

SUNWAY®

REIT



Sunway REIT

Presentation on The Proposals

Announced on 29th June 2020



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Table of contents



1	Overview of the Proposals	4
2	Proposed Acquisition of The Pinnacle Sunway	7
3	Proposed Private Placement	15
4	Proposed Establishment of a DRS	21



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1. Overview of the Proposals

Overview of the Proposals

Overview

1

Proposed Acquisition of The Pinnacle Sunway (“Proposed Acquisition”)

- Sales and Purchase Agreement (“SPA”) signed for the acquisition of The Pinnacle Sunway from wholly-owned indirect subsidiaries of Sunway Berhad
- Total purchase consideration of RM450.0 million - Initial deposit of RM45.0 million to be funded by debt; Remaining balance of RM405.0 million to be raised from the Proposed Private Placement

2

Proposed Private Placement

- The Proposed Private Placement entails the issuance of new units in Sunway REIT (the “REIT”) (“Placement Units”) to raise gross proceeds of up to RM710.0 million
- Sunway REIT Holdings Sdn Bhd (“SRH”) currently owns 40.9% of the REIT. SRH and other Major Unitholders ⁽¹⁾ may subscribe for the Proposed Private Placement

3

Proposed Establishment of a Distribution Reinvestment Scheme (“Proposed DRS”)

- Provides unitholders the option to re-invest their cash distribution declared by the REIT in new units in the REIT (“DRS Units”)

Summary Rationale

- **Quality addition of Prime Grade A office building** to Sunway REIT’s portfolio
- **Increases portfolio strength** through further diversification
- **Enhances scale, operational and business synergies** within the Sunway City ecosystem
- **The Proposals are expected to be Earnings and Distribution Per Unit (“DPU”) accretive***

- Proceeds will be used to partially fund **the acquisition of The Pinnacle Sunway and the expansion of Sunway Carnival Mall**
- **Strengthen capital position and improve financial flexibility** with gearing expected to decrease from 37.9% to 35.0%
- **Improve trading liquidity** of the REIT & expand unitholder base

- Provides **flexibility in capital management**
- Allows unitholders to have the **option / flexibility of reinvesting further** into Sunway REIT
- **Alternative mode** of income distribution
- **Improves trading liquidity** of the REIT

Collectively referred to as the “Proposals”

**Refer to Section 6 of the Announcement made by Sunway REIT on June 29, 2020 for detailed calculations and assumptions. The effects of the Proposed DRS are not incorporated as the Board has not determined any particular Income Distribution to which the Proposed DRS applies*

(1) Representing Unitholders with unitholdings of more than 10.0%

Approvals Required

The Proposals are subject to the following approvals being obtained:

Approvals Required	Approving Authority
<p>1</p> <ul style="list-style-type: none"> For the listing and quotation of the Placement Units on the Main Market of Bursa Securities 	<p>Bursa Malaysia Securities Berhad (“Bursa Securities”)</p>
<p>2</p> <ul style="list-style-type: none"> Approval of Unitholders at the Unitholders’ Meeting, for the Proposed Acquisition, Proposed DRS and the specific allocation to SRH and other Major Unitholders ⁽¹⁾ in the Proposed Private Placement 	<p>Unitholders of Sunway REIT</p>
<p>3</p> <ul style="list-style-type: none"> The approval or no objection from the state authority for the transfer of The Pinnacle Sunway to RHB Trustees Berhad (as the trustee of Sunway REIT) 	<p>State Authority</p>

The Proposals are also subject to approvals from any other relevant authority and / or party, if required

The Proposed Acquisition is conditional upon the completion of the Proposed Private Placement

Barring any unforeseen circumstances:

1. The submissions to the relevant authorities for the Proposals are expected to be made within two months from the announcement dated 29 June 2020; and
2. The Proposals are expected to be completed in the 4th quarter of 2020

(1) Representing Unitholders with unitholdings of more than 10.0%

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2. Proposed Acquisition of The Pinnacle Sunway



Overview of The Pinnacle Sunway



Property Description	An iconic 24-storey Grade A office building, with 3-storey mezzanine floors and 6 levels of basement car park, GBI-certified and MSC-status
Location	Located strategically within the master-planned integrated township development of Sunway City
Building Age	Approximately 6.5 years from its completion since December 2013
Tenure	Leasehold interest for a term of 99 years, expiring on 1 April 2097, with remaining term of 77 years
Gross Floor Area (sqft)	1,145,554 sqft (with 444,752 square feet of car park space – 855 bays)
Net Lettable Area (sqft)	576,864 sqft
Occupancy Rate	100% occupied based on NLA of committed and/or commenced tenancies
WALE*	1.34 years
Gross Rental Income	RM36 million (FY2019)
NPI*	RM28 million (FY2019)
Vendors	Sunway Integrated Properties Sdn. Bhd. (“Sunway Integrated”) and Sunway Pinnacle Sdn. Bhd. (“Sunway Pinnacle”)
Independent Valuation	RM450 million, as of 1 June 2020
Purchase Consideration	RM450 million

