

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2013 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Second Quarter ended		Cumulative Quarter ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Rental income	107,789	103,201	205,320	200,673
Other operating income	2,524	2,619	5,169	4,919
Gross revenue	110,313	105,820	210,489	205,592
Quit rent, assessment and insurance	(2,902)	(3,275)	(5,995)	(6,343)
Other property operating expenses	(22,986)	(24,422)	(42,963)	(48,246)
Property operating expenses	(25,888)	(27,697)	(48,958)	(54,589)
Net property income	84,425	78,123	161,531	151,003
Other income	648	312	1,186	566
Net investment income	85,073	78,435	162,717	151,569
Manager's fee	(6,561)	(5,998)	(12,890)	(11,730)
Trustee's fee	(267)	(229)	(534)	(457)
Finance costs	(15,954)	(15,668)	(31,502)	(30,399)
Other expenses	(257)	(418)	(357)	(852)
	(23,039)	(22,313)	(45,283)	(43,438)
Income before taxation	62,034	56,122	117,434	108,131
Income tax expense	-	-	-	-
Profit for the period	62,034	56,122	117,434	108,131
Profit for the period comprise the following:				
Realised	62,016	56,116	117,400	108,113
Unrealised	18	6	34	18
	62,034	56,122	117,434	108,131
Earnings per unit (sen)				
- realised	2.12	2.08	4.02	4.01
- unrealised	-	-	-	-
	2.12	2.08	4.02	4.01
Proposed/declared distribution per unit (sen)	2.23	2.19	4.23	4.22

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2013 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

	Second Quarter ended		Cumulative Quarter ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Profit for the period	62,034	56,122	117,434	108,131
Other comprehensive income				
Cash flow hedge - fair value of derivative	2,035	563	13,041	(9,363)
Cash flow hedge reserve recycled to profit or loss	(2,400)	770	(10,300)	13,120
Total comprehensive income for the period	61,669	57,455	120,175	111,888

Income distribution

	Second Quarter ended		Cumulative Quarter ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Realised total comprehensive income for the period	62,016	56,116	117,400	108,113
Add: Surplus cash arising from 50% Manager's fee paid/payable in Units	3,281	2,999	6,445	5,865
Total available for income distribution for the period	65,297	59,115	123,845	113,978
Brought forward undistributed income available for distribution	288	223	169	142
Total available for income distribution	65,585	59,338	124,014	114,120
Less: Proposed/declared income distribution	(65,198)	(59,144)	(123,627)	(113,926)
Balance undistributed arising from rounding difference	387	194	387	194

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2013 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At 31.12.2013 (Unaudited)	As At 30.06.2013 (Unaudited)
	RM'000	RM'000
ASSETS		
Non-current assets		
Plant and equipment	1,418	1,283
Investment properties	5,229,440	5,184,000
Derivative financial instrument	20,581	7,540
	5,251,439	5,192,823
Current assets		
Receivables, deposits and prepayments	17,854	18,190
Deposits placed with licensed financial institutions	45,357	53,733
Cash and bank balances	18,401	4,786
	81,612	76,709
	5,333,051	5,269,532
FINANCED BY:		
Unitholders' funds		
Unitholders' capital	2,696,315	2,690,002
Undistributed income	819,241	816,467
Total Unitholders' funds	3,515,556	3,506,469
Non-current liabilities		
Borrowings	1,328,150	1,317,850
Long term liabilities	54,815	41,956
	1,382,965	1,359,806
Current liabilities		
Borrowings	365,993	314,769
Trade and other payables	68,537	88,488
	434,530	403,257
	5,333,051	5,269,532
Number of units in circulation ('000 units)	2,923,685	2,919,423
NET ASSET VALUE ("NAV")		
- Before income distribution	3,515,556	3,506,469
- After income distribution	3,450,358	3,447,497
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution ¹	1.2024	1.2011
- After income distribution ²	1.1801	1.1809

¹ Before the 2Q 2014 proposed income distribution of 2.23 sen per unit (4Q 2013: 2.02 sen per unit).

² After the 2Q 2014 proposed income distribution of 2.23 sen per unit (4Q 2013: 2.02 sen per unit).

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2013 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE

	Unitholders' Capital	<-- Undistributed Income -->		Total Unitholders' Funds
	RM'000	Realised RM'000	Unrealised RM'000	RM'000
As at 1 July 2013	2,690,002	26,208	790,259	3,506,469
Total comprehensive income				
Profit for the period	-	117,400	34	117,434
Other comprehensive income				
- Cash flow hedge - fair value of derivative	-	-	13,041	13,041
- Cash flow hedge reserve recycled to profit or loss	-	-	(10,300)	(10,300)
Total comprehensive income, representing the increase in net assets resulting from operations	2,690,002	143,608	793,034	3,626,644
Unitholders' transactions				
Creation of units ¹				
- Manager's fee paid in units	6,313	-	-	6,313
Distribution to unitholders				
- Income distribution declared and paid in current period	-	(58,429)	-	(58,429)
- Income distribution proposed in prior year but paid in current period	-	(58,972)	-	(58,972)
Increase/(decrease) in net assets resulting from unitholders' transactions	6,313	(117,401)	-	(111,088)
As at 31 December 2013 (Unaudited)	2,696,315	26,207	793,034	3,515,556

	Unitholders' Capital	<-- Undistributed Income -->		Total Unitholders' Funds
	RM'000	Realised RM'000	Unrealised RM'000	RM'000
As at 1 July 2012	2,361,487	30,307	616,537	3,008,331
Total comprehensive income				
Profit for the year	-	218,785	173,537	392,322
Other comprehensive income				
- Cash flow hedge - fair value of derivative	-	-	(915)	(915)
- Cash flow hedge reserve recycled to profit or loss	-	-	1,100	1,100
Total comprehensive income, representing the increase in net assets resulting from operations	2,361,487	249,092	790,259	3,400,838
Unitholders' transactions				
Creation of units ¹				
- Pursuant to private placement	320,000	-	-	320,000
- Manager's fee paid in units	11,885	-	-	11,885
Unit issuance expenses	(3,370)	-	-	(3,370)
Distribution to unitholders				
- Income distribution declared and paid in current year	-	(171,921)	-	(171,921)
- Income distribution proposed in prior year but paid in current year	-	(50,963)	-	(50,963)
Increase/(decrease) in net assets resulting from unitholders' transactions	328,515	(222,884)	-	105,631
As at 30 June 2013 (Unaudited)	2,690,002	26,208	790,259	3,506,469

