

MEDIA RELEASE

11 August 2016

## FINANCIAL RESULTS ANNOUNCEMENT

### SUNWAY REIT'S FY2016 FINANCIAL PERFORMANCE BOOSTED BY RETAIL AND HOTEL ASSETS

#### Key Highlights:

- Revenue and net property income rose by 11.8% and 9.7% year-on-year respectively for FY2016
- DPU increased by 5.2% to 9.18 sen for FY2016, from 8.73 sen last year
- The Securities Commission has granted the waiver for the proposed land acquisition in Seberang Jaya, Mainland of Penang

#### Financial Highlights

FYE June 2016	Current quarter			Financial Year		
	4Q2016	4Q2015	Change	2016 (Unaudited)	2015 (Unaudited)	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Gross revenue	123,585	114,937	7.5	507,013	453,454	11.8
Net property income (NPI)	90,170	84,420	6.8	373,851	340,826	9.7
<b>Net Realised Income</b>	<b>60,618</b>	<b>56,680</b>	<b>7.0</b>	<b>262,473</b>	<b>242,032</b>	<b>8.5</b>
Unrealised Income <sup>1</sup>	62,279	301,227	-79.3	61,223	299,412	-79.6
Total Profit for the period <sup>1</sup>	122,897	357,907	-65.7	323,696	541,444	-40.2
Proposed / declared distribution	62,411	60,224	3.7	270,075	256,163	5.4
<b>Distribution per unit (DPU) (sen)</b>	<b>2.12</b>	<b>2.05</b>	<b>3.4</b>	<b>9.18</b>	<b>8.73</b>	<b>5.2</b>
Distribution yield (Based on closing price of RM1.66 per unit on 30 June 2016)				5.5%	5.8% <sup>2</sup>	N.A

<sup>1</sup> Mainly contributed by fair value gains arising from asset revaluation

<sup>2</sup> Based on actual DPU of RM8.73 sen declared in FY2015 and unit price of RM1.54 as at 30 June 2015.

N.A. denotes not applicable

**Subang Jaya, 11 August 2016** – Sunway REIT Management Sdn. Bhd., the Manager of Sunway Real Estate Investment Trust (“Sunway REIT”), is pleased to announce its financial results ended 30 June 2016.

### **Financial year 2016 unaudited financial results for the period from 1 July 2015 to 30 June 2016 (“FY2016”)**

Sunway REIT has registered a moderate growth in its earnings and distribution per unit (DPU) for FY2016 despite the challenging operating environment. Backed by the resiliency of the assets located in the thriving township of Sunway Resort City (SRC) and new income contribution from Sunway Putra Mall, Sunway REIT proposed and declared a total DPU of 9.18 sen for FY2016, representing a growth of 5.2% from the preceding year, translating into a DPU yield of 5.5% based on the unit price of RM1.66 as at 30 June 2016.

For the financial year ended 30 June 2016, revenue surpassed the RM500 million mark to RM507.0 million, representing a growth of 11.8% compared to FY2015. Net property income (NPI) expanded by 9.7% year-on-year (y-o-y) to RM373.9 million. The set of financial performance was underpinned by growth from the retail segment and hotel segment coupled with full year income contribution from Sunway Putra Mall, Sunway Hotel Georgetown and Wisma Sunway. Sunway Putra Mall was reopened on 28 May 2015 following the completion of a massive refurbishment while Sunway Hotel Georgetown and Wisma Sunway were acquired in January 2015 and March 2015 respectively. The financial performance was partially offset by weak performance from the office segment.

In general, the operating environment were faced with headwinds across the main segments in our asset portfolio during the financial year. Soft consumer sentiment continued to pose challenges to the retail segment. This is further exacerbated by oversupply of retail space in the Klang Valley. Notwithstanding the challenges, the retail segment remained resilient and charted a revenue growth of 15.1% in FY2016 compared to the preceding year. Likewise, NPI expanded by 13.7% y-o-y. As one of the prime regional malls in the Klang Valley with an established market catchment, Sunway Pyramid Shopping Mall’s financial performance has remained solid as it continued to improve its tenancy mix and undertake active marketing activities to drive footfall to the mall.