Source: Sunway REIT Management

Note: *Based on the valuation report by Knight Frank. Valuations conducted on June 1, 2020

Transaction Rationale



1

Quality addition of a Prime Grade A office asset (with GBI certification and MSC status) with strong tenants



2

Increase portfolio strength through further diversification



3

Enhances scale, operational and business synergies within the Sunway City ecosystem



4

Proposals are Earnings and DPU accretive to unitholders*



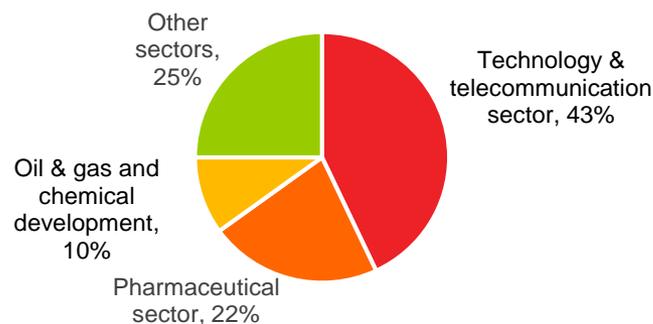
**Refer to Section 6 of the Announcement made by Sunway REIT on June 29, 2020 for detailed calculations and assumptions. The effects of the Proposed DRS are not incorporated as the Board has not determined any particular Income Distribution to which the Proposed DRS applies*

Quality Addition of a Prime Grade A Office (Cont'd)

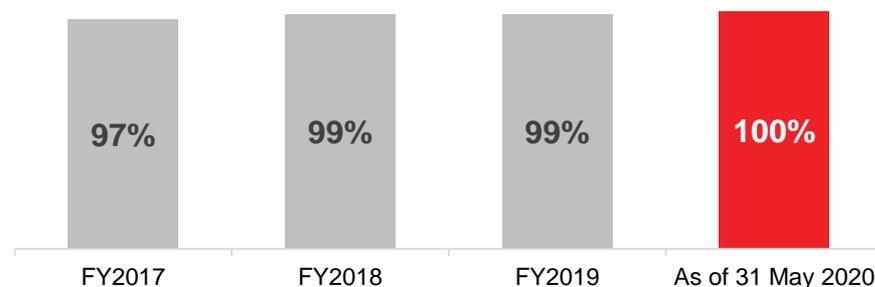
Key Highlights

- An **iconic 24-storey Grade A office building** with 3-storey mezzanine floors and 6 levels of basement car park, **GBI-certified, MSC-status and sustainability** at its core
- A unique corporate environment where it is **situated within an internationally-acclaimed, award-winning integrated resort city, Sunway City**. This seamless connectivity allows tenants to enjoy a total working, shopping, leisure and residential environment that provides added value, well beyond the offices
- **Well positioned to secure sought after tenants**, such as global multinational corporations
 - leveraging on the Manager's experienced and tremendously capable team to meet their strict and varied protocols, safety requirements, energy-saving targets, customized floor plans etc
 - intended to become home to innovative multinational corporations, as they would benefit from and be beneficial to the Sunway City community at large
- **The Pinnacle Sunway achieved above 90% occupancy rate in just over 2 years after completion** despite being in a very competitive segment. This further demonstrates the strength and resilience that The Pinnacle Sunway will add to Sunway REIT
- The Manager has ensured that the **tenant profile is diversified across industries** to insulate against any external circumstances that tenant-mix would impact rental yield stability, which include international and national tenants

Diversified Tenant Profile by NLA (as at 31 May 2020):