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

SUNWAY REAL ESTATE INVESTMENT TRUST**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE (CONT'D)**

¹ Issue of new units comprise the following:

	31.12.2013	
	Units	Amount
	'000	RM'000
Issuance of new units pursuant to 50% Manager fee paid in units:		
- at RM1.5720 per unit for the quarter ended 30 June 2013	2,004	3,149
- at RM1.4013 per unit for the quarter ended 30 September 2013	2,258	3,164
Total Manager's fee paid in units	<u>4,262</u>	<u>6,313</u>
	30.06.2013	
	Units	Amount
	'000	RM'000
Issuance of new units pursuant to placement exercise at RM1.49 per unit	<u>214,765</u>	<u>320,000</u>
Issuance of new units pursuant to 50% Manager fee paid in units:		
- at RM1.3261 per unit for the quarter ended 30 June 2012	2,186	2,899
- at RM1.4487 per unit for the quarter ended 30 September 2012	1,978	2,866
- at RM1.5186 per unit for the quarter ended 31 December 2012	1,974	2,999
- at RM1.5166 per unit for the quarter ended 31 March 2013	2,058	3,121
Total Manager's fee paid in units	<u>8,196</u>	<u>11,885</u>
Total issuance for the year	<u>222,961</u>	<u>331,885</u>

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2013 (UNAUDITED)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative Quarter ended	
	31.12.2013	31.12.2012
	RM'000	RM'000
OPERATING ACTIVITIES		
Cash receipts from customers	217,005	209,656
Refundable security deposits from customers	5,517	2,811
Cash paid for operating expenses	(80,131)	(76,024)
Net cash generated from operating activities	<u>142,391</u>	<u>136,443</u>
INVESTING ACTIVITIES		
Acquisition of plant and equipment	(160)	(351)
Subsequent expenditure of investment properties	(41,317)	(17,543)
Interest received	1,063	541
Net cash used in investing activities	<u>(40,414)</u>	<u>(327,353)</u>
FINANCING ACTIVITIES		
Issuance of commercial papers	1,369,000	3,037,000
Drawdown of revolving loans	677,000	3,325,000
Repayment of commercial papers	(1,671,000)	(2,475,000)
Repayment of revolving loans	(324,000)	(3,950,000)
Interest paid	(30,337)	(27,544)
Distribution paid	(117,401)	(105,745)
Net cash (used in)/generated financing activities	<u>(96,738)</u>	<u>203,711</u>
Net increase in cash and cash equivalents	5,239	12,801
Cash and cash equivalents at beginning of period	58,519	25,799
Cash and cash equivalents at end of period	<u>63,758</u>	<u>38,600</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	18,401	7,817
Deposits placed with licensed financial institutions	45,357	30,783
Cash and cash equivalents at end of period	<u>63,758</u>	<u>38,600</u>

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2013 (UNAUDITED)**

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

A1. Corporate Information

Sunway Real Estate Investment Trust ("Sunway REIT" or "Fund") is a Malaysia-domiciled real estate investment trust constituted pursuant to the trust deed dated 20 May 2010 and the supplementary deed dated 10 June 2010 (collectively referred to as the "Deed") between Sunway REIT Management Sdn. Bhd. (the "Manager") and RHB Trustees Berhad (Formerly known as OSK Trustees Berhad) (the "Trustee"). The Fund was listed on the Main Market of Bursa Malaysia Securities Berhad on 8 July 2010.

The consolidated condensed interim financial statements comprise Sunway REIT and its subsidiaries (the "Group").

A2. Significant accounting policies and basis of preparation

The condensed consolidated interim financial statements of the Group for the financial period ended 31 December 2013 have been prepared in accordance with MFRS 134: *Interim Financial Reporting*, paragraph 9.44 of the Bursa Malaysia Securities Berhad Listing Requirements, the Deed and the Securities Commission's Guidelines on Real Estate Investment Trust ("the REITs Guidelines"). These condensed consolidated interim financial statements also comply with IAS 34: *Interim Financial Reporting* issued by the International Accounting Standards Board.

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

The consolidated financial statements of the Group for the year ended 30 June 2013 which were prepared under MFRS are available upon request from the management company's registered office at Level 16, Menara Sunway, Jalan Lagoon Timur, Bandar Sunway 47500, Subang Jaya, Selangor Darul Ehsan.

A3. Audit Report of Preceding Financial Year

The auditors have expressed an unqualified opinion on Sunway REIT's financial statement for the financial year ended 30 June 2013.

A4. Changes in Estimates

This is not applicable as no estimates were previously reported.

A5. Unusual Items

There were no material unusual items affecting the amounts reported for the current quarter ended 31 December 2013.

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

Sunway REIT has issued 2,258,100 new units at RM1.4013* per unit on 28 November 2013, being 50% payment of the Manager's fee for the quarter ended 30 September 2013. The units were listed on the Main Market of Bursa Securities on 29 November 2013.

* Based on the 10-day volume weighted average price ("VWAP") of the units up to 30 September 2013.

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

Sunway REIT's fund size increased from 2,921.4 million units to 2,923.7 million units with the issuance of new units as mentioned in Note A6.

