERTY MARKET OVERVIEW REPORT (Cont'd)



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TABLE 5.2.1

PIPELINE OF OFFICE BUILDINGS IN THE DSA EXPECTED TO BE COMPLETED (CALENDAR YEARS 2010 – 2012)

Expected Year of Completion	Project	Location	Area	JLW Grade*	No. of Floors	Estimated Net Floor Area (sq ft)	Status
OKLC							
2010	I First Avenue	Bandar Utama	PJ	Prime	25	626,000	Superstructure works reached top level.
	PJ Exchange (PJX)	Taman Jaya	PJ	Prime	34	304,152	Ongoing superstructure works.
2011	TSR Capital HQ	Jln. PJU 7/3, Mutiara Damansara	PJ	Prime	17	162,040	Earthworks completed. Work temporarily on hold.
	Prima Avenue - Dataran Prima (Tower A)	Jln. PJU 1/28, Dataran Prima, Kelana Jaya	PJ	Secondary	16	145,893	Under construction.
	Oasis Ara Damansara - Block F	Jln. Lapangan Terbang	SJ	Prime	11	195,636	Under construction.
	Oasis Ara Damansara - Block G	Jln. Lapangan Terbang	SJ	Prime	11	168,663	Under construction.
	Oasis Ara Damansara - Block H	Jln. Lapangan Terbang	SJ	Prime	11	193,831	Under construction.
	Oasis Ara Damansara - Block D	Jln. Lapangan Terbang	SJ	Prime	13	418,930	Under construction.
2012	Plaza 33	Jln. Semangat, Petaling Jaya	PJ	Prime	29/16	500,000	Earthworks stage.
	Tierra Crest	Jln. SS6/3A, Kelana Jaya	PJ	Secondary	15 (2)	186,893	Piling works completed.
	Zenith Corporate Park - Corporate Tower	Jln. SS7/19, Kelana Jaya	PJ	Secondary	13	140,000	Piling works completed.
	Olivcs Commercial (Twin Towers)	Jln. SS16/1, Subang Jaya	SJ	Secondary	14 (2)	447,660	Ongoing piling works for the office component.
Total						3,489,698	

* based on JLW's grading
 PJ – Petaling Jaya SJ – Subang Jaya
 Source: JLW Research

5.2.1.2 DEMAND

Occupancy Rate & Take up

The average occupancy rate of offices in PJ as at the end of 2009 was 78%, which is below the average occupancy rate (82%) of offices in the KV but higher than the OKLC average occupancy rate of 75%.



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Table 5.2.2 provides the average office occupancy rate of offices by grade, as at the end of 2009.

TABLE 5.2.2

**AVERAGE OCCUPANCY RATE OF DSA OFFICES BY GRADE
AS AT THE END OF CALENDAR YEAR 2009**

Location	Occupancy Rate (%)
Klang Valley	82
Outside Kuala Lumpur (OKLC)	75
Petaling Jaya	78
Prime B	71
Secondary A	85
Subang Jaya	88
Prime B	91
Secondary A	86

Source: J.L.W Research

Demand for office accommodation in PJ has been improving since 2006. Generally, the demand is from financial institutions, educational institutions, insurance companies and financial services companies.

The lower average occupancy rate of offices in PJ especially for the Prime offices (71%) was generally due to the completion of several new offices which are yet to be physically occupied such as PJ Trade Centre – Block C and Block D and PJ8 – Block C. The occupancy rates of these buildings are expected to improve in the next few months as some tenants such as Inland Revenue Board, Taiko Group and Kami Builders are committed to occupying space in these buildings.

There have been a number of relocations of international office users from offices in the KLC to PJ. Some tenants have relocated to escape the congestion of the city centre, the higher rental rates and the lack of suitable car parking spaces. Major “pull” factors to the suburbs, particularly to PJ, include:

- Well established suburban commercial locations
- Close to a skilled and educated workforce (middle / upper middle income bracket)
- Reduced travel times for employees
- Closer proximity to clients / industries
- Good infrastructure and continuing upgrades to existing infrastructure
- Served by good schools, colleges and universities, medical centres, shopping centres, leisure facilities and amenities


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Relatively higher occupancy rates are recorded, especially by the prime offices in SJ, due to the fact that a large majority of the buildings are partly owner occupied.

During 2009, offices in PJ recorded a total take up of 0.6 million sq. ft., or approximately 22% of the total take up (2.7 million sq. ft.) recorded in the KV in 2009. The offices in SJ recorded a total take up of 0.2 million sq. ft., or approximately 7% of the total take up (2.7 million sq. ft.) recorded in the KV in 2009. The positive take up registered in 2009 was generally contributed by tenants relocating from the city centre. In 2009, major leasing transactions in the DSA were the relocation of Symphony House to Dana 13 (D13), the relocation of Nestle Bhd to Surian Tower, the relocation of BATA to PJ Trade Centre - Block B and the relocation of Hong Leong Assurance to PJ City - Block B.

5.2.1.3 MARKET INDICATORS

Market Rentals

Despite the global economic turmoil and local economic recession in 2009, the rental range of prime offices in SJ generally remained stable in 2009 compared with 2008 at between RM3.00 per sq. ft. per month and RM3.50 per sq. ft. per month. Primarily due to increasing supply, there was a marginal decrease in the rental range of prime offices in PJ 2009, at RM3.50 per sq. ft. per month to RM4.50 per sq. ft. per month, compared to 2008, at RM3.50 per sq. ft. per month to RM4.75 per sq. ft. per month.

Offices in PJ generally command higher rental rates than office rentals in other locations of the OKLC and generally range between RM1.60 per sq. ft. per month for Secondary offices to RM4.50 per sq. ft. per month for Prime office accommodation.

The offices in SJ command a rental range between RM2.50 per sq. ft. per month for Secondary offices to RM3.50 per sq. ft. per month for Prime offices.

Table 5.2.3 below provides details of current rental rates at eight office buildings which are considered to be "comparable" to Menara Sunway.

TABLE 5.2.3
**GROSS RENTALS OF SELECTED OFFICES IN THE DSA
AS AT THE END OF CALENDAR YEAR 2009**

Buildings	Locality	NLA	Gross Rental Rate (RM psf per month)
Amcorp - Amcorp Tower	PJ	179,837	4.00-4.50
Amcorp - PJ Tower	PJ	179,837	4.00-4.50
CP Tower	PJ	312,315	4.50
Menara Axis	PJ	160,000	4.50


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Buildings	Locality	NLA	Gross Rental Rate (RM psf per month)
Surian Tower	PJ	336,655	4.20-4.50
Quill 9 @ Jalan Semangat	PJ	285,801	3.80
Wisma Consplant 1	SJ	241,300	3.50
Wisma Consplant 2	SJ	231,000	3.50

Source: JLW Research

Market Prices

The market price of offices in PJ on an enbloc basis is estimated to be between RM250 per sq. ft. for Secondary offices to RM535 per sq. ft. for Prime offices.

The market price of offices in SJ on an enbloc basis is estimated to be between RM200 per sq. ft. for Secondary offices to RM450 per sq. ft. for Prime offices.

Table 5.2.3(A) summarises the current market rentals and estimated market prices of offices in the DSA by grade.

TABLE 5.2.3(A)

**MARKET RENTALS AND PRICES (ENBLOC) OF OFFICES IN THE DSA
AS AT THE END OF CALENDAR YEAR 2009**

Location	Rentals - RM Per sq ft/ Month	Price - RM per sq ft
Petaling Jaya		
Prime B	3.50-4.50	325-550
Secondary A	1.60-4.00	250-325
Subang Jaya		
Prime B	3.00-3.50	375-500
Secondary A	2.50-3.50	225-375

Source: JLW Research

Select major transactions of office buildings in the DSA during 2009 are tabulated below.


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TABLE 5.2.4

**SELECTED OFFICE TRANSACTIONS IN THE DSA IN
CALENDAR YEAR 2009**

Building	Grade	Net Lettable Area (sq ft)	Transacted Price (RM million)	Price Per sq ft (RM)	Transaction Date
Wisma Glomac 3 <i>Kelana Jaya</i> <i>PJ</i>	Secondary A 13 storey	107,000	50	467	1Q09
CP Tower <i>Jln. Damansara</i> <i>PJ</i>	Prime B 22 storey	318,720	170	533	1Q09
Bangunan C, Peremba Square <i>Section U2, Saujana Resort</i> <i>SJ</i>	Secondary A 6 storey	64,279	18.1	282	2Q09
Glomac Business Centre – Block B <i>Kelana Jaya</i> <i>PJ</i>	Secondary A 9 storey	48,814	22.6	463	4Q09

Source: J.L.W Research

Rental and Price Trend in the DSA: 2002 - 2009

Prime rental rates in PJ improved from RM4.50 per sq. ft. per month in 2007 to RM4.75 per sq. ft. per month in 2008 mainly due to the limited supply available in the market and high occupancy rates. However, as the economy moved into a recession in 2009, the prime rental rates in PJ reduced marginally to RM4.50 per sq. ft. per month attributed by the completion of several new prime offices such as Surian Tower, PJ8 and PJ Trade Centre. The secondary office rental rates in Petaling Jaya have generally remained stable during the last 24 months.

In SJ, the prime and secondary rental rates have generally remained stable during the last two years. Prime offices command a rental range between RM3.00 per sq. ft. per month and RM3.50 per sq. ft. per month. The secondary rental rates in SJ recorded rental rates between RM2.50 per sq. ft. per month and RM3.50 per sq. ft. per month. The office rental rates in PJ have generally remained stable during the last 24 months.



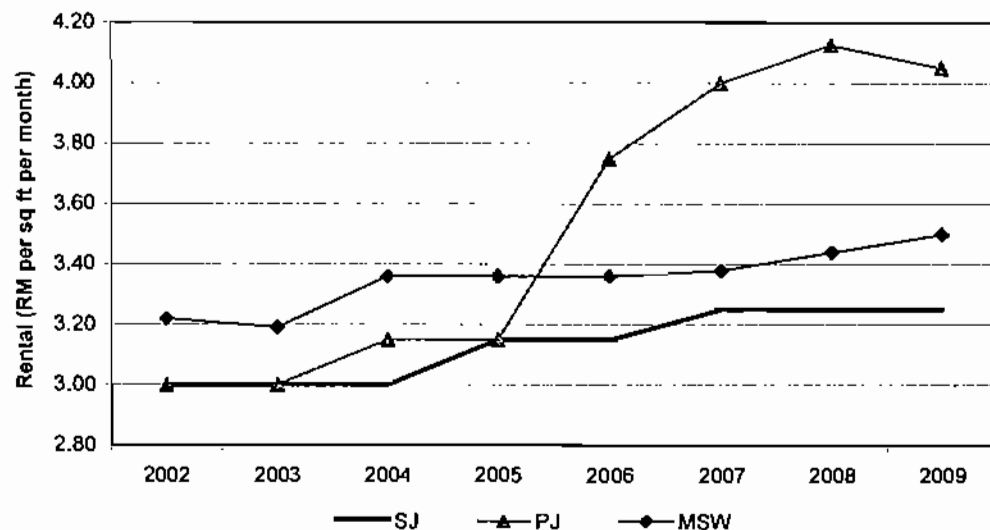
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Graph 5.2.3 shows the historical trend of the office rentals in the DSA and for Menara Sunway. The average rental trend for Menara Sunway is based on “open market rents” and excludes “in-house companies” rental rates set between companies under the “Sunway umbrella”, which are generally paying higher rentals than “external” tenants as the “in-house companies” are paying rental based on a fully furnished space.

GRAPH 5.2.3
RENTAL TREND: OFFICES IN THE DSA (CALENDAR YEARS 2002 – 2009)



SJ – Subang Jaya, PJ – Petaling Jaya, MSW – Menara Sunway

Source: JLW Research
Sunway City Berhad

Note: Rental based on the average gross rents for prime office space

Note: No renewal was achieved in 2008 for Menara Sunway, thus the average rental of 2008 is estimation. The average rental rate for Menara Sunway was based on the “open market rents” and is exclusive of the in-house companies’ rental rates which are based on fully finished space.

Despite the weakened economy condition in 2008/2009, market prices of offices in PJ and SJ remained stable. Generally, there has been a mismatch between vendors’ price expectations and purchasers’ price expectations.

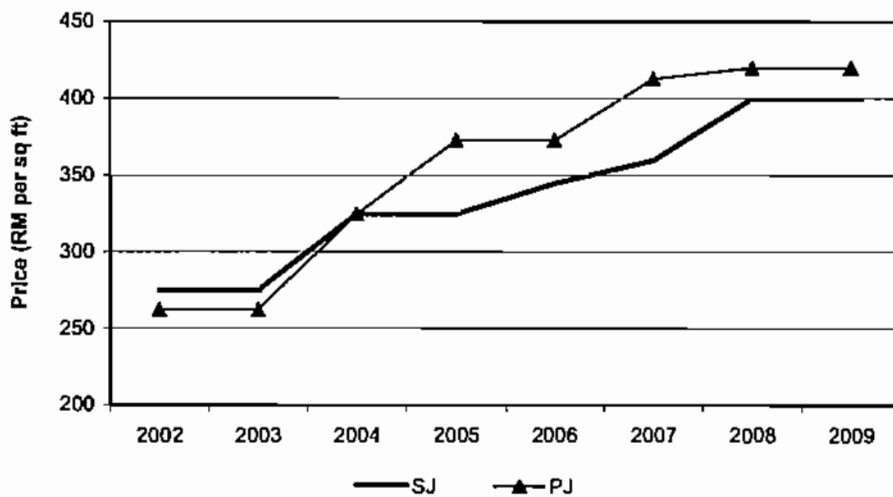


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Graph 5.2.4 shows the historical trend in the market price of offices in the DSA from 2002 to 2009.

GRAPH 5.2.4
PRICE TREND: OFFICES IN THE DSA (CALENDAR YEARS 2002 – 2009)



Source: JLV Research

Note: Market prices quoted are enbloc prices as at the end of the year

5.2.1.4 YIELD

Lack of detailed information on previous transactions has resulted in continued difficulties in assessing a benchmark for yields. The yield of individual office buildings is dependent on many factors, including location, tenant covenant strength and occupancy rate.

With steady prospects for longer term rental growth, it is estimated that OKLC office net equivalent yields generally range between 7.0% (for high end Prime buildings) and 8.5% (for Secondary buildings). The yield range is provided as a general guideline only and is by no means definitive due to the physical, economic and financial characteristics of each individual office property.

