(Prepared for the inclusion in this Prospectus)

PREDECESSOR GROUP

COMBINED FINANCIAL STATEMENTS

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Statement by directors

We, Dato' Ng Tiong Lip and Ngeow Voon Yean, being two of the directors of Sunway REIT Management Sdn. Bhd., do hereby state that, in the opinion of the directors, the accompanying combined financial statements of thc Predecessor Group set out on pages 4 to 68 , which comprise the combined balance sheets as at 30 June 2007, 30 June 2008, 30 June 2009 and 28 February 2010; the combined income statements, statements of changes in equity and cash flow statements for each of the financial years ended 30 June 2007, 2008 and 2009 and the eight-month interim periods ended 28 February 2010 and 28 February 2009; and a summary of the basis of preparation, significant accounting policies and other explanatory notes (collectively known as the "Combined Financial Statements") have been properly preparcd in accordance with the basis of preparation set out in Note 2.1 to the Combined Financial Statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 May 2010.

Dato' Ng Tiong Lip

Ngeow Voon Yean

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Independent Auditors' Report on the Combined Financial Statements

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

27 May 2010

Dear Sirs,

We report on the Combined Financial Statements of the Predecessor Group, which comprise the combined balance sheets as at 30 June 2007, 30 June 2008, 30 June 2009 and 28 February 2010 and the combined income statements, statements of changes in equity and cash flow statements for each of the three financial years then ended and the eight-month interim period ended 28 February 2010, and a summary of the basis of preparation, significant accounting policies and other explanatory notes, as set out on pages 4 to 68.

The Combined Financial Statements have been prepared solely for the purpose of the proposed listing and quotation of the units of Sunway Real Estate Investment Trust ("Sunway REIT") in the Main Market of Bursa Malaysia Securities Berhad (the "Proposed Listing") and should not be used for any other purpose. The Combined Financial Statements may not necessarily reflect the consolidated results of operations, financial position and cash flows of what the Predecessor Group would have been had it been a separate, stand-alone entity during the periods presented. The Combined Financial Statements neither represent the financial information of Sunway REIT prepared on a basis as if Sunway REIT were operating solely in the rental business, nor do they give an indication of the results, cash flows and financial position of Sunway REIT in the future.

Directors' responsibility for the financial statements

The directors of the Sunway REIT Management Sdn. Bhd. are responsible for the preparation of these Combined Financial Statements in accordance with the basis of preparation and the significant accounting policies set out in Note 2.1 to the Combined Financial Statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of the Combined Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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Auditors' responsibility

Our responsibility is to express an opinion on these Combined Financial Statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Combined Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the Combined Financial Statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entities' (making up the Predecessor Group) preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the entities making up the Predecessor Group. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Combined Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Combined Financial Statements have been properly prepared in accordance with the basis of preparation and the significant accounting policies as set out in Note 2.1 to the Combined Financial Statements.

Without qualifying our opinion, we draw attention that the Combined Financial Statements presented include the combined income statements, statements of changes in equity and cash flow statements for the eight-month interim period ended 28 February 2009 and the related explanatory notes which are not audited.

Other matters

This report is made solely to the Board of Directors of Sunway REIT Management Sdn. Bhd. and has been prepared solely for the purpose of the Proposed Listing and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia

PREDECESSOR GROUP

COMBINED INCOME STATEMENTS

		Year ended, 30 June			Eight-month period ended, 28 February	
		2007	2008	2009	2009	2010
	Note	RM'000	RM'000	RM'000	RM'000 (unaudited)	RM'000
Revenue	3	231,482	331,294	392,495	268,068	281,790
Cost of sales	4	(51,046)	(54,812)	(59,273)	(42,672)	(40,367)
Gross profit		180,436	276,482	333,222	225,396	241,423
Other income	5	14,813	332,637	642,432	514,504	92,745
Administrativeexpcnses		(57,688)	(64,138)	(91,888)	(63,696)	(52,663)
Selling and marketing expenscs		(12,559)	(15,904)	(20,338)	(13,326)	(13,491)
Other expenses		(42,530)	(55,880)	(59,142)	(39,357)	(41,183)
		82,472	473,197	804,286	623,521	226,831
Finance costs	6	(13,353)	(27,136)	(29,720)	(20,914)	(17,660)
Profit before tax	7	69,119	446,061	774,566	602,607	209,171
Income tax	9	(2,582)	(97,704)	(193,641)	(152,314)	280,535
Profit for the year/period		66,537	348,357	580,925	450,293	489,706

The accompanying notes form an integral part of the combined financial statements.

PREDECESSOR GROUP

COMBINED BALANCE SHEETS

	Note	As at 30 June			As at 28 February
		2007	2008	2009	2010
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	884,425	26,887	482,536	4,228
Prepaid land lease payments	11	22,026	1,014	45,608	-
Investment properties	12	917,000	144,000	2,645,286	-
Investment in subsidiaries	13	10	10	10	13
Investment in associate	14	2,000	2,000	2,000	2,000
Other non-current investments	17	6	6	6	24
Deferred tax assets	28	1,138	5,645	-	-
		1,826,605	179,562	3,175,446	6,265
Current assets					
Inventories	18	2,814	3,543	3,591	3,805
Trade receivables	19	14,103	23,792	22,387	25,900
Other receivables	20	44,268	6,451	6,444	5,944
Tax recoverable		629	5	159	286
Amounts due from subsidiaries	15	13,905	13,183	7,877	4,848
Amounts due from immediate holding companies	16	177	177	177	177
Amount due from ultimate holding company	16	15,641	17,001	60,826	137,824
Amounts due from related companies	21	2,814	2,048	2,217	758
Cash and bank balances	22	93,990	54,089	80,593	83,117
		188,341	120,289	184,271	262,659
Non-current assets classified as held for sale	23	-	2,419,206	-	3,256,588
		188,341	2,539,495	184,271	3,519,247
		2,014,946	2,719,057	3,359,717	3,525,512

The accompanying notes form an integral part of the eombined financial statements.

PREDECESSOR GROUP

COMBINED BALANCE SHEETS (CONTD.)

		As at 30 June			As at 28 February
		2007	2008	2009	2010
		RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the entities comprising the Predecessor Group					
Share capital	32	157,010	157,260	157,260	157,260
Share premium		262,480	262,480	262,480	262,480
Reserves	33	429,738	778,095	1,359,020	1,848,726
Shareholders' equity		849,228	1,197,835	1,778,760	2,268,466
Non-current liabilities					
Borrowings	24	257,691	317,316	484,429	546,383
Redeemable preference shares	31	47,216	13,736	-	-
Other long term liabilities	25	16,683	12,645	40,977	21,558
Hire purchase and finance lease liabilities	26	697	206	-	-
Deferred tax liabilities	28	132,340	212,879	372,507	69,660
		454,627	556,782	897,913	637,601
Current liabilities					
Trade payables	29	6,348	7,190	4,985	7,894
Other payables	30	152,778	196,741	96,069	108,359
Redeemable preference shares	31	33,308	33,480	15,819	-
Borrowings	24	1,707	105,382	14,507	22,121
Hire purchase and finance lease liabilities	26	552	491	249	-
Advances by a shareholder	27	120,895	131,555	127,554	124,554
Amount due to immediate holding company	16	34,967	34,702	221	3
Amount due to ultimate holding company	16	241,959	444,144	404,756	342,048
Amount due to a subsidiary	15	996	1,091	1,152	-
Amounts due to related companies	21	114,784	1,334	1,919	1,169
Tax payable		2,797	8,330	15,813	13,297
		711,091	964,440	683,044	619,445
		2,014,946	2,719,057	3,359,717	3,525,512

The accompanying notes form an integral part of the combined financial statements.

PREDECESSOR GROUP

COMBINED STATEMENT OF CHANGES IN EQUITY

	<- Attributable to Equity Holders of the Entities Comprising the Predecessor Group ->				
	Share capital (Note 32) RM'000	**Share premium RM'000**	**Capital redemption reserve (Note 33) RM'000**	**Retained profits (Note 33) RM'000**	**Total RM'000**
At 1 July 2006	157,010	262,480	6,126	83,162	508,778
Transitional effects of adopting fair value accounting	-	-	-	273,913	273,913
	157,010	262,480	6,126	357,075	782,691
Transfer to/(from) reserves	-	-	1,188	(1,188)	-
Profit for the year	-	-	-	66,537	66,537
At 30 June 2007	157,010	262,480	7,314	422,424	849,228
At 1 July 2007	157,010	262,480	7,314	422,424	849,228
Issue of ordinary shares	250	-	-	-	250
Transfer to/(from) reserves	-	-	1,194	(1,194)	-
Profit for the year	-	-	-	348,357	348,357
At 30 June 2008	157,260	262,480	8,508	769,587	1,197,835
At 1 July 2008	157,260	262,480	8,508	769,587	1,197,835
Transfer to/(from) reserves	-	-	1,125	(1,125)	-
Profit for the year	-	-	-	580,925	580,925
At 30 June 2009	157,260	262,480	9,633	1,349,387	1,778,760
At 1 July 2009	157,260	262,480	9,633	1,349,387	1,778,760
Transfer to/(from) reserves	-	-	567	(567)	-
Profit for the period	-	-	-	489,706	489,706
At 28 February 2010	157,260	262,480	10,200	1,838,526	2,268,466
At 1 July 2008	157,260	262,480	8,508	769,587	1,197,835
Transfer to/(from) reserves	-	-	562	(562)	-
Profit for the period (unaudited)	-	-	-	450,293	450,293
At 28 February 2009 (unaudited)	157,260	262,480	9,070	1,219,318	1,648,128

The accompanying notes form an integral part of the combined financial statements.

PREDECESSOR GROUP

COMBINED CASH FLOW STATEMENTS

	Year ended, 30 June			Eight-month period ended, 28 February	
	2007 RM'000	2008 RM'000	2009 RM'000	2009 RM'000 (unaudited)	2010 RM'000
Cash flows from operating activities					
Receipts from customers	234,368	323,512	395,784	274,151	280,881
Other receipts	7,397	16,167	29,558	11,169	11,244
Payment to suppliers and contractors	(52,899)	(57,751)	(64,377)	(48,007)	(41,960)
Payment of expenses	(62,887)	(110,621)	(161,120)	(124,354)	(103,306)
Dividend received	-	-	-	-	1,429
Cash generated from operations	125,979	171,307	199,845	112,959	148,288
Taxes paid	(10,567)	(15,515)	(21,039)	(10,693)	(24,955)
Interest received	145	28	39	2	-
Net cash generated from operating activities	115,557	155,820	178,845	102,268	123,333
Cash flows from investing activities					
Interest reeeived	2,333	1,698	1,853	1,445	1,466
Purchase of property, plant and equipment (note a)	(273,270)	(45,874)	(27,870)	(22,296)	(8,868)
Additions and subsequent expenditure of investment properties (note b)	-	(309,379)	(26,138)	(877)	(11,429)
Prepaid land lease payments	-	(45,153)	-	-	-
Deposit paid for purchase of investment property	(28,800)	-	-	-	-
Payment of incidental eosts for purchase of investment property	(91)	-	-	-	-
Investment in a subsidiary	-	-	-	-	(3)
Proceeds from disposal of investment in a subsidiary	-	-	3	3	-
Purchase of other investments	-	-	-	-	(24)
Disposal of other investments	-	-	-	-	6
Proceeds from disposal of property, plant and equipment	114	264	22	10	4
Net eash used in investing activities	(299,714)	(398,444)	(52,130)	(21,715)	(18,848)

The accompanying notes form an integral part of the combined finaneial statements.

PREDECESSOR GROUP

COMBINED CASH FLOW STATEMENTS (CONTD.)

	Year ended, 30 June			Eight-month period ended, 28 February	
	2007	2008	2009	2009	2010
	RM'000	RM'000	RM'000	RM'000	RM'000
				(unaudited)	
Cash flows from financing activities					
Drawdown of term loan	202,672	165,007	83,120	83,120	77,200
Repayment of term loan	(1,447)	(1,707)	(6,882)	(1,632)	(7,632)
Repayment of hire purchase and finance leases	(788)	(552)	(448)	(321)	(249)
Proceeds from issuance of ordinary shares	-	250	-	-	-
Redemption of preference shares	(33,137)	(33,308)	(31,397)	(15,677)	(15,819)
Advances from a shareholder	-	10,660	-	-	-
Repayment to a shareholder	(4,500)	-	(4,001)	(4,001)	(3,000)
Dividend paid	(544)	-	(282)	-	-
Interest paid	(10,852)	(22,051)	(25,171)	(17,948)	(15,171)
Net change in inter-company indebtedness	84,626	84,424	(115,150)	(79,687)	(137,290)
Net cash generated from/(used) in financing activities	236,030	202,723	(100,211)	(36,146)	(101,961)
Net increase/(decrease) in cash and cash equivalents	51,873	(39,901)	26,504	44,407	2,524
Cash and cash equivalents at beginning of year/period	42,117	93,990	54,089	54,089	80,593
Cash and cash equivalents at end of year/period (note 22)	93,990	54,089	80,593	98,496	83,117
(a) Additions of property, plant and equipment (note 10)	331,382	155,919	30,155	22,296	8,868
Additions of property, plant and equipment transferred to investment properties	-	(110,045)	-	-	-
Additions purchased by way of hire purchase arrangements	(235)	-	-	-	-
Additions via deferred payment	(70,471)	-	(2,285)	-	-
Additions via cash	260,676	45,874	27,870	22,296	8,868
Settlement of property, plant and equipment acquired via deferred payment in prior year	12,594	-	-	-	-
Total cash used in acquisition of property, plant and equipment	273,270	45,874	27,870	22,296	8,868

The accompanying notes form an integral part of the combined financial statements.

PREDECESSOR GROUP

COMBINED CASH FLOW STATEMENTS (CONTD.)