SUNWAY REAL ESTATE INVESTMENT TRUST

FOR THE SECOND QUARTER ENDED 31 DECEMBER 2013 (UNAUDITED)

A8. Segmental Reporting

By segment

Segmental results for the quarter ended 31 December 2013 are as follows:

Second Quarter

	Second Quarter ended 31.12.2013					Second Quarter ended 31.12.2012				
	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000
BY BUSINESS SEGMENTS										
REVENUE AND EXPENSES										
Gross revenue	74,868	19,924	10,771	4,750	110,313	75,546	20,001	10,222	51	105,820
<u>Results</u>										
Net property income	53,316	19,153	7,206	4,750	84,425	51,949	19,114	7,009	51	78,123
Other income					648					312
Trust and other expenses					(7,085)					(6,645)
Finance costs					(15,954)					(15,668)
Income before taxation					62,034					56,122
Income tax expense					-					-
Profit for the period					62,034					56,122

SUNWAY REAL ESTATE INVESTMENT TRUST

FOR THE SECOND QUARTER ENDED 31 DECEMBER 2013 (UNAUDITED)

A8. Segmental Reporting (Cont'd)

By segment (Cont'd)

Cumulative Quarter

	Cumulative Quarter ended 31.12.2013					Cumulative Quarter ended 31.12.2012				
	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000	Retail RM'000	Hotel RM'000	Office RM'000	Others RM'000	Total RM'000
BY BUSINESS SEGMENTS										
REVENUE AND EXPENSES										
Gross revenue	145,075	34,201	21,713	9,500	210,489	148,844	36,312	20,385	51	205,592
<u>Results</u>										
Net property income	104,747	32,634	14,650	9,500	161,531	102,221	34,718	14,013	51	151,003
Other income					1,186					566
Trust and other expenses					(13,781)					(13,039)
Finance costs					(31,502)					(30,399)
Income before taxation					117,434					108,131
Income tax expense					-					-
Profit for the year					117,434					108,131

SUNWAY REAL ESTATE INVESTMENT TRUST

FOR THE SECOND QUARTER ENDED 31 DECEMBER 2013 (UNAUDITED)

A8. Segmental Reporting (Cont'd)

By property

Properties	Gross Revenue Second Quarter			Net Property Income Second Quarter			Gross Revenue Cumulative Quarter ended			Net Property Income Cumulative Quarter ended		
	31.12.2013	31.12.2012	Change	31.12.2013	31.12.2012	Change	31.12.2013	31.12.2012	Change	31.12.2013	31.12.2012	Change
	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%	RM'000	RM'000	%
Retail												
Sunway Pyramid Shopping Mall	64,700	60,204	7.5%	47,706	42,316	12.7%	125,005	118,337	5.6%	93,422	83,194	12.3%
Sunway Carnival Shopping Mall	8,874	7,887	12.5%	5,310	4,936	7.6%	17,462	15,430	13.2%	10,815	9,607	12.6%
Suncity Ipoh Hypermarket	1,136	1,137	-0.1%	1,054	1,051	0.3%	2,272	2,274	-0.1%	2,136	2,105	1.5%
Sunway Putra Mall	158	6,318	-97.5%	(754)	3,646	-120.7%	336	12,803	-97.4%	(1,626)	7,315	-122.2%
	74,868	75,546	-0.9%	53,316	51,949	2.6%	145,075	148,844	-2.5%	104,747	102,221	2.5%
Hotel												
Sunway Resort Hotel & Spa	10,914	9,508	14.8%	10,613	9,077	16.9%	17,672	17,821	-0.8%	17,055	17,152	-0.6%
Pyramid Tower Hotel	5,574	5,799	-3.9%	5,479	5,704	-3.9%	10,689	11,507	-7.1%	10,503	11,316	-7.2%
Sunway Hotel Seberang Jaya	1,386	704	96.9%	1,334	651	104.9%	2,336	1,042	124.2%	2,234	932	139.7%
Sunway Putra Hotel	2,050	3,990	-48.6%	1,727	3,682	-53.1%	3,504	5,942	-41.0%	2,842	5,318	-46.6%
	19,924	20,001	-0.4%	19,153	19,114	0.2%	34,201	36,312	-5.8%	32,634	34,718	-6.0%
Office												
Menara Sunway	4,320	4,217	2.4%	3,214	3,100	3.7%	8,648	8,331	3.8%	6,360	5,971	6.5%
Sunway Tower	4,132	3,879	6.5%	2,805	2,748	2.1%	8,332	7,757	7.4%	5,722	5,583	2.5%
Sunway Putra Tower	2,319	2,126	9.1%	1,187	1,161	2.2%	4,733	4,297	10.1%	2,568	2,459	4.4%
	10,771	10,222	5.4%	7,206	7,009	2.8%	21,713	20,385	6.5%	14,650	14,013	4.5%
Others												
Sunway Medical Centre	4,750	51	9213.7%	4,750	51	9213.7%	9,500	51	18527.5%	9,500	51	18527.5%
	4,750	51	9213.7%	4,750	51	9213.7%	9,500	51	18527.5%	9,500	51	18527.5%
TOTAL PORTFOLIO	110,313	105,820	4.2%	84,425	78,123	8.1%	210,489	205,592	2.4%	161,531	151,003	7.0%

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2013 (UNAUDITED)**

A8. Segmental Reporting (Cont'd)

The Group comprises the following major business segments:

- (i) Retail - renting of retail premises to tenants
- (ii) Hotel - leasing of hotel premises to hotel operators
- (iii) Office - renting of office premises to tenants
- (iv) Others - leasing of a medical premise to a hospital operator

There have been no differences in the basis of segmentation or in the basis of measurement of segment profit or loss as compared to the last annual financial statements.

a) Review of current quarter results

Retail segment

The retail segment registered gross revenue of RM74.9 million for the current quarter ended 31 December 2013 (2Q 2014), marginally lower by 0.9% or RM0.7 million compared to the preceding year corresponding quarter (2Q 2013) due to closure of Sunway Putra Mall since May 2013 for major refurbishment. Sunway Pyramid Shopping Mall, the key income contributor, continued to enjoy healthy growth with an improvement in gross revenue by 7.5% or RM4.5 million compared to 2Q 2013, mainly attributable to higher overall average rental rate (ARR) resulting from renewal/new tenancies whereby 902,316 sq.ft. was renewed/replaced with a double digit rental reversion for a 3-year term. The better performance was also due to the opening of Oasis Boulevard 5 (OB5) in the current quarter with additional of net lettable area (NLA) of 20,362 sq.ft. and reconfigured NLA of 23,432 sq.ft..

