



REIT

Acquisition of Sunway Medical Centre, Proposed Placement of New Units and 1HFY2013 Financial Highlights

January 2013



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CONTENTS

1. **Transaction summary**
2. **Overview of Sunway Medical Centre**
3. **Hospital master lease agreement**
4. **Transaction rationale**
5. **Proposed placement of new units**
6. **1HFY2013 financial highlights**

1. Transaction summary

Transaction summary



Transaction summary – Sunway Medical Centre

- Acquisition of Sunway Medical Centre and related assets⁽¹⁾ (“SunMed Property”) for a purchase consideration of RM310 million
- SunMed Property is one of Malaysia’s leading private hospitals strategically located within Sunway Resort City, an integrated township situated in the district of Klang Valley with residential, commercial, hospitality, healthcare, educational and entertainment components
- SunMed Property is leased to Sunway Medical Centre Berhad (“SMCB”), a subsidiary of Sunway Berhad, under the following key terms:
 - Master lease agreement for an initial period of 10 years with an option to renew at prevailing market rate for another 10 years⁽²⁾
 - Triple net lease basis with annual rental of RM19 million for the first year with step up of 3.5% per annum for the next 9 years of the initial lease term
 - SMCB is a reputable and experienced hospital operator
- The acquisition is to be funded via debt or equity or any combination thereof⁽³⁾
- The acquisition is expected to be earnings, DPU and NAV accretive
- The acquisition will increase the size of the Sunway REIT’s portfolio, improve diversification of assets, and increase the REIT’s portfolio weighted average lease expiry

(1) Related assets include plant and machinery and services infrastructure and all fixtures and fittings affixed or located or used in Sunway Medical Centre

(2) See proposed Hospital master lease agreement in section 3 for more details

(3) The acquisition has been completed via proceeds drawn from Sunway REIT’s existing debt facilities. The proceeds from the proposed placement will be used to partially or fully repay the borrowings

Transaction summary (cont'd)

Related proposals

The REIT Manager has obtained unitholders' approval for the following at the unitholders' meeting held on 18 December 2012:

- ➊ Acquisition of SunMed Property for a purchase consideration of RM310 million;
- ➋ Private placement of new units in Sunway REIT to raise gross proceeds of up to RM320 million;
- ➌ Unitholders mandate to allot and issue new units of up to 20% of the approved fund size of Sunway REIT; and
- ➍ Increase in fund size

Placement of new units

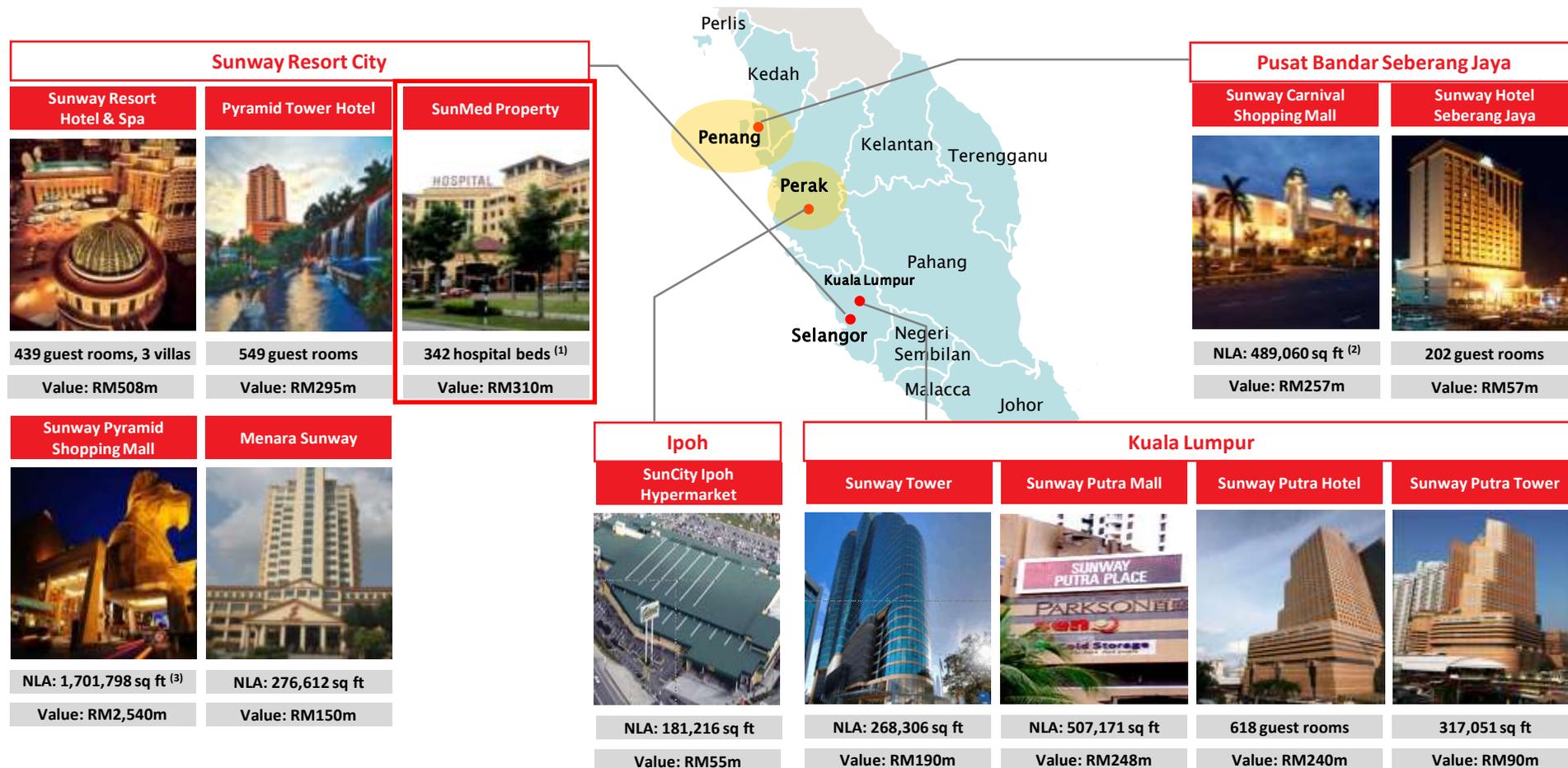
The private placement units are not intended to be placed out to Sunway REIT Holdings Sdn Bhd and persons connected to it. Post-placement, Sunway Berhad's stake in Sunway REIT will remain above 33.0%. Sunway Berhad remains committed to being a long-term unitholder of Sunway REIT