Average Occupancy of >98% in the last 4 years



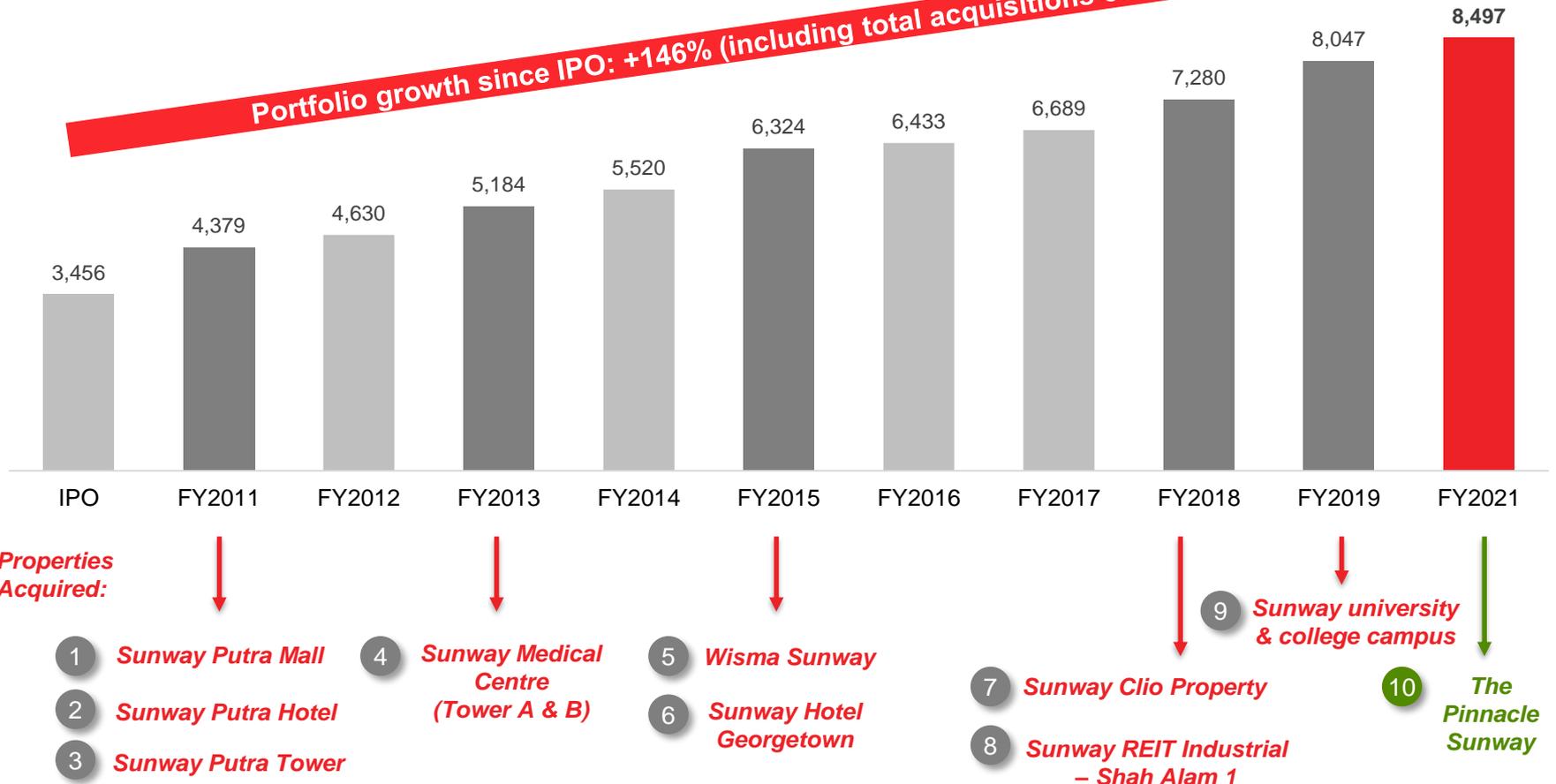
Source: Sunway REIT Management. Valuation report by Knight Frank - Valuations conducted on June 1, 2020

Increases Portfolio Strength Through Further Diversification

Property Value (RM million)