5.2.1.5 MARKET PROSPECTS

The trend of decentralisation from the city centre to the suburbs will continue in the short term due to the following reasons:

- (a) Higher rents in the city centre.
- (b) Traffic congestion in the city centre



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- (c) Existing quality grade buildings in the city centre have become increasingly limited due to the limited supply, new quality office space is available in the suburbs.
- (d) Improved infrastructure, and better accessibility to the suburban areas via newly constructed and existing highways.
- (e) Suburban areas are fast developing and supported by other amenities and facilities such as shopping complexes, hotels, etc.
- (f) Increased demand from occupiers relocating from the city centre.

The completion of several new corporate offices in 2009, especially in PJ has provided tenants with a wider variety of office accommodation. Additional new office buildings such as PJ Exchange and 1 First Avenue are expected to be completed in 2010 and these buildings are expected to place further pressure on current market rental rates in the DSA. In particular, landlords may begin to offer incentives such as rent free periods and lower their asking rents in order to compete with the landlords of the newer buildings.

Of the OKLC areas, PJ is expected to remain the preferred location amongst tenants, especially locations in PJ which are highly accessible and well supported by amenities. However, as more supply was completed in 2009, the DSA has become oversupplied with several of the newly completed office buildings yet to be occupied at close to full occupancy rates.



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5.3 OUTLOOK

SWOT Analysis

JLW has classified the subject property as a quality Prime B office due to the good location, proximity to other commercial buildings such as Sunway Pyramid, quality design and high building specifications.

Strengths

- Highly accessible via five major highways.
- Future potential closer linkages with the LRT system which will indirectly enhance accessibility to and from Kuala Lumpur.
- Within proximity of the Sunway hotels and Sunway Pyramid Shopping Mall providing amenities at the “doorstep” of office workers.
- Adjoining Sunway Lagoon Club provides recreational facilities to the office staff.
- Within an established and self contained township of Bandar Sunway and surrounded by established residential schemes, which provide a good source of office staff in the locality.
- Building is equipped with good facilities such as a cafeteria, high speed lifts, CCTV and security.

Weaknesses

- Approximately 15 years old and may require some upgrading in the short to medium term.
- Distance from existing LRT and KTM stations.
- Although the building provides enough car park bays to meet the local authority guidelines, the number of car park bays provided may be insufficient at times of peak demand. This is a common problem for many office buildings in the Klang Valley.
- Constructed on leasehold land expiring in 2097.

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Opportunities

- Rental of PJ offices is still considered to be low compared with the rentals in the city centre and fringe KL areas such as Bangsar/Pantai, which could spur the continued decentralisation of office tenants from the city centre to the suburbs.
- The synergy with the Sunway Corporate Towers planned for on the adjoining land.
- Possible upgrade of the building facilities to meet the demand of multinationals.

Threats

- Competition from new offices in “new areas” in PJ.
- Anticipated slowdown in demand in line with the market trend could dampen rental growth in the short term.
- Heavy traffic to Bandar Sunway that results in traffic congestion at peak travel times.
- Temporary shortage of car parking when Sunway Corporate Towers are constructed; currently the Sunway Corporate Towers site is used as an “overspill” open car park for Menara Sunway.

Outlook for Menara Sunway

Menara Sunway is one of the few offices in Petaling Jaya that has experienced steady growth in occupancy and rental levels. Both the occupancy and rental rates of the building have exceeded the corresponding average rates for Petaling Jaya. However, the supply of new offices has increased in Petaling Jaya over the past two years resulting in strong competition amongst landlords. Additionally, the majority of the newly completed offices are located in the Damansara Perdana/Mutiara Damansara locality which is closer to major residential areas such as Bandar Utama and Taman Tun Dr Ismail (“TTDI”). The newly completed offices are expected to create strong competition for Menara Sunway.

Several new offices have been identified to be completed between 2010 and 2012 in Petaling Jaya and Subang Jaya. Some of the new offices are located in the prominence locality such as Bandar Utama, Subang Jaya and Mutiara Damansara. These buildings will further compete with Menara Sunway once completed.



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6.0 REVIEW OF SUNWAY TOWER

6.1 KLANG VALLEY OFFICE MARKET OVERVIEW

Sunway Tower is part of the Klang Valley (“KV”) office stock. The KV office market definitions, describing locations and building categories is provided in section 5.1 of this report.

A “micro” analysis of the office market in KL’s Golden Triangle (“GT”) and Central Business District (“CBD”), the Defined Study Area (“DSA”) will be carried out, as Sunway Tower is located in the GT, within KL city centre. The building is located on the western and eastern boundaries of the GT and the CBD, respectively.

6.2 REVIEW AND BENCHMARKING ANALYSIS

Completed in 1996, Sunway Tower is a purpose built 33-storey office tower building with a total net lettable area of 268,412 sq. ft. and over 290 car parking bays. Its average occupancy rate was 94.5% for the six months ending 31 December 2009.

6.2.1 OVERVIEW OF THE DSA - GT AND CBD

6.2.1.1 SUPPLY

Existing Supply

The total office stock in the GT as at the end of 2009 was 24.9 million sq. ft., 75% of which is considered to be of Prime grade. The remainder is Secondary space.

There is a total of 16.2 million sq. ft. of office space in the CBD, of which 49% is considered to be Prime grade office buildings. The remainder is Secondary space.

The total office space in the DSA is 41.0 million sq. ft., of which 65% is Prime space and 35% is Secondary space.

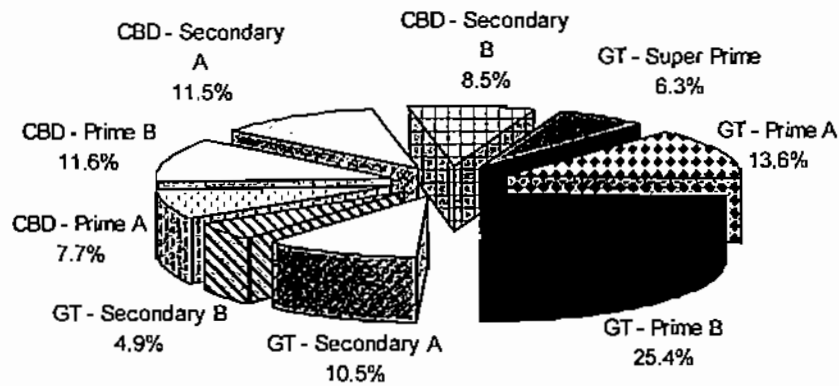
Graph 6.2.1 shows the distribution of the office space in the DSA by grade.


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GRAPH 6.2.1

OFFICES IN THE DSA - BY GRADE


Source: JLW Research

The Prime office buildings in the GT are categorised into three sub-categories, namely Super Prime, Prime A and Prime B. The Petronas Twin Towers is the only office building categorised as Super Prime. The Petronas Twin Towers comprise a total net lettable area of approximately 2.6 million sq. ft. and were the tallest buildings in the world between April 1996 and October 2003.

Prime A offices in the GT include Menara Citibank, Menara Maxis, Menara Public Bank, Menara Standard Chartered, Menara Perak, Menara IMC and Menara Dion. Prime B offices in GT include Menara TA1, Kenanga International building, Menara ING, UBN Tower, Menara Hap Seng and Menara MBF. Sunway Tower is categorised as a Prime A office building.

There are no Super Prime office buildings in the CBD. Prime A offices in the CBD include Menara Olympia, Menara Multi Purpose, Menara Maybank, Menara AIA and Menara Buniputra Commerce. Prime B offices in the CBD include Menara Bank Muamalat, Wisma Sime Darby, Menara Tun Razak, Menara Dayabumi and Menara Uni Asia.

Future Supply

The GT market is forecasted to receive an additional 4.7 million sq. ft. of office space by the end of 2012. If all projects are completed as currently scheduled, 51% of this new office space will be completed in 2011 and the remaining 29% and 20% will be completed in 2010 and 2012, respectively. Thus, with slow demand expected in 2010, oversupply in 2011 is possible.



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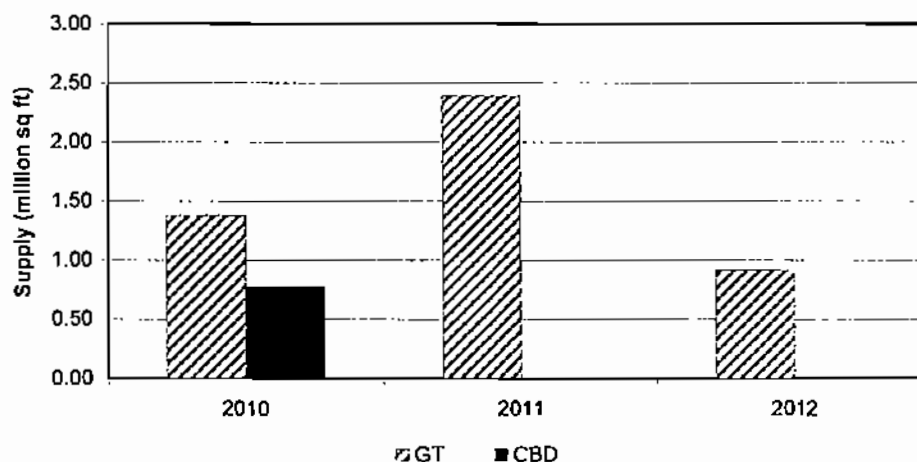
Within the CBD, a total of 0.8 million sq. ft. of office accommodation will be completed between 2010 and 2012. All of the future office buildings will be completed in 2010 and no new office supply is expected to be completed in 2011 and 2012.

Within the DSA, the total future space identified between 2010 and 2012 is 5.5 million sq. ft., of which 39% is expected to be completed in 2010, followed by 44% in 2011 and 17% in 2012, respectively.

The graph below shows the breakdown of the future office in the DSA by locality.

GRAPH 6.2.2

**FUTURE SUPPLY OF OFFICES IN THE DSA BY LOCALITY
(CALENDAR YEARS 2010-2012)**



Source: J.L.W Research

Note: All of the future supply is Prime grade office buildings. No Secondary grade future buildings were identified.

In the GT, a total of 4.9 million sq. ft. of office space has been identified as being expected to be completed post-2012. Generally, the identified projects have either been granted planning approval by the local authorities or are at the preliminary planning stage.

In the CBD, the total future office space to be completed post-2012 is 0.3 million sq. ft. The developer of CapSquare (North and South), which is in close proximity to Sunway Tower, will only commence construction upon the identification of an en-bloc purchaser.

Details of the future office buildings, scheduled to be completed between 2010 and 2012 in the DSA are provided in the following table.

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**TABLE 6.2.1
 PIPELINE OF OFFICE BUILDINGS IN THE DSA EXPECTED TO BE COMPLETED BETWEEN CALENDAR YEARS 2010 AND 2012**

Expected Year of Completion	Project	Location	Area	JLW Grade*	No. of Floors	Estimated Net Floor Area (sq ft)	Status
KLC							
2010	Menara MAIWP	Jln. Perak	GT	Prime	34	360,000	Ongoing substructure works.
	Menara Worldwide	Jln. Bukit Bintang	GT	Prime	25	277,000	Ongoing superstructure works.
	G Tower	Jln. Tun Razak	GT	Prime	17 (out of 33 storey)	502,700	Construction works completed. Pending CCC.
	Hampshire Place	Persiaran Hampshire	GT	Prime	30	240,527	Ongoing superstructure works.
	HSBC Annexe (Quill 6)	Lebuhr Ampang	CBD	Prime	24	175,000	Ongoing superstructure works.
	Capital Square Office Tower 2	Jln. Munshi Abdullah	CBD	Prime	41	600,000	Ongoing superstructure works.
	Menara Chua	Jln. Binjai	GT	Prime	35	372,000	Under construction.
	KLCC - Lot C	Jln. Ampang	GT	Prime	58	500,000	Ongoing basement works.
	Glomac Al-Batha Tower	Jln. Pinang	GT	Prime	36	515,003	Under construction.
	Menara Felda Platinum ³	Jln. Stonor	GT	Prime	50	689,273	Basement works ongoing.
2011	Crest Jalan Sultan Ismail	Jln. Sultan Ismail	GT	Prime	26	193,000	Ongoing superstructure works.
	Office development at Lot 450	Jln. Tun Razak	GT	Prime	19	120,000	Piling works.

APPENDIX III - INDEPENDENT PROPERTY MARKET OVERVIEW REPORT (Cont'd)

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Expected Year of Completion	Project	Location	Area	JLW Grade*	No. of Floors	Estimated Net Floor Area (sq ft)	Status
2012	Platinum Park Office Tower B	Jln. Stonor	GT	Prime	38	359,000	Ongoing basement works.
	Mixed development project by Bahagia Investment	Jln. Pinang	GT	Prime	42	255,641	Ongoing foundation works.
	Integra Tower at The Intermark	Jln. Tun Razak	GT	Prime	32	300,000	Ongoing piling works.
Total						5,459,144	

* based on JLW's grading

GT – Golden Triangle

CBD – Central Business District

Source: JLW Research



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6.2.1.2 DEMAND**Occupancy Rate & Take up**

The average occupancy rate of offices in the GT as at the end of 2009 was 84%, which was higher than the average occupancy rate of offices in the KV at 82% and was same as the average occupancy rate of KLC at 84%. Despite having the largest office stock in the KLC, the office stock in the GT recorded the second highest occupancy rate in the KLC at 84%; only the CBD had a higher occupancy rate of 91%. In terms of tenant profile by sector, the major office occupiers in the GT and the CBD were generally oil and gas companies, financial institutions and government agencies.

The table below provides the average office occupancy rate of offices by grade, as at the end of 2009.

TABLE 6.2.2

**AVERAGE OCCUPANCY RATE OF GT OFFICES BY GRADE
AS AT THE END OF CALENDAR YEAR 2009**

Location	Occupancy Rate (%)
Klang Valley	82
Kuala Lumpur (KLC)	84
Golden Triangle	84
Super Prime	98
Prime A	92
Prime B	82
Secondary A	71
Secondary B	76
Central Business District	91
Prime A	98
Prime B	92
Secondary A	90
Secondary B	85

Source: J.L.W Research

Demand for office space in the DSA improved between 2007 and 2008 before easing off in 2009 as a result of the economic recession. The fairly strong demand in 2008 was generally contributed by the expansion of several financial institutions and oil and gas companies with a presence in Malaysia, such as Standard Chartered Bank, OCBC Bank, Kuwait Finance House, Shell and Petronas.



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However, due to the effects of the global economic crisis in 2009, several companies relocated to the suburbs such as Petaling Jaya and Subang Jaya and downsized their office space requirement in order to save costs. Companies that decentralised their operations included Hong Leong Assurance, Symphony House, Time Dot Com and Hitachi Data Systems.

Several factors that led to the decentralisation trend in 2009 were:

- Higher office space rentals compared to the suburbs, particularly after a buoyant 2008.
- Increasing traffic congestion in the city centre especially during peak hours and lack of car parking spaces within office buildings.
- Reduced travel times for employees.
- Offices in the suburbs such as PJ, SJ and Cyberjaya have become increasingly well connected to major highways.

