

MEDIA RELEASE

14 February 2017

## FINANCIAL RESULTS ANNOUNCEMENT

### SUNWAY REIT REPORTED PROFIT BEFORE TAX OF RM135.3 MILLION FOR THE FIRST HALF OF FINANCIAL YEAR ENDING JUNE 2017

#### Key Highlights:

- Modest growth in revenue and net property income for the first half of FY2017, supported by healthy growth from the retail segment
- Proposed DPU of 4.55 sen for the first six months of FY2017, translated into annualized DPU yield of 5.3%
- Sunway REIT has recognized the court award of RM3.189 million in second quarter of FY2017 for the assessment of damages for Sunway Putra, equivalent to 0.11 sen of DPU.

#### Financial Highlights

FYE June 2017	Current Quarter			Year-to-Date		
	2Q2017	2Q2016	Change	2Q2017 (Unaudited)	2Q2016 (Unaudited)	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Gross revenue	126,880	131,867	(3.8)	255,759	253,083	1.1
Net property income (NPI)	94,055	97,054	(3.1)	190,120	186,996	1.7
<b>Net Realised Income</b>	<b>67,130<sup>1</sup></b>	<b>73,576<sup>2</sup></b>	<b>(8.8)</b>	<b>133,862<sup>1</sup></b>	<b>134,141<sup>2</sup></b>	<b>(0.2)</b>
Unrealised Income / (loss)	4,013	(2,056)	(>100.0)	1,424	1,892	(24.7)
Total Profit for the period	71,143 <sup>1</sup>	71,520 <sup>2</sup>	(0.5)	135,286 <sup>1</sup>	136,033 <sup>2</sup>	(0.6)
Proposed / declared distribution	(67,148) <sup>1</sup>	(75,592) <sup>2</sup>	(11.2)	(134,001) <sup>1</sup>	(137,922) <sup>2</sup>	(2.8)
<b>Distribution per unit (DPU) (sen)</b>	<b>2.28</b>	<b>2.57</b>	<b>(11.3)</b>	<b>4.55</b>	<b>4.69</b>	<b>(3.0)</b>
Distribution yield (Based on closing price of RM1.72 per unit on 31 December 2016)	N.A	N.A		5.3%	5.5% <sup>3</sup>	N.A

<sup>1</sup> Included the non-recurring income being court award for assessment of damages of RM3.189 million with a DPU impact of 0.11sen

<sup>2</sup> Included the non-recurring income bring court award for loss of income of RM6.189 million with a DPU impact of 0.21 sen.

<sup>3</sup> Based on actual DPU of RM9.18 sen declared in FY2016 and unit price of RM1.66 as at 30 June 2016.

N.A. denotes not applicable

**Bandar Sunway, 14 February 2017** – Sunway REIT Management Sdn. Bhd., the Manager of Sunway Real Estate Investment Trust (“Sunway REIT”), is pleased to announce its financial results for the period ended 31 December 2016.

### **First half unaudited financial results for the period from 1 July 2016 to 31 December 2016 (“1H FY2017”)**

Sunway REIT has registered a set of stable financial performance for the first six months of financial year ending June 2017. Revenue improved by 1.1% year-on-year (“y-o-y”) to RM255.8 million, supported by healthy growth from the retail segment, however it was partially mitigated by lower income contribution from the hotel and office segments. Correspondingly, net property income (“NPI”) increased by 1.7% y-o-y to RM190.1 million.

The retail segment remained as the key income growth driver for Sunway REIT’s assets portfolio, registering a revenue and NPI growth of 7.6% y-o-y and 10.9% y-o-y respectively for the 1H FY2017. The performance was attributable to the solid performance from Sunway Pyramid Shopping Mall and higher occupancy rate from Sunway Carnival Shopping Mall. In addition, Sunway Putra Mall reported higher income contribution in 1H FY2017. Tenants in Sunway Putra Mall have enjoyed 2.5 months of rent free during the same period in the preceding year.

The hotel segment recorded softer income contribution for the first six month of FY2017. For the first six months of FY2017, the hotel segment’s revenue and NPI contracted by 26.4% y-o-y and 27.5% y-o-y respectively mainly due to the closure of Sunway Pyramid Hotel (formerly known as Sunway Pyramid Hotel East) since April 2016 to undertake an accelerated refurbishment. The hotel will be upgraded to International Deluxe category in order to offer quality hospitality services to the market amidst a highly competitive market landscape.