■ indicates years in which acquisitions took place

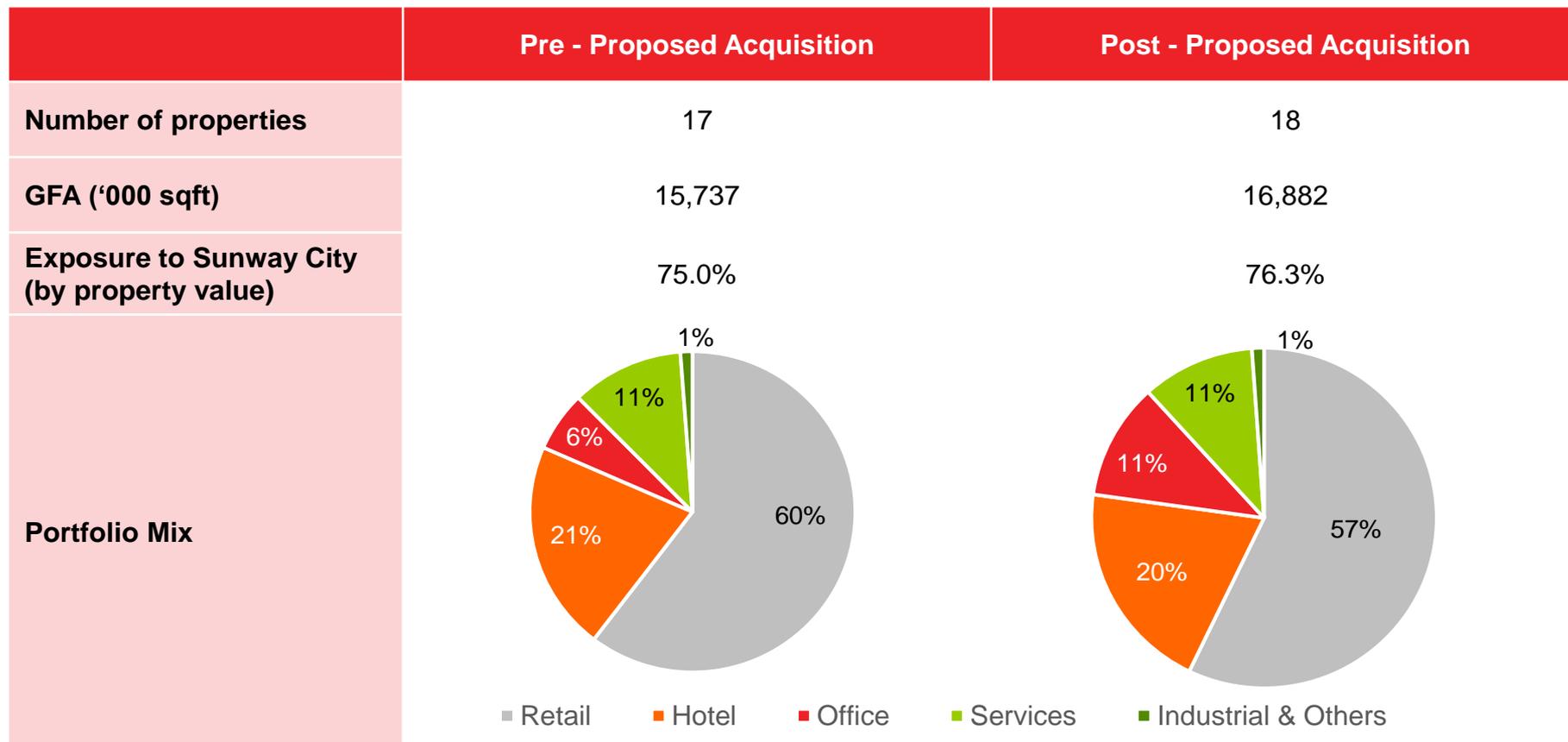
Portfolio growth since IPO: +146% (including total acquisitions of RM2.5 billion)



The Proposed Acquisition will be Sunway REIT's 10th property acquired since IPO and further strengthens its position as the 2nd largest property portfolio among M-REITs

Source: Sunway REIT's announcement and 2019 Annual Report

Increases Portfolio Strength Through Further Diversification (Cont'd)



The Proposed Acquisition will help to reduce the reliance on any single asset or sector and improve diversity of the overall portfolio of Sunway REIT

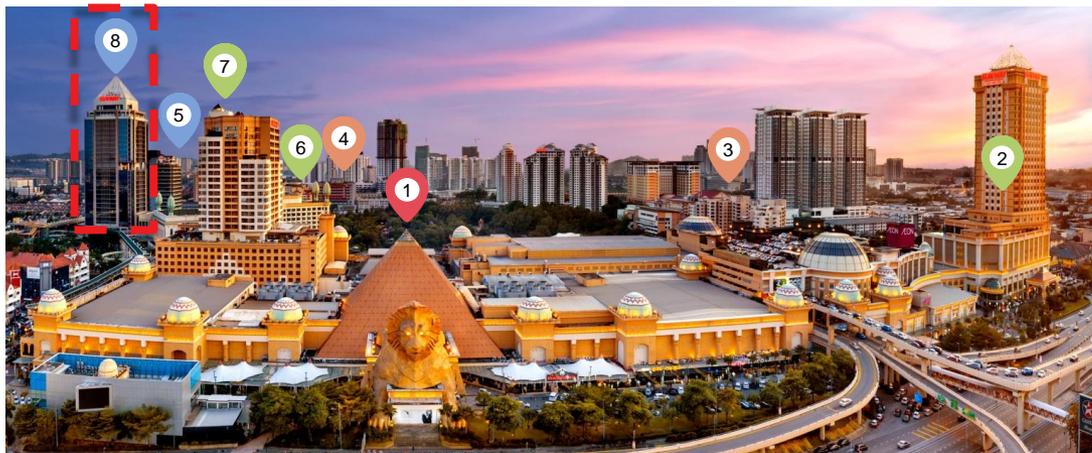
Source: Sunway REIT's announcement and 2019 Annual Report