Nevertheless, relatively high occupancy rates were maintained at prime offices in the GT and the CBD, indicating that the prime offices in the city centre are still well occupied despite the slower economic conditions.

During 2009, offices in the GT recorded a negative take up of 0.4 million sq. ft. compared with a positive 0.6 million sq. ft. in 2008. The negative take up registered in the GT was generally caused by companies relocating to the suburbs and due to the lack of demand growth from corporate tenants.

The offices in the CBD recorded a total positive take up of 0.5 million sq. ft., which is approximately 18% of the total take up (2.7 million sq. ft.) recorded in the KV in 2009. The positive take up registered in 2009 was generally contributed by the consolidation and expansion of CIMB Bank, which fully occupied Menara Bumiputra Commerce in 2009.

6.2.1.3 MARKET INDICATORS

Market Rentals

Despite there being increasing pressure on landlords to reduce rental rates in 2009 due to the weakening economy and weakened growth in demand, rentals generally remained stable in the DSA with only the rental range of Prime A offices in the GT showing a decrease from RM8.75 per sq. ft. per month in 2008 to RM8.50 per sq. ft. per month in 2009. Rentals in the CBD remained stable in 2009 as the majority of the offices are well occupied by government agencies and financial institutions. Landlords of buildings which were registering generally low occupancy rates were prepared to accept lower rental rates compared with 2008's levels to attract tenants. In some individual cases landlords were prepared to offer rent free periods of between two (2) and six (6) months on a three year tenancy term.



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Offices in the GT generally command higher rental rates than office rentals in other locations of the KV and average rentals generally range between RM2.30 per sq. ft. per month for Secondary offices to RM8.50 per sq. ft. per month for Prime office accommodation. The Petronas Twin Tower (Super Prime) commands rentals in the range of between RM10.00 per sq. ft. per month and RM14.00 per sq. ft. per month, depending on floor level occupied.

Offices in the CBD command rentals ranging between RM1.25 per sq. ft. per month for Secondary offices and RM4.50 per sq. ft. per month for Prime offices.

Table 6.2.3 below provides details of current rental rates at eight office buildings which are considered to be "comparable" to Sunway Tower.

TABLE 6.2.3

**GROSS RENTALS OF SELECTED OFFICES IN THE DSA
AS AT THE END OF CALENDAR YEAR 2009**

Buildings	NLA	Gross Rental Rate (RM psf per month)
Menara Prudential	164,080	5.60
Etiqa Twins (MNI Twins)	465,000	6.00
Wisma Hong Leong	335,000	6.00
Wisma Genting	427,800	5.50
Menara HLA	410,000	5.50-5.70
Menara Perak	190,250	6.30
Menara TAI	386,000	5.00-5.50
Menara Multi Purpose	509,000	4.50-5.00

Source: J.L.W Research

Market Prices

The average market price of offices in the GT on an enbloc basis is estimated to be between RM325 per sq. ft. for Secondary offices to RM550 per sq. ft. for Prime offices.

The average market price of offices in CBD on an enbloc basis is estimated to be between RM225 per sq. ft. for Secondary offices to RM475 per sq. ft. for Prime offices.

Table below provides the market rentals and estimated market prices of offices in the DSA by grade.

APPENDIX III - INDEPENDENT PROPERTY MARKET OVERVIEW REPORT (Cont'd)



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Independent Property Market Overview Report

TABLE 6.2.3(A)

**MARKET RENTALS AND PRICES (ENBLOC) OF OFFICES IN THE DSA
AS AT THE END OF CALENDAR YEAR 2009**

Location	Rentals - RM Per sq ft/ Month	Price - RM per sq ft
Golden Triangle		
Super Prime	10.00 – 14.00	850+
Prime A	4.50 – 8.25	600 – 850
Prime B	3.50 – 5.50	400 – 550
Secondary A	2.80 – 4.80	330 – 400
Secondary B	2.30 – 3.50	235 – 330
Central Business District		
Prime A	4.00 – 4.50	425 – 700
Prime B	3.25 – 4.00	280 – 425
Secondary A	2.00 – 3.50	200 – 280
Secondary B	1.25 – 3.00	180 – 200

Source: J.L.W Research

Details of select office buildings transactions in 2009 in the DSA are tabulated below.

TABLE 6.2.4

**SELECTED OFFICE TRANSACTIONS IN THE DSA IN
CALENDAR YEAR 2009**

Building	Grade	Net Lettable Area (sq ft)	Transacted Price (RM million)	Price Per sq ft (RM)	Transaction Date
Bangunan Darul Takaful <i>Jln. Sultan Ismail</i> <i>GT</i>	Secondary A 18 storey	99,021	63	636	2Q09
Menara Citibank <i>Jln. Ampang</i> <i>GT</i>	Prime A 50 storey	733,634	303.7	828*	3Q09
Wisma Genting <i>Jln. Sultan Ismail</i> <i>GT</i>	Prime A 25 storey	409,033	213	520	4Q09

* Hap Seng Consolidated Bhd bought 50% shares of Inverfin Sdn Bhd, the owner of Menara Citibank.
Source: J.L.W Research



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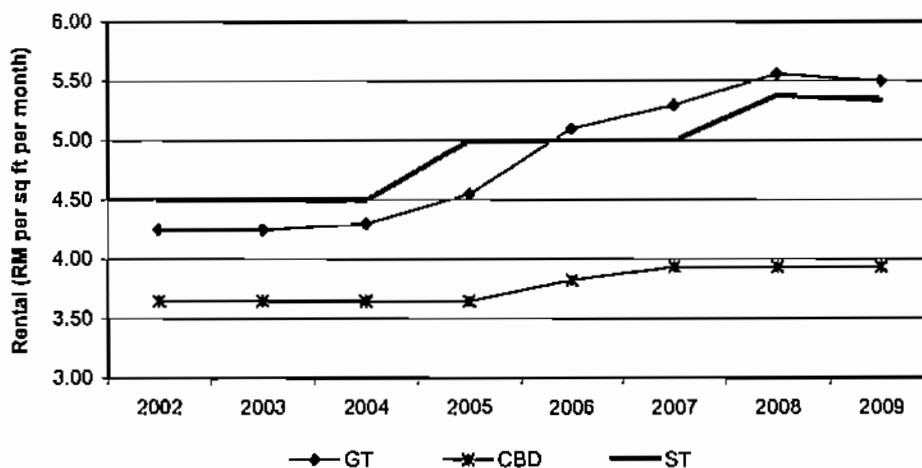
Rental and Price Trend in the DSA: 2002 - 2009

The average Prime rental rates in the GT increased from RM5.30 per sq. ft. per month in 2007 to RM5.56 per sq. ft. per month in 2008 due to the overall good occupancy rates. However, the average Prime rental rates in GT reduced to RM5.50 per sq. ft. in the later part of 2009 contributed by limited demand, more new supply being available and broader economic conditions. Prime rental rates in the GT currently range between RM3.50 per sq. ft. per month and RM8.50 per sq. ft. per month. Generally, rentals for Secondary office buildings in the GT have remained stable over the last two years and currently range between RM2.30 per sq. ft. per month and RM4.80 per sq. ft. per month.

The average Prime and Secondary rental rates in the CBD have remained stable during the last two years despite the weakened national economy due to stable occupancy rates. The rental rates of Prime offices in the CBD currently range between RM4.00 per sq. ft. per month and RM4.50 per sq. ft. per month. The Secondary rental rates in the CBD range between RM1.25 per sq. ft. per month and RM3.50 per sq. ft. per month.

The graph below shows the historical trend of the office rentals in the DSA and the rental trend of average rental rates at Sunway Tower.

GRAPH 6.2.3
RENTAL TREND: OFFICES IN THE DSA (CALENDAR YEARS 2002 – 2009)



Note: Rental based on the average gross rents for prime office space
Source: JLW Research
Sunway City Berhad



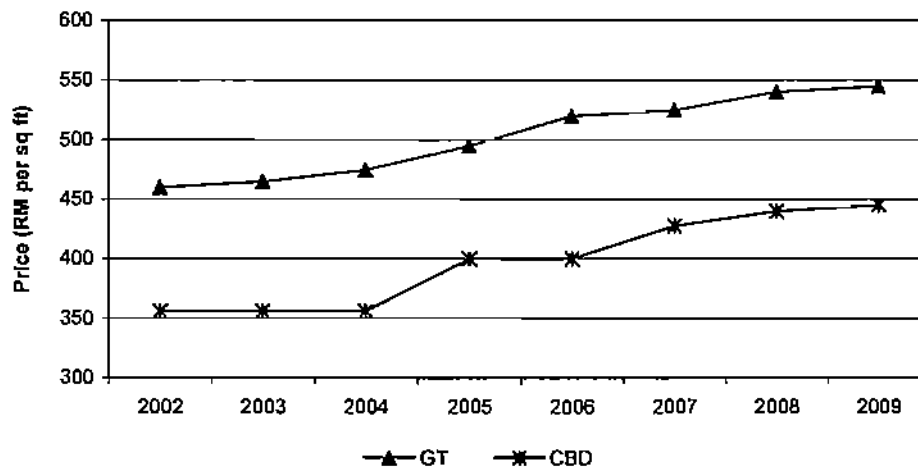
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Generally, the average market prices of offices in the GT and the CBD increased marginally from RM525 per sq. ft. and RM428 per sq. ft. in 2007 to RM538 per sq. ft. and RM433 per sq. ft. in 2008, respectively. The average market prices in both the GT and the CBD remained stable in 2009 despite the weakening sentiment in the office investment market due to broader economic conditions.

The graph below shows the historical trend in the market price of offices in the DSA from 2002 to 2009.

GRAPH 6.2.4
PRICE TREND: OFFICES IN THE DSA (CALENDAR YEARS 2002 – 2009)



Note: Market prices quoted are enbloc prices as at the end of the year
Source: JLV Research

6.2.1.4 YIELD

Lack of detailed information on previous transactions has resulted in continued difficulties in assessing a benchmark for yields. The yield of individual office buildings is dependent on many factors, including location, tenant covenant strength and occupancy rate.

With steady prospects for longer term rental growth, it is estimated that KLC office net equivalent yields generally range between 6.5% (for high end Prime buildings) and 8.0% (for Secondary buildings). The yield range is provided as a general guideline only and is by no means definitive due to the physical, economic and financial characteristics of each individual office property.

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6.2.1.5 MARKET PROSPECTS

Provided all projects in the development pipeline are completed on schedule, the supply of office accommodation in the KV will increase significantly over the next few years as more new buildings are completed. With the decentralisation trend expected to continue, the majority of these buildings are located at the fringes of the city centre, thus creating further competition to the existing office supply in the city centre.

Several areas such as Bangsar/Pantai and Petaling Jaya will remain the preferred locations among tenants, especially those locations which are highly accessible and well supported by amenities. As more new corporate offices are completed in these areas, the trend of decentralisation will continue in the short term, primarily due to the following:

- (a) High rents in the City Centre.
- (b) Increasing traffic congestion in the city centre.
- (c) Limited new, quality grade space available in the city centre has become increasingly limited; in addition, new quality and cheaper office space is available in the suburbs.
- (d) Improved infrastructure and better accessibility to suburban areas via newly constructed and existing highways, i.e. areas of Petaling Jaya, Cyberjaya and Putrajaya.
- (e) Suburban areas are fast developing and supported by other amenities and facilities, such as shopping complexes and hotels.

However, as an office location, the city centre will be preferred by many companies such as oil and gas companies, due to Petronas being in the GT, and financial institutions, given that Kuala Lumpur is the main financial hub for Malaysia. Once the economy improves and shows sustainable recovery as is expected in 2010, it is anticipated that the city centre will continue to be the most preferred address in the KV due to the amenities and the quality of the office accommodation available within the locality.

In an environment of limited demand growth and continuing decentralisation, the new stock of offices in the city centre will place more downwards pressure on rental rates; of the 5.5 million sq. ft. of new offices being built in the DSA over the next three years, 4.7 million sq. ft. will be located in the GT. Landlords of the newer buildings with relatively poor occupancy rates will have to compete strongly for tenants and as rental expectations have been revised and rent free periods already offered, a reduction in rental rates is expected in 2010.



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6.3 OUTLOOK

SWOT Analysis

JLW has classified Sunway Tower as a Prime A office due to its good location, quality design and high building specifications.

Strengths

- Located close to the intersection of Jalan Ampang and Jalan Sultan Ismail, providing easy traffic dispersal to other locations in the city centre.
- Within walking distance of the Dang Wangi LRT Station and the Bukit Nanas, KL Monorail station.
- Good road accessibility from the Ampang Elevated Highway (westbound carriageway only).
- Located approximately 1 kilometre from the Petronas Twin Towers and Suria KLCC shopping centre and also the CapSquare development at Jalan Munshi Abdullah.
- The building has recently undergone major refurbishment.
- The anchor tenant, Ranhill Worley Parsons, is one of the leading oil and gas consultants in Malaysia.
- The building is equipped with good facilities such as a cafeteria, high speed lifts, CCTV and security services.
- The subject site is within a prime commercial district within close proximity to many prime-grade office buildings, international-class four and five-star hotels, high quality amenities and shopping centres.

Weaknesses

- The subject property is located very close to the intersection of Jalan Ampang and Jalan Sultan Ismail (two of Kuala Lumpur's busiest roads), which is subject to heavy traffic congestion at during peak hours.
- Direct access is only possible from the eastbound carriageway of Jalan Ampang. Access from the west bound carriageway of Jalan Ampang is via Jalan Sultan Ismail, Jalan Raja Abdullah and Jalan Dang Wangi.
- There is only one ingress and egress from and to Jalan Ampang, an area of high traffic congestion during peak travel times.



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Opportunities

- Sunway Tower - Phase 2, which is currently in planning stage, within the immediate vicinity will further increase the total net lettable area within the development in order to support any expansion by the existing tenants.
- The rental achieved in Sunway Tower is still considered relatively low compared with other office buildings along Jalan Sultan Ismail and Jalan Ampang.

Threats

- There have been more developments planned within the immediate vicinity of the subject site including the CapSquare development and the proposed UDA commercial development immediately off Jalan Sultan Ismail.
- Limited demand in line with the market trend could dampen any hope for rental growth in the short term.

Outlook for Sunway Tower

The occupancy rate of Sunway Tower has generally been on par or above the GT and the KLC average.

Supply of new offices has increased in the DSA in the last two years resulting in strong competition among landlords, particularly those of buildings which are currently registering relatively low occupancy rates. The majority of the newly completed offices are located in the GT and these offices are expected to create strong competition to the subject property.