The issue price of the placement units will be fixed by way of bookbuilding at a date to be determined later

Enlarged Sunway REIT portfolio

Largest Malaysian REIT by asset value with an attractive and diversified portfolio

Total Appraised Value: RM4,960 million



Source: Sunway REIT manager and valuation by Knight Frank (30 June 2012)

(1) 305 current hospital beds, licensed for, and expandable to 342 beds

(2) Includes convention centre of 32,292 sq ft of NLA

(3) Includes convention centre of 143,467 sq ft of NLA

2. Overview of Sunway Medical Centre

Overview of Sunway Medical Centre



Location
No. 5, Jalan Lagoon Selatan, Bandar Sunway,
46150 Selangor Darul Ehsan

Sunway Medical Centre and related assets⁽¹⁾

Property description	A 7-storey hospital and multi-storey car park (675 car parking lots)
Facilities	12 operating theatres, 94 consultation suites, and convention centre (500 guests capacity and audio-video linkages for live telecasts of surgical procedures)
Hospital beds	305 beds (Licensed for, and expandable to, 342 beds)
Land title	Leasehold interest for a term of 99 years, expiring on 1st April 2097
Building age	Phase 1 (hospital tower) – 11 years Phase 2 (east wing, west wing, convention tower, multi-storey car park) – 3 years
Land area	18,194 sq. m. total
Gross floor area	70,822 sq. m. (including car park), 50,647 sq. m. (excluding car park)
Hospital master lease⁽²⁾	<ul style="list-style-type: none"> • Master lease for an initial period of 10 years with an option to renew at prevailing market rate for another 10 years • Rental rate increase of 3.5% per annum for the remaining 9 years of the initial period
Commencement rent	RM19 million for the first year (implied capitalisation rate of 6.13%) ⁽³⁾
Purchase consideration	RM310 million
Independent valuation	RM310 million (by Knight Frank (Ooi & Zaharin Sdn Bhd) as at 3 October 2012)

Source: Sunway REIT management.

(1) Related assets include plant and machinery and services and all fixtures and fittings affixed or located or used in Sunway Medical Centre

(2) See Hospital Master Lease Agreement in section 3 for more details

(3) Implied capitalisation rate calculated as commencement rent of RM19 million divided by purchase consideration of RM310 million

Overview of Sunway Medical Centre (cont'd)

Sunway Medical Centre's services, specialists and accreditations

- Sunway Medical Centre provides a wide range of medical and surgical services of international standard for total management of patients
- Provides outpatient and in-patient specialty care, health and wellness services and 24-hour emergency services
- Key specialties include cardiology, cochlear implants, haematology, neurology, paediatrics, among others
- Niche areas of medical service including deep brain stimulation for treatment of Parkinson's disease (first Malaysian private hospital to do so in 2003) disease and cochlear implant to treat profound hearing loss (also the first Malaysian hospital to do so in 2004)
- Over 150 medical and surgical consultants offering a high standard of specialist and general treatment
- Sunway Medical Centre is the recipient of numerous accreditations such as
 - ISO 9001:2008 for the provision of primary, secondary and tertiary healthcare services by SGS S.A (Switzerland)
 - Recognition of compliance with the Malaysian Hospital Accreditation Standards by Malaysian Society for Quantity in Health for the years 2010 to 2013

3. Hospital master lease agreement

Hospital master lease agreement

RM19.0mil
RENTAL PAYABLE



3.5% p.a.
INCREMENTAL

FIRST 12 MONTHS

SUBSEQUENT 9 YEARS



LEASE TERM	Master lease for an initial period of 10 years with an option to renew at prevailing market rate for another 10 years ⁽¹⁾
LEASE BASIS	Triple net basis where SMCB will bear all costs and outgoings (eg. Quit rent, assessment, utilities, insurance premiums, and maintenance expenses)
RENTAL PAYMENT FREQUENCY	Monthly payments in arrears
INTEREST ON LATE PAYMENT	1.5% above the base lending rate of Malayan Banking Berhad (or its successor bank)

Master lease features an attractive built-in 3.5% annual rental step up for the next 9 years of the initial lease term

(1) The option to renew for the next 10 year lease period shall be on the same terms and conditions but at a revised rent based on the then prevailing market rent as agreed between the lessor and lessee. The rental growth rate for the next 10 year lease period shall also be revised and agreed between the lessor and the lessee at the point of renewal of the lease

4. Transaction rationale

Transaction rationale

1

Opportunity to acquire a quality hospital benefiting from being part of the Sunway Resort City integrated township

2

Expected to be earnings accretive, DPU accretive and NAV accretive

3

Increases size of Sunway REIT's portfolio and potential for improved trading liquidity

4

Increases income stability through the hospital master lease and increases portfolio weighted average lease expiry

5

Lessee is a reputable and experienced hospital operator

6

Enhances Sunway REIT's position as the largest REIT by asset value in Malaysia

7

Positive Malaysia healthcare industry outlook

Opportunity to acquire an attractive and high quality asset

Key asset highlights

- 1 Sunway Medical Centre is one of Malaysia's leading private hospitals
- 2 Hospital is part of the master-planned integrated township of Sunway Resort City which has residential, commercial, hospitality, leisure, convention and education properties
- 3 Well positioned to capitalise on resilient and growing middle to upper-income segments demand for private healthcare
- 4 Master lease agreement provides income certainty with built-in rental growth
- 5 Master lessee is a reputable and experienced hospital operator

Exterior



Reception area



Single room suite



Food & Beverage



SunMed Property is strategically located within Sunway Resort City

Synergies with Sunway Resort City



SunMed Property will benefit from synergies with Sunway Resort City

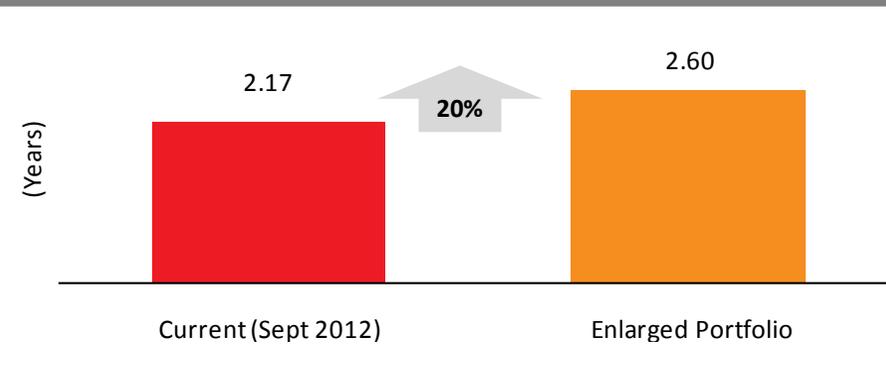
- Part of the master-planned integrated township of Sunway Resort City
- Benefits from the population catchment area and synergies of residential, commercial, hospitality, leisure, convention and education properties that form part of the township
- Large residential catchment of over 600,000 people⁽¹⁾
- High degree of interconnectivity between properties
- Accessible by five expressways