The hotel segment was challenged by soft consumer sentiment and fragile business confidence. In spite of that, our flagship hotel in SRC, Sunway Resort Hotel & Spa has enjoyed an extended period of strong leisure demand during the financial year. The financial performance of the hotel was further boosted by the full year contribution from Sunway Hotel Georgetown. Likewise, we saw gradual improvement in Sunway Putra Hotel following the completion of its refurbishment in December 2015. During the 1HFY2016, Sunway Putra Hotel's occupancy was affected by lower room inventory as the refurbishments of the rooms were progressively handed over. In all, the hotel segment reported 18.7% y-o-y growth in revenue and 17.1% y-o-y growth in NPI for FY2016.

Due to the massive oversupply of office space, the office segment reported lower revenue and NPI in FY2016. Revenue and NPI declined by 22.6% y-o-y and 41.6% y-o-y respectively due to the low average occupancy at Sunway Putra Tower and Sunway Tower. However, the lower revenue was mitigated by the full year income contribution from Wisma Sunway which was acquired in March 2015.

#### **Fourth quarter unaudited financial results for the period from 1 April 2016 to 30 June 2016 (“4QFY2016”)**

For the fourth quarter ended 30 June 2016, Sunway REIT reported a revenue of RM123.6 million, representing a growth of 7.5% compared to the corresponding quarter in the preceding year. NPI increased by 6.8% y-o-y to RM90.2 million. The financial performance was primarily contributed by the retail segment. This was however offset by lower contribution from the hotel and office segments.

For the retail and office segments, the contributing factors are similar to the reasons for FY2016 as discussed above. However, the hotel segment reported a 4.5% and 7.8% moderation in revenue and NPI growth compared to the corresponding quarter in the preceding year due to the closure of Sunway Pyramid Hotel East to undertake refurbishment for a period of 12 months. The hotel was closed progressively since March 2016 and The Manager expects the hotel to be reopened in 3QFY2017 (1QCY2017). The refurbishment cost for the hotel is estimated at RM123.6 million and it will be upgraded to a deluxe category 4-star international-class hotel with its room inventory increasing from 549 to 564 rooms.

For the quarter ended 30 June 2016, the Manager proposed a DPU of 2.12 sen, representing an increase of 3.4% compared to the same period last year.

Dato' Jeffrey Ng, CEO of Sunway REIT Management Sdn. Bhd., commented, "I am pleased to share that we managed to maintain a moderate growth in DPU for the financial year despite the challenging operating environment. We attribute the resiliency of the assets' performance located in SRC to the 7-in-1 horizontally integrated nature of the township. The thriving township continues to attract 42 million visitations a year which has mitigated the softer market condition."

On 20 June 2016, Sunway REIT proposed to acquire 3.3 acres of commercial land in Seberang Jaya, Mainland of Penang to facilitate the expansion of Sunway Carnival Shopping Mall. The Securities Commission (SC), on 13 July 2016, has granted the exemption from the Paragraph 8.44(b) and (c) of the REIT Guidelines subject to the condition that Sunway REIT continues to hold the expanded Sunway Carnival Shopping Mall for at least 2 years from the date of completion of the new wing extension. The proposed new wing which is under planning will consist of a nine-storey retail building with 6 levels of parking bays above the retail space and a future commercial tower block.

Commenting on the proposed expansion, "We believe that size matters in order to solidify our leadership positioning in the Mainland of Penang. The proposed expansion facilitates us to cater to the growing demand for international and regional retailers, as well as to meet the expectations of increasingly sophisticated consumers," he said.

Sharing on the prospects, he stated, "The outlook for the next financial year remains difficult. However, we hope to see gradual improvement in the performance of some of our assets. In our view, the worst is probably over for Sunway Tower and Sunway Putra Tower as we managed to secure several replacement tenants albeit at a slower pace and competitive rates, provided that the market condition does not deteriorate further."

"Although the income contribution for FY2017 will be affected by the closure of Sunway Pyramid Hotel East, we are of the view that this is the best time to upgrade the hotel due to the soft market condition. The hotel will be in good position to compete in the market place upon its completion." he elaborated further.

## About Sunway Real Estate Investment Trust

Sunway Real Estate Investment Trust (Sunway REIT or Trust) is one of the largest retail-focused<sup>3</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 RM4.9 billion as at 30 June 2016. Sunway REIT is a component of FTSE-Bursa Malaysia Mid 70 Index, FTSE4 Good Index and TR/GPR/APREA Composite REIT Index Malaysia. 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 Resort City (SRC) where its flagship asset, Sunway Pyramid Shopping Mall, is located. The other assets located in SRC include Sunway Resort Hotel & Spa, Sunway Pyramid Hotel East (formerly known as Pyramid Tower 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>3</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 11 August 2016 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.

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