However, as the majority of the tenancies in Sunway Tower is expected to expire in 2012, the subject property should sustain strong occupancy levels in the short term and also post-2012. However, the majority of the office space within Sunway Tower is occupied anchor tenant Ranhill Worley Parsons and if the tenant were to decide not to renew its tenancy in 2012 and no replacement was identified within that period, then the building will be substantially unoccupied. A mitigating factor is that the tenant moved into the building in 2009 and is therefore unlikely to vacate after only three years in possession.


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7.0 REVIEW OF SUNWAY CARNIVAL SHOPPING MALL
7.1 RETAIL MARKET OVERVIEW

The Penang state retail supply is divided into three principal areas, namely Traditional Commercial Area ("TCA") and Outside Traditional Commercial Area ("OTCA"), both locations located within Penang Island, and Seberang Perai on the mainland. Sunway Carnival Shopping Mall is located in Seberang Perai on the mainland of Peninsula Malaysia.

In Seberang Perai, purpose built retail centres are located within the Perai, Seberang Jaya and Bukit Mertajam areas in the District of Seberang Perai. These retail centres were mainly completed in the mid to late nineties.

7.1.1 RETAIL MARKET IN PENANG STATE
Explanation Notes

For the purpose of this study, the retail supply comprises purpose-built shopping complexes on Penang Island and in Seberang Perai.

Definition of Seberang Perai

Seberang Perai (also known as Province Wellesley) is a narrow hinterland opposite Penang Island on the west coast of Peninsular Malaysia, which together with the island forms Penang state. The main town in Seberang Perai is Butterworth. Other towns in Seberang Perai include Bukit Mertajam, Seberang Jaya, Prai, Nibong Tebal and Kepala Batas.

JLW classifies the shopping centres as Prime & Secondary, based on the following criteria:

- 1. Location within established retail demand*
- 2. Accessibility by road and by public transport*
- 3. Design of the centre, for instance, avoidance of secondary layers, uninhibited pedestrian flow, etc*
- 4. Internal finishes*
- 5. Maintenance and management*
- 6. Environment*
- 7. Quality of tenants and mix*
- 8. Providing a good mix of merchandise*
- 9. Image*

Sunway Carnival Shopping Mall has been classified as a Prime retail centre.


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7.1.1.1 SUPPLY
Existing Supply

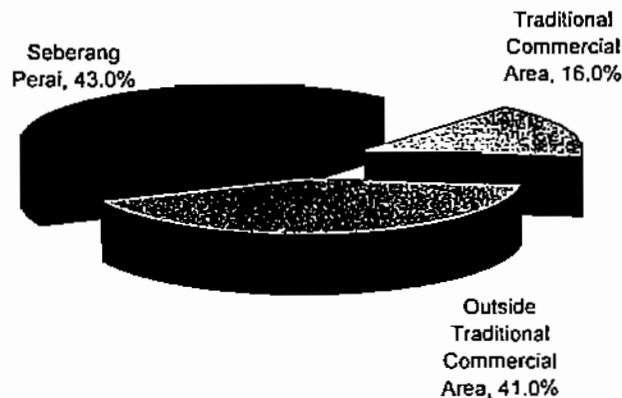
Existing supply is defined as buildings which have been completed and issued with Certificate of Fitness for Occupation and are available for occupation by retailers.

The cumulative existing supply of retail space in Penang state as at the end of 2009 was 11.2 million sq. ft. Based on the total existing supply in Penang state, 16% of retail accommodation is located within the TCA, 41% is situated in the OTCA and the remaining 43% is situated in Seberang Perai.

The distribution of retail accommodation by location is presented in the graph below.

GRAPH 7.1.1

RETAIL ACCOMMODATION IN PENANG STATE – BY LOCATION



Note: The retail supply excludes three secondary retail centres in Seberang Perai measuring a total net lettable area of 849,002 sq ft which were completed and opened for business but subsequently ceased down and the developments are currently abandoned. These retail spaces are not available for leasing in the market.

Source: J.L.W Research

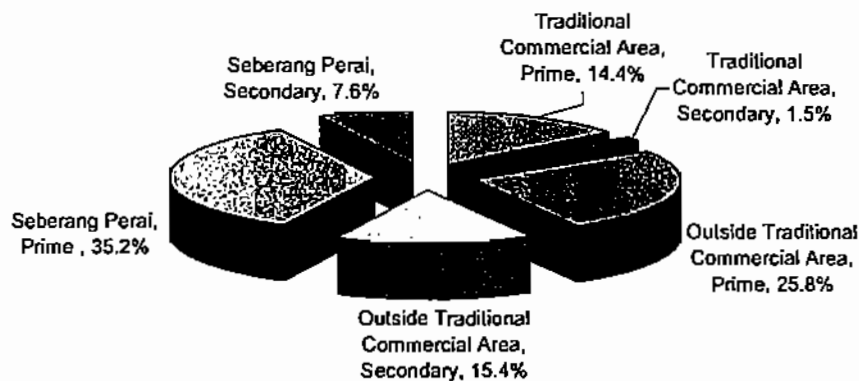


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The distribution of retail accommodation by grade is presented in the graph below.

GRAPH 7.1.2
RETAIL ACCOMMODATION IN PENANG STATE – BY GRADE



Note: The retail supply excludes three secondary retail centres in Seberang Perai measuring a total net lettable area of 849,002 sq ft which were completed and opened for business but subsequently ceased down and the developments are currently abandoned. These retail spaces are not available for leasing in the market.

Source: J.L.W Research

Future Supply

The future supply of retail centres is identified as retail centre developments that have yet to be issued with Certificates of Completion and Compliance. This includes projects that are planned or proposed, launched, under construction as well as projects that have been put on hold.

As at the end of 2009, an additional 1.2 million sq. ft. of retail space is expected to be completed in the Penang state between 2010 and the end of 2012. All future supply is located on Penang Island.

Another 2.0 million sq. ft. of retail space is expected for completion post-2012 in Penang state, of which 60% is located on Penang Island and 40% in Seberang Perai. This includes the prime project, Gurney Paragon Mall, measuring 700,000 sq. ft., scheduled for completion in 2013.



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The retail centres due for completion between 2010 and 2012 are tabulated below:

TABLE 7.1.1

**RETAIL CENTRES IN PENANG STATE DUE FOR COMPLETION
(CALENDAR YEARS 2010 – 2012)**

Expected Year of Completion	Project	Location	Grade	Estimated Net Floor Area (sq ft)
2010	1st Avenue	Magazine Road, Georgetown (TCA)	Prime	397,000
	Penang Times Square – Phase 2	Jalan Dato Keramat, Georgetown (TCA)	Prime	300,000
	Waterside @ Straits Quay	Tanjung Tokong (OTCA)	Prime	270,000
2012	All Seasons Place	Bandar Baru Air Itam (OTCA)	Secondary	228,000
TOTAL				1,195,000

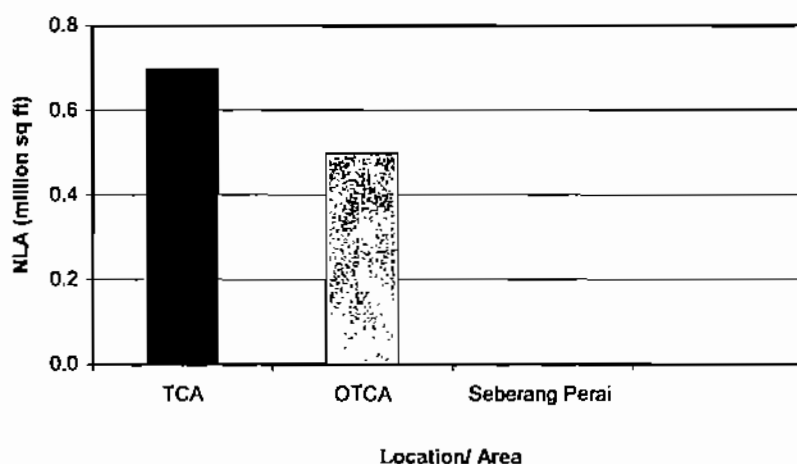
Source: JLW Research

1.0 million sq. ft. or 81% of the new retail accommodation is expected to be completed in 2010 and the remainder is scheduled to be completed in 2012. No retail accommodation is expected to be completed in 2011.

Graph 7.1.3 shows the distribution of the future retail accommodation from 2010 to 2012 based on location identified in Penang state.

GRAPH 7.1.3

**FUTURE SUPPLY OF RETAIL ACCOMMODATION IN PENANG STATE
BY LOCATION (CALENDAR YEARS 2010 – 2012)**



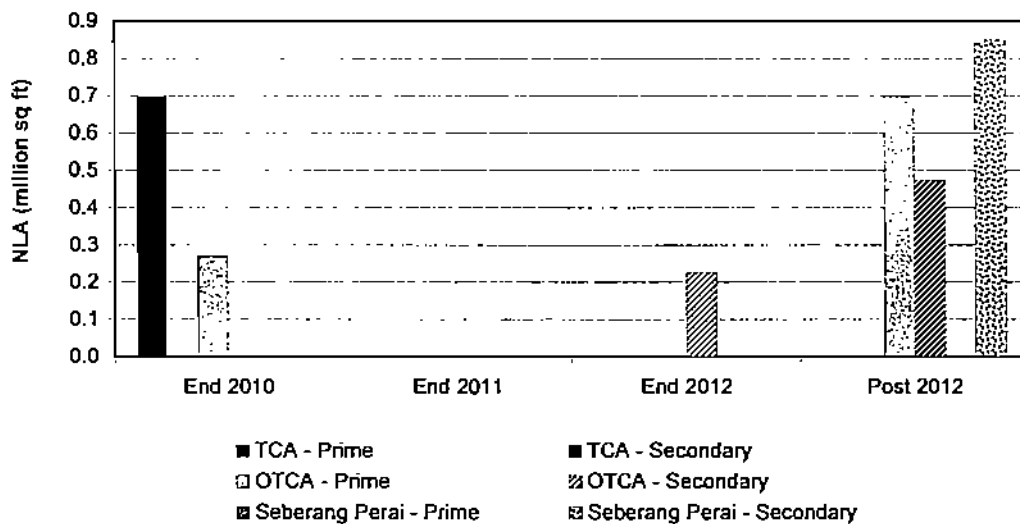
Source: JLW Research

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Graph 7.1.4 shows the distribution of the future retail accommodation identified in Penang state by location, grade and the expected year of completion.

GRAPH 7.1.4

**FUTURE SUPPLY OF RETAIL ACCOMMODATION IN PENANG STATE
(CALENDAR YEAR 2010 – POST CALENDAR YEAR 2012)**



Note: The retail supply for Seberang Perai (Post 2012) comprises three secondary retail centres in Seberang Perai measuring a total net lettable area of 849,002 sq ft which were completed and opened for business but have ceased operations and are currently abandoned. These retail centres are either available for sale in the market or awaiting revival by interested parties.

Source: J.L.W Research

7.1.1.2 DEMAND

Occupancy Rate & Take Up

Occupancy rates in most retail centres were relatively stable during 2009 and the overall occupancy rate for the retail sector in Penang state as at the end of 2009 was 69%, versus 75% in 2008.

Retail centres on Penang Island recorded a higher average occupancy rate of 77% compared with Seberang Perai retail centres, which recorded an average occupancy rate of 59%. The low occupancy rates of Seberang Perai retail centres are generally due to the following factors:

- Large supply of secondary retail centres in less strategic locations.



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- Competition from new and modern shopping complexes on Penang Island, which suit the modern lifestyle of the younger generation of shoppers.
- Management and control issues, especially for retail centres in which individual retail lots were sold on strata title basis instead of the owner retaining the entire retail centre and leasing out the retail lots.

Table 7.1.2 shows the occupancy rate for the retail accommodation of each location in Penang state.

TABLE 7.1.2

AVERAGE OCCUPANCY RATE AS AT THE END OF CALENDAR YEAR 2009

Location	Occupancy Rate (%)
Penang State	69%
Penang Island	77%
TCA	77%
Prime	76%
Secondary	84%
OTCA	76%
Prime	91%
Secondary	51%
Seberang Perai	59%
Prime	72%
Secondary	0%*

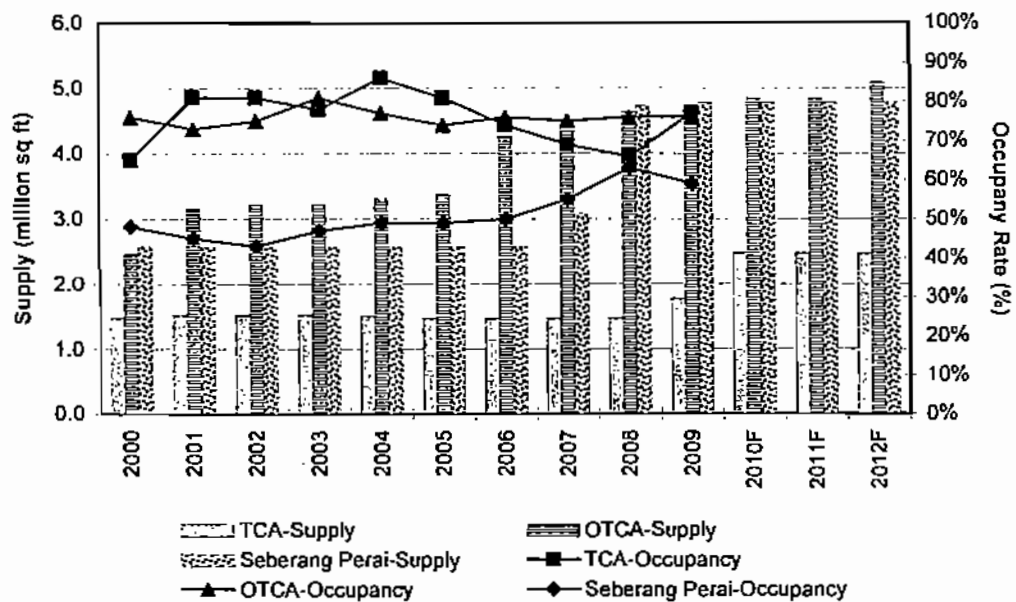
* Asas Parade was completed in 4Q09 and is not occupied yet.
Source: J.L.W Research



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Graph 7.1.5 shows the supply and occupancy trend of retail centres in Penang state.

**GRAPH 7.1.5
SUPPLY AND OCCUPANCY TRENDS OF RETAIL ACCOMMODATION IN
PENANG STATE (CALENDAR YEARS 2000 – 2012F)**



Source: J.L.W Research

During the 2000s there was a steady albeit slow increase of occupancy rates in Seberang Perai. However during 2009 there was an easing back as numerous tenants vacated the Secondary retail centres due to closure of business or relocation to the newer, prime centres. The reduction was also contributed to by Asas Parade (850,000 sq. ft.) in Bukit Mertajam, which was completed at the end of 2009. The units in the centre are being sold and due to the very recent opening of the centre, no occupiers/tenants were physically occupying the space at the end of 2009.