Source: Google maps

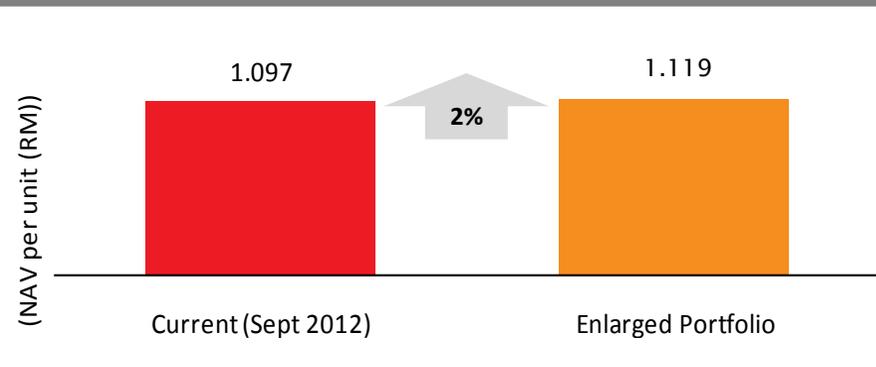
(1)Source – Jones Lang Wootton

Acquisition enhances Sunway REIT's financial profile and its position as the largest Malaysian REIT

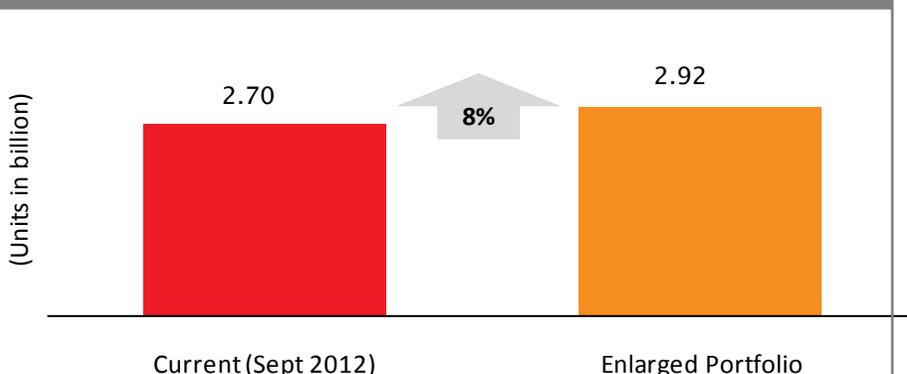
Increased income stability and weighted average lease expiry (WALE)



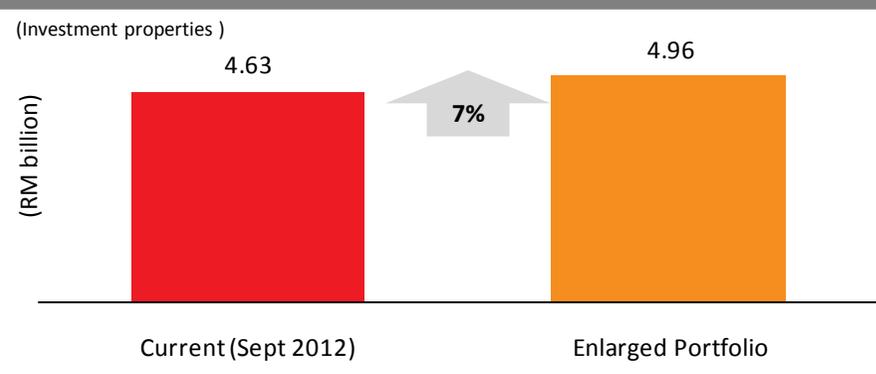
NAV accretive acquisition⁽¹⁾



Increase in market capitalisation and potential for improved liquidity post placement



Increase in portfolio size and competitive positioning



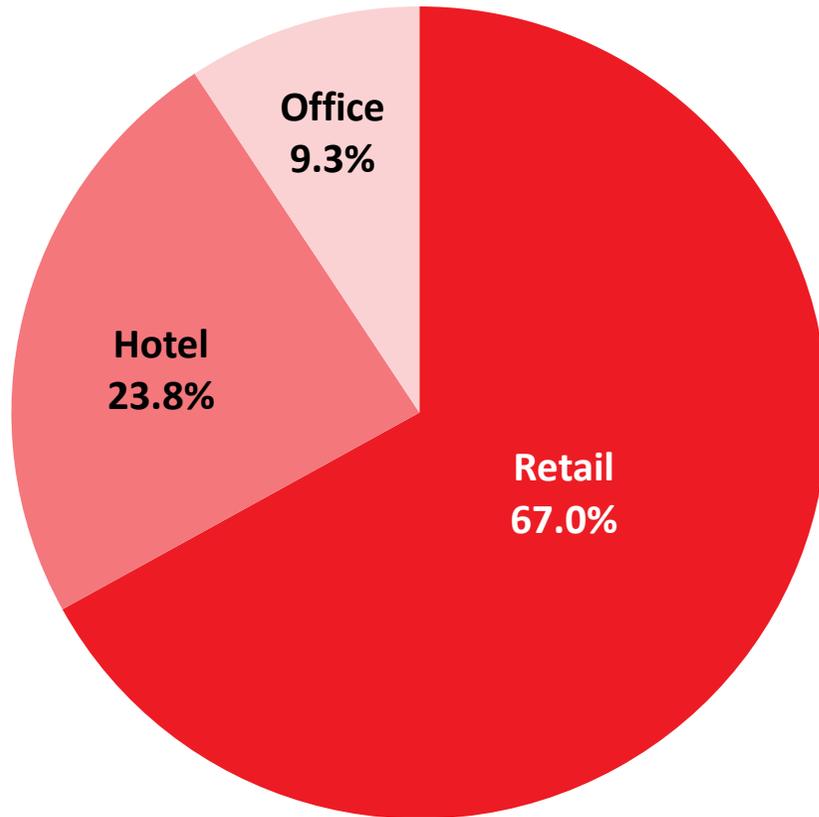
- Acquisition together with the proposed placement is expected to be DPU accretive and NAV accretive
- Leverage expected to decrease from 33.5% to 31.4% assuming fully funded by equity (as at 30 Sept 2012 and after proposed acquisition combined with proposed placement, respectively)