	Year ended, 30 June			Eight-month period ended, 28 February	
	2007 RM'000	2008 RM'000	2009 RM'000	2009 RM'000 (unaudited)	2010 RM'000
(b) Additions of investment properties transferred from property, plant and equipment	-	110,044	-	-	-
Additions and subsequent expenditure of investment properties	-	270,759	918	877	11,429
Additions via deferred payment	-	(87,505)	-	-	-
Additions via cash	-	293,298	918	877	11,429
Deposit paid for purchase of investment property in prior year	-	(28,800)	-	-	-
Settlement of additions and investment properties acquired via deferred payment in prior year	-	44,881	25,220	-	-
Total cash used in additions and subsequent expenditure of investment properties	-	309,379	26,138	877	11,429

The accompanying notes form an integral part of the combined financial statements.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. BACKGROUND INFORMATION

The Board of Directors of Sunway City Berhad ("SCB"), being the ultimate holding company of the Predecessor Group has proposed to form Sunway Real Estate Investment Trust ("Sunway REIT") to own and invest in certain properties currently owned by the Predeeessor Group. The combined financial statements of the Predecessor Group (the "Combined Financial Statements") represent the combined historical results of operations, financial positions and cash flows for eaeh of the audited financial years ended 30 June 2007, 2008 and 2009 and the eight-month interim period ended 28 February 2010 and the unaudited separate financial statements for the eight-month interim period ended 28 February 2009 of the following subsidiaries of SCB which will be disposing the identified properties free from all encumbranees to Sunway REIT:

Name of entities comprising the Predecessor Group (the "Entities")	Nature of the properties
	Retail properties:
Sunway Pyramid Sdn. Bhd. ("SPSB")	Sunway Pyramid Shopping Mall
Sunway Carnival Sdn. Bhd. ("SCSB")	Sunway Carnival Shopping Mall
Peluang Klasik Sdn. Bhd. ("PKSB")	Suneity Ipoh Hypermarket
	Hospitality properties:
Sunway Resort Hotel Sdn. Bhd. ("SRHSB")	(a) Sunway Resort Hotel & Spa Building (b) Pyramid Tower Hotel Building (c) Three Villas
Sunway Hotel (Seberang Jaya) Sdn. Bhd. ("SHSJSB").	Sunway Hotel Seberang Jaya Building
	Office properties:
Menara Sunway Sdn. Bhd. ("MSSB")	Menara Sunway Office Building
Sunway Towers 2 Sdn. Bhd.("ST2SB")	Sunway Tower Office Building

The Entities comprising the Predecessor Group are single-property owners, except for SRHSB. During the financial years ended 30 June 2007, 2008 and 2009 and eight-month period ended 28 February 2010, the sole business of the entities comprising the Predecessor Group was letting of properties except for SRHSB and SHSJSB, which were involved in hospitality business.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The Combined Financial Statements have been derived from the respective audited separate financial statements of the Entities for each of the years ended 30 June 2007, 2008 and 2009 and the eight-month interim period ended 28 February 2010 and the unaudited separate financial statements for the eight-month interim period ended 28 February 2009 (the "Relevant Periods") represent the entire results of operations, financial position and cash flows of the entities making up the Predecessor Group except for SRHSB. SRHSB's properties comprise two hotels and seventeen villas of which the Combined Financial Statements only included the unaudited financial results of the operations, financial position and cash flows for the Relevant Periods of the two hotels and three villas ("Carved-out SRHSB Business"). The assets, liabilities, revenues or expenses which are not identifiable or directly related to the Carved-out SRHSB Business are allocated based on a pro-rata basis in the proportion of the three villa units over the total seventeen villas as the Board of Directors of Sunway REIT Management Sdn. Bhd, a subsidiary of SCB who will serve as the Manager of Sunway REIT, considers the individual units of the villas to be fairly identical in terms of value and size. The Board of Directors of Sunway REIT Management Sdn. Bhd believes the above basis of allocation is appropriate and reasonable. However, the carved-out financial statements may not necessarily reflect the financial position of the Carved-out SRHSB Business as if the Carved-out SRHSB Business had been a separate standalone entity during the periods presented. In addition, the Combined Financial Statements presented do not necessarily reflect the future results of operations, financial position and cash flows of the Sunway REIT, nor do they present what they would have been if Sunway REIT had been in operation during those historical periods presented.

The Combined Financial Statements have been prepared in accordance with the accounting policies described in the notes to the Combined Financial Statements and all significant intra-company transactions and balances within the Predecessor Group during the periods presented have been eliminated.

The Combined Financial Statements have been prepared under the historical cost convention except for investment properties which are measured at their respective fair values. The Combined Financial Statements are presented in Ringgit Malaysia ("RM") and all amounts are rounded to the nearest thousand except when otherwise indicated.

Use of Estimates and Assumptions

The preparation of the Combined Financial Statements requires the board of directors of Sunway REIT Management Sdn. Bhd., to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses that are reported in the Combined Financial Statements and the notes to the Combined Financial Statements. Although these estimates are based on the directors' and management's best knowledge of current events and actions that the Predecessor Group may undertake in the future, actually results may be different from the estimates. These estimates include, but are not limited to, deferred tax assets and allowance for doubtful debts.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.1 Basis of Preparation (Contd.)

Risk and Uncertainties

The Combined Financial Statements may not necessarily reflect the financial results of the operations, financial position and cash flows of what the Predecessor Group would have been had it been a separately managed group during the periods presented. The Combined Financial Statements neither represent the financial statements of Sunway REIT prepared on the basis as if Sunway REIT were operating in the rental business, nor will they give an indication of the results, cash flows and financial position of Sunway REIT in the future.

2.2 Summary of Significant Accounting Policies of the Predecessor Group

(a) Subsidiaries

Subsidiaries are entities over which the entities comprising the Predecessor Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the entities comprising the Predecessor Group has such power over another entity.

Investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(b) Associates

Associates are entities in which the entities comprising the Predecessor Group has significant influence and that is neither a subsidiary or an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

In the separate financial statements of the entities comprising the Predecessor Group, investments in associates are stated at cost less impairment loss. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies of the Predecessor Group (Contd.)

(c) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Predecessor Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year/period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less depreciation and any accumulated impairment losses.

Capital work-in-progress are not depreciated as these assets are not available for use.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

	%
Buildings	2
Computer equipment	20-33
Motor vehicles	20
Equipment	10-20
Furniture and fittings	10-15
Plant and machinery	5-15
Renovation	10

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies of the Predecessor Group (Contd.)

(d) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed annually by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year/period in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Predecessor Group holds it to earn rental or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year/period in which they arise.

Prior to 1 July 2006, investment properties were stated at cost less accumulated depreciation and any accumulated impairment losses. Upon the adoption of the fair value model, investment properties are now stated at fair value and gains and losses arising from changes in fair values are recognised in profit or loss in the year in which they arise.

The change in accounting policy has had no impact on amounts reported for 2006 or prior periods. Instead, the changes have been accounted for by restating the following opening balances of the Predecessor Group as at 1 July 2006:

	As at 1 July 2006 RM'000
Increase in investment properties	380,435
Increase in retained profits	273,913
Increase in deferred tax liabilities	106,522

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies of the Predecessor Group (Contd.)

(d) Investment Properties (Contd.)

The following table provides estimates of the extent to which each of the line items in the balance sheet and income statement for the year ended 30 June 2007 is higher or lower than it would have been had the previous policies been applied in the current year.

(i) Effects on balance sheet as at 30 June 2007

Description of change	(Decrease)/ Increase RM'000
Properties, plant and equipment	(63,739)
Investment properties	450,298
Deferred tax liability	98,913
Retained profits	287,644

(ii) Effects on income statement for the year ended 30 June 2007

Description of change	(Decrease)/ Increase RM'000
Other expenses	(6,124)
Profit before tax	6,124
Income tax expense	(7,608)
Profit for the year	13,732

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies of the Predecessor Group (Contd.)

(e) Impairment of Non-financial Assets

The carrying amounts of assets, other than investment property and inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less cost to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An impairment loss is recognised in profit or loss in the period in which it arises. An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

(f) Inventories

Trading inventories, food and beverages and consumables are stated at lower of cost and net realisable value after adequate provision for damaged, obsolete and slow moving items. Cost is determined using the weighted average method. Cost comprises costs of purchase.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies of the Predecessor Group (Contd.)

(g) Financial Instruments

Financial instruments are recognised in the balance sheet when the Predecessor Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Predecessor Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposit at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(ii) Other non-current investments

Non-current investments other than investments in subsidiaries and investment properties are stated at cost less impairment losses. Impairment losses are recognised for all declines in value other than temporary. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the profit or loss.

(iii) Trade receivables

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(iv) Trade payables

Trade payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies of the Predecessor Group (Contd.)

(g) Financial Instruments (Contd.)

(v) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(vi) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

Preference shares are classified as equity if the shares are non-redeemable and dividends are at the option of the issuer. Preference shares are classified as liability if the shares are redeemable on a specific date or at the option of the shareholders. The corresponding dividends on those shares are recognised as interest expense in the income statement.

(h) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Predecessor Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies of the Predecessor Group (Contd.)

(h) Leases (Contd.)

(i) Classification (contd.)

All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(ii) Finance leases - the Group as lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Predecessor Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(c).

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies of the Predecessor Group (Contd.)

2.2 Summary of Significant Accounting Policies of the Predecessor Group (Contd.)

(h) Leases (Contd.)

(iii) Operating leases - the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(iv) Operating leases - the Group as lessor

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease (Note 2.2(n)(i)). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(i) Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies of the Predecessor Group (Contd.)

(j) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balanee sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are reeognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(k) Provisions for Liabilities

Provisions are recognised when the Predecessor Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies of the Predecessor Group (Contd.)

(l) **Employee Benefits**

(i) **Short term benefits**

Wages, salaries, bonuses and social contributions are recognised as an expense in the period in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) **Defined contribution plan**

Defined contribution plans are post-employment benefit plans under which the Predecessor Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(m) **Foreign Currencies**

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date.

All exchange rate differences are taken to the profit or loss.

(n) **Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Predecessor Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) **Rental income**

Rental income including those from investment properties, is recognised on an accrual basis unless recoverability is in doubt, in which case, it is recognised on receipt basis.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies of the Predecessor Group (Contd.)

(n) Revenue Recognition (Contd.)

(ii) Income from hotel operations

Income from rental of hotel rooms are recognised on an accrual basis.

(iii) Income from car park operations

Income from car park operation is recognised on receipt basis as all transactions are in cash.

(iv) Promotion income

Promotion income is derived from tenants as contribution toward the costs and expenses of promotional or advertising campaigns and is recognised on accrual basis.

(iv) Sale of goods

Revenue from sale of goods is recognised based on invoiced value of goods sold.

(v) Interest income

Interest income from short term deposits and advances is recognised on an accrual basis, using the effective interest method, unless recoverability is in doubt, in which case, it is recognised on receipt basis.

Interest income on other non-current investments is recognised on receipt basis due to the uncertainty of the amount that may be recovered.

(vi) Service charges

Service charges including those from investment properties, is recognised on an accrual basis unless recoverability is in doubt, in which case, it is recognised on receipt basis.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies of the Predecessor Group (Contd.)

(o) Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with the existing applicable accounting policies. Then, on initial classification as held for sale, non-current assets (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured at the lower of carrying amount and fair value less costs to sell. Any difference are taken to profit or loss.

2.3 Significant Accounting Estimates and Judgements

(a) Critical Judgements Made in Applying Accounting Policies

The following is the judgement made by management in the process of applying the Predecessor Group's accounting policies that has the most significant effect on the amounts recognised in the Combined Financial Statements.

Classification between investment properties and property, plant and equipment

The Predecessor Group has developed certain criteria in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Predecessor Group would account for the portions separately.

If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Significant Accounting Estimates and Judgements (Contd.)

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Depreciation of property, plant and equipment

The useful lives and residual values of components of property, plant and equipment are also estimated based on common life expectancies and commercial factors applied in the various respective industries.

Changes in expected level of usage, occupancy rates and economic development could impact the economic useful lives and the residual values of these assets, and hence future depreciation charges on such assets could be revised.

(ii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The total carrying value of recognised tax losses and capital allowances of the Predecessor Group as at 30 June 2007, 2008 and 2009 and 28 February 2010 is RM36,431,000, RM68,436,000, RM83,860,000 and RM95,868,000 respectively.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Significant Accounting Estimates and Judgements (Contd.)

(b) Key Sources of Estimation Uncertainty (Contd.)

(iii) Allowance for doubtful debts

The Predecessor Group makes allowance for doubtful debts based on an assessment of the reeoverability of receivables. Provisions are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be reeoverable. In assessing the extent of irreeoverable debts, the management has given due consideration to all pertinent information relating to the ability of the debtors to settle the debts. Where the expectation is different from the original estimate, sueh differenee will impact the earrying value of the receivables.

The carrying amounts of trade receivables and other receivables of the Predecessor Group as at 30 June 2007, 2008 and 2009 and 28 February 2010 are as follow:

	As at 30 June			As at 28 February
	2007	**2008**	**2009**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade receivables	14,103	23,792	22,387	25,900
Other receivables	44,268	6,451	6,444	5,944
	58,371	30,243	28,831	31,844

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. REVENUE

	Year ended, 30 June			Eight-month period ended, 28 February	
	2007 RM'000	2008 RM'000	2009 RM'000	2009 RM'000 (unaudited)	2010 RM'000
Retail					
Rental income					
- Retail	64,846	130,123	172,878	114,804	122,249
- Pyramid ice	4,574	4,962	5,092	3,410	3,564
- Car park	2,850	4,535	6,309	4,170	4,271
- Miscellaneous	31	374	645	413	615
Promotion income	3,195	6,658	8,112	5,387	5,714
Service charges	7,597	14,241	18,660	12,196	12,964
	83,093	160,893	211,696	140,380	149,377
Hospitality					
Hotel room income	69,953	82,225	86,195	59,845	61,520
Food and beverage and related income	68,027	70,880	74,452	54,958	50,822
	137,980	153,105	160,647	114,803	112,342
Office					
Rental income					
- Office	7,206	12,775	14,468	9,251	14,859
- Car park	425	674	996	626	908
- Miscellaneous	124	143	239	137	178
Service charges	2,654	3,704	4,449	2,871	4,126
	10,409	17,296	20,152	12,885	20,071
	231,482	331,294	392,495	268,068	281,790

4. COST OF SALES

Cost of sales represent cost of hotel operations, food and beverage sold.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

5. OTHER INCOME

	Year ended, 30 June			Eight-month period ended, 28 February	
	2007 RM'000	2008 RM'000	2009 RM'000	2009 RM'000 (unaudited)	2010 RM'000
Other ineome includes:					
Dividendincome	-	-	-	-	1,429
Fair value adjustment of investment properties (note 12)	2,000	316,133	626,198	503,407	79,891
Gain on disposal of property, plant and equipment	37	12	11	-	-
Gain on disposal of investment insubsidiary	-	-	3	3	-
Interest ineome:					
- ultimate holding company	1,917	431	950	406	1,980
- subsidiary	-	-	130	-	174
- deposits with licensed financial institutions	1,894	1,503	1,634	1,255	1,001
- others	584	223	258	192	465
Rental income on land and buildings	1,886	1,899	1,878	1,437	1,423
Realised gain on foreign exchange	93	36	85	67	51

6. FINANCE COSTS

	Year ended, 30 June			Eight-month period ended, 28 February	
	2007 RM'000	2008 RM'000	2009 RM'000	2009 RM'000 (unaudited)	2010 RM'000
Interest expense:					
- Term loan	1,429	16,913	21,667	15,650	12,886
- Hire purchase and finanee leaseliabilities	132	88	80	63	24
- Duc to ultimate holding company	2,994	7,246	7,693	5,097	4,719
- Due to related companies	8,145	2,415	-	-	-
Redeemable preference shares	506	425	232	94	31
Others	147	49	48	10	-
	13,353	27,136	29,720	20,914	17,660

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

7. PROFIT BEFORE TAX

	Year ended, 30 June			Eight-month period ended, 28 February	
	2007 RM'000	2008 RM'000	2009 RM'000	2009 RM'000 (unaudited)	2010 RM'000
The following amounts have been included in arriving at profit before tax:					
Employees benefits expense (note 8)	42,237	53,514	57,310	40,146	42,825
Bad debts written off	50	207	60	-	240
Depreciation of property, plant and equipment (note 10)	24,041	11,460	32,718	24,999	12,263
Loss on disposal of unquoted investment	-	-	-	-	3
Amortisation of prepaid land lease payments (note 11)	256	12	899	725	261
Rental expenses:					
-office/building	93	409	880	560	649
- office equipment, plant and machinery	309	338	246	167	262
- land and building	175	28	-	19	19
Allowance for doubtful debts	231	1,967	1,560	1,120	1,233
Write-off of property, plant and equipment	21	6	-	-	-
Loss on disposal of property, plant and equipment	-	-	84	100	9
Write-off of amount due from subsidiary	-	-	3	-	-

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

8. EMPLOYEE BENEFITS

	Year ended, 30 June			Eight-month period ended, 28 February	
	2007	2008	2009	2009	2010
	RM'000	RM'000	RM'000	RM'000 (unaudited)	RM'000
Wages and salaries	26,954	33,081	35,227	23,229	25,073
Contributions to defined contribution plan	3,260	3,615	4,191	2,592	2,610
Other benefits	12,023	16,818	17,892	14,325	15,142
	42,237	53,514	57,310	40,146	42,825