Sunway Carnival Shopping Mall, a premier lifestyle shopping mall in Seberang Jaya, Penang, achieved a commendable revenue growth of 12.5% or RM1.0 million, mainly attributable to higher overall ARR resulting from renewal/new tenancies despite lower average occupancy rate. Average occupancy rate was at 92.8% for 2Q 2014 compared to 96.1% for 2Q 2013 due to non-renewal by a mini anchor tenant which occupied 39,676 sq.ft. due to a change in the tenant's business strategy.

Property operating expenses of the retail segment for 2Q 2014 was RM21.6 million, a reduction of RM2.0 million or 8.7% compared to 2Q 2013, mainly due to closure of Sunway Putra Mall for major refurbishment and lower utilities expense at Sunway Pyramid Shopping Mall arising from energy savings upon completion of chiller retrofit exercise in 3Q 2013

Net property income of the retail segment for 2Q 2014 was RM53.3 million, an increase of 2.6% or RM1.4 million compared to 2Q 2013 despite loss of income contribution from Sunway Putra Mall.

Hotel segment

The hotel segment registered gross revenue of RM19.9 million for 2Q 2014, marginally lower by 0.4% or RM0.1 million compared to 2Q 2013. Sunway Resort Hotel & Spa contributed higher revenue for current quarter mainly due to significant improvement in the average occupancy rate to 83.5% in 2Q 2014 compared to 71.9% in 2Q 2013 due to aggressive tactical promotional activities and lower operating expenses. The average occupancy rate of Pyramid Tower Hotel has also improved to 88.5% in 2Q 2014 from 82.6% in 2Q 2013 as a result of similar tactical promotional activities as Sunway Resort Hotel & Spa. However, the revenue contribution from this hotel for 2Q 2014 was marginally lower compared to 2Q 2013.

Sunway Hotel Seberang Jaya managed to double its revenue for 2Q 2014 following the completion of the major refurbishment (commenced in December 2011 and completed in May 2013) whereby its average occupancy inched up to 68.7% in 2Q 2014 compared to 46.3% in 2Q 2013.

Sunway Putra Hotel's performance was adversely affected by the major refurbishment works at the adjoining Sunway Putra Mall since May 2013 where average occupancy for the current quarter slipped from 70.5% in 2Q 2013 to 51.6% in 2Q 2014, representing a reduction of 18.9%.

Net property income of the hotel segment for 2Q 2014 was RM19.1 million, consistent with 2Q 2013.

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2013 (UNAUDITED)**

A8. Segmental Reporting (Cont'd)

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

Office segment

The office segment recorded gross revenue of RM10.8 million for 2Q 2014, higher by 5.4% or RM0.5 million compared to 2Q 2013. Menara Sunway recorded higher revenue for 2Q 2014 mainly due to completion of the asset enhancement initiative (AEI) in 2Q 2013 which increased the net lettable area (NLA) by 14,193 sq.ft. Sunway Tower achieved higher average occupancy rate of 87.3% for 2Q 2014 compared to 2Q 2013 of 81.8% resulting from additional space taken up by an existing anchor tenant. Meanwhile, Sunway Putra Tower recorded a commendable jump in revenue due to alignment of the current low rental rates to market rate from a tenancy renewal.

Property operating expenses of the office segment for 2Q 2014 was RM3.6 million, higher by 11.0% or RM0.4 million from 2Q 2013 mainly due to higher general building upkeep expenses at Sunway Tower and Sunway Putra Tower.

Net property income of the office segment for 2Q 2014 was RM7.2 million, higher by 2.8% or RM0.2 million from 2Q 2013.

Others

Sunway Medical Centre contributed RM4.7 million of revenue and net property income to Sunway REIT for 2Q 2014 compared to RM0.1 million for 2Q 2013.

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

Income before taxation

Finance costs for 2Q 2014 was RM16.0 million, higher by 1.8% or RM0.3 million compared to 2Q 2013 mainly due to higher outstanding balance and higher average cost of debt at 3.85% compared to 3.73% in 2Q 2013 pursuant to conversion of RM1.0 billion into fixed rate borrowings.

Net profit for 2Q 2014 was RM62.0 million compared to 2Q 2013 of RM56.1 million, represent an increase of 10.5% or RM5.9 million, primarily attributable to the new income contribution from Sunway Medical Centre and higher net property income from the retail segment.

b) Review of cumulative quarter results

Retail segment

The retail segment registered gross revenue of RM145.1 million for the cumulative quarter ended 31 December 2013 (YTD 2Q 2014), lower by 2.5% or RM3.8 million compared to the preceding year corresponding cumulative quarter (YTD 2Q 2013) due to closure of Sunway Putra Mall since May 2013 for major refurbishment. Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall continue to experience healthy growth due to higher average rental rate as mentioned in Note A8(a) above.

Property operating expenses of the retail segment for YTD 2Q 2014 was RM40.3 million, a significant reduction of RM6.3 million or 13.5% compared to YTD 2Q 2013, mainly due to closure of Sunway Putra Mall for major refurbishment. The lower property operating expenses was also due to lower utilities expense arising from energy savings upon completion of chiller retrofit exercise in 3Q 2013 and lower general building upkeep expenses at Sunway Pyramid Shopping Mall.

Net property income of the retail segment for YTD 2Q 2014 was RM104.7 million, an increase of 2.5% or RM2.5 million compared to YTD 2Q 2013 despite loss of income contribution from Sunway Putra Mall.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2013 (UNAUDITED)**

A8. Segmental Reporting (Cont'd)

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

Hotel segment

The hotel segment registered gross revenue of RM34.2 million for YTD 2Q 2014, lower by 5.8% or RM2.1 million compared to YTD 2Q 2013 mainly due to lower income contribution from Sunway Putra Hotel as the performance of this hotel was adversely affected by the major refurbishment works at the adjoining Sunway Putra Mall as explained in Note A8(a) above.

Both Sunway Resort Hotel & Spa (SRHS) and Pyramid Tower Hotel experienced weaker performance in 1Q 2014 primarily attributable to slower macro environment in the electrical and electronics (E&E) sector which these hotels predominantly served. Consequently, these 2 hotels launched aggressive tactical promotional activities which resulted in improved performance in 2Q 2014 especially SRHS.