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Retailer Activity

International retailers have not confined themselves to setting-up flagship stores within retail centres in the TCA but have also expanded their business into other larger and more popular retail centres located in the OTCA.

A number of fashion brands have been introduced to the Penang retail scene since the opening of Gurney Plaza in 2002 and the opening of Queensbay Mall at the end of 2006. These retailers include GAP, Guess, Versace, Forever 21, Topman, Topshop & Diva, Aldo, Liz Claiborne, Raoul and Viss. Tenants moving into Gurney Plaza extension, completed in 2008, include those in the food and beverage sector such as Manhattan Fish Market, A&W, Domino's Pizza, Nando's and Sakae Sushi. Other renowned retailers include Hush Puppies, Mont Blanc, Nike, Parkson, Topshop and Valentino.

7.1.1.3 MARKET INDICATORS**Market Rentals**

The rentals quoted are gross rentals which are the basic rents inclusive of service charges.

The monthly rental rates for the ground floor Prime and Secondary retail accommodation within the TCA range between RM3.00 to RM17.00 per sq. ft. and RM2.00 to RM2.50 per sq. ft., respectively.

The monthly rental rates for the ground floor Prime and Secondary retail accommodation located in the OTCA range between RM7.00 to RM25.00 per sq. ft. and RM2.10 to RM5.00 per sq. ft., respectively.

In Seberang Perai, the monthly rental rates for ground floor Prime and Secondary retail accommodation range between RM4.00 to RM10.00 per sq. ft. and RM1.20 to RM2.00 per sq. ft., respectively.

APPENDIX III - INDEPENDENT PROPERTY MARKET OVERVIEW REPORT (Cont'd)



Proprietor: Syngam Sula man Soh, Bhd. (78217-X)

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Table 7.1.3 presents the rentals of retail accommodation in Penang state, according to their location and grade.

TABLE 7.1.3

GROSS (ASKING) RENTALS OF RETAIL ACCOMMODATION IN PENANG STATE AS AT THE END OF CALENDAR YEAR 2009

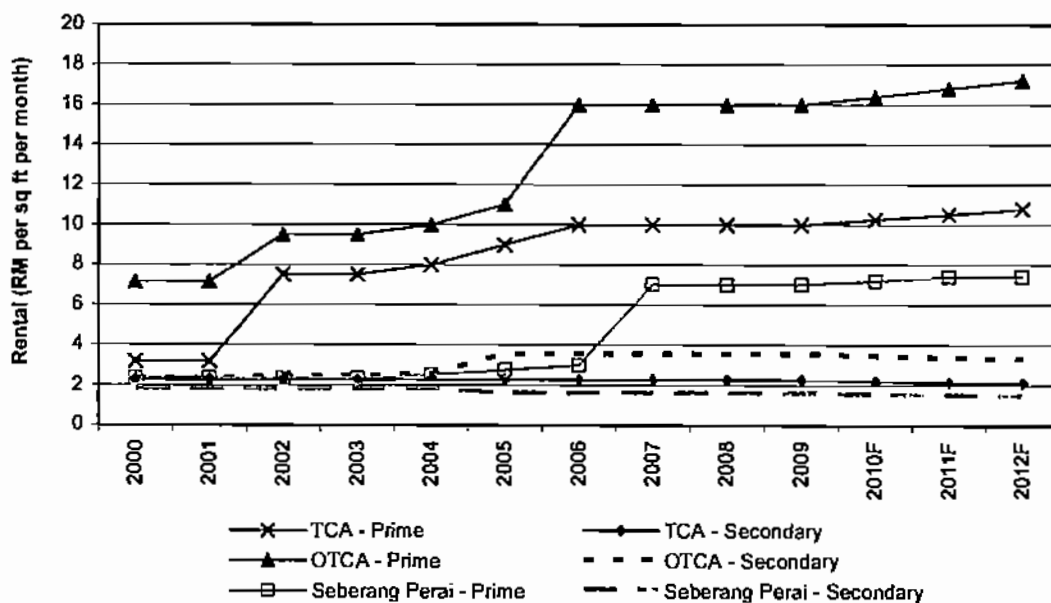
Locality	Ground Floor (RM per sq ft/Month)
TCA	
Prime	3.00 – 17.00
Secondary	2.00 – 2.50
OTCA	
Prime	7.00 – 25.00
Secondary	2.10 – 5.00
Seberang Perai	
Prime	4.00 – 10.00
Secondary	1.20 – 2.00

Source: JLW Research

Graph 7.1.6 shows the average monthly ground floor rental trend of retail accommodation in Penang state from 2000 to 2012 (forecast).

GRAPH 7.1.6

**TREND OF GROUND FLOOR RENTAL OF
RETAIL ACCOMMODATION IN PENANG STATE
(CALENDAR YEARS 2000 – 2012F)**



F – Forecast

Source: JLW Research



Proprietor: Sinyham Sutanran Sdn. Bhd. (78217-X)

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Market Prices

The market price refers to the price of retail accommodation on a strata basis and not an en-bloc basis.

The estimated market prices of Prime and Secondary retail accommodation (ground floor) located within the TCA ranged between RM220 and RM1,800 per sq. ft. and between RM210 and RM300 per sq. ft., respectively.

The estimated market prices of Prime and Secondary retail accommodation (ground floor) located in the OTCA ranged between RM500 and RM2,500 per sq. ft. and between RM200 and RM800 per sq. ft., respectively.

In Seberang Perai, the estimated market prices of Prime and Secondary retail accommodation (ground floor) ranged between RM250 and RM500 per sq. ft. and between RM140 and RM240 per sq. ft., respectively. There has been no en-bloc retail centre transaction in Seberang Perai, with the only indication of market prices being for strata title units.

Table 7.1.4 presents the market prices of stratified retail accommodation in Penang state, according to their location and grade.

TABLE 7.1.4

**MARKET PRICES OF STRATIFIED RETAIL ACCOMMODATION
AS AT THE END OF CALENDAR YEAR 2009**

Locality	Ground Floor (RM per sq ft)
TCA	
Prime	220 – 1,800
Secondary	210 – 300
OTCA	
Prime	500 – 2,500
Secondary	200 – 800
Seberang Perai	
Prime	250 – 500
Secondary	140 – 240

Source: J.L.W Research

APPENDIX III - INDEPENDENT PROPERTY MARKET OVERVIEW REPORT (Cont'd)



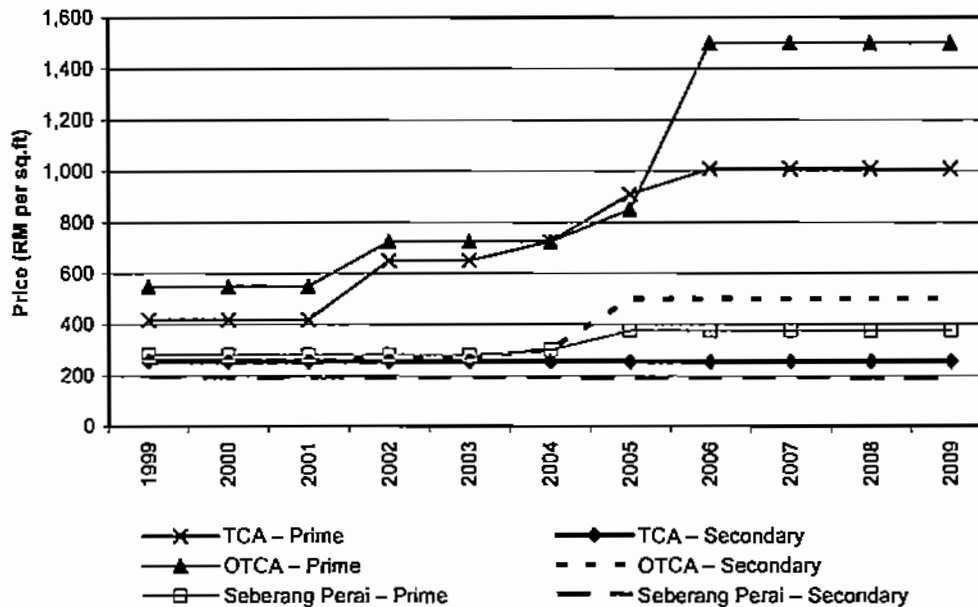
Proprietor: Singham Sufaman Sdn. Bhd. (78217-3)

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The trend of the average ground floor market prices of stratified retail centres from 1999 to 2009 is shown in the graph below.

GRAPH 7.1.7

**TREND OF GROUND FLOOR MARKET PRICES OF RETAIL CENTRES
IN PENANG STATE (CALENDAR YEARS 1999 – 2009)**



Source: JLW Research

There has been a limited number of enbloc retail centres' transactions during recent years. Brief details of several transactions which took place in 2007 are tabulated below. The transacted price is that which has been officially announced but may not reflect the full financial details of the transaction.

TABLE 7.1.5

**RETAIL CENTRE TRANSACTIONS ON PENANG ISLAND
IN CALENDAR YEAR 2007**

Building / Location	JLW Grade / Tenure	Transacted Price (RM)	Net Lettable Area (sq ft)	Date of Transaction	Vendor	Purchaser
Gurney Plaza Jalan Kelawei	Prime / Freehold	770 million (1,042 per sq ft)	739,041	3Q07	Gurney Plaza Sdn Bhd	CapitaLand Ltd
Island Plaza Jalan Tanjung Tokong	Prime / Freehold	120 million (365 per sq ft)	330,937	3Q07	Belleview Group of Companies	Pramerica Real Estate Investors (Asia) Pte Ltd

Source: JLW Research

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Other than the purchase of Gurney Plaza by CapitaLand, Pramerica Real Estate Investors (Asia) Pte Ltd, through its Asian Retail Mall Fund (“ARMF”) has also invested in two retail centres on Penang Island, namely Island Plaza in OTCA and 1st Avenue in the TCA, which is currently under construction.

Island Plaza was acquired by ARMF in 2007 for RM120 million (approximately RM360 to RM370 per sq. ft.) and is scheduled to undergo a RM40 million refurbishment exercise by early 2010. The mall will be upgraded in terms of design and layout, to be repositioned as a family-oriented mall.

7.1.1.4 YIELD

Lack of detailed information on precedent transactions has resulted in difficulties in assessing a benchmark for yields. The yield of individual retail centres is dependent on many factors, including location, tenant mix, catchment population, occupancy rate and the size of complex.

With good prospects for further rental growth and increasing investor activity, it is estimated that the yields of the retail centres in Penang range between 7.5% and 9.0%.

The yield range is provided as a general guideline only and is by no means definitive due to the unique physical, economic and financial characteristics of each retail centre.

7.1.1.5 MARKET PROSPECTS

Penang state’s retail market is generally sufficiently supplied and new retail centres in the development pipeline are expected to place downward pressure on the performance of the older centres, especially the less successful, more poorly-managed malls. A “two-tiered” market will prevail in the short to medium term as the newer developments and refurbished retail centres will have a distinctive edge over the older centres, which will continue to be poorly occupied and without a major turnaround will likely be unable to overcome problems such as lower shopping traffic and the inability to retain tenants.

The performance of the retail sector in Seberang Perai is expected to remain stable during 2010. Occupancy rates of retail centres in Seberang Perai are expected to be stable in the short term and the two most popular prime centres, namely Sunway Carnival and Jusco at Perda, are expected to provide sufficient “short term” shopping in Seberang Perai.

The general retail sentiment in 4Q09 showed improvement, compared with 3Q09. However, weakening retailer expansion trends and leasing activity is expected to continue into 2010, indicating the possibility of a decrease in the average occupancy rate of retail space in Penang state.

On the whole, the retail market prices and rentals in Penang state are expected to remain stable in the short term.


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7.2 REVIEW AND BENCHMARKING ANALYSIS

Sunway Carnival Shopping Mall is a purpose-built five-storey retail centre with 484,364 sq ft of net lettable area in the form of 161 retail lots. The centre, with over 1,100 car bays, comprises an eight-screen cineplex, an amusement centre and a convention centre with a size of 32,292 sq ft. Its average occupancy rate was 94.1% for the six months ending 31 December 2009.

Competition

Two major prime retail developments have been selected and reviewed as benchmarks for Sunway Carnival Shopping Mall.

Jusco Perda, a purpose built retail centre completed in 2008, is situated in an on-going new township in Seberang Perai known as Bandar Perda. The anchor tenant is Jusco, which is wholly owned by Aeon Co. (M) Sdn Bhd, who also developed the retail centre. With 3 storeys of retail space, the centre offers a variety of trade mix ranging from lifestyle, fashion, entertainment and F&B outlets.

Queensbay Mall, a prime retail centre completed in 2006, is located along the Bayan Lepas Expressway on Penang Island. It is the largest mall on Penang Island with a net lettable area of 944,297 sq. ft. and has five storeys of shopping space with almost 500 retail outlets and eight levels of car parking. The anchor tenant is once again Jusco, which opened its first Penang outlet in the mall and occupies over 200,000 sq. ft. Other major international tenants include the American bookstore chain, Borders, Guess, Dorothy Perkins, Topshop and Starbucks.

Table 7.2.1 summarises the competitive assessment of these two selected retail centres against Sunway Carnival Shopping Mall.

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TABLE 7.2.1

SUMMARY OF COMPARABLE PROJECTS

Project / Location	No. of storeys	Target Market	Net Lettable Area (sq ft)	Occupancy (%)	Ground Floor Gross Rental (per month)	Anchor Tenant(s) / Other Notable Tenants	Developer / Type of Ownership
Sunway Carnival Seberang Jaya, Seberang Perai	4 storeys of retail space including 1 level of convention centre	Middle to high income group	484,364	94%	RM6.50 – RM15.00 per sq ft	Parkson, Giant / GSC Cinema, Amp Square Karaoke, Popular Bookstore, Reject Shop, Esprit	Sunway City Bhd / Fully retained for lease
Jusco Perda Bandar Perda, Bukit Mertajam, Seberang Perai	3 storeys of retail space	Middle to high income group	1.7 million	85%	N.A.	Jusco / TGV Cinema, Secret Recipe, Popular, Hush Puppies	AEON Co. (M) Bhd / Fully retained for lease
Queensbay Mall Bayan Lepas, Penang Island	5 storeys of retail space	Middle to high income group (more upmarket compared to Sunway Carnival and Jusco Perda)	944,297	92%	RM20.00 – RM25.00 per sq ft	Jusco, Parkson / MNG, Topshop, TGI Friday's	CP Landmark Sdn Bhd / Some lots are stratified, the vast majority is retained for lease

Source: JLW Research



Proprietor: Sengham Butaman Sdn. Bhd. (78217-X)

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7.3 OUTLOOK

Sunway Carnival Shopping Mall is one of the few prime retail centres in Penang State and it is considered to be the best retail centre in Seberang Perai and has thus secured above average occupancy rates and rental rates.