9. INCOME TAX

	Year ended, 30 June			Eight-month period ended, 28 February	
	2007	2008	2009	2009	2010
	RM'000	RM'000	RM'000	RM'000 (unaudited)	RM'000
Malaysian income tax:					
- current	12,941	17,757	29,858	19,732	22,309
- (over)/under provision in prior year/period	(2,550)	3,915	(1,490)	(1,490)	3
Total income tax expense	10,391	21,672	28,368	18,242	22,312
Deferred tax: (note 28):					
- Relating to origination and reversal of temporary differences	1,017	78,031	162,052	130,851	(302,845)
- Relating to changes in tax rate	(9,696)	(8,289)	-	-	-
- Under/(over) provision in prior years/periods	870	6,290	3,221	3,221	(2)
	(7,809)	76,032	165,273	134,072	(302,847)
Total income tax	2,582	97,704	193,641	152,314	(280,535)

Domestic current income tax is caleulated at the statutory tax rate for years of assessment 2007, 2008 and 2009/ 2010 of 27%, 26% and 25% respeetively of the estimated assessable profits for the respective years except for the tax incentive of 7% and 6% respectively exempted by the Inland Revenue Board for the first RM500,000 taxable profits for the years of assessments 2007 and 2008 for certain eligible entities of the Predecessor Group.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

9. INCOME TAX (CONTD.)

A reconciliation of income tax applicable to profit before tax at the statutory income tax rate to income tax at the effeetive income tax rate of the Predecessor Group is as follows:

	Year ended, 30 June			Eight-month period ended, 28 February	
	2007 RM'000	2008 RM'000	2009 RM'000	2009 RM'000 (unaudited)	2010 RM'000
Profit before tax	69,119	446,061	774,566	602,607	209,171
Taxation at Malaysian statutory tax rate at 27%, 26% and 25% for the years of assessment 2007, 2008 and 2009/ 2010 respectively	18,662	115,976	193,641	150,652	52,293
Effect of income subject to tax rate of 20%	(5)	(90)	-	-	-
Effeet of changes in tax rates on tax	(5,216)	(173)	-	-	-
Deferred tax recognised at different tax rates	(4,480)	(8,116)	-	-	-
Income not subject to tax	(3,792)	-	-	-	(39)
Expenses not deductible for tax purposes	2,571	2,790	1,186	832	1,069
Effects arising from change in tax base	-	(45,993)	-	-	-
Income in year of assessment 2006 subject to tax rate of 28%	229	-	-	-	-
Net deferred tax effect arising from a change in the expected manner of recovery of asset (Note a)	-	-	-	-	(326,828)
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(8,638)	(315)	(6,780)	(5,062)	(7,031)
Deferred tax assets not recognised on tax losses and unabsorbed capital allowances	4,931	23,420	3,863	4,161	-
(Over)/under provision of income tax in prior year/period	(2,550)	3,915	(1,490)	(1,490)	3
Under/(over) provision of deferred tax in prior years/ periods	870	6,290	3,221	3,221	(2)
Total income tax	2,582	97,704	193,641	152,314	(280,535)

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

9. INCOME TAX (CONTD.)

Note (a)

As disclosed in Note 39 to the Combined Financial Statcments, the Board of Dirctors and management of SCB have decided to revive the plan to dispose of the Properties to Sunway REIT pursuant to its Proposed Listing during the financial period ended 28 February 2010. Resulting therefrom, eertain assets of the Predeeessor Group have been identified to be disposed to the Sunway REIT. As a result of the change in the expected manner of reeovery of the above assets from that of recovery through use to recovery through sale, the management have reassessed the measurement of the deferred tax liabilities after considering the tax consequences that would follow from the manner in whieh the respective entities expect, at the balanee sheet date, to recover the earrying amount of the above assets and this has resulted in a total net reversal of deferred tax liability amounting to RM326,827,869.

PREDECESSOR GROUP

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings RM'000	Renovation RM'000	Plant, machinery and equipment, office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Computer equipment RM'000	Capital work-in-progress RM'000	Total RM'000
At 30 June 2007							
Cost							
At 1 July 2006	355,815	1,309	234,614	1,773	11,110	145,978	750,599
Additions	-	-	7,136	300	372	323,574	331,382
Disposals/write-offs	-	-	(140)	(171)	-	-	(311)
Reclassifications	3,188	-	20,590	-	-	(23,778)	-
Transfer	-	-	(6,000)	-	-	-	(6,000)
Adjustments	-	-	(426)	-	(276)	(1,749)	(2,451)
Transfer to investment properties (note 12)	-	-	(4,589)	-	-	-	(4,589)
At 30 June 2007	359,003	1,309	251,185	1,902	11,206	444,025	1,068,630
Accumulated depreciation							
At 1 July 2006	2,071	574	150,763	1,145	6,917	-	161,470
Depreciation charge for the year (note 7)	6,829	127	15,519	238	1,328	-	24,041
Disposals/write-offs	-	-	(43)	(170)	-	-	(213)
Adjustments	-	-	(329)	-	-	-	(329)
Transfer to investment properties (note 12)	-	-	(764)	-	-	-	(764)
At 30 June 2007	8,900	701	165,146	1,213	8,245	-	184,205
Net carrying amount	350,103	608	86,039	689	2,961	444,025	884,425

PREDECESSOR GROUP

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Buildings RM'000	Renovation RM'000	Plant, machinery and equipment, office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Computer equipment RM'000	Capital work-in-progress RM'000	Total RM'000
At 30 June 2008							
Cost							
At 1 July 2007	359,003	1,309	251,185	1,902	11,206	444,025	1,068,630
Additions	598	-	17,171	79	837	137,234	155,919
Disposals/write-offs	-	-	(281)	(122)	-	-	(403)
Reclassifications	(2,812)	-	4,119	-	121	(1,428)	-
Adjustments	-	-	(408)	-	(71)	(8,580)	(9,059)
Transfer to investment properties (note 12)	-	-	-	-	-	(534,428)	(534,428)
Reclassified to non-current assets held for sale (note 23)	(334,304)	(1,212)	(252,057)	(1,708)	(11,243)	(36,036)	(636,560)
At 30 June 2008	22,485	97	19,729	151	850	787	44,099
Aeeumulated depreciation							
At 1 July 2007	8,900	701	165,146	1,213	8,245	-	184,205
Depreciation charge for the year (note 7)	3,571	68	7,015	145	661	-	11,460
Disposals/write-offs	-	-	(23)	(122)	-	-	(145)
Adjustments	-	-	(241)	-	-	-	(241)
Reclassified to non-current assets held for sale (note 23)	(9,937)	(707)	(157,964)	(1,202)	(8,257)	-	(178,067)
At 30 June 2008	2,534	62	13,933	34	649	-	17,212
Net carrying amount	19,951	35	5,796	117	201	787	26,887

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Buildings RM'000	Renovation RM'000	Plant, machinery and equipment, office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Computer equipment RM'000	Capital work-in-progress RM'000	Total RM'000
At 30 June 2009							
Cost							
At 1 July 2008	22,485	97	19,729	151	850	787	44,099
Additions	22	792	5,814	113	499	22,915	30,155
Disposals/write-offs	(98)	-	(440)	(4)	(163)	-	(705)
Reclassifications	-	167	33,116	-	29	(33,312)	-
Adjustments	-	-	-	-	-	(166)	(166)
Transfer to investment properties (note 12)	-	-	(2,309)	-	-	-	(2,309)
Reclassified from non-current assets held for sale (note 23)	334,304	1,212	252,057	1,708	11,243	36,036	636,560
At 30 June 2009	356,713	2,268	307,967	1,968	12,458	26,260	707,634
Accumulated depreciation							
At 1 July 2008	2,534	62	13,933	34	649	-	17,212
Depreciation charge for the year (note 7)	10,532	221	19,713	364	1,888	-	32,718
Disposals/write-offs	(98)	-	(356)	(4)	(152)	-	(610)
Transfer to investment properties (note 12)	-	-	(2,289)	-	-	-	(2,289)
Reclassified from non-current assets held for sale (note 23)	9,937	707	157,965	1,202	8,256	-	178,067
At 30 June 2009	22,905	990	188,966	1,596	10,641	-	225,098
Net carrying amount	333,808	1,278	119,001	372	1,817	26,260	482,536

PREDECESSOR GROUP

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

At 28 February 2010	Buildings RM'000	Renovation RM'000	Plant, machincry and equipment, office eqnipment, furnitnre and fittings RM'000	Motor vchicles RM'000	Compnter equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Cost							
At 1 July 2009	356,713	2,268	307,967	1,968	12,458	26,260	707,634
Additions	52	-	2,924	-	91	5,801	8,868
Disposals/write-offs	-	-	(38)	(138)	(5)	-	(181)
Reclassifications	-	1,797	15,540	-	131	(17,468)	-
Transfer to investment properties (note 12)	-	-	-	-	-	(8,981)	(8,981)
Reclassified to non-current assets held for sale (note 23)	(356,763)	(4,065)	(316,466)	-	(12,675)	(3,132)	(693,101)
At 28 February 2010	2	-	9,927	1,830	-	2,480	14,239
Accumulated depreeiation							
At 1 July 2009	22,905	990	188,966	1,596	10,641	-	225,098
Depreciation charge for the period (note 7)	3,558	158	7,820	127	600	-	12,263
Disposals/write-offs	-	-	(28)	(137)	(3)	-	(168)
Reclassified to non-current assets held for sale (note 23)	(26,463)	(1,148)	(188,333)	-	(11,238)	-	(227,182)
At 28 February 2010	-	-	8,425	1,586	-	-	10,011
Net earrying amount	2	-	1,502	244	-	2,480	4,228
Depreeiation chargc for the eight-month period ended 28.2.2009	7,977	150	15,172	278	1,422	-	24,999

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

(a) Net book values of property, plant and equipment held under hire purchase and finance lease arrangements are as follows:

	As at 30 June			As at 28 February
	2007	2008	2009	2010
	RM'000	RM'000	RM'000	RM'000
Motor vehicles	219	-	-	-
Plant, machinery and equipment, office and computer equipment, furniture and fittings	1,359	799	414	-
	1,578	799	414	-

(b) Interest expense capitalised under capital work-in-progress for the financial years ended 30 June 2007, 2008 and 2009 and eight-month period ended 28 February 2010 amounted to RM4,813,301, RM1,913,858, RM Nil and RM Nil respectively.

11. PREPAID LAND LEASE PAYMENTS

	As at 30 June			As at 28 February
	2007	2008	2009	2010
	RM'000	RM'000	RM'000	RM'000
At beginning of financial year/period	22,282	22,026	1,014	45,608
Additions	-	45,153	-	-
Adjustment	-	240	-	-
Amortisation for the year/period (note 7)	(256)	(12)	(899)	(261)
	22,026	67,407	115	45,347
Less: Reclassified (to)/from non-current assets classified as held for sale (note 23)	-	(45,493)	45,493	(45,347)
Less: Transfer to investment properties (note 12)	-	(20,900)	-	-
At end of financial year/period	22,026	1,014	45,608	-

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

12. INVESTMENT PROPERTIES

	As at 30 June			As at 28 February
	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000
At valuation				
At beginning of financial year/period	530,740	917,000	144,000	2,645,286
Transitional effects of adopting fair value accounting	380,435	-	-	-
	911,175	917,000	144,000	2,645,286
Additions from subsequent expenditure/ acquisition	-	270,759	918	11,429
Fair value adjustment (note 5)	2,000	316,133	626,198	79,891
Transfers from property, plant and equipment (note 10)	3,825	534,428	20	8,981
Transfer from prepaid land lease payments (note 11)	-	20,900	-	-
Transfer (to)/from non-current assets held for sale (note 23)	-	(1,915,220)	1,915,220	(2,745,322)
Write back of over accrual of subsequent expenditure	-	-	(41,070)	(265)
At end of financial year/period	917,000	144,000	2,645,286	-

Prior to 30 June 2009, the carrying values of the properties were based on valuations carried out by CH Williams Talhar & Wong, Knight Frank, City Valuers & Consultants, independent professional valuers and directors' estimation. The carrying values of the properties as at 30 June 2009 and 28 February 2010 are based on valuations carried out by Knight Frank. Fair value is determined primarily based on the income and comparison approaches.

Included in investment properties is a property known as Sunway Pyramid Shopping Mall built on a large parcel of land of which 209,000 square feet comprising Lot No. 51175, Lot 32 and a part of Lot 34 are registered under the name of SCB. Accordingly, for purposes of determining the fair value of Sunway Pyramid Shopping Mall, the fair value in respect of the land measuring approximately 209,000 square feet amounting to approximately RM41,780,000, RM126,000,000 and RM151,500,000 respectively as at 30 June 2008, 30 June 2009 and 28 February 2010 has been excluded.

As at 30 June 2007 and 2009, investment properties with an aggregate carrying value of RM753,400,000 and RM2,308,000,000 respectively are pledged as securities for borrowings as disclosed in Note 24.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

13. INVESTMENT IN SUBSIDIARIES

	As at 30 June			As at 28 February
	2007	2008	2009	2010
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	10	10	10	13

Details of the subsidiaries of entities of the Predecessor Group are as follows:

Name of subsidiaries of entities of the Predecessor Group	Country of Incorporation	Principal Activity	Proportion of Ownership Interest As at 30 June 2007 %	2008 %	2009 %	As at 28 February 2010 %
(a) Subsidiaries of Sunway Pyramid Sdn. Bhd.:						
- Sunway Parking Management Sdn. Bhd.	Malaysia	Car Park Operator	100	100	100	100
-Essential Outlook Sdn. Bhd.	Malaysia	Dormant	-	100	-	-
(b) Subsidiary of Menara Sunway Sdn. Bhd.:						
- MSW Parking Sdn. Bhd.	Malaysia	Car Park management	100	100	100	100

In the financial year 30 June 2008, SPSB acquired 100% equity interest in Essential Outlook Sdn. Bhd. The cost of acquisition of RM2 was satisfied by cash. Subsequently, this subsidiary was disposed off in the financial year 30 June 2009.

The acquisition and disposal of this subsidiary did not have any material effect on the financial results and financial position of the Predecessor Group for the financial years 30 June 2008 and 30 June 2009, respectively.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

14. INVESTMENT IN ASSOCIATE

	As at 30 June			As at 28 February
	2007	2008	2009	2010
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	2,000	2,000	2,000	2,000

Name of associate of of an entity of the Predecessor Group	Country of Incorporation	Principal Activity	As at 30 June 2007 %	2008 %	2009 %	As at 28 February 2010 %
Associate of Sunway Pyramid Sdn. Bhd.:						
Pyramid Bowl Sdn. Bhd.	Malaysia	Bowling alley operator	40	40	40	40

The financial year end of the associate is coterminous with those of the Predecessor Group.

15. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The amounts due from subsidiaries of the entities of the Predecessor Group are unsecured, bears interest at 3.3% per annum commencing only from financial year ended 30 June 2009 and have no fixed terms of repayment.

The amount due to a subsidiary of an entity of the Predecessor Group is unsecured, non-interest bearing and have no fixed terms of repayment.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

16. AMOUNTS DUE FROM/(TO) IMMEDIATE HOLDING COMPANIES AND ULTIMATE HOLDING COMPANY

The ultimate holding company of the entities comprising the Predecessor Group is Sunway City Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The amount due from/(to) the ultimate holding company is unsecured, non-interest bearing and has no fixed term of repayment except for the followings:

(a) An amount due from ultimate holding company to Sunway Pyramid Sdn. Bhd. of RM3,876,804, RM17,000,562, RM60,826,368 and RM137,823,685 for financial years ended 30 June 2007, 2008 and 2009 and eight-month period ended 28 February 2010 respectively bears interest rates ranging from 3.4% to 5.1% per annum during the years/period.