The office segment was largely affected by the massive oversupply in the office market sub-sector and ongoing business consolidation leading to lower demand for office space. Revenue and NPI eased by 3.3% y-o-y and 1.7% y-o-y respectively in 1H FY2017, primarily due to low average occupancy rate at Sunway Tower. Meanwhile, the financial performance of Sunway Putra Tower has improved following the commencement of a tenancy occupying 51,500 sq.ft. (equivalent to 16% of total NLA) in the second quarter of FY2017.

**Second quarter unaudited financial results for the period from 1 October 2016 to 31 December 2016 (“2Q FY2017”)**

For the second quarter ended 31 December 2016, Sunway REIT has reported a revenue of RM126.9 million (-3.8% y-o-y) and NPI of RM94.1 million (-3.1% y-o-y). The set of financial performance was largely contributed by growth from the retail segment and gradual improvement in the office segment, however offset by lower income contribution from the hotel segment as per the reasons mentioned above.

During the quarter, the retail segment recorded a revenue growth of 1.4% y-o-y to RM98.8 million and NPI growth of 5.1% y-o-y to RM70.8 million. In addition to the reasons mentioned above, Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall's financial performance were also supported by the commencement of major rental reversion cycle during the financial period under review.

The hotel segment recorded a revenue of RM14.8 million (-31.9% y-o-y) and NPI of RM13.9 million (-33.1% y-o-y) for the same reasons mentioned above. In addition, Sunway Resort Hotel & Spa was also affected by subdued corporate and leisure demand during the quarter under review.

The office segment registered improvement in revenue and NPI for the quarter ended 31 December 2016. Revenue improved by 5.2% y-o-y to RM7.9 million and NPI growth of 6.2% y-o-y to RM4.0 million for the same reasons mentioned above.

During the quarter, the Manager has recognized a non-recurring income being the court award of RM3.189 million for the assessment of damages for Sunway Putra. The details are available in “**Material Litigation**” section in this media release.

The Manager has proposed a distribution per unit (“DPU”) of 2.28 sen for 2Q FY2017 bringing total DPU for 1H FY2017 to 4.55 sen. The lower proposed DPU compared to 1H FY2016 was primarily due to cessation of Manager's fee payable in units effective of FY2017. On an annualized basis, this translated into a distribution yield of 5.3% based on the market closing price of RM1.72 as at 31 December 2016.

Dato' Jeffrey Ng, CEO of Sunway REIT Management Sdn. Bhd., commented, "Continuing from 1Q FY2017, the business environment remains tough. We continue to balance future growth in distribution income through active asset enhancement initiatives ("AEIs") and acquisitions."

In addition to the ongoing refurbishment of Sunway Pyramid Hotel, Sunway REIT's major AEIs include the proposed expansion of Sunway Carnival Shopping Mall in the mainland of Penang. On 27 December 2016, the Manager has announced the completion of the land acquisition for the proposed expansion with a target to commence construction works towards the end of CY2017 and target completion in CY2020.

On 11 January 2017, Sunway REIT has announced the proposed acquisition of an industrial property at Section 23, Shah Alam, Selangor for a total purchase consideration of RM91.5 million. The maiden foray into industrial assets is in line with Sunway REIT's investment strategy to diversify its assets portfolio and strengthen the income stability. In 2015, Sunway REIT has expanded its investment strategy to invest in long tenure stable income producing assets such as industrial properties, logistics warehouses, data centres amongst others. These assets shall not exceed 15% of total asset value. Sunway REIT will remain retail focused within a diversified asset portfolio spanning across key high growth states in Malaysia. Sunway REIT's property value will increase by 1.4% to RM6.52 billion, from RM6.43 billion as at 30 June 2016, upon the completion of the acquisition of the Property.

He added, "The key consideration for the "Other" segment emphasizes on quality tenants and long-term leases to generate long-term stable income to the assets portfolio. In view of the higher DPU accretiveness of such assets, we will continue to be on the lookout for such assets under "Others" category."

He further added, "In addition, Sunway Pyramid Hotel is expected to contribute positively upon the full completion of the refurbishment. The hotel has progressively re-opened for business since December 2016 with expected full re-opening in 4Q FY2017."

## Material Litigations

**Sunway Putra (formerly known as Putra Place) - Assessment for Damages (High Court Originating Summons No. 24NCVC-1255-2011, Court of Appeal W-02(NCVC)-1680-2011 and W-02(NCVC)-1773)-2011, Federal Court Leave to Appeal 08(f)-425-09-2011) and Rayuan Sivil No. W-03(IM)(NCVC)-8-01/20-15)**

After the Federal Court has on 20 February 2012 dismissed Metroplex Holdings Sdn Bhd's ("MHSB") application for leave to appeal, RHB Trustees Berhad (as trustee of Sunway REIT) ("Trustee") and Sunway REIT Management Sdn Bhd ("Manager") proceeded with the enforcement of the remaining parts of the Orders made by the High Court that have not been enforced, *inter alia*, the damages awarded to the Trustee.