Enhances Scale and Synergies within Sunway City Eco-System

Complementary Addition to Sunway REIT's Existing 7 Assets Within Sunway City

- The Pinnacle Sunway will be the 8th asset within Sunway City to be added to the portfolio
- The acquisition is **synergistic to its existing assets within the integrated township**, as it will allow Sunway REIT to scale and maximize operational and business synergies between The Pinnacle Sunway and its existing properties located within Sunway City
- The acquisition also reaffirms the Manager's **strong conviction of the longer term sustainable growth of the Sunway City ecosystem**, especially due to the **complementary business support from the traffic generated from the various components of Sunway City**

Realising Value for Stakeholders through the Power of Sunway City



Sunway REIT's Properties within Sunway City

1	Sunway Pyramid Shopping Mall
2	Sunway Clio Hotel
3	Sunway university & college campus
4	Sunway Medical Centre (Tower A & B)
5	Menara Sunway
6	Sunway Resort Hotel & Spa
7	Sunway Pyramid Hotel
8	The Pinnacle Sunway

Legend:

■	Retail	■	Services
■	Hotel	■	Office
 	Proposed Acquisition		

- Sunway City is **Malaysia's iconic powerhouse and premier tourist destination**. Harnessing the boundless synergy of an integrated development, Sunway City embraces innovation and sustainability to deliver a unique world-class smart and sustainable experience for its visitors and the local community.
- Sunway City aspires to be the **national model of a smart and sustainable city**. It is a fully Wi-Fi enabled city with a pioneering state-of-the-art eco-friendly public transportation system, the Bus Rapid Transit.
- **Two-thirds of Sunway REIT's properties have flourished in this city**, and created significant value for its stakeholders, in line with Sunway REIT's purpose of empowering businesses, curating experiences and enriching lives

Core Differentiators of the Sunway City Eco-System

1. Connectivity, integration & synergy
2. Championing sustainability
3. Infrastructure & transportation
4. Innovative business approach

Source: Sunway REIT Management, Sunway REIT Annual Report FY19

3. Proposed Private Placement



Indicative Terms of the Proposed Private Placement

Issuer	<ul style="list-style-type: none"> • Sunway Real Estate Investment Trust (“SUNWAY REIT”)
Type of Offering	<ul style="list-style-type: none"> • Private Placement of new units of Sunway REIT • Undertaken under the General Mandate to be obtained at the forthcoming AGM
Offering Size	<ul style="list-style-type: none"> • Up to RM710.0 million raised via issuance of new units in Sunway REIT
Basis of Determining the Issue Price	<ul style="list-style-type: none"> • The Placement Issue Price shall be determined by way of book-building • Shall be fixed based on a discount of not more than 10.0% to 5-day volume weighted average price (“VWAP”) before the Placement Price-Fixing Date
Basis of Distribution	<ul style="list-style-type: none"> • Placement Units will be placed out to local and foreign investors who fall under Schedules 6 and 7 of the Capital Markets and Services Act 2007 / Regulation S
Potential Participation by Major Unitholders	<ul style="list-style-type: none"> • The Placement Units may also be placed out to Sunway REIT Holdings Sdn. Bhd., being an existing 40.9% Major Unitholder as at LPD and other Major unitholders • REIT Manager will seek unitholders’ approval for the participation by Major Unitholders at the Unitholders’ Meeting
Principal Advisor for the Proposals	
Joint Placement Agents	  

Proposed Utilisation of Proceeds*

A total of RM405.0 million will be used for the Proposed Acquisition and RM295.3 million will be used for the expansion of Sunway Carnival Mall, with the rest being utilized for paying expenses in relation to the Proposals

Intended Utilisation of Proceeds

1

Proposed Acquisition of The Pinnacle Sunway – RM405.0 million

- Purchase Consideration: RM450.0 million (100% stake)
- Funded through a combination of debt (RM45.0 million) and proceeds from the Proposed Private Placement (RM405.0 million)