(b) An amount duc to ultimate holding company by Peluang Klasik Sdn. Bhd. of RM8,391,438, RM8,670,019, RM10,057,958 and RM9,068,775 for fineneial years ended 30 June 2007, 2008 and 2009 and eight-month period ended 28 February 2010 respeetively bears interest at rates ranging from 6.1% to 7.1% per annum during the years/period.

(c) An amount due to ultimate holding company by Sunway Towers 2 Sdn. Bhd. of RM126,575,679, RM71,774,448 and RM34,123,714 for financial years ended 30 June 2008 and 2009 and eight-month period ended 28 February 2010 respeetively bears interest rates at 3.0% per annum during the years/period.

(d) An amount due to ultimate holding eompany by Menara Sunway Sdn. Bhd. of RM4,604,723 RM33,630,774, RM30,776,270 and RM28,405,011 for finaneial years ended 30 June 2007, 2008 and 2009 and eight-month period ended 28 February 2010 respeetively bears interest ranging from 4.1% to 5.2% per annum during the years/period.

(e) An amount due to ultimate holding eompany by Sunway Hotel (Seberang Jaya) Sdn .Bhd. of RM39,811,307, RM50,556,996, RM50,430,531 and RM48,625,560 for financial years ended 30 June 2007, 2008 and 2009 and eight-month period ended 28 February 2010 respeetively bears interest rates ranging from 4.5% to 6.1% per annum during the years/period.

(f) An amount due to ultimate holding company by Sunway Carnival Sdn .Bhd. of RM1,979,270, RM30,854,268 and RM32,974,067 for finaneial years ended 30 June 2008 and 2009 and eight-month period ended 28 February 2010 respectively bears interest rates ranging from 3.4% to 5.2% per annum during the years/period.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

16. AMOUNTS DUE FROM/(TO) IMMEDIATE HOLDING COMPANIES AND ULTIMATE HOLDING COMPANY (CONTD.)

All the entities comprising the Predecessor Group are direct subsidiaries of SCB except the following:

Name of entities comprising the Predecessor Group	Country of incorporation of immediate holding company	Name of immediate holding company
Peluang Klasik Sdn. Bhd. ("PKSB")	Malaysia	Sunway City (Ipoh) Sdn. Bhd.
Sunway Carnival Sdn. Bhd. ("SCSB")	Malaysia	Sunway City (Penang) Sdn. Bhd.
Sunway Hotel (Seberang Jaya) Sdn. Bhd. ("SHSJSB")	Malaysia	Sunway City (Penang) Sdn. Bhd.

Sunway City (Ipoh) Sdn. Bhd. and Sunway City (Penang) Sdn. Bhd. (collectively known as "Immediate holding companies") are the subsidiaries of SCB.

The amounts due from/(to) immediate holding companies are unsecured, interest free and have no fixed terms of repayment.

17. OTHER NON-CURRENT INVESTMENTS

	As at 30 June			As at 28 February
	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000
Unquoted shares at cost	9	9	9	24
Less: Provision for diminution in value	(3)	(3)	(3)	-
	6	6	6	24

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

18. INVENTORIES

	As at 30 June			As at 28 February
	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000
Cost				
Food, beverage and tobacco	1,081	1,891	2,057	1,769
General supplies	1,642	1,635	1,492	2,000
Retail goods	91	17	42	36
	2,814	3,543	3,591	3,805

19. TRADE RECEIVABLES

	As at 30 June			As at 28 February
	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000
Trade reeeivables	15,304	26,930	27,145	31,891
Less: Allowance for doubtful debts	(1,201)	(3,138)	(4,758)	(5,991)
	14,103	23,792	22,387	25,900

Included in trade receivables are amounts due from related parties of the Predecessor Group, Sunway Holdings Berhad Group ("Sunway Holdings Group") of RM351,966, RM955,726, RM1,754,997 and RM648,765 for financial years ended 30 June 2007, 2008 and 2009 and eight-month period ended 28 February 2010 respectively which are unsecured, interest free and have no fixed terms of repayment. The relationship with the related parties is as disclosed in Note 36 to the Combined Financial Statements.

The trading terms with customers are mainly on eredit. The credit period is generally for a period of 7 days to 33 days during the years/period. Each customer has a maximum credit limit. The Predecessor Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Predecessor Group's trade receivables relate to a large number of diversificd customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

20. OTHER RECEIVABLES

	As at 30 June			As at 28 February
	2007	**2008**	**2009**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deposits	30,238	1,658	1,741	1,567
Prepayments	1,687	2,891	2,822	3,221
Sundry receivables	12,373	1,962	1,881	1,156
	44,298	6,511	6,444	5,944
Less: Allowance for doubtful debts	(30)	(60)	-	-
	44,268	6,451	6,444	5,944

The Predecessor Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors. Included in deposits as at 30 June 2007 is an amount of RM28,800,000 in relation to a purchase of a property.

21. AMOUNTS DUE FROM/(TO) RELATED COMPANIES

Related companies of the Predecessor Group refer to member companies within the SCB group of companies.

The amounts due from/(to) related companies are unsecured, interest free and have no fixed terms of repayment except for an amount due to a related company amounting to RM8,263,506 for financial year ended 30 June 2007 which bore interest rates ranging from 6.2% to 6.5% per annum and was repaid via ten semi-annual instalments of RM500,000 with effect from April 2003 with the balance repaid in full in October 2007.

22. CASH AND BANK BALANCES

	As at 30 June			As at 28 February
	2007	**2008**	**2009**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash on hand and at bank	12,835	21,589	20,818	12,731
Deposits with licensed financial institutions	81,155	32,500	59,775	70,386
	93,990	54,089	80,593	83,117

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

22. CASH AND BANK BALANCES (CONTD.)

The weighted average effeetive interest rate of deposits with licensed banks and other finaneial institutions of the Predecessor Group at the respeetive balance sheet dates was from 1.95% per annum to 3.48% per annum.

The range of maturities of deposits with licensed banks and other finaneial institutions of the Predccessor Group was from 4 days to 30 days at the balance sheet dates.

23. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	As at 30 June			As at 28 February
	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000
At beginning of financial year/period	-	-	2,419,206	-
Reclassified from/(to):				
Investment properties (note 12)	-	1,915,220	(1,915,220)	2,745,322
Property, plant and equipment (note 10)	-	458,493	(458,493)	465,919
Prepaid land lease payments (note 11)	-	45,493	(45,493)	45,347
At end of financial year/period	-	2,419,206	-	3,256,588

As at 30 June 2008 and 28 February 2010, non-current asscts held for sale with an aggregatc carrying value of RM1,754,493,379 and RM2,600,662,512 were pledged to financial institutions as security for borrowing as disclosed in Note 24.

During the eight-month period ended 28 February 2010, the Predecessor Group reclassified a substantial portion of its property, plant and equipment, and all of its prepaid land lcase payments and invcstment properties to non-current assets held for sale pursuant to the Board of Directors and management of SCB's decision to revive the Proposed Listing of the Sunway REIT and have accordingly accounted for them in accordance with the accounting policies as described in Note 2.2(o) to the Combincd Financial Statements.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

24. BORROWINGS

	As at 30 June			As at 28 February
	2007	**2008**	**2009**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Secured term loans:				
- Short term	1,707	105,382	14,507	22,121
- Long term	257,691	317,316	484,429	546,383
	259,398	422,698	498,936	568,504

(a) Details of the term loans are as follows:

	As at 30 June			As at 28 February
	2007	**2008**	**2009**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
- Type 1 (SPSB)	139,600	266,100	266,100	298,300
- Type 2 (SCSB)	98,372	116,880	128,500	125,500
- Type 3 (PKSB)	15,250	14,425	12,925	12,175
- Type 4 (SRHSB)	6,176	5,293	4,411	3,529
- Type 5 (ST2SB)	-	20,000	87,000	129,000
	259,398	422,698	498,936	568,504

Type 1 (SPSB)

The term loan bears weighted average effective interest rate of 3.6% to 5.10% for the financial years ended 30 June 2007, 2008 and 2009 and eight-month period ended 28 February 2010 and is secured by a first party first legal charge over the leasehold land and buildings of Sunway Pyramid Shopping Mall. The term loan is repayable via bullet repayment 10 years after the first drawdown in April 2006.

Type 2 (SCSB)

	As at 30 June			As at 28 February
	2007	**2008**	**2009**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Secured term loan (I)	49,184	100,000	64,250	62,750
Secured term loan (II)	49,188	16,880	64,250	62,750
	98,372	116,880	128,500	125,500

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

24. BORROWINGS (CONTD.)

(a) Details of the term loans are as follows (Contd.):

Type 2 (SCSB) (Contd.)

The term loan (I) and (II) bears interest rates ranging from 4.26% per annum to 5.90% per annum for the financial years ended 30 June 2007, 2008 and 2009 and eight-month period ended 28 February 2010 and is secured by a first party first legal charge over leasehold land and buildings of Sunway Carnival Shopping Mall. The term loan (I) is repayable in full via bullet repayment within 36 months from the date of first drawdown on 14 June 2006 and 26 June 2006 respectively, while term loan (II) is repayable not later than 12 months from the date of the drawdown on 15 April 2008, via bullet repayment.

During the financial year ended 30 June 2009, both term loan facilities have been restructured with each repayable via 19 quarterly principal instalments of RM750,000 each and a final instalment of RM50.75 million by 15 March 2014. The first principal instalment commenced on 15 June 2009.

Type 3 (PKSB)

The term loan bears weighted average effective interest rate ranging from 4.58% per annum to 5.74% per annum for the financial years ended 30 June 2007, 2008 and 2009 and eight-month period ended 28 February 2010 and is secured by a first legal charge over long term leasehold land known as the hypermarket land, letter of undertaking from Sunway City (Ipoh) Sdn. Bhd. and the ultimate holding company of the Predecessor Group and letter of negative pledge from PKSB. The term loan is repayable within 10 years with effect from May 2006.

Type 4 (SRHSB)

The term loan bears interest rate at 3.75% per annum for the financial years ended 30 June 2007, 2008 and 2009 and eight-month period ended 28 February 2010 and is secured by a third party first fixed charge over the land and building and certain inventories in the name of Splendid Crest Sdn. Bhd. and the ultimate holding company of the Predecessor Group as the chargors. The term loan is repayable in full within 10 years, commencing 42 months from the date of first drawdown on 16 February 2004.

Type 5 (ST2SB)

The term loan bears weighted average effective interest rate ranging from 3.30% per annum to 4.70% per annum for the financial years ended 30 June 2008 and 2009 and eight-month period ended 28 February 2010. The term loan is repayable in full within 37 quarterly repayment, commencing from March 2009.

All the above term loans are also secured by corporate guarantee from the ultimate holding company of the Predecessor Group.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

24. BORROWINGS (CONTD.)

(b) The maturity of the term loans are as follows:

	As at 30 June			As at 28 February
	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000
Maturity of term loan:				
Within 1 year	1,707	105,382	14,507	22,121
Later than 1 year and not later than 2 years	100,755	36,387	14,882	21,007
Later than 2 years and not later than 3 years	2,507	2,882	20,882	24,337
Later than 3 years and not later than 4 years	2,882	2,882	22,882	24,337
Later than 3 years and not later than 5 years	2,882	2,882	22,882	119,285
Later than 5 years	148,665	272,283	402,901	357,417
	259,398	422,698	498,936	568,504

25. OTHER LONG TERM LIABILITIES

	As at 30 June			As at 28 February
	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000
Refundable deposits				
At 30 June/ 28 February	47,987	66,207	69,240	70,270
Amount classified as current liabilities (Note 30)	(31,304)	(53,562)	(28,263)	(48,712)
	16,683	12,645	40,977	21,558

Refundable deposits are in respect of deposits received for tenancy contracts for a tenure of two (2) to three (3) years.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

26. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

	As at 30 June			As at 28 February
	2007	**2008**	**2009**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Future minimum lease payments:				
Not later than 1 year	638	541	273	-
Later than 1 year and not later than 2 years	541	219	-	-
Later than 2 years and not later than 3 years	220	-	-	-
	1,399	760	273	-
Less: Future finance charges	(150)	(63)	(24)	-
Present value of hire purchase and financeleaseliabilities	1,249	697	249	-
Present value of finance lease liabilities:				
Not later than 1 year	552	491	249	-
Later than 1 year and not later than 2 years	492	206	-	-
Later than 2 years and not later than 3 years	205	-	-	-
	1,249	697	249	-
Analysed as:				
Due within 12 months	552	491	249	-
Due after 12 months	697	206	-	-
	1,249	697	249	-

The Predecessor Group has hire purchase and financc leases contracts for various items of property, plant and equipment as disclosed in Note 10. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entities that hold the lease. There are no restrictions placed upon the Predecessor Group by entering into these leases and no arrangements have been entered into for contingent rcntal payments.

As at 30 June 2007, 2008 and 2009, RM1,398,626, RM760,406 and RM273,149 respectivcly of the gross amounts of the hire purchase and finance lease liabilities of the Predecessor Group are due to a subsidiary of Sunway Holdings Group, Sunway Crcdit & Leasing Sdn. Bhd. The relationship with thc related party is as disclosed in Note 36.

The hirc purchase and finance lease liabilities of the Predecessor Group attracted interest at rates ranging from 6.50% per annum to 10.99% per annum at the balance sheet datcs.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

27. ADVANCES BY A SHAREHOLDER OF PREDECESSOR GROUP

The advances by a shareholder of the Predecessor Group are unsecured, non-interest bearing and have no fixed terms of repayment.

28. DEFERRED TAX

	As at 30 June			As at 28 February
	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000
At beginning of financial year/period	32,489	131,202	207,234	372,507
Transitional effects of adopting fair value accounting	106,522	-	-	-
	139,011	131,202	207,234	372,507
Recognised in income statement (note 9)	(7,809)	76,032	165,273	(302,847)
At end of financial year/period	131,202	207,234	372,507	69,660
Presented after appropriate offsetting as follows:				
Deferred tax assets	(1,138)	(5,645)	-	-
Deferred tax liabilities	132,340	212,879	372,507	69,660
	131,202	207,234	372,507	69,660

The components and movements of deferred tax liabilities and assets during the financial years/ period prior to offsetting are as follows:

Deferred tax liabilities

	Property, plant and equipment RM'000	Investment properties RM'000	Non-current assets held for sale RM'000	Total RM'000
At 1 July 2006	30,200	15,393	-	45,593
Transitional effects of adopting fair value accounting	-	106,522	-	106,522
	30,200	121,915	-	152,115
Recognised in income statement	(2,658)	(8,188)	-	(10,846)
At 30 June 2007	27,542	113,727	-	141,269
At 1 July 2007	27,542	113,727	-	141,269
Recognised in income statement	5,623	78,619	(633)	83,609
Reclassification	-	(14,814)	14,814	-
At 30 June 2008	33,165	177,532	14,181	224,878

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

28. DEFERRED TAX (CONTD.)

Deferred tax liabilities (Contd.)