Sunway Hotel Seberang Jaya doubled its revenue for YTD 2Q 2014 following the completion of the major refurbishment as explained in Note A8(a) above.

Net property income of the hotel segment for YTD 2Q 2014 was RM32.6 million, lower by 6.0% or RM2.1 million compared to YTD 2Q 2013.

Office segment

The office segment recorded gross revenue of RM21.7 million, higher by 6.5% or RM1.3 million compared to YTD 2Q 2013. Menara Sunway recorded higher revenue for YTD 2Q 2014 mainly due to completion of the asset enhancement initiative (AEI) in 2Q 2013 and higher average rental rate from rental reversion. Meanwhile, Sunway Tower recorded higher revenue mainly due to improved average occupancy rate and Sunway Putra Tower achieved better average rental rate as explained in Note A8(a) above.

Property operating expenses of the office segment for YTD 2Q 2014 was RM7.1 million, higher by 11.0% or RM0.7 million from YTD 2Q 2013 mainly due to the reasons explained in Note 8(a).

Net property income of the office segment for YTD 2Q 2014 was RM14.7million, higher by 4.5% or RM0.6 million from YTD 2Q 2013.

Others

Sunway Medical Centre contributed RM9.5 million of revenue and net property income to Sunway REIT for YTD 2Q 2014 compared to RM0.1 million for YTD 2Q 2013.

Income before taxation

Finance costs for YTD 2Q 2014 was RM31.5 million, higher by 3.6% or RM1.1 million compared to YTD 2Q 2013 mainly due to the reason explained in Note A8(a) above.

Net profit for YTD 2Q 2014 was RM117.4 million compared to YTD 2Q 2013 of RM108.1 million, represent an increase of 8.6% or RM9.3 million, primarily attributable to the new income contribution from Sunway Medical Centre and higher net property income from the retail segment.

A9. Seasonality of Operations

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2013 (UNAUDITED)**

A10. Income Before Taxation

Included in the income before taxation are the following items:

	Second Quarter ended		Cumulative Quarter ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Interest Income	(511)	(306)	(1,021)	(548)
Net changes in fair value of long term liabilities	(18)	(6)	(34)	(18)
Unrealised foreign exchange loss/(gain) - hedged item	2,400	(770)	10,300	(13,120)
Cash flow hedge reserve recycled to profit or loss	(2,400)	770	(10,300)	13,120
Allowance for/(reversal of) impairment of receivables	(97)	(268)	(395)	(229)
Bad debts written off	4	-	21	10
Depreciation of plant and equipment	58	45	110	59

A11. Income Tax Expense

Taxation of the REIT

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

Since Sunway REIT shall be distributing 100% of its realised year-to-date income (which translates to more than 90% of its total taxable income), the REIT should not incur any tax expense for the financial year ending 30 June 2014.

Taxation of the Unitholders

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

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

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

A12. Income Distribution

For the quarter ended 31 December 2013, the Manager proposed an interim income distribution of approximately 100% of the realised distributable income amounting to RM65.198 million or 2.23 sen per unit, comprising taxable and non-taxable amount of 1.89 sen and 0.34 sen per unit respectively. This amount includes surplus cash arising from 50% Manager's fee payable in units of RM3.281 million.

The book closure and payment dates in respect of the proposed interim income distribution will be fixed on 12 February 2014 and 27 February 2014 respectively.

A13. Valuation of Investment properties

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2013 (UNAUDITED)**

A14. Borrowings and Debt Securities

	As at 31.12.2013 RM'000	As at 30.06.2013 RM'000
<u>Short term borrowings</u>		
Secured		
- Commercial papers	13,000	315,000
Unsecured		
- Revolving loan	353,000	-
Total gross short term borrowings	<u>366,000</u>	<u>315,000</u>
Less: Discount on commercial papers	(7)	(231)
Total short term borrowings	<u>365,993</u>	<u>314,769</u>
<u>Long term borrowings</u>		
Secured term loans	328,150	317,850
Unrated medium term notes	1,000,000	1,000,000
Total long term borrowings	<u>1,328,150</u>	<u>1,317,850</u>
Total borrowings	<u>1,694,143</u>	<u>1,632,619</u>

Included in the long term borrowings is a secured 3-year fixed rate term loan of USD100 million (equivalent to RM310.8 million), hedged with a cross currency swap contract to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the period of the foreign currency borrowing.

A15. Fair Value Hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1

Quoted market prices in an active market for identical assets or liabilities.

Level 2

Valuation inputs (other than Level 1 input) that are observable for the asset or liability, either directly or indirectly.

Level 3

Valuation inputs that are not based on observable market data.

The table below analyses financial instruments, measured at fair value at the end of the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 December 2013	-	20,581	-	<u>20,581</u>
At 30 June 2013	-	7,540	-	<u>7,540</u>

No transfers between any levels of the fair value hierarchy took place during the current quarter and the preceding year corresponding quarter. There were also no changes in the purpose of derivative financial instrument that subsequently resulted in a different classification of the instrument.

A16. Material Event

There were no material events during the quarter ended 31 December 2013.

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

There were no material events subsequent to the quarter ended 31 December 2013.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2013 (UNAUDITED)**

A18. Capital Commitments

The amount of commitments for investment properties not provided for in the unaudited condensed consolidated interim financial statements as at 31 December 2013 were as follows:

	As at 31.12.2013 RM'000
Approved and contracted for	286,627
Approved but not contracted for	198,865
	<u>485,492</u>

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

A19. Contingent Liabilities and Assets

There were no contingent liabilities or contingent assets as at 31 December 2013.

