

MEDIA RELEASE

6 February 2018

FINANCIAL RESULTS ANNOUNCEMENT

SUNWAY REIT'S NET PROPERTY INCOME INCREASED BY 12.7% TO RM214.4 MILLION FOR THE FIRST HALF OF FINANCIAL YEAR ENDING JUNE 2018

Key Highlights:

- Revenue rose by 10.5% year-on-year to RM282.6 million for the first half of FY2018, underpinned by growth across all segments and new income contribution from Sunway REIT Industrial - Shah Alam 1
- DPU increased by 11.0% year-on-year to 5.05 sen for the first six months of FY2018
- The acquisition of Sunway Clío Property is targeted to be completed by 1Q CY2018

Financial Highlights

FYE June 2018	Current Quarter			Year-to-Date		
	2Q2018	2Q2017	Change	2Q2018 (Unaudited)	2Q2017 (Unaudited)	Change
	RM'000	RM'000	%	RM'000	RM'000	%
Gross revenue	141,470	126,880	11.5	282,639	255,759	10.5
Net property income (NPI)	103,367	94,055	9.9	214,353	190,120	12.7
Net Realised Income	70,045	67,130¹	4.3	148,781	133,862¹	11.1
Unrealised Income / (loss)	952	4,013	(76.3)	1,445	1,424	1.5
Total Profit for the period	70,997	71,143 ¹	(0.2)	150,226	135,286 ¹	11.0
Proposed / declared distribution	(70,093)	(67,148) ¹	4.4	(148,727)	(134,001) ¹	11.0
Distribution per unit (DPU) (sen)	2.38	2.28	4.4	5.05	4.55	11.0
Annualised distribution yield (Based on closing price of RM1.90 per unit on 31 December 2017)	N.A	N.A		5.3%	5.2% ²	N.A

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

² Based on actual DPU of RM9.19 sen declared in FY2017 and unit price of RM1.78 as at 30 June 2017.

N.A. denotes not applicable

Bandar Sunway, 6 February 2018 – 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 2017.

First half unaudited financial results for the period from 1 July 2017 to 31 December 2017 (1H FY2018)

Sunway REIT has reported a healthy set of financial results for the first six months of financial year ending June 2018. Revenue rose by 10.5% year-on-year (y-o-y) to RM282.6 million, underpinned by growth across all segments and new income contribution from Sunway REIT Industrial-Shah Alam 1. Net property income (NPI) increased correspondingly by 12.7% y-o-y to RM214.4 million.

The financial performance for the retail segment remained encouraging during the first half of FY2018, supported by higher revenue across all retail properties except SunCity Ipoh Hypermarket. For the first six months of FY2018, the retail segment registered a revenue growth of 4.4% y-o-y to RM207.3 million. The higher revenue was mainly attributable to higher average gross rental for Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall. In addition, Sunway Putra Mall has incurred lower rental rebates which translated into higher revenue. This was marginally offset by lower revenue contribution from SunCity Ipoh Hypermarket on the back of lower rental reversion upon renewal of the tenancy in 4Q FY2017. NPI improved in tandem by 4.9% y-o-y to RM149.2 million in 1H FY2018.

The hotel segment recorded a surge in revenue in 1H FY2018 on the back of improved financial performance across all hotels except Sunway Hotel Seberang Jaya. This is further boosted by full rooms inventory at Sunway Pyramid Hotel following the completion of its refurbishment in June FY2017. Revenue climbed 47.4% y-o-y to RM45.9 million and NPI jumped 50.1% y-o-y to RM44.0 million during the period under review.

The office segment continued to stabilize on a firmer ground due to higher occupancy at Menara Sunway and Sunway Putra Tower. This was partially offset by slight attrition at Wisma Sunway during the corresponding period under review. Revenue for the office segment improved by 4.0% y-o-y to RM15.9 million. However, NPI contracted marginally by 1.2% y-o-y due to higher property operating expenses.

Under the non-core “Others” segment, revenue and NPI rose by 25.1% y-o-y due to new income contribution from Sunway REIT Industrial – Shah Alam 1 upon the completion of the acquisition of the property in August 2017. This segment forms the defensive and steady income stream strategy of the assets portfolio.