SWOT Analysis

Key Strengths

Due to its strategic location, modern design and concept, quality of finishes and specifications and good retail floor layout and circulation, Sunway Carnival Shopping Mall is classified as a Prime retail centre in Seberang Perai.

Key strengths of Sunway Carnival Shopping Mall are summarised as follows:

- Located within an upcoming and growing area, satisfying a niche market.
- Good access to surrounding infrastructure and close to the North-South Expressway and East-West (Butterworth – Kulim) Highway.
- Within an existing and established commercial area.
- Offers a good tenant and trade mix that suits market demand.
- Fully owned by a single entity, thus ensuring good management and control of the tenant mix within the centre. A number of retail centres in Penang were sold on strata and have experienced poor performance due to poor management and tenant mix.
- The mall is managed by a strong management team with a proven track record.
- The “Sunway” brand elevates the position of the mall and provides confidence to retailers and shoppers.
- Ability to capture retailers from other neighbouring retail and commercial centres.

Weakness

- It is smaller in size than its nearest competitors, Jusco Perda and Queensbay Mall.
- Penang Island is still viewed as the primary destination for retailers and visitors.
- Inefficient public transportation system in the area.



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Opportunity

- Retailers from Kuala Lumpur are yet to be fully represented in Penang and the Northern region in general.
- Within an area with a young family profile and a higher tendency to shop.
- There are possibilities for the centre to expand in the future as Seberang Perai develops further.
- Sunway Carnival Convention Centre is the only “convention and exhibition centre” in a shopping mall in Penang State. The convention centre is located on the 3rd floor of the Sunway Carnival Shopping Mall and provides a positive effect in terms of attracting patrons to the retail centre, especially when events and conventions are being held.

Threats

- Poorer consumer sentiment in Seberang Perai compared to Penang Island.
- The Jusco Perda in Bandar Perda, Seberang Perai has diluted the catchment market.

Outlook for Sunway Carnival Shopping Mall

Sunway Carnival Shopping Mall is located in an established and popular residential area in which most of the modern day amenities such as shops, restaurants, hotel, financial institutions, and government offices are located. This centre, which includes a convention facility on the upper level, adopts the concept of the “One-Stop centre”, which provides the venue for shopping, entertainment, business and dining to entice shoppers to stay longer in the centre.

The outlook for Sunway Carnival Shopping Mall is promising provided that the retail centre continues to be well managed, maintained and promoted ensuring that the tenant mix within the retail centre continues to fulfil shopper demand.

Jusco Perda, which provides direct competition to Sunway Carnival, has to some extent diluted the current and short term catchment population. However, Sunway Carnival Shopping Mall’s strategic and convenient location together with its “Sunway” brand is expected to be better positioned.

Moreover, following the development of modern and creatively designed shopping complexes, more lustre will be introduced to the area and more retailers are expected to consider establishing outlets in Seberang Perai.



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8.0 REVIEW OF SUNCITY IPOH HYPERMARKET

8.1 HYPERMARKET MARKET OVERVIEW

8.1.1 SUPPLY

Existing Supply

There is a total of 88 hypermarkets in Malaysia. The majority of hypermarkets are located in the principal commercial centres of Malaysia, namely the Klang Valley, Johor Bahru and Penang.

There are nine hypermarkets in the state of Perak, providing a total net lettable area of 1.2 million sq. ft. Of this, four of the outlets with a total of 0.6 million sq. ft. (net) are located in Ipoh city (Malaysia's fourth largest city), which has the highest concentration of population in Perak state.

The four hypermarkets in Ipoh are located in commercial areas within close proximity to residential neighbourhoods at the fringe of the Ipoh city centre. SunCity Ipoh Hypermarket is located to the east of the city centre and the North South Expressway ("NSE") in the Tambun locality and is approximately 3 km and 5 minutes drive from the Ipoh slip road from the NSE. Tesco Ipoh and Tesco Extra are located on the west side of the NSE and are also approximately 5 minutes drive from the NSE. Tesco Station 18 is the most recently completed hypermarket in Ipoh and is located in Pengkalan to the south west of the city centre.

Future Supply

Mydin, a local hypermarket operator, is planning to construct its first retail outlet in Perak, in the designated commercial location in Meru Raya, another major township to the north of Ipoh city. The plan is to construct a one stop retail centre, including a recreational element, with Mydin being the anchor tenant. This 13 acre development is currently at planning stage and is targeted to be completed in 2013.

Mydin is also planning to set up another hypermarket in the town of Manjoi, Ipoh, to the west of Ipoh city. This development will be on a 5-acre site and is planned to be completed after the development in Meru.

Carrefour is also looking to expand into Perak, particularly into Ipoh, and is currently exploring possible opportunities and locations.

Giant and Tesco, the two hypermarket operators currently operating in Ipoh, are thought to be generally content with their existing presence in Ipoh and with opportunities elsewhere, may consider expanding to other towns in Perak.



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8.1.2 DEMAND**Occupancy Rate and Take Up**

The average occupancy rate of hypermarkets in Malaysia as at 3Q09 was 98.4% and the hypermarkets in Perak were generally fully occupied.

Retailer Activity

The hypermarkets in Ipoh are anchored by established hypermarket operators Giant and Tesco and are complemented by specialty retail outlets, fashion, jewellery, household appliances, music and video within the hypermarket structure.

It is common for hypermarkets in Malaysia to include a "mini-mall" area whereby the hypermarket operator sub-leases retail outlets to individual retailers and is able to make a net profit rent.

All of the 22 individual outlets at Giant are occupied by chain retailers and also individual "mom and Pop" retailers.

In terms of tenant profile and merchandise, collectively the three Tesco hypermarkets are almost fully occupied by chain retailers and also individual "mom and Pop" retailers but offer a limited range of specialty outlets with the same merchandise and retailers often being present in all three hypermarkets.

8.1.3 MARKET PROSPECTS

The general retail market in Ipoh has been generally stable over the past few years with established shopping centres registering good occupancy rates.

In Ipoh, the four (4) hypermarkets, are almost physically fully occupied indicating healthy demand from both hypermarket retailers and also local chain retailers and local individual retailers who occupy the individual retail outlets within the hypermarket structure. This demand is expected to prevail into the future and retailers will continue to seek new development sites and/or new hypermarket opportunities especially in areas which are expected to see good population growth.

A number of hypermarkets have been identified and planned for in various parts of Ipoh city to cater to a broader and growing population catchment. The rapid growth of hypermarkets reflects the changing lifestyle of shoppers who prefer the convenience and comfort of household and grocery shopping within one location. Retailers are expected to have opportunities to increase turnover and revenue, which will effectively translate into increased market rentals.



Proprietor: Sngiam Sufamun Sdn. Bhd. (78217-X)

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8.2 REVIEW AND BENCHMARKING ANALYSIS

Completed in 2005, SunCity Ipoh Hypermarket provides 181,216 sq. ft. (net) of retail space and is 100% occupied, being fully occupied by Giant. The property, with approximately 400 uncovered car parking bays, is located in Sunway City Ipoh, where it is expected to benefit from an increasing population catchment due to the construction of new residential homes. An increase in commercial activities in the area is also expected to increase the potential target catchment of the hypermarket.

Competition

Three Tesco hypermarkets have been selected and reviewed as benchmarks for SunCity Ipoh hypermarket.

Table 8.2.1 summarises the competitive assessment of these two selected retail centres against SunCity Ipoh Hypermarket.

TABLE 8.2.1

HYPERMARKETS IN IPOH, PERAK

Hypermarket	Location	No. of Storeys	Net Floor Area (sq ft)	Notable Tenants	Tenant Mix
Giant	Sunway City, Tambun	1	181,216* Surface car parking - free	Pizza Hut, Music Valley, City Chain, Bata, Tomei, Guardian, Music Valley, Focus Point. "Fashion market" (Ex Courts Mammoth)	Fashion, food court, fast food, shoes, household appliances, jewellery, kids play area, books, optician, photographic equipment and film processing, beauty, hair salon and products
Tesco Ipoh	Taman Teh Teng Seng	2	200,000 – two storey covered car parking - free	Focus Point, Digi, Bata, Canon, S&M Jewellery, Hinode, myNews.com, Living Cabin, Kings Bakery, Tomei, Amazing Crystal, Watson's, KFC, Nasi Kandar Restaurant, Hainam Village Restaurant, Pizza Hut, Roti Boy.	Fashion, household, fast food, food court, shoes, jewellery, Kids Playland, beauty, optician
Tesco Extra	Taman Tasck Indera	1	145,041 Covered & surface car parking - free	Focus Point, Ogawa, S&M, Watson's, Win Time Gallery, Present Point, Kayu Nasi Kandar, King's Confectionery, Chicken Rice Shop, MyNews.com.	Fashion, Fast food, jewellery, household, beauty products, books, optician, time pieces,



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Hypermarket	Location	No. of Storeys	Net Floor Area (sq ft)	Notable Tenants	Tenant Mix
Tesco	Pengkalan Station 18, Pasir Putih, Ipoh	1	200,000 Covered & surface car parking - free	King's Confectionary, Cosway, Vetini, Mutiara Egypt, Amazing Crystal, Sen Q, Fujifilm, Song Box, Focus Point, KFC, Pizza Hut, Hainam Village, MyNews.com, World Of Knowledge	Fashion, household, fast food, food court, shoes, jewellery, Kids Playland, beauty, optician, books

* represents the net floor area. The total gross floor area is 193,408 sq ft.
Source: J.L.W Research

In the lease dated 28th April 2005, the rental rate for the SunCity Ipoh Hypermarket was agreed at RM1.05 per sq. ft. per month for two years (i.e. May 2005 to April 2007) with an increase to RM1.70 per sq. ft. per month in May 2007. The increase to RM1.70 per sq. ft. per month was conditional on Giant's gross sales revenue "derived from the sales of the retail hypermarket in the second year of the lease term") amounting to RM48 million or more (which was achieved). The rental was also "fixed" for a further increase to RM1.87 per sq. ft. per month in May 2008 and this is the current rental payable by the tenant.

The prospects of the building, currently being used for hypermarket use, are good based on the expected increase in the residential population in the locality. Moreover, the tenant has agreed to a 60% increase in rental from RM1.05 per sq. ft. in 2006/2007 to RM1.70 per sq. ft. and a further 10% increase in 2008, which reflects the tenant's high confidence level in the success of the development. Furthermore should the tenant wish to renew the first term of the lease for a further two terms of three years it may do so with a fixed increase of 10% as contracted in the lease agreement. In addition, Sunway City Ipoh is the centre of the Ipoh Eastern Growth Corridor, which is under rapid development and the positioning of Sunway City Ipoh as a middle to high end resort residential development will provide the hypermarket with a strong and stable residential catchment with relatively high purchasing power.



Proprietor: Sengham Sultaman Sdn. Bhd. (78217-X)

Independent Property Market Overview Report

8.3 OUTLOOK

SWOT Analysis

Strengths

- Sunway City Ipoh is situated within the city's "Eastern Growth Corridor", which has been earmarked as the centre of growth area for the development of tourism, recreational, educational and other related activities.
- Sunway City Ipoh has been identified as a catalyst for recreational and tourism activities within this region and the property components planned within the resort township, including theme parks, an international resort and a college.
- The hypermarket is located within a middle to upper class resort residential area with high purchasing power.
- The hypermarket is anchored by Giant, an established retailer with a large retail network.
- The tenant has the reputation as a "low priced" grocer with a large variety of merchandise at "value for money" prices.
- The hypermarket has a number of other established complementary specialty retail outlets
- Highly visible and accessible from Jalan Tambun.
- The only designated neighbourhood commercial centre within Sunway City Ipoh.

Weaknesses

- A single tenant occupying the SunCity Ipoh Hypermarket, there exists the risk of having to look for a large retailer to occupy the large building should Giant vacate.
- Constructed on leasehold land expiring in 2100.

Opportunities

- The only standalone Giant to cater to the large population of Ipoh city
- The access to Jalan Tambun/Sunway City Ipoh from the highway could result in more new, accessible landbank being opened up for the development of housing schemes in this area, thus increasing the potential catchment for the hypermarket.

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- The control on the opening of new hypermarkets by the Government would help offset the entrance of competition.
- More houses are being built within Sunway City Ipoh from April 2010 onwards that will increase the population catchment of the hypermarket. The Sunway City Ipoh is expected to be completed in 2015.
- The increase in commercial activities in the area with the completion of several resort hotels in Sunway City Ipoh, will increase the potential catchment of the hypermarket.
- Potential to increase the GFA of the hypermarket as the car park area can accommodate expansion, subject to authorities' approval

Threats

- Increased competition with the growing market share of competitor retailers; for instance Tesco currently operates three outlets in Ipoh and Mydin is planning to set up a presence in Ipoh in the next few years.
- Increased challenge to the tenant to maintain "low prices" in the wake of rising costs and competition from other hypermarket retailers.

Outlook for SunCity Ipoh Hypermarket

The outlook for SunCity Ipoh Hypermarket is promising in the medium to long term as hypermarkets will continue to be popular shopping destinations. Furthermore, the rapid development of Sunway City Ipoh Township will provide the hypermarket with a large affluent residential population catchment in its immediate vicinity.

The reputation of Giant hypermarket as an "Everyday Low Price" grocer supported by good road linkages to the city centre and other major residential areas will promote the popularity and marketability of the hypermarket. Additionally, the integration of Sunway City Ipoh with attractions and major developments in the area will provide a broader catchment market for the hypermarket.



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9.0 REVIEW OF SUNWAY HOTEL SEBERANG JAYA

9.1 PENANG HOTEL MARKET OVERVIEW

Explanatory Notes

The scope of this report covers hotels of 100 rooms and above.

The hotel supply can be categorised under four classifications according to location:

1. *Beach Hotels - Hotels located along the Tanjung Tokong-Teluk Bahang stretch.*
2. *City (Georgetown) Hotels - Hotels located along Persiaran Gurney, Jalan Sultan Ahmad Shah, Jalan Burma, Jalan Macalister, Jalan Farquhar and near the shopping precinct of Jalan Penang.*
3. *Outside City Hotels – Currently, there are four hotels under this category, situated in the Bukit Jambul area.*
4. *Seberang Perai – Currently, there are three hotels monitored in this area.*

JLW has further classified the hotel supply into three categories, namely International, Business and Budget Classes.

International Class hotels generally offer luxurious premises and the widest range of high quality guest services as well as recreational facilities such as wellness centres and health and fitness facilities. These hotels provide more spacious rooms with high-class decorations and furnishings and are usually affiliated to an established brand name or international hotel chain. Hotels with 5-star and above ratings are classified under the International Class category.