2

Expansion of Sunway Carnival Mall – RM295.3 million

- The total estimated project cost - approximately RM353.3 million
- The first phase of the expansion started since 2018 and is expected to be completed by 2021

3

Defray estimated expenses related to the Proposals

Proposed Acquisition

1



The Pinnacle Sunway

- 10th property to be acquired by Sunway REIT since IPO

Note: Details of the Proposed Acquisition is outlined in Section 2

Expansion

2



Expansion of Sunway Carnival Mall

- Sunway REIT's iconic retail mall in Penang

Note: Sunway REIT intends to fund any shortfall in the capital expenditure for expansion of Sunway Carnival Mall via internally-generated funds and/or bank borrowings

**For illustrative purposes only*

The exact amount of proceeds to be raised from the Proposed Private Placement cannot be determined at this juncture as the amount would depend on the actual number of Placement Units to be issued and Placement Issue Price, which can only be determined on the Placement Price-Fixing Date

Overview of the Expansion of Sunway Carnival Mall

Expansion of Sunway Carnival Mall



The expansion of Sunway Carnival Mall (comprising 9 storeys of retail space and 7 levels of carpark) is expected to transform the retail scene in Penang with its appealing architectural design and enhanced tenancy mix of international and regional retailers.

Upon completion of Phase 1, the existing wing will also be rejuvenated to synchronise with the overall concept of the mall (Phase 2).

Proceeds from the placement will be channeled towards development of Phase 1.

Estimated total property development cost (including land)

RM353.0 million

Estimated cost outstanding as at LPD

RM265.0 million

Commencement of Phase 1

2018

Target completion of Phase 1

2021

Additional NLA (sqft)

Approximately 350,000 sqft

Total NLA post-expansion (sqft)