A20. Transactions with Parties Related to the Manager

The following table provides information on the transactions which have been entered into with parties related to the Manager during the period ended 31 December 2013 and 31 December 2012 as well as the balances with the parties related to the Manager as at 31 December 2013 and 30 June 2013:

	Second Quarter ended		Cumulative Quarter ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
<u>(Sales to)/purchases from parties related to the Manager</u>				
(a) Sunway Berhad Group				
- Sales	(34,379)	(29,685)	(62,669)	(55,164)
- Purchases	23,314	13,894	46,763	22,811
(b) Sunway Technology Sdn. Bhd. Group ("STSB Group")				
- Sales	(132)	(130)	(264)	(251)
			As at 31.12.2013 RM'000	As at 30.06.2013 RM'000
<u>Amount owed by parties related to Manager:</u>				
(a) Sunway Berhad Group			7,070	8,263
(b) Sunway Technology Sdn. Bhd. Group			1	3
			As at 31.12.2013 RM'000	As at 30.06.2013 RM'000
<u>Amount owed to parties related to Manager:</u>				
(a) Sunway Berhad Group			8,343	8,362
(b) Sunway Technology Sdn. Bhd. Group			-	8

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2013 (UNAUDITED)**

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

B1. Review of Performance

Explanatory comment on the performance of each of the Group's business segment is provided in Note A8.

B2. Maintenance Costs and Major Capital Expenditure

There was no unusual maintenance costs during the quarter under review. Sunway REIT incurred capital expenditure of approximately RM27.0 million for 2Q 2014 and RM45.4 million for YTD 2Q 2013 mainly involving major refurbishment at Sunway Putra Mall, Sunway Putra Hotel and car park linkages at Sunway Resort Hotel & Spa.

B3. Material Changes in Quarterly Results

	Current Quarter Ended 31.12.2013 RM'000	Immediate Preceding Quarter Ended 30.9.2013 RM'000
Income before taxation	62,034	55,400

Sunway REIT recorded an income before taxation of RM62.0 million, improved by RM6.6 million or 12.0% compared to the immediate preceding quarter primarily attributable to higher overall net property income from the hotel segment by RM5.7 million or 42%. The current quarter is typically a peak season for hotel business due to year end corporate functions, banquets as well as school holiday. The better performance of the hotel segment was also due to the aggressive tactical promotional activities launched by Sunway Resort Hotel & Spa and Pyramid Tower Hotel as well as lower operating expenses at these 2 hotels.

B4. Commentary on Prospects

The Malaysian economy expanded by 5.0% in 3Q CY2013 (2Q CY2013: 4.4%) underpinned by strong domestic demand (3Q CY2013: 8.3%) and exports turned around to grow at 1.7% in 3QCY 2013 (2Q CY2013: -5.2%). Bank Negara Malaysia ("BNM") is confident of achieving the Gross Domestic Products ("GDP") forecast for CY2013 of 4.5% - 5.0%. Going forward, BNM expects the Malaysian economy to chart stronger growth of 5.0% to 5.5% in CY2014 supported by firm domestic demand and improvement from external demand.

Headline inflation has been inching up since beginning of CY2013 from 1.3% in January 2013 to 2.9% in November 2013 on the back of rising costs. This cost-pushed inflationary trend is expected to persist moving into CY2014 in view of the government's effort in reducing subsidies and recent hike in tariff.

The Manager expects the Overnight Policy Rate ("OPR") to remain steady at 3.0% for 1H CY2014 as inflation is expected to remain in the normalised band. The interest rate direction, however, is bias towards uptrend moving into 2H CY2014.

Despite the Manager's endeavour to maintain distribution per unit ("DPU") for FY2014 notwithstanding the closure of Sunway Putra Mall, the Manager is of the view that DPU may be lower due to the softer outlook for the hotel and office segments.

The Manager is committed to distribute 100% of its distributable net income for FY2014.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2013 (UNAUDITED)**

B4. Commentary on Prospects (Cont'd)

Review of retail market

Retail Group Malaysia ("RGM"), revised slightly downwards its growth forecast for 2013 for the retail industry from 6.4% (updated in May 2013) to 6.2% amidst softer consumer sentiment arising from various government subsidy rationalisation measures and policies. The retail industry is expected to expand to RM93.2 billion for 2013, from RM88.0 billion in 2012.

On the supply side, a total of 3.6 million sq. ft. of new retail space is scheduled to come on stream in CY2014. They are The Strand Shopping Mall, D'Pulze, Nu Sentral, Main Place (formerly Taipan Square / Gateway 21), Jaya Shopping Centre, Quill City Mall, M Square Shopping Mall, The Atria Shopping Mall and Cap Square Mall (refurbishment). The opening of Jaya Shopping Centre and Nu Sentral which was scheduled for last year has been delayed to 1Q CY2014. With the impending new supply, we are mindful of rising competition but do not expect major impact arising from the entry of these malls due to the different market catchment.

Sunway Pyramid Shopping Mall's year-to-date ("YTD") 2Q2014 average occupancy rate was lower at 97.5% compared to 99.0% for YTD 2Q2013 due to works at Oasis Boulevard 5 ("OB5"). The OB5 project was completed in December 2013 with the introduction of two (2) mini anchor tenants, namely H&M and Padini Concept Store (relocation). With the completion of OB5, the occupancy rate has revert to 99.0%. The mall has renewed/replaced a total of 902,316 sq. ft. for YTD 2Q2014 and continued to achieve double-digit rental reversion over a period of three (3) years.

In the mainland of Penang, Sunway Carnival Shopping Mall's average occupancy rate dipped to 92.8% for YTD 2Q2014 versus 96.1% for YTD 2Q2013 due to non-renewal by a mini anchor tenant which occupied 39,676 sq. ft. in June 2013 due to a change in the tenant's business strategy. A replacement tenant has been identified to fill in the vacancy.

Similarly, Sunway Carnival Shopping Mall registered double-digit rental reversion over a period of 3 years for a total space of 187,458 sq. ft. for YTD 2Q2014.

The Manager expects the retail assets to register healthy growth in FY2014 for the retail malls under operation (Sunway Putra Mall is closed to undertake major refurbishment) despite the recent rise on operating costs. This will be mitigated by prudent cost management. The Manager foresees possible softening of consumer spending amidst rising costs of living environment and expected slower growth in disposable income in the medium term.