	Property, plant and equipment RM'000	Investment properties RM'000	Non-current assets held for sale RM'000	Total RM'000
At 1 July 2008	33,165	177,532	14,181	224,878
Recognised in income statement	(9,259)	178,128	-	168,869
Reclassification	-	14,181	(14,181)	-
At 30 June 2009	23,906	369,841	-	393,747
At 1 July 2009	23,906	369,841	-	393,747
Recognised in income statement	(135)	(300,026)	-	(300,161)
At 28 February 2010	23,771	69,815	-	93,586

Deferred tax assets

	Unabsorbed capital allowances RM'000	Unused business losses RM'000	Others RM'000	Total RM'000
At 1 July 2006	(9,555)	(2,124)	(1,425)	(13,104)
Recognised in income statement	1,275	932	830	3,037
At 30 June 2007	(8,280)	(1,192)	(595)	(10,067)
At 1 July 2007	(8,280)	(1,192)	(595)	(10,067)
Recognised in income statement	(1,601)	(6,036)	60	(7,577)
At 30 June 2008	(9,881)	(7,228)	(535)	(17,644)
At 1 July 2008	(9,881)	(7,228)	(535)	(17,644)
Recognised in income statement	6,294	(10,150)	260	(3,596)
At 30 June 2009	(3,587)	(17,378)	(275)	(21,240)
At 1 July 2009	(3,587)	(17,378)	(275)	(21,240)
Recognised in income statement	(3,541)	539	316	(2,686)
At 28 February 2010	(7,128)	(16,839)	41	(23,926)

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

28. DEFERRED TAX (CONTD.)

Deferred tax assets have not been recognised in respect of the following items:

	As at 30 June			As at 28 February
	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000
Unused tax losses	753	-	2,474	2,474
Unabsorbed reinvestment allowance	118,652	302,021	302,021	302,021
Unabsorbed capital allowances	171,568	77,816	53,954	25,831
Othcr deductible temporary differenccs	-	-	9,719	9,719
	290,973	379,837	368,168	340,045

29. TRADE PAYABLES

Included in trade payables are the following amounts due to related parties of the Predeccssor Group:

	As at 30 June			As at 28 February
	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000
Sunway Holdings Berhad ("Sunway Holdings Group")	1,886	3,568	1,467	15
Dekon Sdn. Bhd. Group ("DSB Group")	326	326	7	121

The amounts due to related parties arc unsecured, interest free and have no fixed terms of repayment.

Thc rclationship with the related party is as disclosed in Note 36 to the Combined Financial Statements.

The normal trade credit terms granted to the Predecessor Group are between 21 days to 60 days during the years/period.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

30. OTHER PAYABLES

	As at 30 June			As at 28 February
	2007	2008	2009	2010
	RM'000	RM'000	RM'000	RM'000
Accruals	55,171	115,270	41,092	46,393
Amount due to contractors and consultants	4,124	2,469	2,137	2,108
Refundable deposits (Note 25)	31,304	53,562	28,263	48,712
Dividends payable to a related party	867	-	-	-
Sundry payables	61,312	25,440	24,577	11,146
	152,778	196,741	96,069	108,359

Included in other payables are the following amounts due to related parties of the Predeeessor Group:

	As at 30 June			As at 28 February
	2007	2008	2009	2010
	RM'000	RM'000	RM'000	RM'000
Sunway Holdings Berhad ("Sunway Holdings Group")	45,044	11,309	13,099	1,966
Dekon Sdn Bhd Group	479	6	370	4
PRK Builders Sdn Bhd	74	74	74	74

The amounts due to related parties are unsecured, interest free and have no fixed terms of repayment.

The relationship with the related party is as disclosed in Note 36 to the Combined Financial Statements.

PREDECESSOR GROUP

31. REDEEMABLE PREFERENCE SHARES

	20% Redeemable Preference Shares of RM0.10 each							
	Number of shares				Amount			
	As at 30 June			As at 28 February	As at 30 June			As at 28 February
	2007	2008	2009	2010	2007	2008	2009	2010
	'000	'000	'000	'000	RM'000	RM'000	RM'000	RM'000
Authorised								
At beginning/end of financial year/period	200,000	200,000	200,000	200,000	20,000	20,000	20,000	20,000
Issued and fully paid								
At beginning of financial year/period	40,739	28,862	16,923	5,670	4,074	2,886	1,692	567
Redeemed during the year/period	(11,877)	(11,939)	(11,253)	(5,670)	(1,188)	(1,194)	(1,125)	(567)
At end of financial year/period	28,862	16,923	5,670	-	2,886	1,692	567	-
Amount classified as non-current liabilities	(16,923)	(4,923)	-	-	(1,692)	(492)	-	-
Amount classified as current liabilities	11,939	12,000	5,670	-	1,194	1,200	567	-

PREDECESSOR GROUP

31. REDEEMABLE PREFERENCE SHARES (CONTD.)

	20% Redeemable Preference Share Premium of RM2.69 each							
	Number of shares				Amount			
	As at 30 June			As at 28 February	As at 30 June			As at 28 February
	2007	2008	2009	2010	2007	2008	2009	2010
	'000	'000	'000	'000	RM'000	RM'000	RM'000	RM'000
At beginning of financial year/period	40,739	28,862	16,923	5,670	109,587	77,638	45,524	15,252
Redeemed during the year/period	(11,877)	(11,939)	(11,253)	(5,670)	(31,949)	(32,114)	(30,272)	(15,252)
At end of financial year/period	28,862	16,923	5,670	-	77,638	45,524	15,252	-
Amount classified as non-current liabilities	(16,923)	(4,923)	-	-	(45,524)	(13,244)	-	-
Amount classified as current liabilities	11,939	12,000	5,670	-	32,114	32,280	15,252	-

	Total 20% Redeemable Preference Shares and Share Premium							
	Number of shares				Amount			
	As at 30 June			As at 28 February	As at 30 June			As at 28 February
	2007	2008	2009	2010	2007	2008	2009	2010
	'000	'000	'000	'000	RM'000	RM'000	RM'000	RM'000
At end of financial year/period	28,862	16,923	5,670	-	80,524	47,216	15,819	-
Amount classified as non-current liabilities	(16,923)	(4,923)	-	-	(47,216)	(13,736)	-	-
Amount classified as current liabilities	11,939	12,000	5,670	-	33,308	33,480	15,819	-

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

31. REDEEMABLE PREFERENCE SHARES (CONTD.)

The 20% Redeemable Preference Shares ("RPS") issued by SPSB confers on the holders the right on a winding-up or other return of capital (other than on the redemption of the RPS) to receive repayment in full of the nominal amount of that RPS, in priority to the holders of any other class of shares in the capital of the SPSB.

The RPS are required to be mandatorily redeemed semi-annually at their redemption amount of RM2.79 per RPS for a period of seven (7) years commencing on 9 April 2003. Accordingly, the RPS are classified as a financial liability. The RPS bear an effective interest rate of 0.72% per annum during the years/period.

(a) Details of the redemption of the 20% RPS are as follows:

	As at 30 June			As at 28 February
	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000
Not later than 1 year	33,308	33,480	15,819	-
Later than 1 year and not later than 2 years	33,480	13,736	-	-
Later than 2 years and not later than 3 years	13,736	-	-	-
	80,524	47,216	15,819	-

32. SHARE CAPITAL

Share capital of the Predecessor Group represents the share capital of the individual entities comprising the Predecessor Group presented on an aggregated basis.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

33. RESERVES

		As at 30 June			As at 28 February
		2007	2008	2009	2010
	Note	RM'000	RM'000	RM'000	RM'000
Capital reserve	(a)	7,314	8,508	9,633	10,200
Retained profits	(b)	422,424	769,587	1,349,387	1,838,526
		429,738	778,095	1,359,020	1,848,726

(a) Capital redemption reserve

Capital redemption reserve represents the creation of capital redemption reserve arising from redemption of redeemable preference shares by certain entities of the Predecessor Group.

(b) Retained profits

Prior to year of assessment 2008, Malaysian companies adopt the full imputation system. In the Budget 2008, the Government announced the proposal to introduce the single tier tax system for companies effective from the year of assessment 2008.

Under the proposed single tier system, the entities comprising the Predecessor Group shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends paid, credited or distributed by the entities comprising the Predecessor Group will be exempted from tax in the hands of the shareholders. However, there will be a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the tax credit balance under Section 108 of the Income Tax Act, 1967 and opt to pay dividends under the single tier system. This proposed change in the tax law also provides for the Section 108 balance to be locked in as at 31 December 2007.

34. LEASE AGREEMENT

	As at 30 June			As at 28 February
	2007	2008	2009	2010
	RM'000	RM'000	RM'000	RM'000
The Predecessor Group as lessee				
Future minimum rentals payments				
Not later than 1 year	5,800	-	-	-

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

35. SIGNIFICANT INTER-COMPANY TRANSACTIONS

Inter-company transactions refer to transactions entered into between the entities comprising the Predecessor Group with the subsidiaries within the SCB Group.

	Year ended, 30 June			Eight-month period ended, 28 February	
	2007 RM'000	2008 RM'000	2009 RM'000	2009 RM'000 (unaudited)	2010 RM'000
Car park rental income receivable from a related company	(241)	(241)	(241)	(190)	(257)
Outlet rental income receivable from a related company	(77)	(26)	(51)	(29)	(36)
Rental income receivable from ultimate holding company	(377)	(689)	(1,504)	(971)	(988)
Rental receivable from related companies	(752)	(1,013)	(484)	(300)	(308)
Service charges and computer facilities rental receivable from ultimate holding company	(160)	(237)	(498)	(338)	(336)
Service charges and computer facilities rental receivable from related companies	(215)	(277)	(168)	(115)	(104)
Interest receivable from ultimate holding company	(1,917)	(431)	(950)	(406)	(1,980)
Interest receivable from a related company	-	-	(130)	-	-
Management fees receivable from related company	-	-	(154)	(104)	(104)
Rental receivable from a subsidiary	(2,850)	(3,798)	(5,196)	(4,095)	(3,991)
Transfer of property, plant and equipment to a related company	6,000	-	-	-	-
Accounting services fees payable to a related company	482	575	697	572	337

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

35. SIGNIFICANT INTER-COMPANY TRANSACTIONS (CONTD.)

	Year ended, 30 June			Eight-month period ended, 28 February	
	2007 RM'000	2008 RM'000	2009 RM'000	2009 RM'000 (unaudited)	2010 RM'000
Interest payable to ultimate holding company	2,994	7,246	7,693	5,097	4,719
Interest payable to a related company	544	172	-	-	-
Management fees and services payable to related company	3,587	4,418	4,596	3,322	3,469
Marketing fees payable to a related company	125	137	101	71	60
Utilities payable to a related company	-	73	250	179	269
Rental payable to a related company	-	197	645	445	611

36. SIGNIFICANT RELATED PARTY TRANSACTIONS

During the year, the Predecessor Group transacted with certain related parties. The transactions are principally payable to/(receivable from) the related parties in respect of:

Name of Companies		Year ended, 30 June			Eight-month period ended, 28 February	
		2007 RM'000	2008 RM'000	2009 RM'000	2009 RM'000 (unaudited)	2010 RM'000
(a) Sunway Holdings Berhad ("Sunway Holdings Group")	- Construction costs	284,935	130,062	12,670	671	2
	- Insurance premium	2,303	2,564	3,825	1,378	1,304
	- Secretarial and management services	284	266	71	36	57
	- Hotel and related services	(743)	(681)	(754)	(563)	(373)
	- Lease rental	42	201	-	-	-
	- Rental and service charges	(4,001)	(4,479)	(5,606)	(3,441)	(3,449)
	- Interest payable	4	15	46	19	-

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

36. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

		Year ended, 30 June			Eight-month period ended, 28 February	
		2007 RM'000	2008 RM'000	2009 RM'000	2009 RM'000 (unaudited)	2010 RM'000
(b) Dekon Sdn. Bhd. Group ("DSB Group")	- Landscaping services	6,647	27,095	(127)	148	27
	- Hotel and related services	(33)	(121)	(58)	(59)	-
	- Piling, building and construction works	91	1,757	9,342	8,999	1,227
	- Interior design works and landscaping services	1,348	2,534	502	840	-
	- Rental and service charges	(305)	(480)	(590)	(378)	(378)
	- Renovation services	-	-	3,771	1,570	1,181
	- Cleaning services	-	-	-	270	372
(c) Akitek Akiprima Group ("AASB")	- Achitectural services	1,644	406	690	689	-
(d) Sunway Technology Sdn. Bhd. ("STSB Group")	- Information systems products and consultancy fees	271	225	75	50	42
	- Hotel and related services	(7)	(18)	(28)	(7)	(14)
(e) Sunway College Sdn. Bhd. ("SCSB Group")	- Conference and seminar	5	28	10	-	-
	- Hotel and related services	(701)	(513)	(1,125)	(984)	(405)
(f) Adasia (M) Sdn. Bhd. ("Asasia")	- Advertising and promotion	88	416	109	99	73

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

36. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

The above parties are deemed related to the Predecessor Group as follows:

(a) Sunway Holdings Group is deemed related to the Predecessor Group by virtue of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, AO's common directorship and interests in Sunway Holdings Group and SCB. Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng, being the spouse of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, AO, is a director of Sunway Lagoon Club Berhad, a 83.5% owned subsidiary of SCB and is a director of Sunway Management Sdn. Bhd., a wholly owned subsidiary of Sunway Holdings Group. She has interest in Sunway Holdings Group and SCB. Sarena Cheah Yean Tih, being the child of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, AO, is a director of several subsidiaries of SCB and she has interest in Sunway Holdings Group and SCB. Evan Cheah Yean Shin, the child of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, AO, is the alternate director to Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng in Sunway Lagoon Club Berhad as well as an alternate director in several subsidiaries of Sunway Holdings Group and he has interest in Sunway Holdings Group.

(b) DSB Group is deemed related to the Predecessor Group by virtue of Datuk Razman M Hashim's deemed interest in DSB Group and interest in SCB.

(c) AASB is deemed related to the Predecessor Group by virtue of Cheah Teik Jin's directorship and substantial shareholding in AASB. Cheah Teik Jin is the brother of Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng who is the spouse of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, AO.

(d) STSB Group is deemed related to the Predecessor Group by virtue of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, AO's deemed interest in STSB Group and interest in SCB. Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng being the spouse of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, AO also has deemed interests in STSB Group. Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng, Sarena Cheah Yean Tih and Evan Cheah Yean Shin are the directors of STSB Group.

(e) SCSB Group is deemed related to the Predecessor Group by virtue of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, AO's and Datuk Razman M Hashim's common directorships and deemed interests in SCSB Group via Sunway Education Trust and interests in SCB. Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng and Sarena Cheah Yean Tih, being the spouse and child of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, AO respectively are directors and they have deemed interests in SCSB Group.

(f) Adasia is deemed related to the Predecessor Group by virtue of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, AO's deemed interest in Adasia and interest in SCB. Puan Sri Datin Seri (Dr.) Susan Cheah Seok Cheng, Sarena Cheah Yean Tih and Evan Cheah Yean Shin being the spouse and child of Tan Sri Dato' Seri Dr. Jeffrey Cheah Fook Ling, AO respectively also have deemed interests in Adasia. Sarena Cheah Yean Tih and Evan Cheah Yean Shin are directors of Adasia.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

36. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

These transaetions were undertaken at mutually agreed terms between the companies in the normal course of business.

Information regarding outstanding balances arising from related party transactions as at 30 June 2007, 2008 and 2009 and 28 February 2010 are disclosed in Notes 19, 21, 29 and 30.

37. CAPITAL COMMITMENTS

	As at 30 June			As at 28 February
	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000
Capital expenditure				
Approved and contracted for:				
- Property, plant and equipment	284,061	43,768	4,548	2,426
- Investment properties	115,200	24,800	4	-
	399,261	68,568	4,552	2,426
Approved but not contracted for:				
- Property, plant and equipment	11,482	17,851	22	35
	410,743	86,419	4,574	2,461

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

38. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Predecessor Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Predecessor Group's businesses whilst managing its interest rate risks (both fair value and cash flow), liquidity risk and credit risk. The respective Boards of the entities comprising the Predecessor Group reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the years/period under review, the Predecessor Group's policy that no trading in derivative financial instruments shall be undertaken.