Source: Company announcement

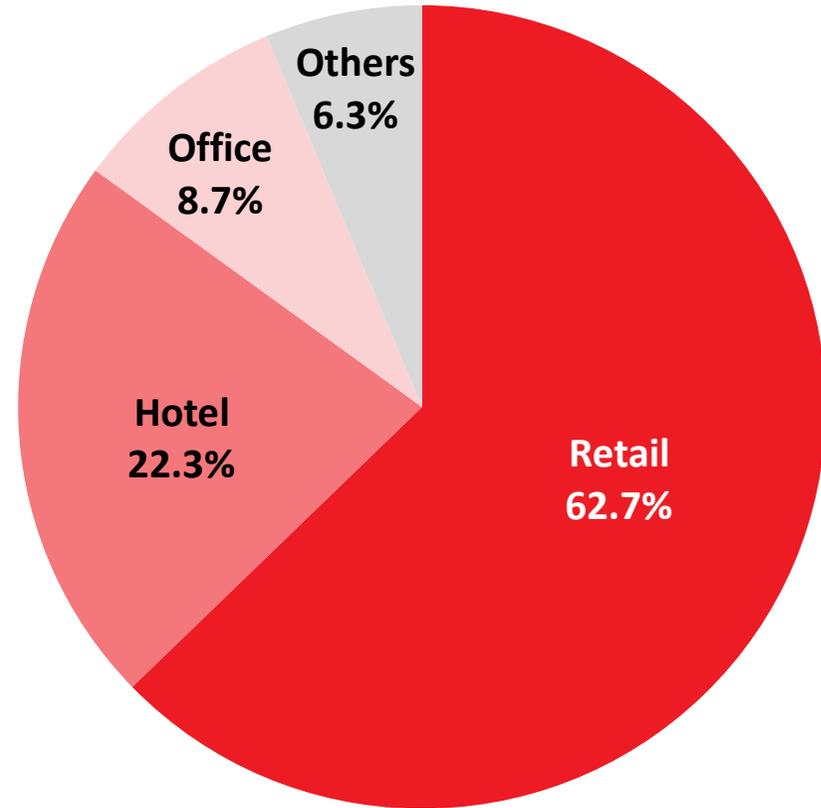
(1) Based on an assumed illustrative issue price of RM1.48 per unit, representing 3% discount to the 5 day volume weighted average price as at 31 Dec 2012, and issuance of 216,216,216 units. After income distribution of approx, RM59 million

