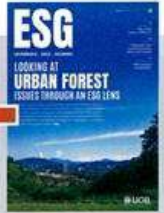


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BY VASANTHA GANESAN

## SUNWAY ON HEALTHY GROWTH PATH



With the conglomerate having emerged stronger from the pandemic, all eyes are now on when the listing of its healthcare arm — its next catalyst — will be. The group's top management outlines its business plans. COVER STORY 62 to 64

From left: Sunway executive director Sarena Cheah, Sunway president Tan Sri Chew Chee Kin and Sunway Healthcare Group president Datuk Lau Beng Long



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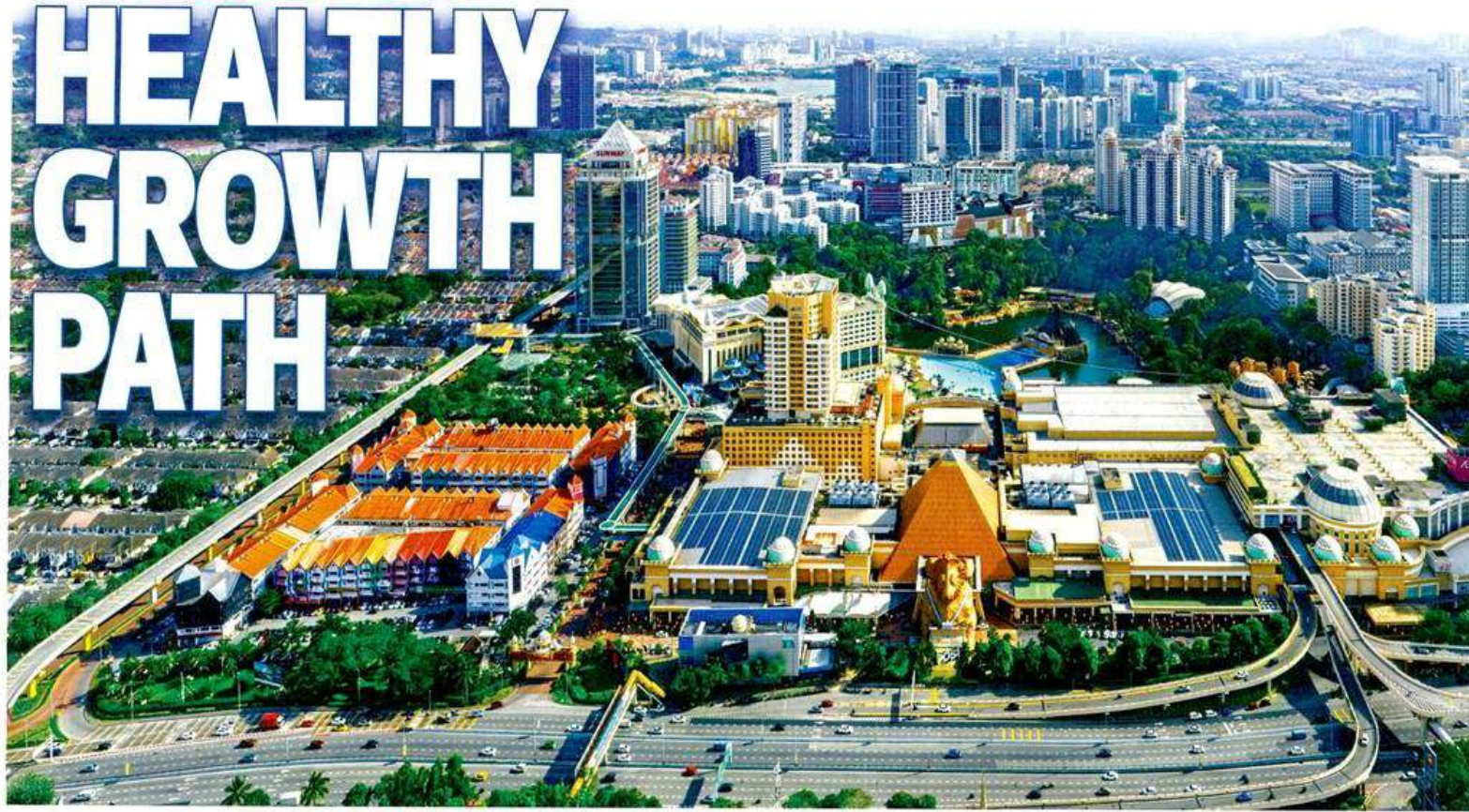
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## COVER STORY