Business Class hotels generally provide high standards of hospitality and good quality guest services, marginally below International Class hotels' standards, and are priced slightly lower. The services, design and interiors of the hotel are usually conceptualised to meet present day business needs and lifestyle. Hotels with 4-star ratings are classified under the Business Class category.

Budget Class hotels generally provide a limited range of amenities and services. These hotels usually cater for budget conscious business/leisure travellers. Hotels with 3-star and below ratings are classified under the Budget Class category.

JLW considers the following factors in classifying the respective hotels:

1. *Location – hotels in established commercial locations are more inclined towards International or Business Class hotel*
2. *Accessibility – easily accessed by road and especially by modern public transportation (i.e. Light Rail Transit -LRT)*


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3. *Design and layout – size of the rooms, lobby, number of lifts*
 4. *Facilities, amenities and services provided – a wide range of recreational facilities, food and beverage outlets, meeting and conference facilities.*
 5. *Internal finishes – high quality of furniture and fittings*
 6. *External façade – attractive design and finishes*
- Rack rates and achieved room rates*

Average Daily Room Rate (“ADRR”) is defined as the sum which is attained by dividing the actual achieved room rates by the total number of rooms occupied per day, which reflects the real gross revenue of the hotel operator.

All ADRRs quoted are for standard double rooms, and inclusive of 10% service charge and 5% government service tax.

Due to the relatively limited supply of hotels within Penang state, the hotel sector will be analysed based on the total supply, demand and market prospects within Penang state.

Hotel Market Overview

In 2009, activity in the Penang hotel market eased marginally due to the volatility in the global financial market, slower demand from the government and business sectors and a lower propensity to travel amongst the mid and long-haul tourists.

However, the performance of Penang’s hotel sector was less susceptible to weakening global demand, compared with many other resorts in the South-East Asia Pacific region in light of the following key factors:

- Hotels in Penang have a “regionally” lower room rate base compared with other resort destinations in the region.
- Penang is considered a safe destination to travel with good connectivity.
- Penang is accessible via major highways, thus enabling it to capture local tourists as well as tourists from Singapore and Thailand. Various ongoing and proposed infrastructure projects are also expected to improve the accessibility of Penang to international visitors.
- Penang is an established business, leisure and business events destination.
- The naming of Georgetown as a UNESCO’s World Heritage Site is expected to cement Penang and Malaysia firmly on the world map and attract tourists worldwide.
- Penang’s tourism industry will benefit from the growing medical tourism segment, in line with the state government’s commitment to position the state as a preferred international health tourism destination.



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- Growing new source markets, the tourism industry in Penang is witnessing strong growth in new source markets such as India and China.
- Strong domestic market demand, mainly supported by locally driven leisure, government and local corporate MICE segments.
- Seberang Jaya, Seberang Perai and Butterworth have a steady base of businessmen and industrialists. With increasing business activity in the area, future demand for hotel rooms is expected to increase.
- New hotel concepts such as G-Hotel and Hard Rock Hotel have created more variety and niches in the Penang hospitality scene.

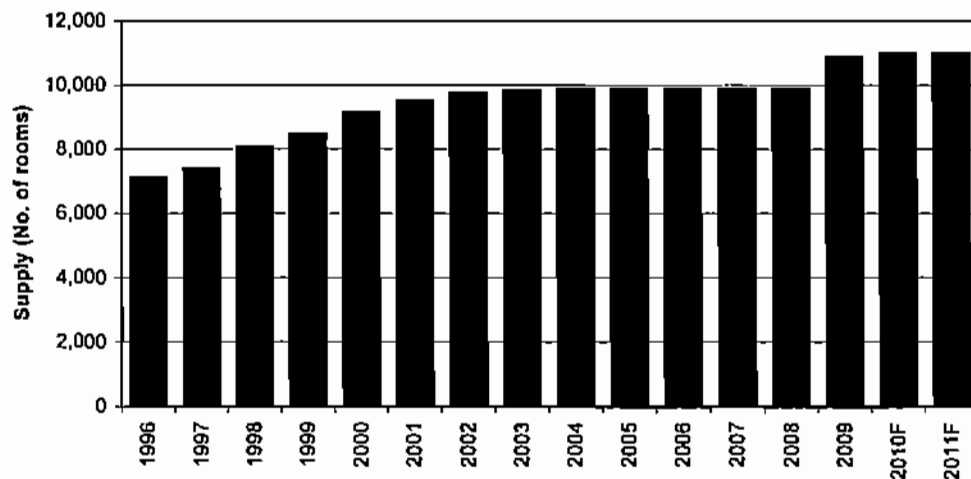
9.1.1 SUPPLY

Existing Supply

As at the end of 2009, the total existing supply of hotels in Penang was 10,260 rooms. Of this, 9,594 rooms (~94%) were located on Penang Island and the remainders were located in Seberang Perai.

The graph below depicts the trend of cumulative existing supply of hotel rooms and the forecast supply in 2010 and 2011.

GRAPH 9.1.1
CUMULATIVE EXISTING SUPPLY OF HOTEL ROOMS IN PENANG STATE
(CALENDAR YEARS 1996 – 2011F)



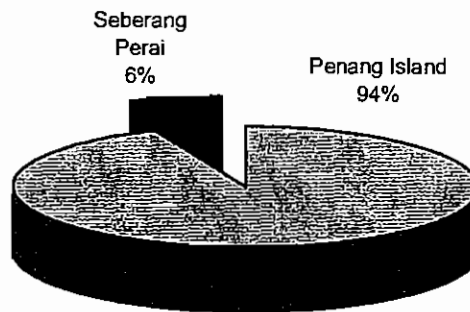
Source: JLV Research



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The graph below depicts the distribution of hotels in Penang by geographical location.

GRAPH 9.1.2
DISTRIBUTION OF HOTEL ROOMS IN PENANG STATE BY LOCATION

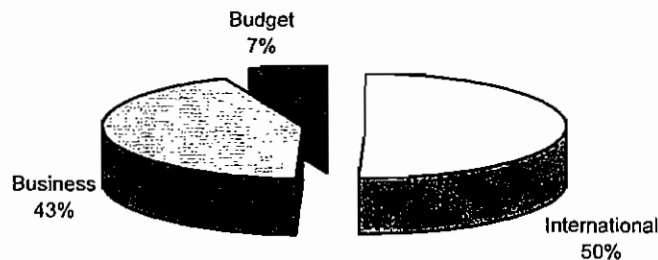


Source: JLW Research

In Penang state, the total stock of 10,260 hotel rooms, comprised of 5,175 International Class hotel rooms, 4,420 Business Class hotel rooms and 665 Budget Class hotel rooms.

The graph below depicts the distribution of hotels in Penang by category.

GRAPH 9.1.3
DISTRIBUTION OF HOTEL ROOMS IN PENANG STATE BY CLASS



Source: JLW Research

APPENDIX III - INDEPENDENT PROPERTY MARKET OVERVIEW REPORT (Cont'd)

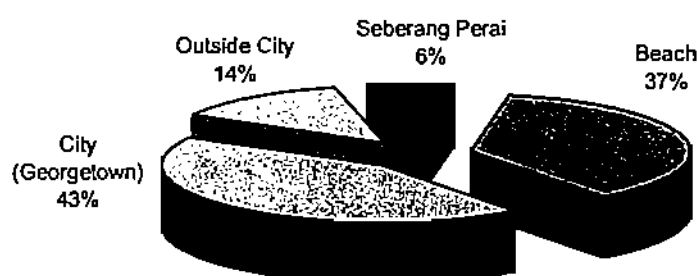


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The graph below depicts the distribution of hotel rooms in Penang state by location.

GRAPH 9.1.4
DISTRIBUTION OF HOTEL ROOMS BY LOCATION



Source: J.L.W Research

Table 9.1.1 provides details of Sunway Hotel Seberang Jaya and two hotels on the Penang mainland, which are considered to be comparable with Sunway Hotel Seberang Jaya.

TABLE 9.1.1
SELECTED EXISTING HOTELS: PENANG MAINLAND

Hotel	Location	Star	Total	Average	Achieved Room
			No of Rooms	Occupancy (%) 2009	Rates (RM) 2009
Sunway Hotel Seberang Jaya	Seberang Jaya	4	202	78	155
Summit	Bukit Mertajam	3	157	58	91
Pearl View	Butterworth	3	307	57	128
Total			666		

Source: J.L.W Research
MIHR Consulting

All three hotels registered relatively good occupancy rates ranging from 57% to 78% during 2009. Sunway Hotel Seberang Jaya is the only four star hotel in the Seberang Perai district; the other two are three star hotels. Seberang Perai is a popular hotel location, in an area where the majority of hotels are two star budget hotels catering to local businessmen and travelers, many of whom are "walk-in" guests.


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9.1.2 DEMAND

In 4Q09, steady demand for hotel rooms in Penang state resulted in an average occupancy rate of 65% compared with an average occupancy rate of 61% in 3Q09. The average occupancy rate registered in 4Q08 was 68%, registering a three percentage points reduction year on year.

The range of occupancy rates for the various categories of hotels during 4Q09 is tabulated below.

TABLE 9.1.2
RANGE OF OCCUPANCY RATES OF HOTELS IN 4Q09

Location / Class	Range of Occupancy Rates
Penang Island – Beach	
International	65% – 83%
Business	49% – 64%
Penang Island – City (Georgetown)	
International	71% – 84%
Business	54% – 87%
Penang Island – Outside City	
International	40%
Business	57% – 58%
Seberang Perai	
Business	84%

Source: J.L.W Research

International tourist arrivals to Penang have fluctuated in the six-year period between 2002 and 2008 due to the aftermath of the Severe Acute Respiratory Syndrome (“SARS”) outbreak in 2003 and the Boxing Day Tsunami in 2004.

However, with the containment of SARS, the growth of the low-cost carrier industry, increased air traffic frequency to Penang International Airport and the overall improvement in regional economic prospects, the number of tourist arrivals registered a general uptrend from 2002 to 2008, with an average annual growth rate of 3.6%.

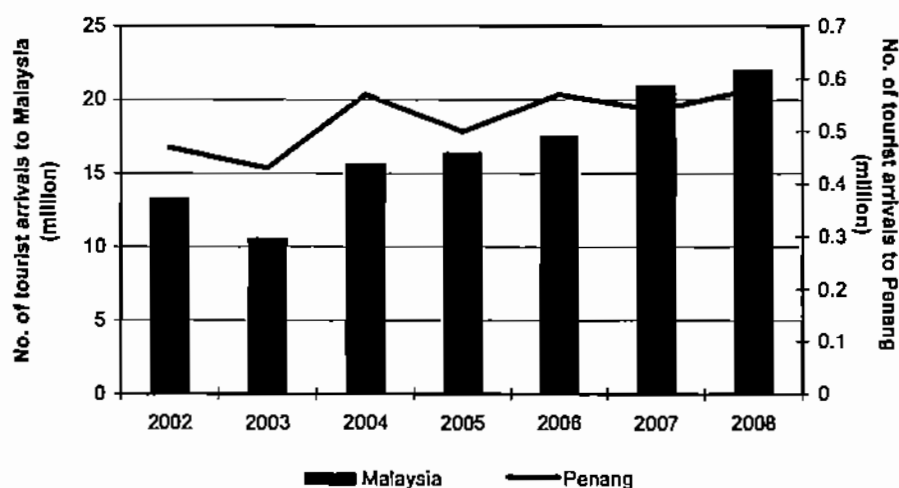
The graph below shows the number of international tourist arrivals to Penang and Malaysia and the proportion of tourists to Penang versus Malaysia as a whole.



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GRAPH 9.1.5
INTERNATIONAL TOURIST ARRIVALS TO PENANG AND MALAYSIA
(CALENDAR YEARS 2002-2008)



Source: Department of Immigration Malaysia
Pulau Pinang & Tourism Malaysia

9.1.3 ADRR

A summary of the ADRRs achieved by various hotels by geographical location and class is tabulated below.

TABLE 9.1.3
SUMMARY OF ADRR OF HOTELS DURING 4Q09

Location / Class	Range of ADRR
Penang Island – Beach	
International	RM180 – RM786
Business	RM128 – RM423
Penang Island - City (Georgetown)	
International	RM207 – RM556
Business	RM103 – RM204
Penang Island – Outside City	
International	RM235 – RM242
Business	RM172 – RM198
Seberang Perai	
Business	RM152 – RM160

Source: J.L.W Research



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9.1.4 MARKET PROSPECTS

On the whole, the ability of the majority of Penang hotels to maintain their pace of growth is linked to Penang's and Malaysia's attractiveness as both a holiday and business destination.

As broader economic conditions show signs of recovery, coupled with the government's plans for more aggressive tourism promotion under Budget 2010, Malaysia's and Penang's tourism sector is expected to improve in the short to medium term.

Seberang Perai, Seberang Jaya and Butterworth are commercially and industrially active areas and there are numerous industrial estates in the area which are occupied by both local and multinational companies. The hotels in the locality therefore have a guest profile which is highly represented by business travelers.

According to "KPMG's Exploring Global Frontier Report 2009", Penang is one of the world's top 31 outsourcing hubs for the future. It is recognised as one of the new emerging information technology-business process outsourcing ("IT-BPO") destinations. This new label for Penang is expected to entice and draw more international corporate clients to the state.



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9.2 REVIEW AND BENCHMARKING ANALYSIS

Sunway Hotel Seberang Jaya is a four-star hotel with 202 rooms over 17 floors, which was completed in 1997. Sunway Hotel Seberang Jaya's average occupancy rate was 80.0% for the six months ending 31 December 2009.

Sunway Hotel Seberang Jaya is located in the centre of an established and vibrant hub in which most of the modern day amenities such as a prime retail centre in the form of Sunway Carnival Shopping Mall, shops, restaurants, financial institutions, government offices and a convention centre are all located. The hotel is easily accessible to the highly developed industrial hubs and commercial zones of Penang's mainland.