Portfolio Composition – by Asset Size

Pre-acquisition of SunMed Property ⁽¹⁾



Post-acquisition of SunMed Property ⁽²⁾

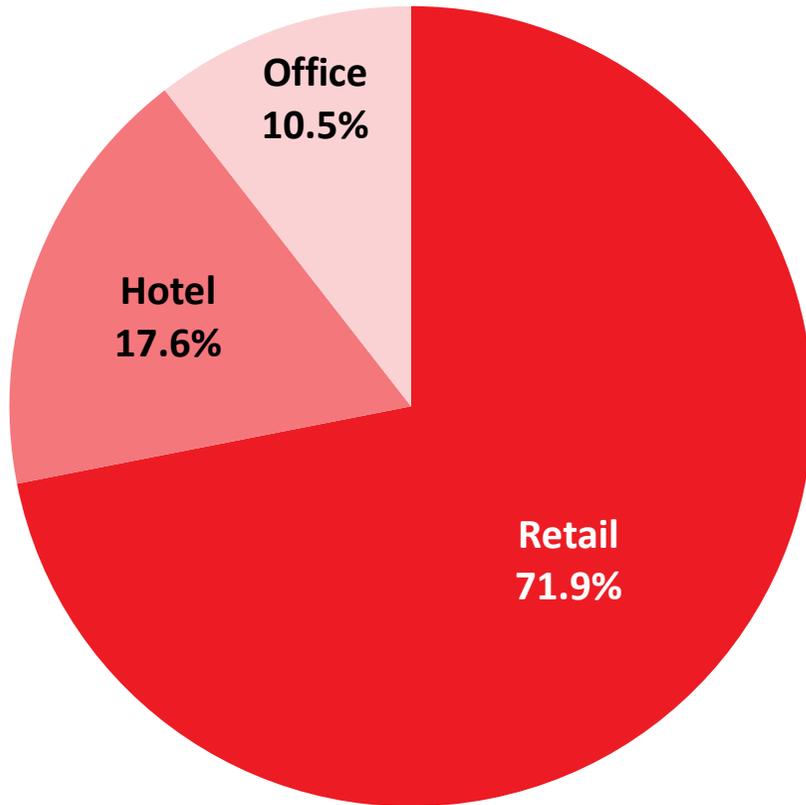


(1) Based on valuation as at 30 June 2012

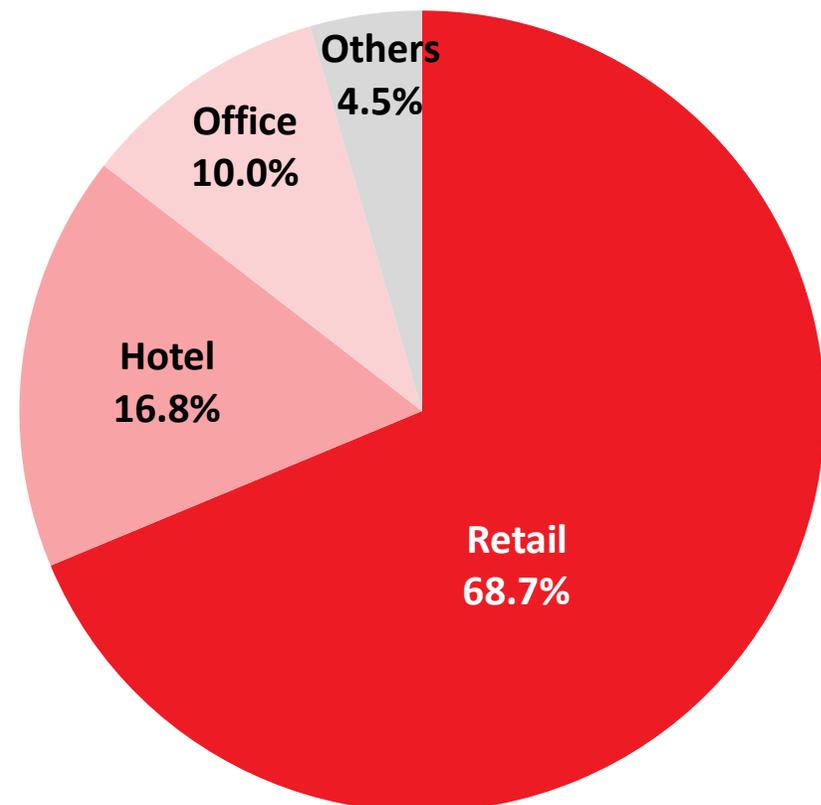
(2) Existing Sunway REIT's properties are based on valuation as at 30 June 2012. SunMed Property is based on valuation by Knight Frank dated 27 August 2012

Portfolio Composition – by Revenue

Pre-acquisition of SunMed Property ⁽¹⁾



Post-acquisition of SunMed Property ⁽²⁾

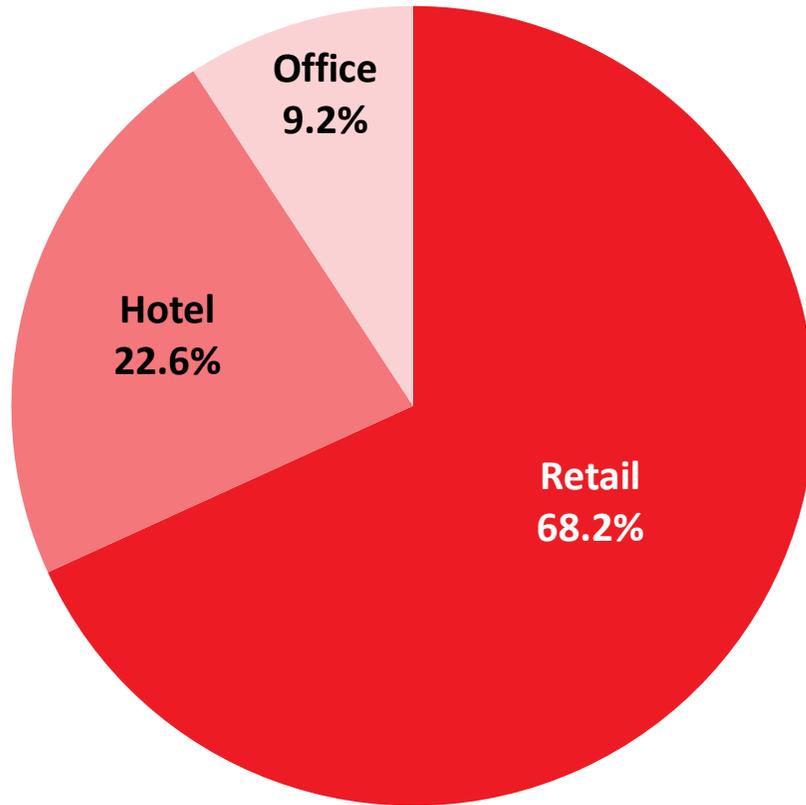


(1) Based on FY2012 revenue

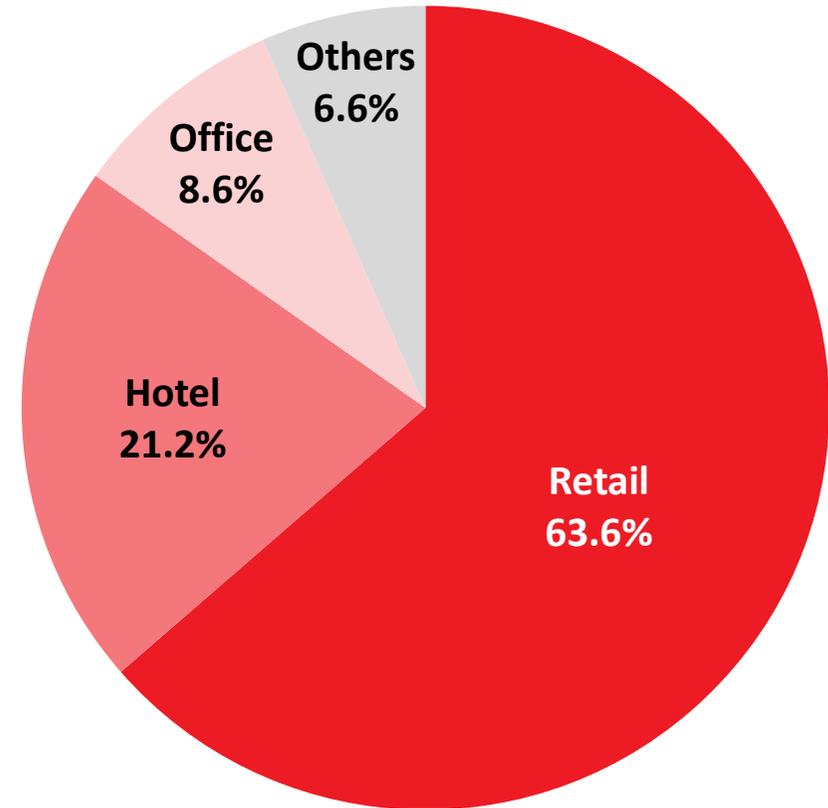
(2) Existing Sunway REIT's properties are based on FY2012 and included SunMed Property revenue of RM19.0 million