# SUNWAY ON HEALTHY GROWTH PATH



STORIES BY **LEE WENG KHUEN**

PATRICK GOH/THE EDGE



“We’re looking at opportunities, not just in Singapore, but also in Indonesia and elsewhere.”  
— Lau, Sunway Healthcare Group

Holdings Sdn Bhd (SHH) for RM750 million, based on a valuation of RM4.69 billion. Sunway owns the remaining 84% of SHH.

GIC is familiar with Sunway, as it had partnered the group more than 20 years ago after the 1997/98 Asian financial crisis hit. In 1999, GIC struck a deal with the Sunway group to buy a 48% stake in Sunway Pyramid. It also acquired a nearly 12% equity interest in Sunway City Bhd to become a substantial shareholder. GIC cashed out 10 years later, before the delisting of Sunway City in August 2011, following its merger with Sunway Holdings Bhd.

Contribution from Sunway’s healthcare business has been on the rise, raking in a profit before tax of RM176.7 million, or one-fifth of the group’s PBT in the financial year ended Dec 31, 2022 (FY2022), against RM17.39 million in FY2020.

Property investment was the largest con-

tributor for the group, with RM236.9 million in PBT, or 25.8% of total PBT, followed by construction at RM186.6 million (20.3%).

A new hospital generally takes one to two years to turn a profit, says Lau, but Sunway’s hospitals appear to have outperformed the average.

“After we opened SMC Penang in November last year, we had already achieved Ebitda positive in January this year. By next year, we should be PBT positive.

“It’s the same for SMC Velocity. Even though we opened in September 2019, and then the MCO (Movement Control Order) was implemented in March 2020, we’re already Ebitda positive end-2020, and PBT positive end-2021, and then profitable last year,” he says.

Lau is unfazed by a potential economic downturn, as he does not believe the health-

care business is likely to experience a slowdown, given that Sunway’s hospitals are busier than before the pandemic.

“I don’t think the economy will affect the demand for healthcare. In private healthcare, a lot of people use medical insurance. In our case, 65% of our patients use medical insurance. In fact, I understand from insurance companies and third-party administrators that there has been an uptick in medical insurance,” he says.

Moreover, he observes that the number of people going for annual medical check-ups is higher than pre-pandemic, as it was difficult to do so after Covid-19 struck three years ago. He notes that some who were infected by Covid-19 still need to seek follow-up treatments, owing to the occurrence of symptoms.

Another supporting factor for private healthcare is that government hospitals are unable to catch up with the medical needs of the growing population and urban migration.

“The government facilities really cannot cope with that. So, those who can afford it will come to private hospitals. That’s why we foresee an opportunity,” says Lau.

On the positioning of Sunway’s healthcare arm, he says: “We will not differentiate ourselves in terms of having a bigger network, but having the biggest tertiary and quaternary private hospitals. That means we can take care of high-end, complex, interdisciplinary type of cases. That’s how we differentiate ourselves.”

Given Sunway’s ability to handle more complex cases, Lau points out that the group’s revenue per bed is higher than its peers.

In anticipation of continued growth, the group has been embarking on expansion plans, which will increase the total number of beds to 2,600 in the next two years from about 900 at present.