(b) Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that value of a financial instrument will fluctuate due to changes in market interest rates.

The Predecessor Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Predecessor Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Predecessor Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Predecessor Group to fair value interest rate risk. The Predecessor Group manages its interest rate exposure by monitoring a mix of fixed and floating rate borrowings.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

(c) Liquidity Risk

The Predecessor Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Predecessor Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Predecessor Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Predecessor Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

38. FINANCIAL INSTRUMENTS (CONTD.)

(d) Credit Risk

The Predecessor Group's credit risk is primarily attributable to trade receivables, subsidiaries, related and holding companies. The Predecessor Group trades only with recognised and creditworthy third parties. It is the Predecessor Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Predecessor Group's exposure to bad debts is not significant. Since the Predecessor Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Predecessor Group's other financial assets, which comprise cash and bank balances, other receivables and tax recoverable, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

(e) Fair Values

The carrying amounts of financial assets and liabilities of the Predecessor Group at the balance sheet date approximated their fair values except for the following:

	Carrying amounts			
	As at 30 June			As at 28 February
	2007	2008	2009	2010
	RM'000	RM'000	RM'000	RM'000
Financial liabilities				
Non-current:				
- Refundable deposits	16,683	12,645	40,977	21,558
- Redeemable preference shares	47,216	13,736	-	-

	Fair values			
	As at 30 June			As at 28 February
	2007	2008	2009	2010
	RM'000	RM'000	RM'000	RM'000
Non-current:				
- Refundable deposits	15,332	11,461	36,498	20,261
- Redeemable preference shares	44,531	13,165	-	-

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

38. FINANCIAL INSTRUMENTS (CONTD.)

(e) Fair Values (Contd.)

The fair values of refundable deposits and Redeemable Preference Shares are estimated using discounted cash flow analysis based on current incremental lending rates offered to the Predecessor Group.

The carrying value of borrowings, which are mainly variable rate borrowings, is considered to be a reasonable estimate of the fair value as the borrowings will be repriced immediately in the event of any changes to the market interest rates.

The carrying amounts of cash and cash equivalents, trade and other receivables, amounts due from/(to) subsidiaries, associates, related companies, immediate holding companies, ultimate holding company, amounts due to contractors and consultants and advances by minority shareholders, trade and other payables and other short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

It is not practical to determine the fair values of non-current unquoted shares because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

39. SIGNIFICANT EVENT

Proposed Real Estate Investment Trust ("REIT")

In 2008, SCB had considered a proposal for the listing of the REIT ("Proposed Listing") but was kept in abeyance due to the unfavourable market conditions at the time. In view of the improved economic conditions in 2010, the Board of Directors and management of SCB have decided to revive the Proposed Listing. The properties in the REIT will consist of selected real estate properties currently owned by the entities comprising the Predecessor Group.

On 11 February 2010, the Board of Directors of SCB announced the appointment of RHB Investment Bank and Credit Suisse (Singapore) Limited ("Credit Suisse") as Joint Global Coordinators and RHB Investment Bank as Sole Financial Adviser for the Proposed. SCB has further appointed CIMB Investment Bank Berhad, Credit Suisse, The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), J.P. Morgan Securities Ltd, Maybank Investment Bank Berhad ("Maybank Investment Bank") and RHB Investment Bank as Joint Bookrunners for the initial public offering of the REIT.

The Proposed Listing, which is subject to various matters including approvals by the Board of Directors of SCB, the shareholders of SCB and the relevant government/regulatory authorities, consist of the following:

(a) OSK Trustees Berhad, ("the Trustee") had, on behalf of Sunway REIT, entered into 8 conditional Sale & Purchase Agreements ("SPAs") to acquire the following Properties for a total purchase consideration of RM3,729,000,000:

	(RM'000)
Sunway Pyramid Shopping Mall	2,300,000
Sunway Carnival Shopping Mall	250,000
Suncity Ipoh Hypermarket	50,000
Sunway Resort Hotel & Spa Building	480,000
Pyramid Tower Hotel Building	270,000
Sunway Hotel Seberang Jaya Building	56,000
Menara Sunway Office Building	138,000
Sunway Tower Office Building	185,000
	3,729,000

PREDECESSOR GROUP

NOTES TO THE COMBINED FINANCIAL STATEMENTS

39. SIGNIFICANT EVENT (CONTD.)

The properties above will be collectively referred to as "the Properties".

(b) The above purchase eonsideration of RM3,729,000,000, which is subject to a price adjustment mechanism, is proposed to he satisfied in the following manner:

  (i) the issuance of 1,025,143,000 units of Sunway REIT at the average initial public offering price; and

  (ii) the balance of the purchase consideration in casb.

(c) The Initial Public Offering consisting of retail and institutional offering of 1,654,969,300 units of Sunway REIT.

(d) Borrowings of RM1,118,700,000 from a consortium of financiers to part finance the purchase of the properties stated in (a) above.

APPENDIX V – REPORTING ACCOUNTANTS' LETTER ON THE PROFIT FORECAST

(Prepared for the inclusion in this Prospectus)

ERNST & YOUNG

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Reporting Accountants' Letter on the Profit Forecast
(prepared for inclusion in the Prospectus to be dated 15 June 2010)

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

27 May 2010

Sunway Real Estate Investment Trust ("Sunway REIT")
Profit forecast for the financial year ending 30 June 2011

Dear Sirs,

We have reviewed the profit forecast of Sunway Real Estate Investment Trust ("Sunway REIT") for the financial year ending 30 June 2011 (the "Profit Forecast"). The Profit Forecast, and the basis of assumptions upon which it is based, are set out in the accompanying statement of which we have stamped for identification purposes. The Profit Forecast has been prepared for inclusion in the prospectus of Sunway REIT to be dated 15 June 2010 (the "Prospectus") in connection with the listing of and quotation for the units of Sunway REIT on the Main Market of Bursa Malaysia Securities Berhad (the "Listing"). This letter is required by and is given for the purpose of complying with the Guidelines on Real Estate Investment Trusts issued by the Securities Commission Malaysia (the "REIT Guidelines") and should not be relied on for any other purpose.

Responsibilities

The Board of Directors of Sunway REIT Management Sdn. Bhd. (the "Board"), in their capacity as the manager of Sunway REIT, is solely responsible for the preparation and presentation of the Profit Forecast in accordance with the REIT Guidelines.

Our review has been undertaken to enable us to form an opinion, as required by the REIT Guidelines as to whether the Profit Forecast, in all material respects, is properly prepared on the basis of the calculations and assumptions made by the Board and are consistent with the accounting policies the Board expects to adopt for Sunway REIT.

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Basis of Opinion

We conducted our work in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3400: Examination of Prospective Financial Information.

A forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which the forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variations could be material. Consequently, we do not express any opinion as to the possibility of achievement of the Profit Forecast.

Opinion

Based on our review of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the Profit Forecast. Further, in our opinion, the Profit Forecast is properly prepared, in all material respects, on the basis of the calculations and assumptions made by the Board as set out in the accompanying statement, and are consistent with the accounting policies to be adopted by Sunway REIT.

We draw attention to Note 7 of the assumptions as set out in the accompanying statement which states that the Board has assumed that that there will be no material fluctuation on the fair value of the Properties of RM3.729 billion from the carrying value at the assumed acquisition dates during the forecast year as in the opinion of the Board, there is no reasonable basis for determining the market value for the Properties as of any future date. As such, the Profit Forecast was prepared on the assumption that no fair value adjustment would need to be made to the income statement for the financial year ending 30 June 2011.

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Other Matters

This letter is issued for the sole purpose of complying with the REIT Guidelines in connection with the Listing. Our work had been carried out in accordance with Malaysian Approved Standard on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Listing described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction, including the sale of securities other than the Listing.

Yours faithfully,

Ernst & Young

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia

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Sunway Real Estate Investment Trust ("Sunway REIT")

Profit forecast for the financial year ending 30 June 2011

The directors of Sunway REIT Management Sdn. Bhd. ("Sunway REIT Management" or the "Manager"), being the manager of Sunway Real Estate Investment Trust ("Sunway REIT") forecast, barring unforeseen circumstances, the income statement for the financial year ending 30 June 2011 of Sunway REIT will be as follows:

	Note	Forecast Financial year ending 30 June 2011 RM'000
Revenue:	2	
Rental income		312,039
Car park rental income		11,897
Other revenue		5,545
		329,481
Property operating expenses:	3	
Quit rent, assessment and insurance expenses		(7,942)
Property management fees		(5,675)
Other property operating expenses		(69,470)
		(83,087)
Net property income		**246,394**
Trust expenses:	4	
Manager Fee		
Base		(11,816)
Performance		(7,940)
Trustee Fee		(826)
Other trust expenses		(1,210)
Finance costs	5	(54,287)
Profit before taxation		**170,315**
Taxation	6	-
Profit after taxation		**170,315**
Reconciliation from profit after taxation to distributions to Unitholders:		
Profit after taxation		170,315
Add: Manager Fee paid in units		9,878
Distributable Income		**180,193**
Distribution to Unitholders		**180,193**
Distribution rate (%)		**100.0**
Units in issue ('million)		**2,680**
Distribution per unit (sen) [1]		**6.7**
Distribution yield (%) [2]		**6.9**
Distribution cover (%) [3]		**100.0**

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Notes:

(1) Distribution per unit is computed based on distribution to Unitholders divided by number of Units in issue of Sunway REIT

(2) Distribution yield is computed based on distribution per unit divided by the Retail Price of RM0.97 (as defined in the Prospectus). Such yield will vary accordingly for investors who purchase Units in the secondary market at a market price that differs from the Retail Price.

(3) Distribution cover is computed based on Distributable Income divided by the actual distribution to Unitholders, expressed as a percentage.

The directors of Sunway REIT Management have prepared the profit forecast of Sunway REIT for the financial year ending 30 June 2011 (the "Profit Forecast") using the following assumptions, for which the directors are solely responsible.

The principal bases and assumptions upon which the Profit Forecast has been prepared are as follows:

1. Listing Scheme

The Listing Scheme consists of the following:

1.1 Acquisition of the Properties ("Acquisition")

OSK Trustees Berhad ("the Trustee") had, on behalf of Sunway REIT, entered into eight (8) conditional Sale & Purchase Agreements ("SPAs") to acquire the Properties (as defined below) for a total purchase consideration of RM3,729,000,000 which is subject to the Price Adjustment Mechanism as detailed below ("Acquisition").

		To be satisfied via		
			Consideration in Cash (2)	
Properties	**Purchase consideration RM'000**	**Consideration in Units (1) RM'000**	**Financed through the IPO proceeds RM'000**	**Finance via the Facility RM'000**
(i) Sunway Resort Hotel & Spa	480,000	-	336,000	144,000
(ii) Pyramid Tower Hotel	270,000	-	189,000	81,000
(iii) Sunway Hotel Seberang Jaya	56,000	-	39,200	16,800
(iv) Sunway Pyramid Shopping Mall	2,300,000	844,643	765,357	690,000
(v) Sunway Carnival Shopping Mall	250,000	124,500	50,500	75,000
(vi) SunCity Ipoh Hypermarket	50,000	-	35,000	15,000
(vii) Menara Sunway	138,000	-	96,600	41,400
(viii) Sunway Tower	185,000	56,000	73,500	55,500
	3,729,000	1,025,143	1,585,157	1,118,700

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1. Listing Scheme (Contd.)

1.1 Acquisition of the Properties ("Acquisition") (contd.)

(a) The properties listed in (i) to (iii) above are referred herein as the "Hospitality Properties";

(b) The properties listed in (iv) to (vi) above are referred herein as the "Retail Properties"; and

(c) The properties listed in (vii) to (viii) above are referred herein as the "Office Properties"

(collectively, referred to as "the Properties").

Notes:

(1) The issue price for the Consideration Units shall be subject to the Price Adjustment Mechanism and based on the Average Initial Public Offering Price (the "Average IPO Price") as detailed below. It is assumed that the Average IPO Price is RM1.00.

(2) The cash portion of the consideration comprises cash from the Initial Public Offering as set out in Note 1.2 below (the "IPO") and the Facility as described in Note 1.3 below. The cash portion of the purchase consideration shall be subject to the Price Adjustment Mechanism as described below.

The purchase consideration of RM3,729,000,000 is proposed to be satisfied in the following manner:

(i) the issuance of 1,025,143,000 units of Sunway REIT at the Average IPO Price ("Consideration in Units"); and

(ii) the balance of the purchase consideration, being the purchase price after the application of the Price Adjustment Mechanism less the value of Consideration in Units, in cash ("Consideration in Cash").

The indicative purchase consideration of RM3,729,000,000 was arrived at based on the market values of the Properties which collectively amount to RM3,729,000,000 as valued by an independent property valuer of the Properties ("the Independent Property Valuer").

The final discount or premium of the purchase consideration over the market value of the Properties would be determined based on the final purchase consideration as determined after the application of the Price Adjustment Mechanism.

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1. Listing Scheme (Contd.)

1.1 Acquisition of the Properties ("Acquisition") (contd.)

<u>Details of the Price Adjustment Mechanism</u>

The purchase consideration for each of the individual Properties shall be subject to the following adjustments:

$$\text{Adjusted purchase consideration for each of the Properties} = \text{Values of each of the Properties as valued by the Independent Property Valuer} \times \text{Adjustment Factor}$$

where

$$\text{Adjustment Factor} = \frac{(\text{Total IPO proceeds} + \text{Amount of borrowings by Sunway REIT} + \text{Value of Consideration Units} - \text{Estimated cash requirement})}{\text{Aggregate values of the Properties as valued by the Independent Property Valuer}}$$

Total IPO proceeds	=	Gross proceeds received from the issuance of Offer Units under the Retail Offering and Institutional Offering
Value of Consideration Units	=	1,025,143,000 Consideration Units multiplied by the Average IPO Price
Estimated cash requirement	=	RM69.8 million, derived based on the estimated listing expenses relating to the IPO

$$\text{Average IPO Price} = \frac{\text{Total IPO proceeds}}{\text{Total Offer Units}}$$

The maximum purchase consideration for each of the Properties is capped at 110% of their respective market values as valued by the Independent Property Valuer.

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1. Listing Scheme (Contd.)

1.2 Initial Public Offering ("IPO")

The IPO comprises Retail Offering and Institutional Offering totalling 1,654,969,300 units of Sunway REIT ("Offer Units"), subject to an Over-Allotment Option as defined in section 3.4.4 of the Prospectus.

(i) Retail Offering

A total of 134,005,600 Offer Units (subject to clawback and reallocation as set out in section 3.4.3 of the Prospectus) will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions of which at least 30% is to be set aside for Bumiputera individuals, companies, societies, co-operatives and institutions.

(ii) Institutional Offering

A total of 1,520,963,700 Offer Units (subject to clawback and reallocation, and the Over-Allotment Option as set out respectively in sections 3.4.3 and 3.4.4 of the Prospectus) will be placed out to Malaysian and other investors outside the United States of America in reliance on Regulation S under the United States Securities Act of 1933, as amended.

The completion of the Retail Offering and the Institutional Offering are inter-conditional.