Portfolio Composition – by Net Property Income

Pre-acquisition of SunMed Property ⁽¹⁾



Post-acquisition of SunMed Property ⁽²⁾

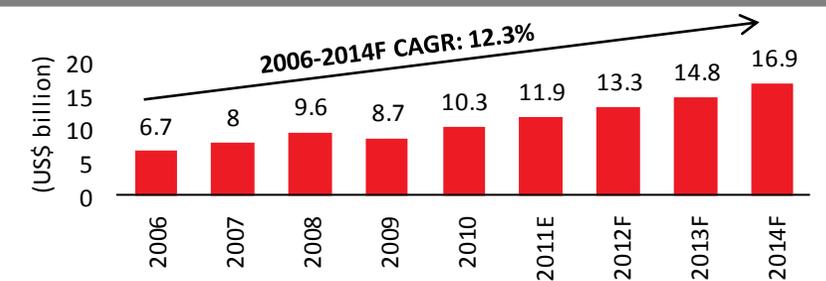


(1) Based on FY2012 Net Property Income

(2) Existing Sunway REIT's properties are based on FY2012 and included SunMed Property revenue of RM19.0 million

Positive Malaysia healthcare industry outlook

Malaysia Total Healthcare Expenditure



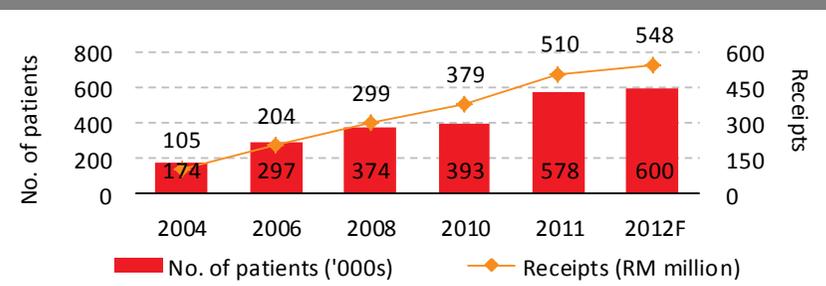
Source: Frost & Sullivan.

Malaysia Total Healthcare Expenditure as % of GDP



Source: World Bank.

Growth of Malaysia Health Tourists and Receipts



Source: Malaysian Healthcare Travel Council, Association of Private Hospitals of Malaysia.

Healthcare spending in Malaysia

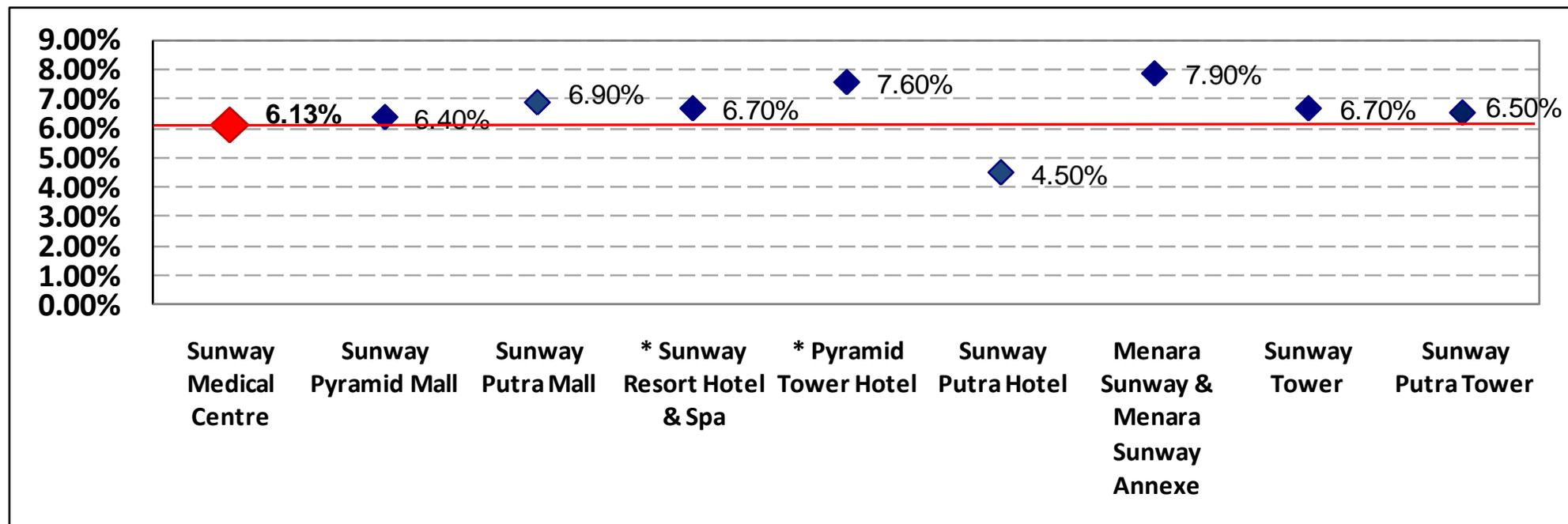
- Annual healthcare spending in Malaysia have been steadily increasing since 2006
- Healthcare expenditure in 2010 reached US\$10.3 billion and is expected to grow to US\$11.9 billion in 2011 and forecasted to reach US\$16.9 billion in 2014
- Latest statistics show that Malaysia spends approximately 4.4% of its Gross Domestic Product (“GDP”) on healthcare
- This is above its regional peers and the Malaysia Government pays a significant portion of the country’s total healthcare expenditure
- The healthcare sector currently contributes RM15 billion to the country’s Gross National Income

Medical tourism in Malaysia

- Malaysian medical tourism industry has seen growth over the recent years driven by the increase in the number of foreigners seeking healthcare services in the country
- Latest official estimates revealed that there were 578,403 health tourists in 2011 generating receipts of RM509.8 million, an increase of 47.2% and 34.5% from previous year’s level
- Malaysia currently receives about 85% to 90% of its patients from ASEAN countries with the Indonesian market forming the bulk of foreign patients due to its proximity. Remainder foreign patients come from Japan, Australia, UK, Middle East and Europe
- Growth underpinned by geographical location of Malaysia, relatively lower healthcare costs, world-class healthcare facilities and specialised doctors, strict regulation on healthcare standards, and Malaysia being an ideal holiday destination

Source: Knight Frank.

Initial Yield of Sunway Medical Centre In Comparison with Sunway REIT Portfolio of Assets



◆ Current Yield (FYE 30th June 2012)

◆ Acquisition Initial Yield

*Based on the guaranteed rent and variable rent.