In comparison, IHH Healthcare Bhd was

The 800-acre Sunway City Kuala Lumpur, located 20 minutes from the KL city centre, is a fully integrated green township comprising residential, commercial, hospitality, retail, leisure, healthcare and education components

## Johor property market expected to 'fly' with RTS

While there has been a negative perception of properties in Johor because of a glut in the market and lack of foreign buyers, Sunway Bhd believes the upcoming Rapid Transit System (RTS) link will be a catalyst for the state, making the "work in Singapore, stay in Johor" concept viable.

"Once the RTS is ready, the Johor property market will fly," says Sunway president Tan Sri Chew Chee Kin, who has been with the conglomerate since 1981.

The RM2 billion rail link, which connects Bukit Chagar in Johor Baru to Woodlands in Singapore, is scheduled for completion by end-2026. It can accommodate 10,000 passengers every hour.

Sunway executive director Sarena Cheah says she has seen an influx of enquiries about Johor properties amid rising property prices in Singapore.

"Over time, people will start looking for quality living space, a good ecosystem and security services. We are able to tap both [the Johor and Singapore] markets to cater for different buyers," Cheah, the daughter of Tan Sri Jeffrey Cheah, founder and executive chairman of Sunway Group, tells *The Edge*.

Currently, the group has no ongoing property projects in Johor but is set to launch RM250 million worth of properties in the state this year. They are Sunway Aviana (RM150 million), Sunway Maple (RM10 million) and Sunway Lenang Heights (RM90 million). Sunway has 1,762 acres of land in Johor.

Cheah highlights that, after a slowdown in FY2022, Sunway will accelerate its pace by launching RM3.5 billion worth of properties in the financial year ending Dec 31, 2023 (FY2023), of which RM2.7 billion, or 77%, are in Singapore as the group takes advantage of soaring property prices there. There will also be launches in Malaysia (worth RM690 million, or 20%) and China (worth RM120 million, or 3%).

### Sales target set at RM2.3 bil for 2023

In view of a brighter property outlook, the group's sales target has been raised to RM2.3 billion this year.

In FY2022, Sunway achieved property sales of RM2 billion, or 91% of its sales target of RM2.2 billion. The group blames the lower-than-expected sales on the scaling down of property launches because of softer market sentiment and delays in securing approval from the authorities.

So far this year, the group has launched the Terra Hill freehold condominium project in Singapore, which has a gross development value (GDV) of RM700 million. On the weekend of the launch, it sold 38% of the 270 units.

On the local front, the group launched Sunway Flora Residences in Bukit Jalil, Kuala Lumpur, and Sunway Dora Condominium in Bayan Baru, Penang, which have GDVs of RM300 million and RM70 million respectively.

The group's unbilled property sales stand at RM4.3 billion. In total, it still has a land bank of 3,292 acres, with a total GDV of RM58.9 billion, enough for a development period of up to 15 years.

Chew believes properties remain a good hedge against inflation, though interest rates have been rising.



We are not competing with every contractor. We are moving towards high-value jobs, with better margins."  
— Chew, Sunway



We are able to tap both [the Johor and Singapore] markets to cater for different buyers."  
— Cheah, Sunway

Citing National Property Information Centre (Napic) data, Cheah says there is inherent demand, especially with improved sentiment under the new government.

"At 2.75%, the interest rate is still below pre-Covid levels. Of course, we have to [consider] affordability and location," she says.

Malaysia's total property transaction value expanded 23.6% year on year to a record high of RM179.07 billion in 2022, from RM144.87 billion, while the total number of transactions saw a 29.5% y-o-y rise to 389,000, from 300,497, according to Napic.

Cheah believes the government should attract more foreign buyers to Malaysia with friendly policies.

"Policy is the main constraint for foreign buyers because of the price cap. It is not easy for us to develop those properties in [large-scale projects]," she says.

For Sunway, foreign buyers were not a big segment before the pandemic, accounting for less than 5% of total buyers.

