

MEDIA RELEASE

3 Aug 2020

FINANCIAL RESULTS ANNOUNCEMENT**SUNWAY REIT RECORDED NET REALISED PROFIT OF RM248.4 MILLION FOR FINANCIAL YEAR ENDED 30 JUNE 2020 AND PROPOSED FINAL INCOME DISTRIBUTION PER UNIT OF 2.38 SEN****Key Highlights:**

- Recorded revenue and net property income of RM556.9 million and RM416.8 million respectively in FY2020, amidst the impact of COVID-19 pandemic and movement control orders on retail and hotel segments, due to its active asset management and capital management strategies while supported by relatively stable contribution from the remaining segments.
- Proposed a final distribution per unit (DPU) of 2.38 sen for the 6-month period up to 30 June 2020, bringing total DPU to 7.33 sen in FY2020.
- Sunway REIT has proposed to acquire The Pinnacle Sunway for a total purchase consideration of RM450 million and to raise up to RM710 million via a private placement to fund the proposed acquisition and the expansion of Sunway Carnival Mall. Both proposals are expected to be completed in 2Q FY2021.
- Sunway REIT maintains a cautious outlook in FY2021 due to the uncertainties surrounding global economic recovery, and will focus on rebuilding the business segments that have been adversely impacted by the pandemic while expanding the income stream via acquisition and strategic asset enhancement initiatives (AEIs).

Financial Highlights

FYE June 2020	Current Quarter			Financial Year		
	4Q2020	4Q2019	Change	2020	2019	Change
	(Unaudited) RM'000	(Unaudited) RM'000	%	(Unaudited) RM'000	(Unaudited) RM'000	%
Gross revenue	104,925	145,559	-27.9	556,875	580,229	-4.0
Net property income (NPI)	77,605	111,182	-30.2	416,809	439,695	-5.2
Realised profit attributable to:						
- Unitholders	21,912	67,164	-67.4	228,449	282,336	-19.1
- Perpetual note holders	4,958	4,141	19.7	19,944	4,141	>100.0
Total Realised Profit	26,870	71,305	-62.3	248,393	286,477	-13.3
Proposed / declared distribution to unitholders	70,093	67,148	4.4	215,874	282,433	-23.6
Distribution per unit (DPU) (sen) ¹	2.38	2.28	4.4	7.33	9.59	-23.6
Distribution yield (based on unit price of RM1.62 on 30 June 2020)	N.A	N.A		4.5%	5.1% ²	N.A

¹ Proposed final income distribution for the second half-year ended 30 June 2020, comprising taxable and non-taxable / tax-exempt amount of 1.95 sen per unit and 0.43 sen per unit respectively.

² Based on actual DPU of 9.59 sen declared in FY2019 and unit price of RM1.87 as at 30 June 2019.

N.A denotes not applicable

Bandar Sunway, 3 August 2020 – Sunway REIT Management Sdn. Bhd., the Manager of Sunway Real Estate Investment Trust (Sunway REIT), is pleased to announce its financial results for the financial year ended 30 June 2020.

Fourth quarter unaudited financial results for the period 1 April 2020 to 30 June 2020 (4Q FY2020)

Sunway REIT recorded a revenue of RM104.9 million in 4Q FY2020, representing a contraction of 27.9% compared to the same period in the preceding year. Net property income (NPI) came in at RM77.6 million for the same period or 20.5% lower compared to 4Q FY2019. This was largely attributed to the business disruptions caused by the various phases of the Movement Control Order (MCO) in the attempt to break the COVID-19 pandemic chain as well as rental support provided to retail tenants and hotel lessees.

The financial performance in 4Q FY2020 was partially cushioned by the diversified income stream from the remaining sectors within Sunway REIT's asset portfolio, which was relatively unperturbed by the lockdowns, as majority of these properties are on master leases.

The financial performance for the retail segment was adversely affected during the lockdowns as business activities were limited to the provision of essential products and services, while majority of non-essential tenants were not in operation. This has resulted in substantial rental support granted during the MCO period in order to ensure survivability of these tenants. As a result, the retail segment experienced a shrinkage in revenue and NPI by 48.9% and 58.4% respectively in 4Q FY2020. Economic activities progressively resumed during the Recovery Movement Control Order (RMCO). Retailers were back in business and recovery in footfall was encouraging, albeit at a gradual pace.

Similarly, the hotel segment was impacted by the MCO and cross-border mobility restrictions since March 2020. As the hotels were mostly closed during the quarter, occupancy rates were severely affected with the exception of Sunway Pyramid Hotel and Sunway Clio Hotel, which were utilised as quarantine centers for overseas returnees to Malaysia. The revenue for the hotel segment slipped 53.3% to RM7.0 million with a corresponding drop in NPI to RM5.6 million, or 57.8% lower compared to the same quarter in the preceding year.

Meanwhile, the office segment recorded a 3.9% improvement in revenue to RM10.4 million in 4Q FY2020, supported by overall improved performance across all office properties in the asset portfolio. NPI rose by 10.0% to RM6.4 million on the back of lower property operating expenses.

For the services segment, revenue and NPI increased by 13.2% to RM14.9 million, contributed by the annual rental reversion from Sunway Medical Centre (Tower A & B) as well as full quarter income contribution from Sunway university & college campus this financial year as the acquisition was completed on 15 April 2019.

