

MEDIA RELEASE

14 February 2019

FINANCIAL RESULTS ANNOUNCEMENT

SUNWAY REIT PROPOSED A DISTRIBUTION PER UNIT OF 2.25 SEN FOR THE SECOND QUARTER OF FINANCIAL YEAR ENDING JUNE 2019

Key Highlights:

- Annualised distribution yield of 5.4% for FY2019, based on unit price of RM1.73 as at 31 December 2018.
- Net property income improved marginally to RM104.2 million in 2Q FY2019.
- Revenue and net property income for year-to-date 1H FY2019 were marginally higher at RM283.2 million and RM214.7 million respectively.

Financial Highlights

FYE June 2019	Current Quarter			Year-to-Date		
	2Q2019	2Q2018	Change	2Q2019 (Unaudited)	2Q2018 (Unaudited)	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Gross revenue	139,500	141,470	(1.4)	283,241	282,639	0.2
Net property income (NPI)	104,225	103,367	0.8	214,739	214,353	0.2
Net Realised Income	66,426	70,045	(5.2)	139,410	148,781	(6.3)
Unrealised Income / (loss)	19	952	(98.0)	44	1,445	(97.0)
Total Profit for the period	66,445	70,997	(6.4)	139,454	150,226	(7.2)
Proposed / declared distribution	(66,264)	(70,093)	(5.5)	(139,302)	(148,727)	(6.3)
Distribution per unit (DPU) (sen)	2.25	2.38	(5.5)	4.73	5.05	(6.3)
Annualised distribution yield (based on unit price of RM1.73 per unit on 31 December 2018)	N.A	N.A		5.4%	5.4% ¹	N.A

¹ Based on actual DPU of 9.57 sen declared in FY2018 and unit price of RM1.77 as at 30 June 2018.
N.A. denotes not applicable

Bandar Sunway, 14 February 2019 – Sunway REIT Management Sdn. Bhd., the Manager of Sunway Real Estate Investment Trust (Sunway REIT), is pleased to announce its financial results for the quarter ended 31 December 2018.

Second quarter unaudited financial results for the period from 1 October 2018 to 31 December 2018 (2Q FY2019)

Sunway REIT reported a modest set of financial performance for the second quarter of financial year ending 30 June 2019 as the domestic economic growth softened coupled with intense competition in the retail, hotel and office segments, largely attributable to the oversupply in these property sub-sectors. Sunway REIT reported a revenue of RM139.5 million in 2Q FY2019, a moderation of 1.4% year-on-year (y-o-y), largely due to softer performance in the hotel segment however partially mitigated by firmer performance from retail, office and services segments as well as new income contribution from Sunway Clio Property. Net property income (NPI) grew marginally by 0.8% y-o-y to RM104.2 million due to lower property operating expenses.

Despite the lower property operating expenses, other expenses increased by 12.4% y-o-y predominantly due to higher finance costs. The higher finance cost was due to higher principal loan drawn to finance investing activities and marginally higher average cost of debt compared to the same quarter in the preceding year. As a result, net realised income tapered by 5.2% y-o-y to RM66.4 million.

The retail segment reported a solid set of performance for the quarter ended 31 December 2018. Revenue increased by 1.5% y-o-y to RM105.3 million, mainly contributed by Sunway Pyramid Shopping Mall which benefitted from higher turnover rent. NPI expanded by 7.1% y-o-y to RM76.0 million, mainly attributable to lower maintenance and advertising and promotion expenses.

The soft market condition within the hospitality market persisted during the quarter under review. The hotel segment's revenue contracted by 22.8% y-o-y to RM17.6 million whilst NPI responded correspondingly by 27.1% y-o-y to RM15.9 million. The overall hotel portfolio occupancy rate stood at 69% in 2Q FY2019 versus 75% during the same quarter in the preceding year. Despite the new income contribution from Sunway Clio Hotel, the hotel segment's performance was partially affected by the refurbishment of the grand ballroom and meeting rooms as well as addition of new meeting rooms at the flagship hotel, Sunway Resort Hotel & Spa which was completed in November 2018. The hotel has resumed its business on a full capacity upon the completion of the refurbishment.