To drive property sales, Sunway will adopt greater digital marketing capabilities, including new digital formulas to better search and target online leads. It will also adopt modern digital capabilities to predict the end-results of online and offline marketing and sales activities. In addition, it will expand the product offerings to cater for a wider proportion of the population.

Cheah says the group will continue to replenish its land bank, focusing on transit-oriented development and land that is suitable for township development.

Sunway hopes the government can implement policies that address affordability, induce demand and support property developers. It says some of the things the government could do are relaunching the homeownership campaign; reducing bureaucracy and shortening the approval process for new developments to reduce developers' holding costs; and reducing property development compliance costs.

Sunway believes the government's extension of the stamp duty exemption for first-time buyers of properties priced between RM500,000 and RM1 million

augurs well for the group, as most of its projects are priced in this range.

Meanwhile, Chew expects FY2023 to be another good year for the group's construction business, judging from its order book of RM1.27 billion year to date, equivalent to 64% of its targeted new order book of RM2 billion for FY2023. In FY2022, it achieved RM2.58 billion in construction order book — well above the RM2 billion target.

The group is focusing on high-margin jobs such as mega infrastructure projects and data centres. It is also selective when it comes to jobs in its property division, with the focus on commercial buildings, malls and hospitals, says Chew.

"We are not competing with every contractor. We are moving towards high-value jobs, with better margins," he says.

Just last month, Sunway Construction Group Bhd was awarded a RM604.86 million contract for the construction of stations and viaducts for the RTS Link.

Addressing concerns over Sunway's recent acquisition of retail assets from the Employees Provident Fund (EPF) amid the competitive retail segment, Chew says the group is not running the retail space but merely renting it out.

In addition, Cheah expects these retail assets to continue to perform well, considering that they are well located in mature neighbourhoods. If necessary, she adds, the group will adjust the tenancy mix to grow footfall.

Last month, Sunway REIT Management Sdn Bhd announced that the properties it would acquire from the EPF for Sunway Real Estate Investment Trust are worth a total of RM520 million. The properties, which comprise six hypermarkets/retail complexes in the Klang Valley and Johor, are currently leased to grocery store retailer Giant.

Chew sees further upside for Sunway's property investment business this year, supported by a good mix of tenants at its shopping malls. Notably, retail sales from its portfolio have been at a record high even though footfalls have yet to recover to pre-pandemic levels.

operating 11,881 beds as at end-December 2022, at its hospitals in Malaysia, Singapore, Europe and Greater China. KPJ Healthcare Bhd — which has 29 hospitals in Malaysia, Indonesia, Bangladesh and Thailand — operates more than 3,000 beds.

Phase two of Sunway's SMC Velocity is expected to be completed by the third quarter (3Q) of this year, while SMC Ipoh and SMC Kota Damansara, Selangor, are scheduled to open in 2Q or 3Q next year.

SMC Penang, which was just opened last November, is about to see the opening of its second phase, according to Lau.

In total, some RM1.2 billion has been spent on the expansion plans. The funds were raised through GIC's RM750 million investment, as well as debt financing and internally generated funds. Last month, SHG set up a sustainability financing framework for the issuance of RM5 billion worth of sukuk for future use.

Three other new hospitals, which are in the planning stage, will be located in Iskandar Puteri, Johor, Paya Terubong, Penang, and Kota Baru, Kelantan.

Last year, the average occupancy rate of Sunway's SMC SC and SMC Velocity stood at above 60%, while SMC Penang was about 30%, owing to the short operating duration. Its competitors IHH and KPJ had occupancy rates of 70% and 64% respectively.

The group plans to set its sights on overseas markets, says Lau. "We had our first foray of this facility in Singapore, which is an ambulatory care centre with no overnight ... We're looking at opportunities, not just in Singapore, but also in Indonesia and elsewhere."

### Medical tourism boost

Following the reopening of borders, the group aims to increase the contribution from

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