Review of hotel market

YTD 3Q CY2013 tourist arrivals has recorded a growth of 3.3% y-o-y to 18.8 million. Tourism activities is likely to pick up further in CY2014 in view of Visit Malaysia Year 2014 ("VMY 2014"). The Ministry of Tourism targets tourist arrivals of 28.0 million for CY2014. The Ministry of Tourism is embarking on various promotional packages and tours based on four main themes, namely, Heritage & Culture, Adventure & Nature, Wellness & Spa and Island & Beach, which are touted to highlight the diverse attractions of Malaysia.

Whilst the impending new supply of international branded hotels in the near future will heighten the profile of the hospitality sector in the country, this will increase more competition going forward.

Sunway Resort Hotel & Spa achieved significantly higher average occupancy rate of 83.5% in 2Q2014 compared to 71.9% in 2Q2013 due to aggressive tactical promotional activities.

The average occupancy rate of Pyramid Tower Hotel has improved to 88.5% in 2Q2014 from 82.6% in 2Q2013 as a result of similar tactical promotional activities as Sunway Resort Hotel & Spa. However, the revenue contribution from this hotel for 2Q2014 was marginally lower compared to 2Q2013.

Sunway Putra Hotel experienced lower average occupancy rate of 51.6% in 2Q2014 versus 70.5% in 2Q2013 due to disruption arising from the ongoing major refurbishment at the adjoining Sunway Putra Mall which commenced in May 2013.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2013 (UNAUDITED)**

B4. Commentary on Prospects (Cont'd)

Review of hotel market (cont'd)

In mainland Penang, Sunway Hotel Seberang Jaya's average occupancy rate improved further to 68.7% in 2Q2014 (1Q2014:57.8%) versus 46.3% for 2Q2013 as the occupancy gradually revert to the pre-refurbishment levels of above 70%.

Notwithstanding VMY 2014 kicking in, the Manager maintains its position to caution for a possible decline in contribution from the hotel segment in FY2014 compared to FY2013, mainly due to performance of Sunway Putra Hotel which will remain adversely affected by ongoing refurbishment at the adjoining Sunway Putra Mall and increasingly more competitive hospitality market environment.

Review of office market

For YTD 3Q CY2013, the cumulative supply of purpose built office space in Kuala Lumpur stood at 83.8 million sq. ft., an increase of 2.6 million sq. ft. from YTD 2Q CY2013. Despite the resiliency in occupancy rate, the oversupply situation leading to demand-supply imbalances will put downwards pressure on rental.

Menara Sunway's YTD 2Q2014 average occupancy rate slipped marginally to 98.6% compared to 99.2% for YTD 2Q2013 due to transitional movement of tenants. As at end-December 2013, the occupancy rate for Menara Sunway stood at 99.0%.

In Kuala Lumpur, Sunway Tower's average occupancy rate climbed to 87.3% for YTD 2Q2014, from 81.8% for YTD 2Q2013. This is attributable to additional space taken up by an existing anchor tenant. However, based on the nature of oil & gas business of the anchor tenant, there may be fluctuation in occupancy from time to time.

Sunway Putra Tower's average occupancy rate was lower for YTD 2Q2014 at 74.9% versus 76.5% for YTD 2Q2013, mainly due to non-renewal by several small tenants in the previous financial year. Revenue improved due to alignment of the current low rental rates to market rate.

The Manager expects income contribution from the office segment to stabilise in FY2014 compared to FY2013.

B5. Investment Objectives

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

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

B6. Performance Benchmark

Performance indicators	Period ended 31.12.2013	Year ended 30.06.2013
a) Management expense ratio *	0.79%	0.82%
b) Total returns *	-12.7%	18.6%
c) Average annual returns *	15.8%	25.3%
d) Distribution yield *	6.8%	5.4%
e) NAV per unit (after income distribution)(RM)	1.1801	1.1809

* The performance indicators for the period ended 31 December 2013 was based on annualised results.

- a) The ratio of annualised expenses incurred in operating Sunway REIT to the NAV of Sunway REIT.
- b) Total return represents the change in unit price from beginning of financial year plus distribution yield for the year.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2013 (UNAUDITED)**

B6. Performance Benchmark (Cont'd)

- c) Average annual return is the sum of the return rates of Sunway REIT over a given number of years divided by that number of years.
- d) Based on annualised DPU of 8.39 sen divided by its closing price as at 31 December 2013 of RM1.24 (30 June 2013 - DPU: 8.30 sen; Closing price as at 30 June 2013: RM1.54).
- e) NAV of Sunway REIT as determined by deducting the value of all Sunway REIT's liabilities from the total asset value, divided by total issued units.

B7. Strategies and Policies

The Manager's strategies can be broadly categorised as:

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

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

B8. Manager's fee

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

- a) Base fee of 0.3% per annum on the total assets value;
- b) Performance fee of 3% per annum of net property income, but before deduction of fees payable to the Property Manager pursuant to the Property Management Agreement;
- c) Acquisition fee of 1% of the acquisition price of any future assets of Sunway REIT or a Single-Purpose Company acquired by the Trustee for Sunway REIT (pro rated if applicable to the proportion of the interest in Real Estate or Single-Purpose Company purchased by the Trustee for Sunway REIT); and
- d) Divestment fee of 0.5% of the sale price of any future Assets of Sunway REIT or a Single-Purpose Company sold or divested by the Trustee (pro rated if applicable to the proportion of the interest of Sunway REIT in the Assets of Sunway REIT sold).

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

Total fees accrued to the Manager for the current quarter and cumulative quarter ended 31 December 2013 was RM6.561 million and RM12.89 million respectively compared to preceding year corresponding quarter and cumulative quarter ended 31 December 2012 of RM9.098 million and RM14.83 million respectively. Included in the Manager's fee of the comparative period was the acquisition fee of RM3.1 million paid to the Manager on the acquisition of Sunway Medical Centre in 2Q 2013 and this fee was capitalised as part of the acquisition costs.

B9. Trustee Fee

Pursuant to the Deed constituting Sunway REIT, the Trustee is entitled to receive up to 0.03% per annum of the net asset value of Sunway REIT, net of all applicable taxes, duties and levies imposed by the relevant authorities in Malaysia, is calculated on a monthly accrual basis, based on a year of 12 months. The total Trustee's fee for the current quarter and cumulative quarter ended 31 December 2013 was RM0.267 million and RM0.534 million respectively compared to preceding year corresponding quarter and cumulative quarter ended 31 December 2012 of RM0.229 million and RM0.457 million respectively.