Second quarter unaudited financial results for the period from 1 October 2017 to 31 December 2017 (2Q FY2018)

For the second quarter ended 31 December 2017, Sunway REIT’s revenue and NPI expanded by 11.5% y-o-y and 9.9% y-o-y respectively. The healthy set of financial performance was driven by improved financial performance across all segments as discussed above.

Revenue for the retail segment increased by 5.0% y-o-y to RM103.8 million in 2Q FY2018 for the same reasons discussed above. The revenue was offset by higher property operating expenses largely attributable to increase in maintenance expenses and allowance for doubtful debts. As a result, NPI was marginally higher by 0.2% y-o-y to RM70.9 million.

Meanwhile, the hotel segment reported a revenue growth of 54.5% y-o-y to RM22.9 million in 2Q FY2018. NPI increased correspondingly by 57.3% y-o-y to RM21.9 million. In addition to the reasons mentioned above, Sunway Resort Hotel and Spa has enjoyed higher revenue contribution from the food and beverages (F&B) division benefitting from robust Meetings, Incentives, Conferences and Events (MICE) activities. However, it was partially offset by lower average occupancy rate from the leisure segment and one-off large group events during the corresponding quarter in the preceding year.

Despite higher average occupancy rates for the office properties, revenue for the office segment was flattish in 2Q FY2018 due to competitive rental rates offered to tenants in a highly challenging office sub-sector environment.

Under the non-core “Others” segment, revenue and NPI rose by 29.5% y-o-y in 2Q FY2018 due to new income contribution from Sunway REIT Industrial – Shah Alam 1 as mentioned above.

For the quarter ended 31 December 2017, the Manager proposed a distribution per unit (DPU) of 2.38 sen, representing an increase of 4.4% compared to the corresponding quarter in the preceding year. For the first six months of FY2018, DPU rose by 11.0% to 5.05 sen, translating into an annualized distribution yield of 5.3% based on unit price of RM1.90 as at 31 December 2017.

On 25 January 2018, the Monetary Policy Committee (MPC) of BNM hiked the Overnight Policy Rate (OPR) by 25bps to 3.25%. The MPC has decided to normalise the degree of accommodation in view of the steady economic growth and recognises the need to pre-emptively ensure that the monetary policy stance is appropriate to prevent the build-up of risks that potentially arise from prolonged low interest rate regime. Most economists expect only one interest rate hike in CY2018 however some expect up to 2 interest rate hike to 3.50%. Sunway REIT is monitoring the situation closely and taking proactive strategy as part of its capital management to optimize the debt maturity profile and tenure.

Dato' Jeffrey Ng, CEO of Sunway REIT Management Sdn. Bhd., commented, "I am pleased to share that the set of encouraging financial performance was supported by the resiliency of the properties in the assets portfolio. We expect this is to be further boosted by new income contributions from the recent acquisitions where the acquisition of Sunway Clio Property is targeted to be completed by 1Q CY2018."

Sharing on the prospect of Sunway REIT, Dato' Jeffrey further commented "We expect Sunway REIT to register a moderate growth in DPU in FY2018 after taking into account of expected higher average cost of debt affecting the floating rate borrowings. The growth in DPU is supported by Sunway Pyramid Hotel operating with full rooms inventory following the full completion of its refurbishment in June 2017 and moderate growth in the retail segment underpinned by Sunway Pyramid Shopping Mall. New income contribution from the acquisitions of Sunway REIT Industrial – Shah Alam 1 and Sunway Clio Property upon completion as well as gradual improvement in the overall occupancy of the office segment will further strengthen the earnings."

About Sunway Real Estate Investment Trust

Sunway Real Estate Investment Trust (Sunway REIT or Trust) is one of the largest retail-focused¹ 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 RM5.6 billion as at 31 December 2017.

Sunway REIT is a component of FTSE Bursa Malaysia Mid 70 Index, FTSE4 Good Index, Bursa Malaysia REIT Index, 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 15 assets comprising 4 retail malls, 5 hotels, 4 offices, a medical centre and an industrial property with a combined property value of RM6.796 billion as at 31 December 2017 (included valuation for Sunway REIT Industrial – Shah Alam 1).

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 Sunway City 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. 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 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.

¹ 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 6 February 2018 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 businesses, 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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