Revenue and NPI for the industrial & others segment remained unchanged at RM1.5 million in 4Q FY2020.

Financial year 2020 unaudited financial results for the period from 1 July 2019 to 30 June 2020 (FY2020)

Sunway REIT recorded revenue and net property income of RM556.9 million and RM416.8 million respectively in FY2020, largely contributed by the improved performance across all segments for the first half of FY2020, before the performance of the retail and hotel segments were impacted by the COVID-19 pandemic and MCO in the second half of FY2020.

For the financial year ended June 2020, the retail segment recorded a revenue and NPI of RM364.7 million and RM248.5 million respectively. The retail segment recorded a modest growth in the first half of FY2020, however, the trend reversed in the second half of FY2020 due to COVID-19 outbreak since 3Q FY2020. The reversal in earnings trend has resulted in a revenue and NPI contraction of 14.5% and 19.9% respectively.

The financial performance for the hotel segment ended lower in FY2020 on the back of challenging operating environment which was further exacerbated by COVID-19 pandemic and business restrictions imposed on the hotel sector. Revenue for the hotel segment eased 12.8% to RM68.5 million with a corresponding NPI of RM62.3 million, or 12.7% lower compared to FY2019.

The office segment registered a healthy growth in FY2020, largely underpinned by better performance across all office properties in the asset portfolio. Revenue for the office segment rose by 8.5% to RM41.7 million and NPI improved by 12.2% to RM24.0 million.

The services segment enjoyed a jump in revenue and NPI in FY2020, benefitting from the full year income contributed by Sunway university & college campus and annual rental reversion for Sunway Medical Centre (Tower A & B). Both revenue and NPI soared by 92.2% to RM58.9 million in FY2020.

Meanwhile, the industrial & others segment recorded a moderate growth of 4.8% in revenue and NPI to RM6.2 million in FY2020.

Sunway REIT proposed a final distribution per unit (DPU) of 2.38 sen for the 6-month period ended 30 June 2020, bringing total DPU to 7.33 sen in FY2020. Based on the unit price of RM1.62 as at 30 June 2020, this translated into a distribution yield of 4.5%.

Dato' Jeffrey Ng, CEO of Sunway REIT Management Sdn. Bhd., commented, "We are seeing encouraging recovery in footfall to our malls since RMCO. The business units management teams have also recently launched "Ke Sana Ke Sini Ke Sunway" campaign, a leisure package which was fully sold within 2 weeks of launch. Due to the overwhelming response, a sequel of the campaign was launched, "Ke Sana Ke Sini Ke Sunway Lagi". These campaigns, which aim to capture the short-term surge in demand amongst consumers following a period of lockdowns, demonstrated the strength of business synergies within the Sunway City ecosystem.

He added, "In times of uncertainties, we have implemented prudent cost management and cash conservation initiatives as pre-emptive measures to ensure sufficient flexibility in our liquidity management. As part of the cash conservation initiative, we are in the process of establishing a Distribution Reinvestment Scheme (DRS) to provide the additional flexibility to unitholders to receive future income distribution in cash, units or a combination of both."

On the future prospects, he also shared, “Sunway REIT maintains a cautious outlook in FY2021 due to the uncertainties surrounding global economic recovery, and will focus on rebuilding the business segments that have been adversely impacted by the pandemic while strengthening its balance sheet and expanding the income stream via yield-accretive acquisitions and prudent capital management strategies.”

In a recent development, Sunway REIT has proposed to acquire The Pinnacle Sunway for a total purchase consideration of RM450 million and to raise up to RM710 million via a private placement to fund the proposed acquisition as well as the expansion of Sunway Carnival Mall. Upon the completion of the proposed acquisition, Sunway REIT’s property value will increase to RM8.5 billion, reinforcing its position as the 2nd largest listed REIT in Malaysia.

Sunway REIT, through its active participation in the Malaysian REIT Managers Association (MRMA), has collectively proposed COVID-19 relief measures to the Government and regulatory bodies in relieving the burden of M-REITs and unitholders during this challenging period. The highlight of the proposal includes waiver of withholding tax for resident individual unitholders. The proposal will be a milestone for the REIT industry in Malaysia and positive for capital market development in the country.

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 RM4.8 billion as at 30 June 2020.

Sunway REIT is a component of FTSE Bursa Malaysia Mid 70 Index, FTSE Bursa Malaysia Top 100 Index, FTSE Bursa Malaysia Emas Index, FTSE ASEAN All-Share Index, FTSE ASEAN All-Share ex Developed Index, FTSE ASEAN Malaysia 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 17 assets comprising 4 retail malls, 6 hotels, 4 offices, a medical centre, an industrial property and an education asset with a combined property value of RM8.0 billion as at 30 June 2020.

Sunway REIT's assets are primarily in Sunway City where its flagship asset, Sunway Pyramid Shopping Mall, is located. Other assets in Sunway City include Sunway Resort Hotel, Sunway Pyramid Hotel, Sunway Clio Property (comprising Sunway Clio Hotel and Sunway Clio Retail), Menara Sunway, Sunway Medical Centre (Tower A&B) and Sunway university & college campus. In the northern region, Sunway REIT owns SunCity Ipoh Hypermarket in Perak, as well as Sunway Hotel Seberang Jaya, Sunway Hotel Georgetown and Sunway Carnival Shopping Mall in Penang. Sunway REIT also 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. 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 3 August 2020 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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