Revenue for the office segment rose by 19.0% y-o-y to RM9.4 million on the back of improved occupancy at Sunway Putra Tower and Wisma Sunway. NPI jumped by 43.4% y-o-y to RM5.1 million largely attributable to vacancy allowance for assessment received which has contributed to lower property operating expenses. Meanwhile, the Services segment reported a revenue and NPI growth of 3.5% y-o-y to RM5.8 million. The Industrial and Others segment registered a revenue and NPI of RM1.4 million, unchanged from the same quarter in the preceding year.

First half unaudited financial results for the period from 1 July 2018 to 31 December 2018 (1H FY2019)

The financial performance for Sunway REIT was stable for the first six months of financial year ending June 2019. Both revenue and NPI were marginally higher by 0.2% y-o-y to RM283.2 million and RM214.7 million respectively, for the same reasons mentioned above.

For the first six months of FY2019, the retail segment registered a revenue of RM210.3 million, an increase of 1.4% y-o-y. NPI expanded by 3.0% y-o-y to RM153.7 million due to lower operating expenses. Meanwhile, revenue and NPI for the hotel segment contracted by 12.5% y-o-y to RM40.2 million and 17.2% y-o-y to RM36.5 million respectively for the same reasons mentioned above. The office segment registered a revenue growth of 16.0% y-o-y to RM18.5 million while NPI jumped 34.4% y-o-y to RM10.3 million on the back of lower property operating expenses. The Services segment reported a revenue and NPI growth of 3.5% y-o-y to RM11.5 million. The Industrial and Others segment's revenue and NPI increased by 20.3% y-o-y to RM2.8 million.

For the quarter ended 31 December 2018, the Manager proposed a distribution per unit (DPU) of 2.25 sen, compared to 2.38 sen in 2Q FY2018, which brings 1H FY2019 DPU to 4.73 sen. Based on the unit price of RM1.73 as at 31 December 2018, it translates into an annualised distribution yield of 5.4%.

Dato' Jeffrey Ng, CEO of Sunway REIT Management Sdn. Bhd., commented, "We maintain a cautious outlook for the remaining FY2019 taking guidance from the financial performance of the first 6 months of FY2019 on the back of softening domestic economic climate."

He added, "The property market is expected to see more intense competition as more supply of properties in the various sub-sectors are coming on stream this year. In line with that outlook and as we strive to deliver sustainable DPU to unitholders, Sunway REIT is actively seeking for opportunities to further diversify its asset portfolio into non-cyclical sectors such as education and healthcare as well as investing into emerging sectors riding on global megatrends."

He further elaborated, "In December 2018, we have announced the proposed acquisition of a purpose-built campus to further diversify the portfolio mix of income stream. This is consistent with our strategy to grow via acquisitions to deliver long-term sustainable DPU to unitholders."

About Sunway Real Estate Investment Trust

Sunway Real Estate Investment Trust (Sunway REIT or Trust) is one of the largest diversified 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 2018.

Sunway REIT is a component of FTSE Bursa Malaysia Mid 70 Index, FTSE4 Good Bursa Malaysia Index, Bursa Malaysia REIT Index, 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, FTSE EPRA / NAREIT Emerging REIT Index and MSCI Malaysia Small Cap Index. Sunway REIT owns a portfolio of 16 assets comprising 4 retail malls, 6 hotels, 4 offices, a medical centre and an industrial property with a combined property value that stood at RM7.34 billion as at 31 December 2018.

Sunway REIT's assets are primarily located in Sunway City where its flagship asset, Sunway Pyramid Shopping Mall, is located. Other assets located in Sunway City include Sunway Resort Hotel & Spa, Sunway Pyramid Hotel, Sunway Clio Property (comprising Sunway Clio Hotel and Sunway Clio Retail), Menara Sunway and Sunway Medical Centre. On the northern Peninsular of Malaysia, Sunway REIT owns SunCity Ipoh Hypermarket in Perak. In Penang, Sunway REIT owns Sunway Hotel Seberang Jaya, Sunway Hotel Georgetown and Sunway Carnival Shopping Mall. Sunway REIT owns two properties in Shah Alam, namely, Wisma Sunway and Sunway REIT Industrial – Shah Alam 1.

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

Important notice

Kindly read this media release in conjunction with the announcement released to Bursa Malaysia dated 14 February 2019 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 the Management's current view of future events. Past performance is not necessarily indicative of its future performance.

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