B10. Status of Corporate Proposals

There was no corporate proposal that has been announced but not completed as at the date of this report.

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2013 (UNAUDITED)**

B11. Material Litigation

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

On 4 October 2011, the Federal Court heard and dismissed the application by Metroplex Holdings Sdn Bhd ("Metroplex") for the stay of execution Orders, including the control and possession of Putra Place, with costs of RM30,000. With the dismissal of the stay application, OSK Trustees Berhad (as trustee of Sunway REIT) ("Trustee") and Sunway REIT Management Sdn Bhd ("Manager") will execute the remaining parts of the Orders that have not been enforced, which include the orders that Metroplex is:

- (i) restrained from holding itself out as the owner of Putra Place and from controlling and managing Putra Place or remaining on or entering Putra Place;
- (ii) to pay mesne profits from 19 April 2011 until possession is delivered up;
- (iii) to provide all accounting records and a true account of all income and receipts derived or received by it from Putra Place since 19 April 2011 together with all supporting documents and to pay all such income and receipts to Sunway REIT;
- (iv) to pay interest on all sums ordered to be paid at such rate and for such period the Court deems proper;
- (v) restrained from lodging any further private caveat over Putra Place and any private caveat lodged by them after 29 April 2011 be also cancelled and removed forthwith by the Pendaftar Hakmilik Wilayah Persekutuan.

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

The solicitors for the Trustee and the Manager had proceeded to obtain leave from the High Court to commence committal proceedings and filed an originating summons on 10 December 2012 commencing the committal proceedings against Metroplex before the High Court for non-compliance with some of the remaining Orders which were not enforced. The application to set aside the leave which was filed by Metroplex was heard on 6 September 2013 and a date for decision/clarification was fixed on 8 November 2013. On 13 December 2013 the court has allowed the defendants to set aside the leave to commence committal proceedings. There is no order as to costs.

The proceedings for the assessment of damages pursuant to the Orders above is fixed for further mention on 19 November 2013. The further mention was thereafter fixed for 20 December 2013 whereby the judge then fixed the case management on 28 February 2014 and hearing dates on 25 & 26 March 2014.

2. High Court Originating Summons No. 28NCC-994-12/2012, Court of Appeal Civil No. W-02(IM)(MCC)-622-03/2013

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

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

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2013 (UNAUDITED)**

B12. Soft commission

There was no soft commission received by the Manager and/or its delegate during the period under review from its brokers/dealers by virtue of transactions conducted for Sunway REIT.

B13. Summary of EPU, DPU, NAV and Market Price

	Current quarter ended 31.12.2013	Immediate preceding quarter ended 30.9.2013	% change
Number of units in issue (units)	2,923,685,000	2,921,426,900	0.1%
Realised net income (RM'000)	62,016	55,384	12.0%
Realised earnings per unit (EPU) (sen)	2.12	1.90	11.6%
Income distribution(RM'000)	65,198	58,429	11.6%
Distribution per unit (DPU)(sen)	2.23	2.00	11.5%
Net Asset Value (NAV) (RM'000)	3,450,358	3,450,723	0.0%
NAV per unit (After income distribution) (RM)	1.1801	1.1812	-0.1%
Market price per unit (RM)	1.24	1.42	-12.7%

B14. Income Distribution

Please refer to Note A12 for details .

B15. Disclosure of Nature of Outstanding Derivative Financial Instruments

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

Type of Derivatives	Contract/ Notional Value		Fair Value	
	As at 31.12.2013	As at 30.06.2013	As at 31.12.2013	As at 30.06.2013
	RM'000	RM'000	RM'000	RM'000
Cross currency swap contract - More than 1 year but less than 3 years	310,800	310,800	20,581	7,540

Cross currency swap contract

In the financial year ended 30 June 2012, Sunway REIT entered into a cross currency swap contract to manage its exposure in foreign currency risk arising from foreign currency borrowings which was entered to minimize borrowing cost. Sunway REIT uses cash flow hedge to mitigate the risk of variability of future cash flows attributable to foreign currency and interest rate fluctuation over the hedging period on the foreign currency borrowings. Where a cash flow hedge qualifies for hedge accounting, the effective portion of gains or losses on remeasuring the fair value of the hedging instrument are recognized directly in other comprehensive income until such time as the hedged item affects profit or loss, then the gains or losses are transferred to the income statement. Gains or losses on any portion of the hedge determined to be ineffective are recognised immediately in the income statement.

B16. Risks and Policies of Derivatives

The Group did not enter into any new derivatives during the quarter ended 31 December 2013.

The risks and policies relating to the management of derivative financial instrument are similar to those disclosed in the annual financial statements for the financial year ended 30 June 2013.

B17. Disclosure of Gains/Losses Arising from Fair Value Changes of Financial Liabilities

Please refer to Note A10 for details .

**SUNWAY REAL ESTATE INVESTMENT TRUST
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2013 (UNAUDITED)**

B18. Realised and Unrealised Retained Profits/Undistributed Income

The breakdown of the retained profits/undistributed income of the Group as at 31 December 2013 into realised and unrealised profits/undistributed income is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Year ended 31.12.2013 RM'000	As at end of previous financial year RM'000
Total retained profits/undistributed income		
- realised	26,210	26,211
- unrealised	793,034	790,259
	<u>819,244</u>	<u>816,470</u>
Less: Consolidation adjustments	(3)	(3)
Total retained profits/undistributed income	<u>819,241</u>	<u>816,467</u>

B19. Directors' Declaration

In the opinion of the Manager, this quarterly report has been prepared in accordance with MFRS 134: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Sunway REIT as at 31 December 2013 and of its financial performance and cash flows for the quarter ended on that date and duly authorised for release by the Board of the Manager on 24 January 2014.

BY ORDER OF THE BOARD

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

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

**Petaling Jaya
Date: 24 January 2014**