The Trustee and the Manager instituted the assessment proceedings to determine the amount of damages to be paid by MHSB.

On 27 August 2014, the court awarded a total of RM3,184,071.67 in damages to be paid to the Trustee being RM2,859,000 for revenue foregone and RM325,071.67 for security costs. The court found that these claims were justified as they were a direct result of MHSB's unlawful possession of Sunway Putra (formerly known as Sunway Putra Place). No costs were awarded by the court.

On 19 April 2016, the REIT Manager received a cheque for RM3,189,071.67 from MHSB's lawyers after the Court dismissed various appeals by MHSB.

The REIT Manager has recognised the amount received of RM3,189,071.67 in 2Q FY2017, following confirmation of closure of the case closure by the Manager and Trustee's lawyer.

## About Sunway Real Estate Investment Trust

Sunway Real Estate Investment Trust (Sunway REIT or Trust) is one of the largest retail-focused<sup>1</sup> real estate investment trusts (REITs) in Malaysia with a diverse portfolio strategically located across award-winning integrated townships in key locations in Greater Kuala Lumpur, Penang, and Perak.

Sunway REIT was listed on the Main Market of Bursa Malaysia Securities Berhad (Bursa Malaysia) on 8 July 2010. The market capitalisation of Sunway REIT stood at RM5.1 billion as at 31 December 2016. Sunway REIT is a component of FTSE-Bursa Malaysia Mid 70 Index, FTSE4 Good Index and TR/GPR/APREA Composite REIT Index Malaysia, FTSE EPRA / NAREIT Global REIT Index, FTSE EPRA / NAREIT Global Index, FTSE EPRA / NAREIT Asia ex Japan Index, FTSE EPRA / NAREIT Asia Pacific Index and FTSE EPRA / NAREIT Emerging REIT Index. Sunway REIT owns a portfolio of 14 assets comprising 4 retail malls, 5 hotels, 4 offices and a medical centre. Property value stood at RM6.43 billion as at 30 June 2016.

Sunway REIT's assets are primarily located in Sunway City where its flagship asset, Sunway Pyramid Shopping Mall, is located. The other assets located in SRC include Sunway Resort Hotel & Spa, Sunway Pyramid Hotel (formerly known Sunway Pyramid Hotel East), Menara Sunway and Sunway Medical Centre. On the northern Peninsular of Malaysia, Sunway REIT owns SunCity Ipoh Hypermarket in Perak. On the mainland of Penang, Sunway REITs owns Sunway Hotel Seberang Jaya and Sunway Carnival Shopping Mall. In FY2015, Sunway REIT added two assets into the portfolio, namely Wisma Sunway in Shah Alam, Selangor and Sunway Hotel Georgetown, marking its maiden foray into Penang Island.

Sunway REIT owns four properties in in Kuala Lumpur, namely Sunway Tower and the remaining three assets which constitute part of the 3-in-1 integrated development, Sunway Putra (formerly known as Sunway Putra Place). Sunway Putra consists of Sunway Putra Mall, Sunway Putra Hotel and Sunway Putra Tower.

<sup>1</sup> Retail-focused is defined as at least 60% contribution from the retail assets to property value, revenue or NPI.

**Important notice**

Kindly read this media release in conjunction with the announcement released to Bursa Malaysia dated 14 February 2017 for a more comprehensive understanding of Sunway REIT's financial results.

This media release may contain certain forward looking statements due to a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions; interest rate trends; cost of capital and capital availability including availability of financing in the amounts and the terms necessary to support future business; availability of real estate properties; competition from other companies; changes in operating expenses including employee wages, benefits and training, property expenses, government and public policy changes. You are cautioned not to place undue reliance on these forward looking statements which are based on Management's current view of future events. Past performance is not necessarily indicative of its future performance.

For more information, please contact:

Crystal Teh

Sunway REIT Management Sdn. Bhd.

(As Manager of Sunway Real Estate Investment Trust)

Tel : +603 5639 8864

Fax : +603 5639 8001

Mobile : +6012 330 6963

E-mail : [crystaltil@sunway.com.my](mailto:crystaltil@sunway.com.my)

Website of Sunway REIT: [www.sunwayreit.com](http://www.sunwayreit.com)