- SMCB's initial yield is supported by certainty in rental income for the next 10 years with a guaranteed step-up in rental of 3.5% per annum and not subject to market conditions

5. Proposed Placement of new units

Acquisition and proposed placement of new units

- The acquisition has been completed via proceeds drawn from Sunway REIT's existing debt facilities
- Proposed placement of new Sunway REIT units to raise up to RM320 million by way of bookbuilding will be used to partially or fully repay the borrowings

Proposed Utilisation of proceeds from Placement

Utilisation	(RM '000)
Repayment of bank borrowings ⁽¹⁾	310,000
Estimated expenses directly in relation to the acquisition	3,381
Estimated expenses directly in relation to the placement	4,426
Other estimated expenses ⁽²⁾	2,193
Total	320,000

(1) Repayment of borrowings which was drawn from Sunway REIT's existing debt financing facilities to pay for the deposit and the balance purchase consideration.

(2) Comprising professional fees, authorities' fees and miscellaneous expenses incurred in connection with the acquisition and placement. Any excess arising from the estimated expenses will be utilised from for working capital.

6. 1HFY2013 Financial Highlights

1HFY2013 Financial Highlights

Key Statistics	1HFY2013	1HFY2012	Change
No. of properties	12 ¹	11	9.1%
Property value (RM billion)	4.961	4.387	13.0%
No of units in circulation (unit)	2,700,625,900	2691,761,600	0.3%
Unit price as at 31 Dec (RM)	1.55	1.25	24.0%
Market capitalisation (RM billion)	4.186	3.365	24.4%
Net asset value (NAV) per unit (RM) (After income distribution)	1.0964	1.0131	8.2%
Premium to NAV (%)	41.4	23.4	76.9%
1HFY2013 Distribution per unit (DPU) (sen)	4.22	3.74	12.8%
Annualised Distribution Yield (%) (based on market price as at 31 Dec)	5.4	5.9	-
YTD Total return (%)	19.4	18.5	-

1HFY2013 Financial Highlights (Cont'd)

Consolidated Statement of Comprehensive Income

	YTD 1H2013 (RM'000)	YTD 1H2012 (RM'000)	Change
Gross revenue	205,592	205,776	-0.1%
Less: Property operating expenses	(54,589)	(56,800)	3.9%
Net property income	151,003	148,976	1.4%
Change in fair value of investment properties	-	-	-
Interest & other income	566	366	54.6%
Manager's fee	(11,730)	(11,222)	-4.5%
Trustee's fee and other expenses ¹	(1,300)	(2,171)	39.7%
Finance costs ²	(30,399)	(41,324)	26.4%
Income before taxation/Profit for the period/year	108,131	94,625	14.3%
Total comprehensive income for the period comprise the following:			
Realised			
-Initial 8 IPO assets	104,084	94,226	10.5%
-Sunway Putra Place	4,035	742	443.8%
Total realised	108,119	94,968	13.8%
Total net income for the period/year	108,131	94,625	14.3%
No. of units in circulation (million)	2,701	2,692	0.3%
Total EPU	4.01	3.53	13.6%
Proposed/declared distribution	113,926	100,628	13.2%
Proposed/declared distribution per unit (sen)	4.22	3.74	12.8%

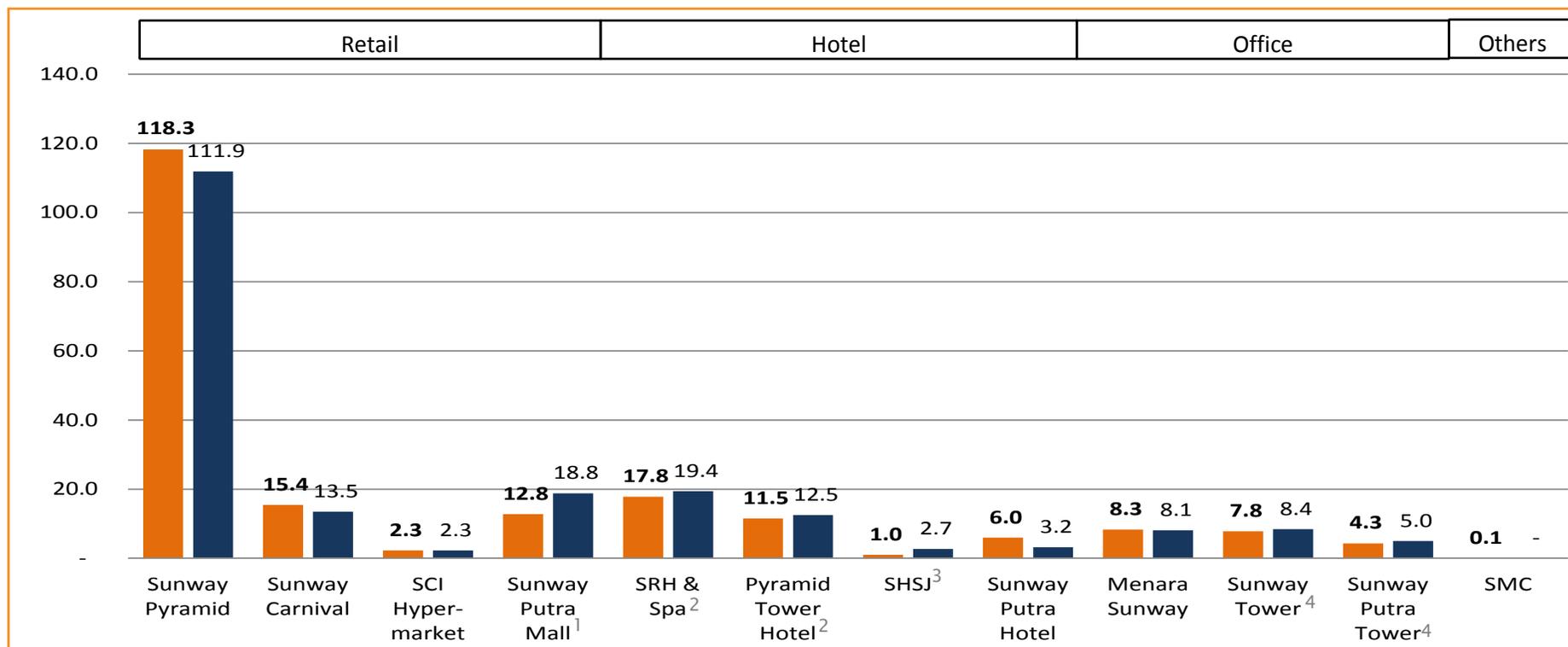
¹ Trust expenses for 2Q 2013 was lower than 2Q 2012 by approximately RM0.5m mainly due to recovery of legal fee amounting to RM242k as awarded by the Court for Sunway Putra Place.