Approximately 830,000 sqft

Key Highlights

Expect to transform the retail landscape in Penang

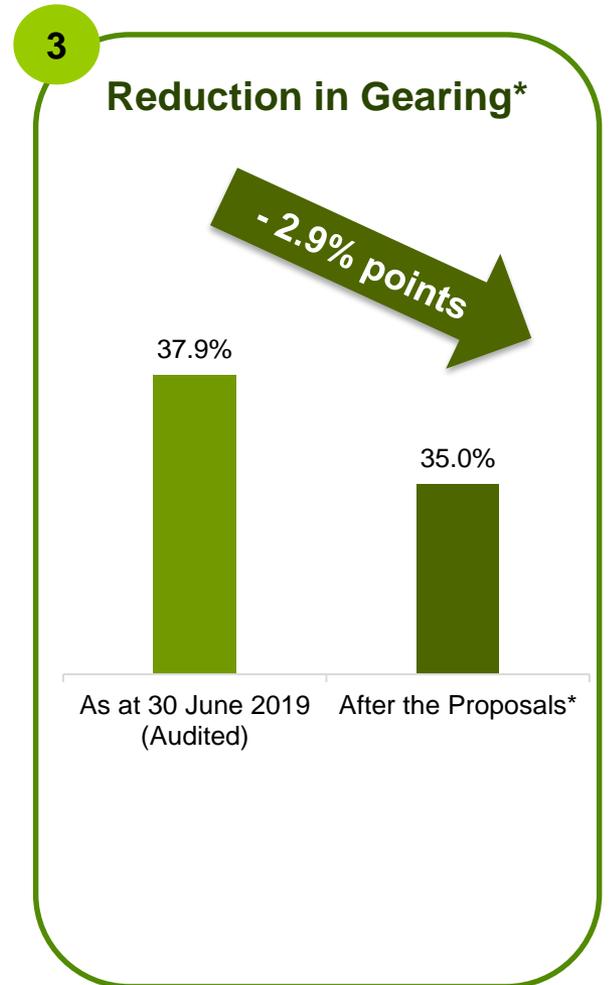
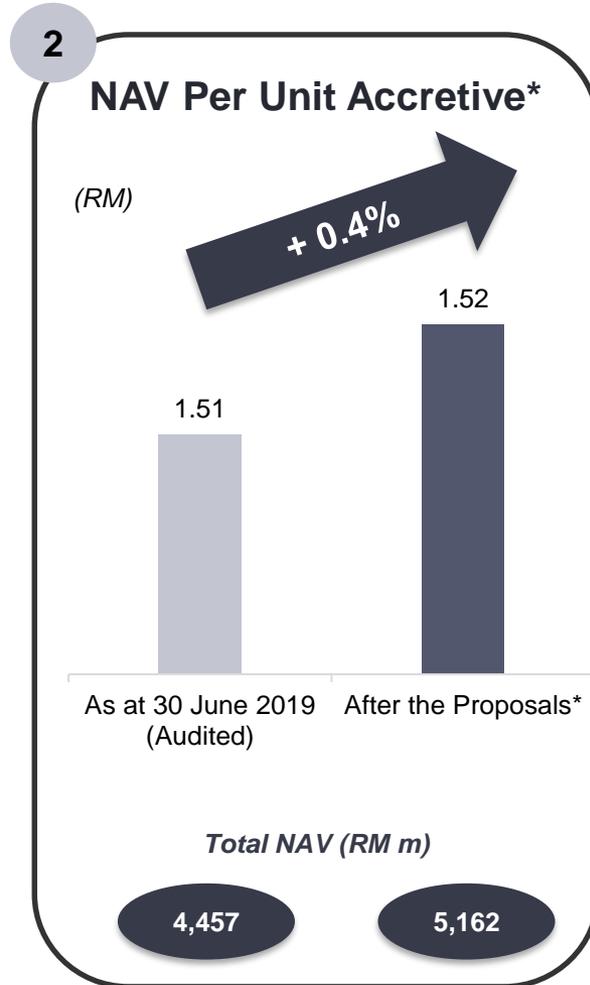
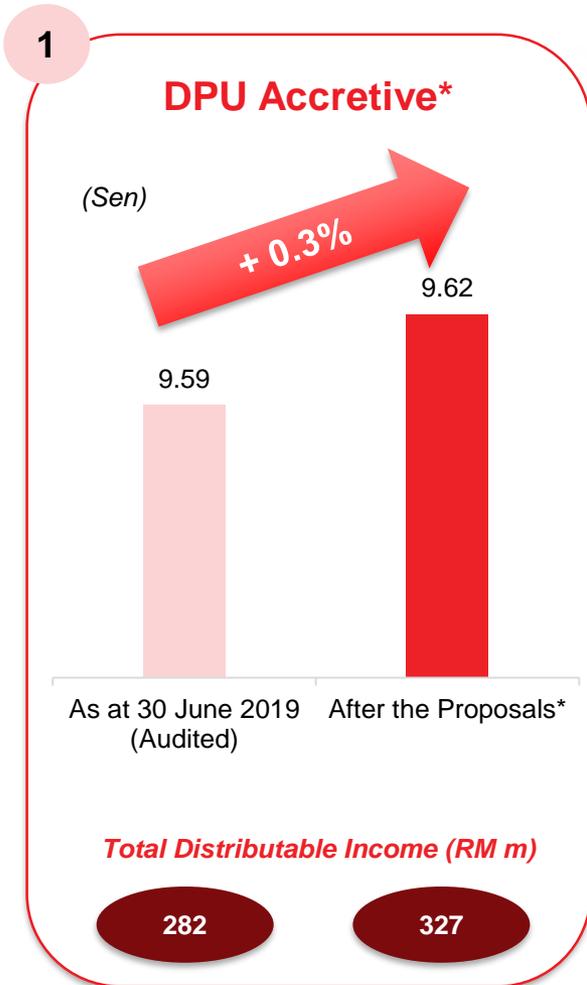
Enhance breadth and depth of tenancy mix in line with evolving lifestyle demands of shoppers

Expected to be Earnings and DPU accretive

Source: Sunway REIT Management

Note: (1) Enlarged total asset value based on appraised value as of FY2019 & The Pinnacle Sunway appraised value as at 1 June 2020

Proforma Effects of the Proposals*



*For illustrative purposes only. Refer to Section 6 of the Announcement by Sunway REIT dated 29th June 2020, for detailed calculations

The exact amount of proceeds to be raised from the Proposed Private Placement cannot be determined at this juncture as the amount would depend on the actual number of Placement Units to be issued and Placement Issue Price, which can only be determined on the Placement Price-Fixing Date

The pro-forma effects are calculated assuming a Proposed Private Placement of 452,200,000 units issued at a Placement Issue Price of RM1.57 per unit, being a 5.0% discount to the 5-Day VWAP of Sunway REIT up to and including 16 June 2020

The effects of the Proposed DRS are not incorporated as the Board has not determined any particular Income Distribution to which the Proposed DRS applies