1.3 Borrowings to partially finance the Acquisition ("Facility")

Sunway REIT intends to drawdown a total of RM1,118,700,000 of the term loan and revolving credit facilities obtained by Sunway REIT from a consortium of Malaysian banking institutions (the "Facility") to partially finance the Acquisition. Details of the Facility are as follows:

	RM'000
Long term loans	1,000,000
Revolving credit	118,700
	1,118,700

It is assumed that the Listing Scheme will be completed by 8 July 2010. It is further assumed that the Retail Offering of 134,005,600 Offer Units and the Institutional Offering of 1,520,963,700 Offer Units will be priced respectively at RM0.97 and RM1.00 each.

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2. Revenue

(i) Rental from Hospitality Properties

Sunway REIT will lease the Hospitality Properties to Sunway Resort Hotel Sdn. Bhd. in respect of Sunway Resort Hotel & Spa and Pyramid Tower Hotel and Sunway Hotel (Seberang Jaya) Sdn. Bhd. in respect of Sunway Hotel Seberang Jaya pursuant to the Hotel Master Leases (as defined in the Prospectus) which will provide Sunway REIT with the higher of guaranteed rent and variable rent which is dependent on the revenue and gross operating profit of Hospitality Properties. The directors of Sunway REIT Management assume the rent applicable for the forecast year will be the variable rent. The following table sets forth the key operating data assumptions in arriving at revenue and gross operating profit of Hospitality Properties:

(a) average room rate ("ARR"), occupancy rate and number of rooms for each of the Hospitality Properties:

	ARR For the financial year ending 30 June 2011 RM
Sunway Resort Hotel & Spa	428
Pyramid Tower Hotel	272
Sunway Hotel Seberang Jaya	166

	Occupancy rate For the financial year ending 30 June 2011 %
Sunway Resort Hotel & Spa	69.7
Pyramid Tower Hotel	81.3
Sunway Hotel Seberang Jaya	79.9

	Number of rooms For the financial year ending 30 June 2011
Sunway Resort Hotel & Spa	439
Pyramid Tower Hotel	549
Sunway Hotel Seberang Jaya	202

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2. **Revenue (Contd.)**

(i) Rental from Hospitality Properties (contd.)

(b) Food and beverage ("F&B")

The forecast F&B revenue is based on the historical performance of the F&B outlets of the Hospitality Properties and taking into account the expectations of the directors of Sunway REIT Management of popularity of rooms and F&B outlets, marketing strategy and likely economic conditions.

(c) Other hotel income

Other hotel income includes income from usage of telephones, business and fitness centers, laundry services. Other hotel income is forecast based on the historical levels achieved by each of the Hospitality Properties and taking into account their expected revenue in the forecast year.

(d) Hotel operating expenses

The hotel operating expenses are forecasted based on the historical performance of the Hospitality Properties and taking into account expected growth in fixed and variable costs, as deemed appropriate by the directors of Sunway REIT Management.

Hotel operating expenses include:

- room related supplies, commission, reservation and guest services related expenses;
- costs of F&B;
- other operating departments expenses;
- staff costs;
- utilities;
- marketing and promotion expenses;
- property operation and maintenance costs; and
- administrative and general expenses.

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2. **Revenue (Contd.)**

(ii) Revenue from Retail Properties and Office Properties

Revenue from Retail Properties and Office Properties represent rental income, service charge and promotion income from tenants of these properties. The forecast revenue is based on the current tenancy agreements, taking into account the expectations of the directors of Sunway REIT Management of future revisions of rental rates, tenancy retention, likely economic conditions, inflation, competition from similar properties in the vicinity and demand for commercial and office space.

Rental income from Retail Properties includes forecast rental income from retail tenants and the ice-skating rink. The ice-skating rink, with an area of 18,000 square feet (sq. ft.), will be rented at a monthly rental of RM7 per sq. ft. for the forecast year.

All existing tenancy agreements are assumed to be renewed upon expiry. The forecast occupancy rates and average monthly net rental rates for the Retail Properties and Office Properties are assumed to be as follows:

	For the financial year ending 30 June 2011	
	Occupancy rate	Average monthly rental per rented sq. ft. of NLA[1]
	%	RM
Retail Properties		
Sunway Pyramid Shopping Mall	99.8	9.43[2]
Sunway Carnival Shopping Mall	100.0	3.80[2]
SunCity Ipoh Hypermarket	100.0	1.91
Office Properties		
Menara Sunway	97.4	3.66
Sunway Tower	99.1	4.33

Notes:

(1) The average monthly rental per rented sq. ft. of Net Lettable Area ("NLA") refers to the average monthly gross rental income (excluding promotional income and service charges) per sq. ft. of occupied NLA.

(2) The forecast average monthly rental per rented sq. ft. of NLA for Sunway Pyramid Shopping Mall and Sunway Carnival Shopping mall exclude the forecast rental income from the convention centres.

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2. Revenue (Contd.)

(iii) Car park rental income

The car park rental income will be based on the rent rate as stipulated in the Car Park Tenancy Agreements between the Trustee and the respective car park operators. The rent rate is a percentage of the car park gross operating revenue and gross operating profit which is forecasted by reference to the historical car park performance.

(iv) Other income

Other income consists of rental of promotional areas of malls and other miscellaneous income.

3. Property operating expenses

(i) Quit rent, assessment and insurance expenses

Quit rent and assessment charges are payable to the state government and local council respectively. Quit rent is imposed on land owners of certain pieces of land (those used for religious purpose are exempted from payment). The amount of quit rent varies from state to state and within each state it also varies accordingly to locality and category of land use.

Assessment charges are based on the value of the property by the local council and a rebate will be granted if the property is not at full occupancy.

Insurance expenses relate to insurance premium payable to insurers to cover the properties against perils risk including, but not limited to fire, machinery breakdown and burglary.

Quit rent, assessment charges and insurance expenses in the forecast year are assumed to be generally consistent with the expenses incurred in prior years.

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3. Property operating expenses (Contd.)

(ii) Property management fee

Under the Property Management Agreement (as defined in the Prospectus) which is for a one-year renewable term, the Property Manager is entitled to receive a fixed property management fee of RM35,000 per month.

In addition, the Property Manager is fully reimbursed for costs and expenses incurred in the operation, maintenance, management and marketing of the Retail Properties and the Office Properties ("Property Expenses"). The bulk of the Property Expenses is the employment and remuneration costs of the centralised team of employees of the Property Manager and/or of its service providers for each of the Retail Properties and Office Properties. This reimbursable amount for employment and remuneration costs is estimated to be RM5,255,000 for the financial year ending 30 June 2011.

(iii) Other property operating expenses

Other property operating expenses mainly comprise operating expenses of Retail Properties and Office Properties including:

(a) general and administrative expenses;

(b) advertising and promotion expenses;

(c) maintenance costs;

(d) utilities; and

(e) bad and doubtful debts. Generally, provision for doubtful debts is made on the amount owing from debtors which are outstanding for greater that 90 days. The forecast assumes bad and doubtful debts as a percentage of rental income for the following properties:

Sunway Pyramid Shopping Mall	0.4%
Sunway Carnival Shopping Mall	3.0%
Menara Sunway	0.1%

It is assumed that there will be no bad debts written off or provision for doubtful debts that need to be made, other than as forecasted, for other Properties in the forecast year.

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4. Trust expenses

(a) Manager Fee

It is assumed that the Manager will receive the Manager Fee consisting of:

(i) a base fee (exclusive of tax, if any) ("Base Fee") of 0.3% per annum of the total asset value of Sunway REIT;

(ii) a performance fee (exclusive of tax, if any) ("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;

(iii) an acquisition fee of 1% ("Acquisition Fee") of the acquisition price of any future Assets of Sunway REIT or a Single-Purpose Company acquired by the Trustee for the 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

(iv) a divestment fee of 0.5% ("Divestment Fee") of the sale price of any Asset 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)

as stated under the Deed (as defined in the Prospectus).

The Manager shall be paid the Base Fee and Performance Fee, which may be made in the forms of cash, new Units or a combination thereof. It is assumed that 50% of the Manager Fee will be paid in the form of new Units and that there will be no acquisition or divestment of real estate during the forecast year.

The Base Fee and Performance Fee, whether paid in cash or in Units, will be treated as an expense item in the income statement. The portion of the Base Fee and Performance Fee that is paid in the form of Units will be an adjustment item that will be added back to the profit after taxation for purposes of calculating the Distributable Income.

A 5% government service tax on the Base Fee and Performance Fee is assumed to be imposed.

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4. **Trust expenses (contd.)**

(b) Trustee Fee

Under the terms of the Deed, the Trustee is entitled to receive an annual trustee fee of up to 0.03% of Net Asset Value ("Trustee Fee"). The recurring operating expenses of the Sunway REIT (other than the Manager's Fee and the fees and expenses under the Property Management Agreement) include (a) Trustee Fee; and (b) other trust expenses currently estimated to be RM1.2 million per annum which include annual listing fees, registrar fees, valuation fees, accounting fees, audit and tax advisor's fees, costs associated with the preparation and distribution of reports to Unitholders and other miscellaneous expenses.

5. **Borrowings**

Sunway REIT intends to drawdown RM1,118,700,000 from the Facility to partially finance the Acquisition.

The Facility is as follow:

	RM'000
Long term	
Two-year term loan facility at:	
- Fixed interest rate of 5.01% p.a.	240,000
- Floating interest rate of 4.25% p.a.	60,000
Three-year term loan facility at:	
- Fixed interest rate of 5.31% p.a.	160,000
- Floating interest rate of 4.25% p.a.	240,000
Four-year term loan facility at:	
- Fixed interest rate of 5.50% p.a.	99,000
- Floating interest rate of 4.25% p.a.	201,000
	1,000,000
Short term	
- Four-year revolving credit facility at floating interest rate of 4.25% p.a.	118,700
	1,118,700
Less: Loan upfront fee and related expenses	(11,725)
	1,106,975

The total arrangement fee for the Facility above will be RM11.725 million. The arrangement fee will be amortised over the tenure of the Facility.

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6. Taxation

Sunway REIT is exempted from tax on all income provided that at least 90% of their total taxable income is distributed to the investors. If the 90% distribution condition is not complied with, Sunway REIT will then be subject to income tax at the present statutory tax rate of 25%.

No income tax has been provided as it is assumed that the entire distributable income for the forecast year will be distributed to Unitholders.

7. Property value

Under the fair value model prescribed by the Malaysian Financial Reporting Standard 140: Investment Properties, all gains or losses arising from changes in the fair value of the Properties is recognised in the income statement for the period in which it arises.

For purposes of forecasting, the directors of Sunway REIT Management have assumed that there will be no material fluctuation on the fair value of the Properties of RM3.729 billion from the carrying value at the assumed acquisition dates during the forecast year as in the opinion of the directors of Sunway REIT Management, it is considered that there is no reasonable basis for determining the market value for the Properties as of any future date. Accordingly, no fair value adjustments would need to be made to the income statements during the forecast year.

8. Accounting Standards

It has been assumed that there will be no significant changes in the applicable accounting standards or other financial reporting requirements that may have a material effect on the Profit Forecast.

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9. Other assumptions

The directors of Sunway REIT Management have made the following assumptions in preparing the Profit Forecast:

(i) the property portfolio and structure of Sunway REIT will remain unchanged;

(ii) there will be no material change in the physical condition of the Properties, other than as forecast;

(iii) all tenancy agreements are enforceable and will be performed in accordance with their terms, and there will be no pre-mature termination by the tenants;

(iv) there will be sufficient cash flow for the maintenance of, and improvements to, the Properties;

(v) no further debt will be incurred or units issued for cash;

(vi) there will be no adverse economic, political and property market conditions which will materially affect the activities and performance of Sunway REIT;

(vii) there will be no material change in existing legislation or government regulations which will adversely affect the operation of Sunway REIT;

(viii) there will be no material change to the variable interest rates shown in Note 5, the rate of inflation or to utility charges;

(ix) all leases and hotel management agreements are enforceable and are to be performed in accordance with their contracted terms;

(x) the Manager will distribute 100% of the total distributable income to Unitholders;

(xi) there will be no compulsory acquisition by the Malaysian Government pursuant to the provision of Land Acquisition Act 1960;

(xii) Sunway REIT will not be affected by industrial dispute or any other abnormal factors or changes affecting operations or its planned operations;

(xiii) Sunway REIT will not be engaged in any material litigation and there will be no legal proceedings, which will adversely affect its activities or performance or give rise to any additional contingent liabilities, which will materially affect its operations or business; and

(xiv) insurance coverage on the assets of Sunway REIT against fire, loss of rent and other risks is sufficient.

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Reporting Accountants' Letter on Unaudited Proforma Balance Sheets
(prepared for inclusion in the Prospectus to be dated 15 June 2010)

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

27 May 2010

Sunway Real Estate Investment Trust ("Sunway REIT")
Unaudited proforma balance sheets as at the date of establishment of Sunway REIT

Dear Sirs,

We report on the preparation of the unaudited proforma balance sheets as at the date of establishment of Sunway Real Estate Investment Trust ("Sunway REIT") and the accompanying notes to the unaudited proforma balance sheets (the "Unaudited Proforma Balance Sheets"), which are set out in the accompanying statement of which we have stamped for identification purposes. The Unaudited Proforma Balance Sheets have been prepared on the basis described in the notes to the Unaudited Proforma Balance Sheets for illustrative purposes only, for inclusion in the prospectus of Sunway REIT to be dated 15 June 2010 (the "Prospectus") in connection with the listing of and quotation for the units of Sunway REIT in the Main Market of Bursa Malaysia Securities Berhad (the "Listing"). This letter is required by and is given for the purpose of complying with the Guidelines on Real Estate Investment Trusts issued by the Securities Commission Malaysia (the "REIT Guidelines") and should not be relied on for any other purpose.

The Unaudited Proforma Balance Sheets have been prepared to provide information about how the following proposals ("the Proposals") might have affected the financial information presented on the basis of the accounting policies to be adopted by Sunway REIT had the Proposals be completed on the date of establishment of Sunway REIT:

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(a) Acquisition of the Properties ("Acquisition")

OSK Trustees Berhad, ("the Trustee") had, on behalf of Sunway REIT, entered into eight (8) conditional Sale & Purchase Agreements ("SPAs") to acquire the Properties (as defined in the accompanying statement) for a total purchase consideration of RM3,729,000,000 which is subject to a price adjustment mechanism.

The purchase consideration of RM3,729,000,000 is proposed to be satisfied in the following manner:

(i) the issuance of 1,025,143,000 units of Sunway REIT at an average Initial Public Offering price ("Consideration in Units"); and

(ii) the balance of the purchase consideration, being the purchase price after the application of a price adjustment mechanism less the value of Consideration in Units, in cash ("Consideration in Cash").

(b) Initial Public Offering ("IPO")

The IPO comprises a Retail Offering and an Institutional Offering totalling 1,654,969,300 units of Sunway REIT ("Offer Units"), subject to an Over-Allotment Option as defined in section 3.4.4 of the Prospectus.

(i) Retail Offering

A total of 134,005,600 Offer Units (subject to clawback and reallocation as set out in section 3.4.3 of the Prospectus) will be made available for application by Malaysian citizens, companies, societies, co-operatives, and institutions of which at least 30% is to be set aside for Bumiputera individuals, companies, societies, co-operatives and institutions.

(ii) Institutional Offering

A total of 1,520,963,700 Offer Units (subject to clawback and reallocation, and the Over-Allotment Option as set out respectively in sections 3.4.3 and 3.4.4 of the Prospectus) will be placed out to Malaysian and other investors outside the United States of America in reliance on Regulation S under the United States Securities Act of 1933, as amended.

The completion of the Retail Offering and the Institutional Offering are inter-conditional.