² Lower finance costs for 2Q 2013 compared to 2Q 2012 by RM5.8m primarily due to refinancing of borrowings from 28 December 2011 onwards which resulted in a reduction in average costs of debts from 4.67% p.a. for YTD 2Q 2012 to 3.73% p.a. for YTD 2Q 2013.

1HFY2013 Financial Highlights (Cont'd)

Revenue Contribution

	YTD 2Q 2013 (RM'mil)	205.6
	YTD 2Q 2012 (RM'mil)	205.8



¹ Sunway Putra Mall's performance were lower for YTD 2Q 2013, mainly due to one-off rental of RM4.6 mil recorded in preceding year corresponding period.

² Sunway Resort Hotel & Spa and Pyramid Tower Hotel's performance were lower for YTD 2Q 2013 compared to preceding year corresponding period mainly due to lesser business from leisure segment, meetings, incentives, conventions and exhibitions (MICE) segment and banquets as well as lower tourist arrivals from Middle East as per explanation in the last quarter.

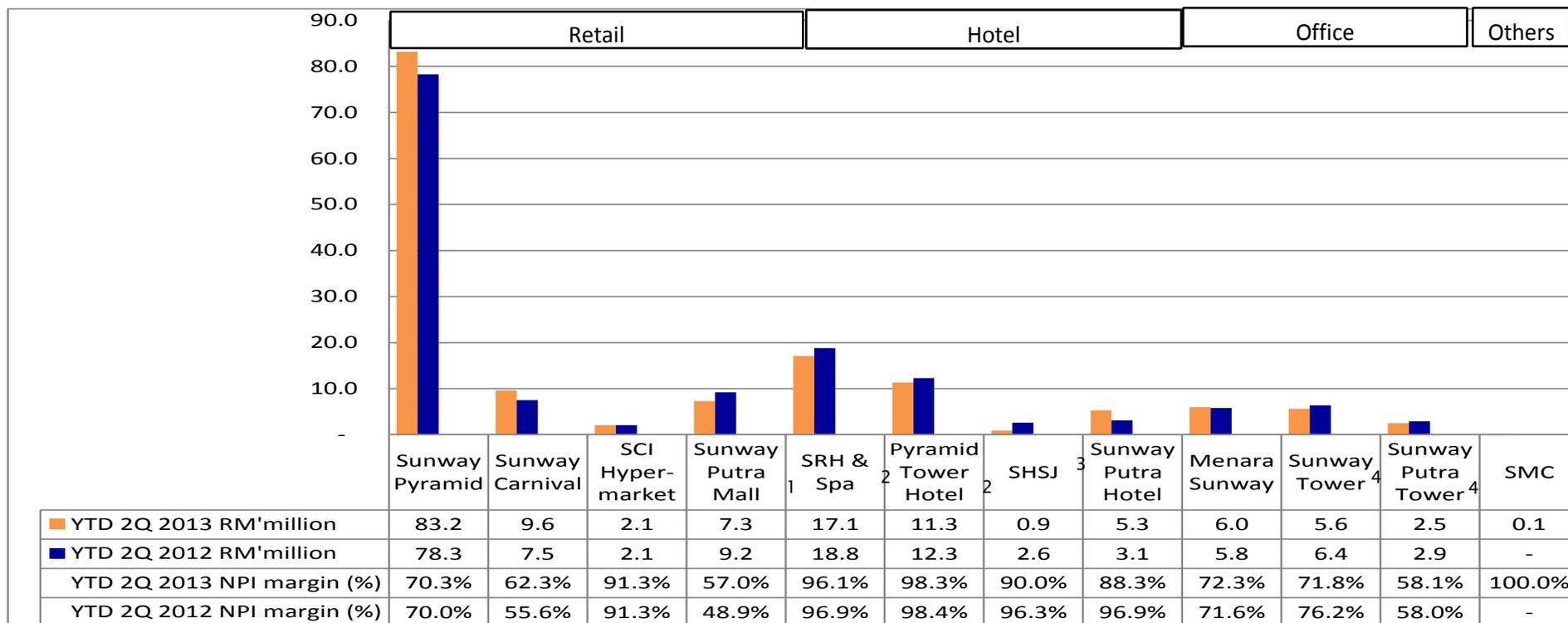
³ SHSJ's performance was softer compared to preceding year corresponding period due to ongoing refurbishment.

⁴ Sunway Tower and Sunway Putra Tower's revenue contribution were lower compared to preceding year corresponding period due to lower occupancy.

1HFY2013 Financial Highlights (Cont'd)

Net Property Income Contribution

	<u>NPI</u>	<u>Margin</u>
YTD 2Q 2013 (RM'mil)	151.0	73.4%
YTD 2Q 2012 (RM'mil)	149.0	72.4%



¹ Sunway Putra Mall's performance were lower for YTD 2Q 2013, mainly due to one-off rental of RM4.6 mil recorded in preceding year corresponding period.

² Sunway Resort Hotel & Spa and Pyramid Tower Hotel's performance were lower for YTD 2Q 2013 compared to preceding year corresponding period mainly due to lesser business from leisure segment, meetings, incentives, conventions and exhibitions (MICE) segment and banquets as well as lower tourist arrivals from Middle East as per explanation in the last quarter.

³ SHSJ's performance was softer compared to preceding year corresponding period due to ongoing refurbishment.

⁴ Sunway Tower and Sunway Putra Tower's revenue contribution were lower compared to preceding year corresponding period due to lower occupancy.

1HFY2013 Financial Highlights (Cont'd)

Rental Reversion

Properties	New and renewed tenancies @ 2Q2013		Due for renewal in FYE2013			Total rental increase in 3 years
	Number of tenancies	NLA sq.ft.	NLA sq. ft.	NLA for Property sq. ft.	% of Property NLA	
			a	b	a/b	
Sunway Pyramid Shopping Mall	150	306,292	385,247	1,705,427	22.6%	19.3%
Sunway Carnival Shopping Mall	12	9,993	161,849	492,301	32.9%	15.6%
Menara Sunway	22	48,083	57,329	290,805	19.7%	12.3%
Total Portfolio	184	364,368	604,425	2,488,533	24.3%	18.6%

The hotel and hospital properties are under 10-years master leases. The expiry date of the respective master leases are as follows:

Sunway Resort Hotel & Spa and Pyramid Tower Hotel	- July 2020
Sunway Hotel Seberang Jaya	- July 2021
Sunway Putra Hotel	- September 2021
Sunway Medical Centre	- December 2022

Thank You