9.2.1 SUPPLY

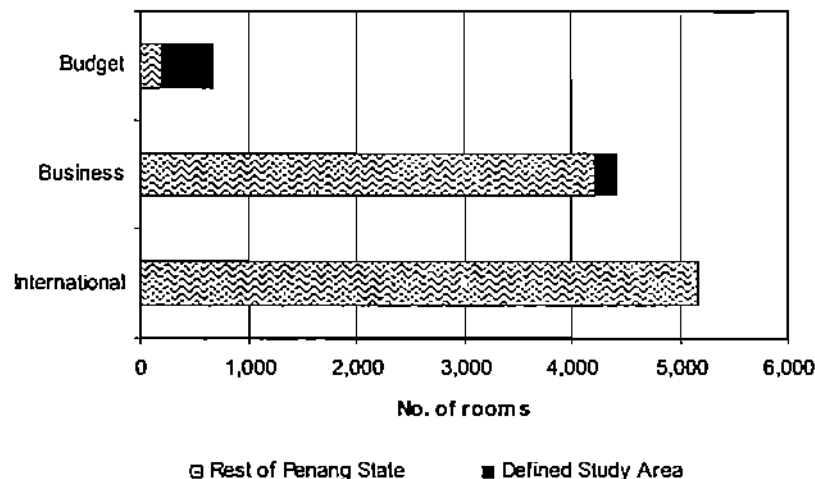
Existing Supply

Within the Defined Study Area ("DSA") of Seberang Perai district, there are three hotels with 100 rooms or more providing 666 rooms. These are the Pearl View with 307 rooms in Butterworth, Summit Hotel with 157 rooms in Bukit Mertajam and Sunway Hotel Seberang Jaya with 202 rooms in Seherang Jaya. The supply in the DSA represents 6% of the total existing supply in Penang state (10,260 rooms).

The graph below illustrates the room inventory in the DSA in relation to the Penang state.

GRAPH 9.2.1

ROOM INVENTORY IN THE DSA IN RELATION TO THE PENANG STATE



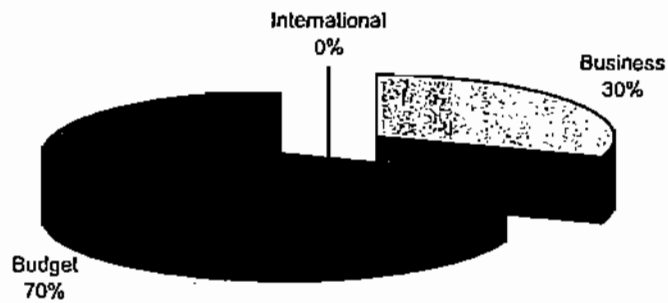
Source: JLV Research



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The following graph depicts the distribution of hotel rooms in the DSA, by classification.

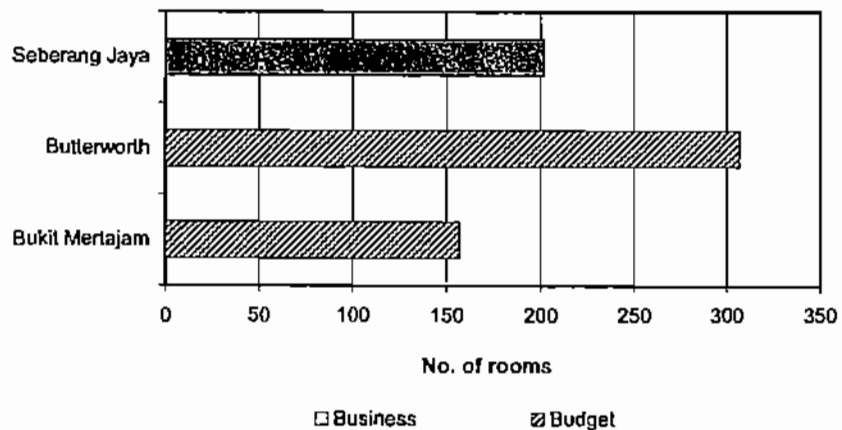
GRAPH 9.2.2
HOTEL ROOMS IN THE DSA BY CLASSIFICATION



Source: JLW Research

Butterworth has the highest number of Budget hotel rooms with 307 rooms, followed by Bukit Mertajam with 157 rooms. Sunway Hotel Seberang Jaya is the only Business hotel in the mainland with 202 rooms.

GRAPH 9.2.3
SUPPLY OF HOTEL ROOMS IN THE DSA BY CATEGORY



Source: JLW Research

APPENDIX III - INDEPENDENT PROPERTY MARKET OVERVIEW REPORT (Cont'd)



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Comparable / competitive hotels located in the DSA are as follows:

TABLE 9.2.1

SELECTED HOTELS IN THE DSA

Hotel	Total Rooms	Location
Business		
Sunway Hotel Seberang Jaya	202	Seberang Jaya
Total Business	202	
Budget		
Pearl View	307	Butterworth
The Summit	157	Bukit Mertajam
Total Budget	464	
GRAND TOTAL	666	

Source: JLW Research

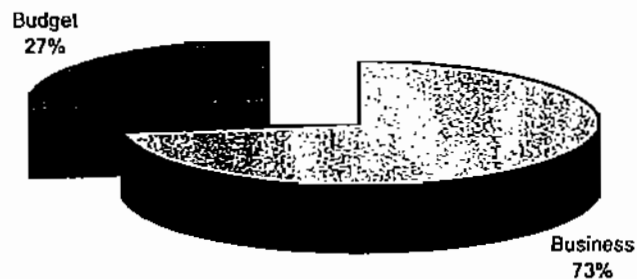
Future Supply

In the DSA, there are 450 hotel rooms in the development pipeline, which represent 13% of the total future supply of 3,464 rooms identified in Penang state. All 450 rooms are expected to be completed during 2010.

Graph 9.2.4 shows the distribution of future hotel rooms in the DSA by classification.

GRAPH 9.2.4

DISTRIBUTION OF FUTURE HOTEL ROOMS BY CLASSIFICATION



Source: JLW Research

Details of the future supply of hotels in the DSA are presented in the table below.



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TABLE 9.2.2

FUTURE HOTELS IDENTIFIED IN THE DSA

No.	Project	Location	Class	Rooms	Development Status
1.	Ixora Hotel	Bandar Perai Jaya	Business	327	Under construction. To open in October 2010
2.	De' Gardens Hotel	Butterworth	Budget	123	Opened in March 2010
Total New Supply in the DSA				450	

Source: J.L.W Research

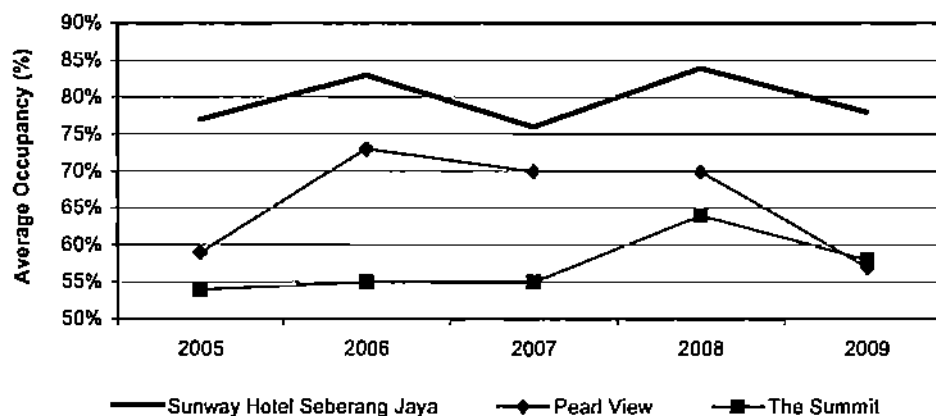
9.2.2 AVERAGE OCCUPANCY RATES AND DEMAND SNAPSHOT

Demand for hotel rooms depends to a large extent on the location, transport accessibility, service standards, range of facilities as well as whether the hotel is part of a franchise or independent. The availability of flexible conference facilities, surrounding amenities and a global marketing distribution network significantly enhances the success of hotels.

An increasing number of hotel guests, especially business professionals, are looking for modern and contemporary hotels with reliable services at competitive rates. Therefore, hotels providing innovative enhancements to existing operations, such as retail outlets and WiFi connectivity, will have an upside in terms of occupancy rates and revenues.

Graph 9.2.5 below compares the occupancy trend of selected hotels in the DSA in relation to the Sunway Hotel Seberang Jaya.

GRAPH 9.2.5

**OCCUPANCY TREND OF SELECTED HOTELS IN THE DSA
(CALENDAR YEARS 2005 – 2009)**


Source: J.L.W Research
MHR Consulting
Sunway City Berhad



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As depicted in the graph above, Sunway Hotel Seberang Jaya has consistently registered the highest average occupancy rate within the DSA.

Sunway Hotel Seberang Jaya is the only Business Class hotel within the DSA and is a popular venue for corporate business travellers. The close proximity and affiliation to the Sunway Carnival Mall, incorporating the Sunway Carnival Convention Centre ("SCCC"), has also benefited the hotel in terms of achieving higher occupancy rates particularly during the periods when events are being held at the SCCC.

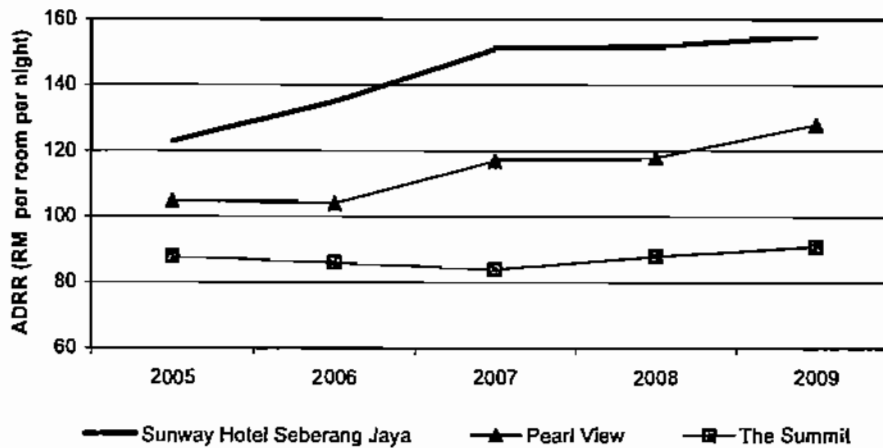
9.2.3 MARKET INDICATORS

9.2.3.1 ADRR

During the last five years, the ADRRs of hotels in the DSA have generally been on an increasing trend. The ADRRs in the DSA range between RM84 per room per night and RM155 per room per night. The lowest ADRR was recorded by The Summit and the highest ADRR was recorded by Sunway Hotel Seberang Jaya.

GRAPH 9.2.6

ADRR OF SELECTED HOTELS IN THE DSA (CALENDAR YEARS 2005 – 2009)



Source: J.L.W Research
MIHR Consulting
Sunway City Berhad

9.2.4 MARKET PROSPECTS

Despite two new hotels being scheduled for opening in 2010, the existing supply of hotels with 100 rooms and above in Seberang Perai ("SP") / Penang mainland is expected to remain in tandem with demand due to the increased demand for relatively good quality Budget Class hotel accommodation.



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As there is limited demand from the leisure market in SP, the MICE market, government sector and industrialists are expected to continue to be the major consistent source of income for hoteliers.

Industrial activity in the area is expected to grow steadily in the next couple of years. There are currently over 650 ready-built factories in the development pipeline in Penang state, of which 468 are located in SP. Prai industrial park is generally where more heavy and general industries are located, the park was established in 1971 and incorporates a free trade zone area.

In the medium term, steady demand for hotels in SP is expected to prevail due to the relatively limited supply and annual average occupancy rate of 60% is considered sustainable in the medium term. Furthermore, SP will continue to attract travellers due to its "centralised" location in the state of Penang close to a good supporting road and highway network.



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9.3 OUTLOOK

We believe that Sunway Hotel Seberang Jaya is considered to be one of the best hotels in Seberang Jaya and has managed to secure above-average occupancy and room rates with over 80% of its guests being corporate and business clients.

There are no future projects in the DSA which might emerge as strong competition to the hotel.

SWOT Assessment

In the assessment of Sunway Hotel Seberang Jaya, JLW has specifically looked at the strengths, weaknesses, opportunities and threats concerning the subject development. This includes taking into consideration, among other things, its location and accessibility, concept/theme, service delivery, building attributes and facilities provided.

Strengths

- Strategic location in the Seberang Jaya town centre at the intersection of the North-South and East-West highways.
- Ideal for corporate travellers with good accessibility to the developed industrial hubs and commercial zones on the mainland.
- Ideal venue for events such as business meetings, conferences, banquets and weddings.
- Good linkages with other Sunway development components, in particular Sunway Carnival Shopping Mall and Convention Centre, resulting in a broader market catchment for the hotel.
- Hotel can benefit from higher occupancy rates, particularly during Convention Centre event periods.
- The only Business Class hotel in the vicinity with no major current or anticipated competitors.

Weaknesses

- The hotel has no direct physical linkage to the Sunway Carnival Shopping Mall and convention centre.
- Uncovered surface car parking only.
- Lack of efficient mode of public transportation in the vicinity.



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- The distance of the hotel from Penang Island prevents it from capturing significant market share from the island.

Opportunities

- With its products and services geared towards business travellers, the hotel is well positioned to tap into opportunities in the corporate sector.
- Opportunity to tap into national events held on Penang Island, including the Petronas Cup Prix Race and the Malaysia Tenpin Bowling Tournament.
- Expand online booking agents and “sms direct marketing” to grow sales channels and reduce operational costs.
- Offer packages in order to boost occupancy rates on weekends.
- Tap into the growing MICE source markets.
- Advertise and promote Sunway Carnival Convention Centre more aggressively to increase awareness and grow banquet revenue by focusing on social events.
- Generally limited supply of future hotel rooms in the development pipeline, which reduces competition.
- Increase in number of low cost air carriers/flights such as Air Asia and Firefly.

Threats

- The development of new hotels, although on a smaller scale or lower class, could result in a dilution of market share.

On the whole, Sunway Hotel Seberang Jaya has performed consistently well with little need for physical upgrades or changes in terms of services. The hotel meets a particular strong niche target market, has a number of positive attributes and is considered to be the best hotel in Seberang Perai. The hotel operator has managed to secure above-average occupancy and room rates with over 80% of its guests being corporate and business clients and this trend is expected to continue into the future.



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1. This report is confidential to the party to whom it is addressed for the specific purpose to which it refers and no responsibility is accepted to any third party. The whole of the report, or any part or reference thereto must not be published in any document, statement, circular or in any communication with third parties, without our prior written approval of the form and context in which it will appear.
2. We stress that the estimation of future demand, business trends, property prices, rentals and projected take up rates is a challenging exercise which at best should be regarded as an indicative assessment of possibilities rather than absolute certainties. The process of making forward projections of such key elements involves assumptions respecting a considerable number of variables, which are acutely sensitive to changing conditions, variations in any one of which may significantly affect the outcome.
3. The report has used and relied upon information from third party sources generally regarded as authoritative and reliable. This information has not necessarily been independently verified by Jones Lang Wootton.
4. This report does not constitute a valuation or opinion of value of any property or property interest. The advice, findings or recommendations contained herein cannot be construed as a valuation.

MALATHI THEVENDRAN
EXECUTIVE DIRECTOR

DAVID JARNELL
SENIOR VICE PRESIDENT

Our Reference : CON/5/2010
Date : 27 MAY 2010