



Driving values through sustainable growth

MEDIA RELEASE

11 August 2014

## FINANCIAL RESULTS ANNOUNCEMENT

### Resilient Despite Headwinds

#### Key Highlights:

- Healthy net realized income growth of 6.0% YoY in FY2014 despite lost/reduced net property income contribution from Sunway Putra Place amounting to RM21.9 million.
- A higher DPU of 8.36 sen in FY2014, beating consensus estimates by 4.5%.
- FY2014 portfolio value expanded to RM5.5 billion pursuant to fair value gain of RM179.1 million and capex of RM156.9 million.

#### Financial Highlights

	Current quarter			Year to date		
	4Q2014	4Q2013	Change	4Q2014 (Unaudited)	4Q2013 (Unaudited)	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Gross revenue	109,217	103,906	5.1	427,788	415,946	2.8
Net property income (NPI)	78,823	78,524	0.4	320,977	309,196	3.8
<b>Net Realised Income</b>	<b>56,069</b>	<b>55,469</b>	<b>1.1</b>	<b>231,931</b>	<b>218,785</b>	<b>6.0</b>
Unrealised Income	179,141	173,502	3.3	179,193	173,537	3.3
Total Profit for the period/year	235,210	228,971	2.7	411,124	392,322	4.8
Proposed / declared distribution	59,453	58,972	0.8	244,533	230,893	5.9
<b>Distribution per unit (DPU) (sen)</b>	<b>2.03</b>	<b>2.02</b>	<b>0.5</b>	<b>8.36</b>	<b>8.30</b>	<b>0.7</b>
Distribution yield (Based on closing price of RM1.44 per unit on 30 June 2014 and RM1.54 per unit on 30 June 2013)				5.8%	5.4%	N.M



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**Subang Jaya, 11 August 2014** – Sunway REIT Management Sdn. Bhd., the Manager of Sunway Real Estate Investment Trust (“Sunway REIT”), is pleased to announce as follows:

a) Fourth quarter unaudited financial results for the period from 1 April 2014 to 30 June 2014 (“4Q2014”)

Sunway REIT’s 4Q2014 gross revenue expanded by 5.1% year-on-year (“y-o-y”) to RM109.2 million despite a 41.9% decline in revenue contribution from Sunway Putra Place due to the ongoing major refurbishment works which commenced in May 2013. Net property income (“NPI”) grew at a slower pace at 0.4% y-o-y in 4Q2014, attributed to a 19.7% increase in property operating expenses arising from the 17% electricity tariff hike, higher maintenance cost and provision for higher assessment tax for Kuala Lumpur properties. The disruption from refurbishment at Sunway Putra Place coupled with higher operating expenses would have caused a decline in income if these were not fully mitigated by resilient performance of Sunway Pyramid Shopping Mall (gross revenue: +11.3% y-o-y; NPI: +9.7% y-o-y) and Sunway Carnival Shopping Mall (gross revenue: +11.5% y-o-y; NPI: +10.6% y-o-y) as well as improved performance of Sunway Resort Hotel & Spa (gross revenue: +15.9% y-o-y; NPI: +18.2% y-o-y).

The retail segment continued to report healthy growth with revenue and NPI jumped 10.0% and 6.9% y-o-y respectively in 4Q2014 despite loss of contribution from Sunway Putra Mall. Both Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall completed their major rental reversion during the financial year with 59.1% and 50.9% of total net lettable area, respectively, renewed/replaced with a double digit rental reversion for a 3-year term. Additional income from the AEI at Oasis Boulevard 5 (“OB5”) at Sunway Pyramid Shopping Mall in 2Q2014 coupled with the increase in service and promotional charges at both Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall with effect from June 2014 also helped to cushion the adverse impact.

Revenue and NPI for hotel segment dropped by 11.9% and 14.2% y-o-y in 4Q2014 respectively mainly due to lower contribution from Sunway Putra Hotel (affected by the ongoing major refurbishment works at the adjoining Sunway Putra Mall and the hotel’s own refurbishment), partly mitigated by better performance of Sunway Resort Hotel & Spa. Business activities for Sunway Resort Hotel & Spa picked up since 3Q2014 on the back of improved demand from corporate and MICE business supported by tactical promotional activities undertaken.

The office segment registered a modest revenue growth of 1.4% y-o-y in 4Q2014, underpinned by rental reversion for both Menara Sunway and Sunway Putra Tower. However, the growth was offset by weaker performance of Sunway Tower due to surrender of some space by an anchor tenant. NPI fell by 12.2% y-o-y, dragged down by higher utilities expenses and provision for increased assessment for properties located in Kuala Lumpur as well as higher advertising expenses and agents’ commission incurred for Sunway Putra Tower.



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### b) Full year unaudited financial results for the period from 1 July 2013 to 30 June 2014 (“FY2014”)

For the full year, gross revenue rose by 2.8% to RM427.8 million y-o-y while NPI was higher by 3.8% y-o-y to RM321.0 million. Sunway REIT managed to fully mitigate the lost/reduced income contribution from Sunway Putra Place and rising operating costs mainly attributable to the resilient growth of Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall as well as full year contribution from Sunway Medical Centre which was acquired in December 2012.

The Manager proposes a higher distribution per unit (“DPU”) of 2.03 sen for 4Q2014 (+0.5% y-o-y), bringing FY2014 DPU to 8.36 sen (FY2013: 8.30 sen), beating consensus forecast by 4.5%.

Sunway REIT’s portfolio value increased to RM5.5 billion after recognizing a fair value gain on investment properties of RM179.1 million, net of capex of RM156.9 million. Sunway REIT remains as the second largest REIT in Malaysia measured by asset size.

Dato’ Jeffrey Ng, CEO of Sunway REIT Management Sdn. Bhd., commented, “We are pleased that Sunway REIT has delivered a commendable set of results with higher DPU despite all the challenges faced during the year due to our effective mitigating strategies implemented over the years in view of the anticipated disruptions arising from refurbishments at Sunway Putra Place to ensure sustained DPU. Since IPO, Sunway REIT has registered a 4-year DPU CAGR of 8.3% and average total return of 18.8% per annum.”

He added, “For the coming financial year, we will continue to ensure that the RM460 million AEI plan for Sunway Putra Place is completed within the timeline, budget and quality so that contribution could resume as planned. We expect DPU to grow moderately in FY2015 with the re-opening of Sunway Putra Mall in 3QFY2015.”

He commented further, “We expect the recent interest rate hike by Bank Negara Malaysia to have minimal impact on FY2015 earnings given our high proportion of fixed rate borrowings of 76% and healthy gearing of 31%. In view of the current rising interest rate environment, we will continue to adopt pro-active capital management strategies and plan to maintain 70-80 percent of fixed rate borrowings as part of our strategy to provide income stability.”



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## **About Sunway Real Estate Investment Trust**

Sunway Real Estate Investment Trust (“Sunway REIT”) was listed on the Main Market of Bursa Malaysia Securities Berhad on 8 July 2010 and is the country’s second largest real estate investment trust (“REIT”) in terms of assets size as at 30 June 2014. The assets of Sunway REIT comprise shopping malls, hotels, offices and healthcare that are located in Bandar Sunway, Kuala Lumpur, Seberang Jaya and Ipoh. Sunway REIT’s market capitalization is RM4.22 billion as at 30 June 2014 and total portfolio assets valued at RM5.52 billion as at 30 June 2014.

## **Important notice**

Kindly read this media release in conjunction with the announcement released to Bursa Malaysia dated 11 August 2014 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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