Rationale for the Proposed Private Placement

Rationale	Description
1 Partly Finance the DPU-Accretive Acquisition and the Expansion of Sunway Carnival	<ul style="list-style-type: none">• Placement proceeds will primarily be used to partly finance the Proposed Acquisition, and the expansion of Sunway Carnival Mall• Expected to improve Earnings and DPU to unitholders
2 Strengthen Financial Position and Capital Base	<ul style="list-style-type: none">• Strengthen capital position and improve financial flexibility with gearing expected to decrease from 37.9% to 35.0%• The gearing reduction will provide Sunway REIT with greater financial flexibility and may allow Sunway REIT to obtain further financing facilities as and when required in the future
3 Expand Unitholder Base	<ul style="list-style-type: none">• To attract more local and international investors to invest in Sunway REIT, thereby potentially enlarging the Unitholders base• To also allow new investors to invest in Sunway REIT, which will serve as a testament to investors' confidence in the future prospects of Sunway REIT
4 Improve Trading Liquidity	<ul style="list-style-type: none">• The Proposed Private Placement will result in an increase in the market capitalization and free float market capitalization of the REIT. This may result in an improvement of the trading liquidity of the REIT

4. Proposed Establishment of a Distribution Reinvestment Scheme (“DRS”)



Description of the Proposed DRS

Overview

- The Distribution Reinvestment Scheme (“**DRS**”) will give unitholders of Sunway REIT an option to re-invest their cash income distribution in new units of Sunway REIT (“**DRS Units**”)
- Unitholders will have an option to invest in whole or in part of their cash distribution income in the DRS
- The DRS will be applicable to interim, final, special, or other types of cash distributions (“**Income Distribution**”)

Re-Investment Option

- The Board may, at its absolute discretion, determine whether to pay Income Distribution in cash or to offer the Unitholders the option to reinvest all or part of such Income Distribution in DRS Units (“**Reinvestment Option**”)
- If the Reinvestment Option is elected, the Board will declare the size of the portion of such Income Distribution to which the Reinvestment Option applies (“**Electable Portion**”)
- Sunway REIT is not obliged to undertake the Proposed DRS for each and every Income Distribution to be declared

Available Option to Unitholders

The Unitholders will have the following options in respect of a Reinvestment Option:

- I. to elect to participate in the Reinvestment Option by reinvesting the entire Electable Portion and to receive the Remaining Portion in cash;
- II. to elect to participate in the Reinvestment Option by reinvesting part of the Electable Portion and to receive the balance of the Electable Portion and Remaining Portion in cash; or
- III. to elect not to participate in the Reinvestment Option and thereby receiving their entire Income Distribution entitlement (both Electable Portion and Remaining Portion) wholly in cash

DRS Issue Price

- The DRS Issue Price, will be determined by the Board on a price-fixing date to be announced later (“**DRS Price-Fixing Date**”)
- The DRS Issue Price shall be an issue price of not more than a 10.0% discount to 5-day VWAP of Sunway REIT before the DRS Price-Fixing Date
- The DRS Units will be issued free of any brokerage fees and other related transaction costs to participating Unitholders, unless otherwise provided by any statute, law or regulation

Rationale for the Proposed DRS Scheme

Rationale	Description
1 Provides Flexibility in Capital Management	<ul style="list-style-type: none"> • Provides the Manager with flexibility in managing the REIT's capital position • The reinvestment of Income Distribution by the Unitholders for DRS Units will also enlarge the unit capital base of Sunway REIT • The cash retained which would otherwise be used for the payment of Income Distribution, will be preserved for working capital, capital expenditure and / or other needs of Sunway REIT to be identified at the point when such funds are retained
2 Allows Unitholders to have the Option of Reinvesting Further into Sunway REIT	<ul style="list-style-type: none"> • The Proposed DRS will provide the Unitholders with an opportunity to enhance and maximize the value of their unitholdings in Sunway REIT by investing in DRS Units at a discount • The Proposed DRS will also provide flexibility to the Unitholders in meeting their investment objectives as the Unitholders would have the option of receiving Income Distribution in cash and/or reinvesting in the DRS Units • The Proposed DRS only provides Unitholders with the option, and does not impose any obligation on Unitholders to reinvest their Income Distribution, in whole or in part, in the DRS Units
3 Alternative Mode of Income Distribution	<ul style="list-style-type: none"> • The implementation of the Proposed DRS will provide an avenue to the Unitholders to exercise the Electable Portion under the Reinvestment Option into DRS Units in lieu of receiving cash
4 Improve Trading Liquidity of Sunway REIT	<ul style="list-style-type: none"> • The Proposed DRS may potentially improve the trading liquidity of Units as well as strengthen the financial position and capital base of Sunway REIT through the issuance of DRS Units resulting in an enlarged capital base

Proposed DRS Process Flow Chart