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(c) Borrowings to partially finance the Acquisition ("Facility")

Sunway REIT intends to drawdown a total of RM1,118,700,000 of the term loan and revolving credit facilities obtained by Sunway REIT from a consortium of Malaysian banking institutions (the "Facility") to partially finance the Acquisition. Details of the Facility are as follows:

	RM'000
Long term loans	1,000,000
Revolving credit	118,700
	1,118,700

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

Responsibilities

The Board of Directors of Sunway REIT Management Sdn. Bhd. (the "Board"), in their capacity as the manager of Sunway REIT, is solely responsible for the preparation of the Unaudited Proforma Balance Sheets in accordance with the REIT Guidelines.

Our work has been undertaken to enable us to form an opinion, as required by the REIT Guidelines, as to the proper preparation of the Unaudited Proforma Balance Sheets and to report that opinion to you. The financial information used for the preparation of the Unaudited Proforma Balance Sheets as at the date of establishment of Sunway REIT is unaudited and accordingly we do not accept any responsibility for that financial information.

In providing this opinion, we are not responsible for updating any reports or opinions previously issued by us for any events that occurred subsequent to the date of our report on the financial information used in the preparation of the Unaudited Proforma Balance Sheets.

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Basis of opinion

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

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Unaudited Proforma Balance Sheets have been properly prepared on the basis stated, and in a manner consistent with both the format of the balance sheet and the accounting policies to be adopted by Sunway REIT. Our work also involves assessing whether the adjustments made to the information used in the preparation of the Unaudited Proforma Balance Sheets are appropriate for the purposes of preparing the Unaudited Proforma Balance Sheets.

Opinion

In our opinion:

(a) the Unaudited Proforma Balance Sheets which have been prepared by the Board have been properly prepared on the basis stated in the accompanying notes to the Unaudited Proforma Balance Sheets, and in a manner consistent with both the format of the balance sheet and the accounting policies to be adopted by Sunway REIT; and

(b) the adjustments made to the information used in the preparation of the Unaudited Proforma Balance Sheets are appropriate for the purposes of preparing the Unaudited Proforma Balance Sheets.

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Other matters

This letter is issued for the sole purpose of complying with the REIT Guidelines in connection with the Listing. Our work had been carried out in accordance with Malaysian Approved Standard on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Listing described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction, including the sale of securities other than the Listing.

Yours faithfully,

Ernst & Young

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia

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Chartered Accountants, Kuala Lumpur
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Sunway Real Estate Investment Trust ("Sunway REIT")

Unaudited Proforma Balance Sheets at the Date of Establishment of Sunway REIT

The unaudited proforma balance sheets set out below have been prepared for illustrative purposes only to show the effects of the Listing Scheme (as detailed below) on the balance sheet of Sunway Real Estate Investment Trust ("Sunway REIT") as at the date of the establishment of the trust had the Listing Scheme been completed on that date:

	Note	Proforma I As at the date of establishment RM'000 *(unaudited)* Note 1	Adjustments for Proforma I RM'000	Proforma II After Proforma I and the Acquisition RM'000 Note 2	Adjustments for Proforma II RM'000	Proforma III After Proforma II, the IPO and the Facility RM'000 Note 3
ASSETS						
Non-current assets						
Investment properties	4	-	3,729,000	3,729,000		3,729,000
Current assets						
Other receivables	5	-		-	2,139	2,139
Cash and bank balances	6	-		-	49,592	49,592
		-		-		51,731
		-		3,729,000		3,780,731
FINANCED BY:						
Units	7	-		-	2,610,300	2,610,300
Unitholders' fund		-		-		2,610,300
Non-current liabilities						
Borrowings	8	-		-	988,962	988,962
Long term liabilities	9	-		-	21,557	21,557
		-		-		1,010,519
Current liabilities						
Borrowings	8	-		-	118,013	118,013
Other payables	10	-	3,729,000	3,729,000	(3,667,101)	41,699
		-		3,729,000		159,912
		-		3,729,000		3,780,731
Net Asset Value ("NAV")		-		-		2,610,300
Number of Units in issue ('000)		-		-		2,680,112
NAV per Unit (RM)		-		-		0.97

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Sunway Real Estate Investment Trust ("Sunway REIT")

Notes to the Unaudited Proforma Balance Sheets at the Date of Establishment of Sunway REIT (Contd.)

Basis of Preparation

The unaudited proforma balance sheets have been prepared by the Board of Directors ("BOD") of Sunway REIT Management Sdn. Bhd. ("Sunway REIT Management") for illustrative purposes only to show the effects on the unaudited balance sheet of Sunway REIT as at the date of establishment, of the below Listing Scheme had this been implemented and completed on that date, and by application of bases consistent with the accounting policies to be adopted by Sunway REIT.

Listing Scheme

The Listing Scheme consists of the following:

A. Acquisition of the Properties ("Acquisition")

OSK Trustees Berhad ("the Trustee") had, on behalf of Sunway REIT, entered into eight (8) conditional Sale & Purchase Agreements ("SPAs") to acquire the Properties (as defined below) for a total purchase consideration of RM3,729,000,000 which is subject to the Price Adjustment Mechanism as detailed below ("Acquisition").

		To be satisfied via		
			Consideration in Cash [(2)]	
Properties	**Purchase consideration RM'000**	**Consideration in Units [(1)] RM'000**	**Financed through the IPO proceeds RM'000**	**Finance via the Facility RM'000**
Sunway Resort Hotel & Spa	480,000	-	336,000	144,000
Pyramid Tower Hotel	270,000	-	189,000	81,000
Sunway Hotel Seberang Jaya	56,000	-	39,200	16,800
Sunway Pyramid Shopping Mall	2,300,000	844,643	765,357	690,000
Sunway Carnival Shopping Mall	250,000	124,500	50,500	75,000
SunCity Ipoh Hypermarket	50,000	-	35,000	15,000
Menara Sunway	138,000	-	96,600	41,400
Sunway Tower	185,000	56,000	73,500	55,500
	3,729,000	**1,025,143**	**1,585,157**	**1,118,700**

The properties above will be collectively referred to as "the Properties".

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Sunway Real Estate Investment Trust ("Sunway REIT")

Notes to the Unaudited Proforma Balance Sheets at the Date of Establishment of Sunway REIT (Contd.)

A. Acquisition of the Properties ("Acquisition") (contd.)

Notes:

(1) The issue price for the Consideration Units shall be subject to the Price Adjustment Mechanism and based on the Average Initial Public Offering Price (the "Average IPO Price") as detailed below. It is assumed that the Average IPO Price is RM1.00.

(2) The cash portion of the consideration comprises cash from Initial Public Offering as set out in section B below (the "IPO") and the Facility as described in section C below. The cash portion of the purchase consideration shall be subject to the Price Adjustment Mechanism as described below.

The purchase consideration of RM3,729,000,000 is proposed to be satisfied in the following manner:

(i) the issuance of 1,025,143,000 units of Sunway REIT at the Average IPO Price ("Consideration in Units"); and

(ii) the balance of the purchase consideration, being the purchase price after the application of the Price Adjustment Mechanism less the value of Consideration in Units, in cash ("Consideration in Cash").

The indicative purchase consideration of RM3,729,000,000 was arrived at based on the market values of the Properties which collectively amount to RM3,729,000,000 as valued by an independent property valuer of the Properties ("the Independent Property Valuer").

The final discount or premium of the purchase consideration over the market value of the Properties would be determined based on the final purchase consideration as determined after the application of the Price Adjustment Mechanism.

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Sunway Real Estate Investment Trust ("Sunway REIT")

Notes to the Unaudited Proforma Balance Sheets at the Date of Establishment of Sunway REIT (Contd.)

A. Acquisition of the Properties ("Acquisition") (contd.)

Details of the Price Adjustment Mechanism

The purchase consideration for each of the individual Properties shall be subject to the following adjustments:

$$\text{Adjusted purchase consideration for each of the Properties} = \text{Values of each of the Properties as valued by the Independent Property Valuer} \times \text{Adjustment Factor}$$

where

$$\text{Adjustment Factor} = \frac{(\text{Total IPO proceeds} + \text{Amount of borrowings by Sunway REIT} + \text{Value of Consideration Units} - \text{Estimated cash requirement})}{\text{Aggregate values of the Properties as valued by the Independent Property Valuer}}$$

Total IPO proceeds = Gross proceeds received from the issuance of Offer Units under the Retail Offering and Institutional Offering

Value of Consideration Units = 1,025,143,000 Consideration Units multiplied by the Average IPO Price

Estimated cash requirement = RM69.8 million, derived based on the estimated listing expenses relating to the IPO

$$\text{Average IPO Price} = \frac{\text{Total IPO proceeds}}{\text{Total Offer Units}}$$

The maximum purchase consideration for each of the Properties is capped at 110% of their respective market values as valued by the Independent Property Valuer.

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Sunway Real Estate Investment Trust ("Sunway REIT")

Notes to the Unaudited Proforma Balance Sheets at the Date of Establishment of Sunway REIT (Contd.)

B. Initial Public Offering ("IPO")

The IPO comprises Retail Offering and Institutional Offering totalling 1,654,969,300 units of Sunway REIT ("Offer Units"), subject to an Over-Allotment Option as defined in section 3.4.4 of the Prospectus.

(i) Retail Offering

A total of 134,005,600 Offer Units (subject to clawback and reallocation as set out in section 3.4.3 of the Prospectus) will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions of which at least 30% is to be set aside for Bumiputera individuals, companies, societies, co-operatives and institutions.

(ii) Institutional Offering

A total of 1,520,963,700 Offer Units (subject to clawback and reallocation, and the Over-Allotment Option as set out respectively in sections 3.4.3 and 3.4.4 of the Prospectus) will be placed out to Malaysian and other investors outside the United States of America in reliance on Regulation S under the United States Securities Act of 1933, as amended.

The completion of the Retail Offering and the Institutional Offering are inter-conditional.

C. Borrowings to partially finance the Acquisition ("Facility")

Sunway REIT intends to drawdown a total of RM1,118,700,000 of the term loan and revolving credit facilities obtained by Sunway REIT from a consortium of Malaysian banking institutions (the "Facility") to partially finance the Acquisition. Details of the Facility are as follows:

	RM'000
Long term loans	1,000,000
Revolving credit	118,700
	1,118,700

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Sunway Real Estate Investment Trust ("Sunway REIT")

Notes to the Unaudited Proforma Balance Sheets at the Date of Establishment of Sunway REIT (Contd.)

1. Proforma I

Proforma I illustrates the balance sheet (unaudited) as at the date where Sunway REIT is to be established with the registration of the Deed ("date of establishment").

2. Proforma II

Proforma II illustrates the balance sheet of Sunway REIT as at the date of establishment, adjusted for the effects of the Acquisition as follows:

Properties	Purchase consideration RM'000
Sunway Resort Hotel & Spa	480,000
Pyramid Tower Hotel	270,000
Sunway Hotel Seberang Jaya	56,000
Sunway Pyramid Shopping Mall	2,300,000
Sunway Carnival Shopping Mall	250,000
SunCity Ipoh Hypermarket	50,000
Menara Sunway	138,000
Sunway Tower	185,000
	3,729,000

The assumed purchase consideration of RM3,729,000,000 payable to the Vendors (as defined in the Prospectus) is recognised in the balance sheet as other payables.

3. Proforma III

Proforma III illustrates the balance sheet of Sunway REIT as at the date of establishment, adjusted for the effects of the Acquisition, the IPO and the Facility.

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Sunway Real Estate Investment Trust ("Sunway REIT")

Notes to the Unaudited Proforma Balance Sheets at the Date of Establishment of Sunway REIT (Contd.)

4. Investment properties

Investment properties comprising the Properties listed in Proforma II are recorded at costs of acquisition which is based on the market value of the investment properties.

5. Other receivables

Other receivables comprise prepayments and deposits transferred from the Acquisition.

	Proforma I RM'000	Proforma II RM'000	Proforma III RM'000
Prepayments (Note a)	-	-	1,879
Deposits (Note b)	-	-	260
	-	-	2,139

Notes:

(a) Prepayments comprise insurance premiums.

(b) Deposits comprise water, electricity and telephone deposits.

6. Cash and bank balances

Cash and bank balance comprise the following:

	Note	Proforma I RM'000	Proforma II RM'000	Proforma III RM'000
IPO proceeds	7	-	-	1,654,969
Drawdown from borrowings	8	-	-	1,118,700
Tenant refundable deposits	9	-	-	63,456
Less: Purchase consideration in cash in respect of the Acquisition		-	-	(2,703,857)
Listing expenses	7	-	-	(69,812)
Loan upfront fees and related expenses	8	-	-	(11,725)
Prepayments and utility deposits	5	-	-	(2,139)
		-	-	49,592

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Sunway Real Estate Investment Trust ("Sunway REIT")

Notes to the Unaudited Proforma Balance Sheets at the Date of Establishment of Sunway REIT (Contd.)

7. Units

The Units in issue consist of:

	Note	Proforma I RM'000	Proforma II RM'000	Proforma III RM'000
Units in issue for purchase consideration for the Acquisition:				
- Consideration in Units		-	-	1,025,143
- Institutional Offering and Retail Offering [(a)]	6	-	-	1,585,157
		-	-	2,610,300
Units in issue for listing expenses [(a)]	6	-	-	69,812
		-	-	2,680,112
Less: Estimated listing expenses [(b)]	6	-	-	(69,812)
		-	-	2,610,300

Notes:

(a) The units in issue of RM1,585.2 million under the Institutional Offering and Retail Offering (as consideration for the Acquisition); and the units in issue for listing expenses of RM69.8 million collectively made up the total units in issue arising from the IPO of RM1,655.0 million.

(b) The estimated listing expenses which will be borne by Sunway REIT include the underwriting fees and commission, placement commission and brokerage, professional and advisory fees, regulatory fees as well as other IPO-related expenses. A breakdown of these estimated expenses is as set out below:

	RM'000
Underwriting fees and commissions, placement commission and brokerage	57,651
Professional and advisory fees	9,486
Regulatory fees	158
Other IPO-related expenses	2,517
	69,812

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Sunway Real Estate Investment Trust ("Sunway REIT")

Notes to the Unaudited Proforma Balance Sheets at the Date of Establishment of Sunway REIT (Contd.)

8. Borrowings

Sunway REIT intends to drawdown RM1,118,700,000 from the Facility to partially finance the Acquisition.

The Facility is as follow:

	Note	Proforma I RM'000	Proforma II RM'000	Proforma III RM'000
Term loans		-	-	1,000,000
Revolving credit		-	-	118,700
	6	-	-	1,118,700
Less: Loan upfront fee and related expenses	6	-	-	(11,725)
		-	-	**1,106,975**
Analysed as:				
Non-current borrowings	(a)	-	-	988,962
Current borrowings	(b)	-	-	118,013
		-	-	**1,106,975**

Notes:

(a) Non-current borrowings represent borrowings which are repayable after 12 months.

(b) Current borrowings represent borrowings which are repayable within 12 months.

9. Long term liabilities

Long term liabilities represent tenant refundable deposits received at the listing date.

	Note	Proforma I RM'000	Proforma II RM'000	Proforma III RM'000
Refundable deposits	6	-	-	63,456
Amount classified as current liabilities	10	-	-	(41,899)
		-	-	21,557

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Sunway Real Estate Investment Trust ("Sunway REIT")

Notes to the Unaudited Proforma Balance Sheets at the Date of Establishment of Sunway REIT (Contd.)

10. Other payables

Other payables comprise the following:

	Note	Proforma I RM'000	Proforma II RM'000	Proforma III RM'000
Refundable deposits	9	-	-	41,899
Purchase consideration payable to the Vendors		-	3,729,000	-
		-	3,729,000	41,899