



SUNLIGHT REIT

2020 Annual Results Investor Presentation



8 September 2020

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01



Results Highlights



Results Summary

- A reasonably respectable set of results underwritten by a good mix of decentralized offices and community retail premises.
- Decent performance achieved in the 1H FY2019/20 was eroded by difficult operating conditions attributable to the COVID-19 outbreak.
- Capitalized on a favourable interest rate environment to further enhance the stability of funding cost.

Revenue

HK\$'M

854.6 (FY2019/20)

850.7 (FY2018/19)

▲ 0.5% YoY

Net Property Income (NPI)

HK\$'M

684.7 (FY2019/20)

682.5 (FY2018/19)

▲ 0.3% YoY

Distribution Per Unit (DPU)

HK cents

26.8 (FY2019/20)

27.3 (FY2018/19)

▼ 1.8% YoY

Net Asset Value Per Unit (NAV)

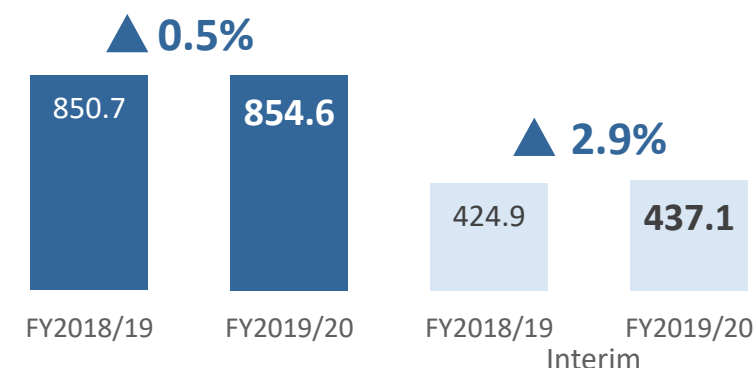
HK\$

8.89 (30 June 2020)

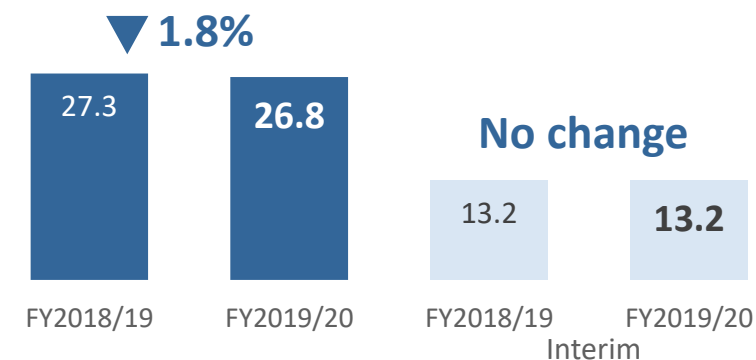
9.68 (30 June 2019)

▼ 8.2% YoY

Revenue (HK\$'M)



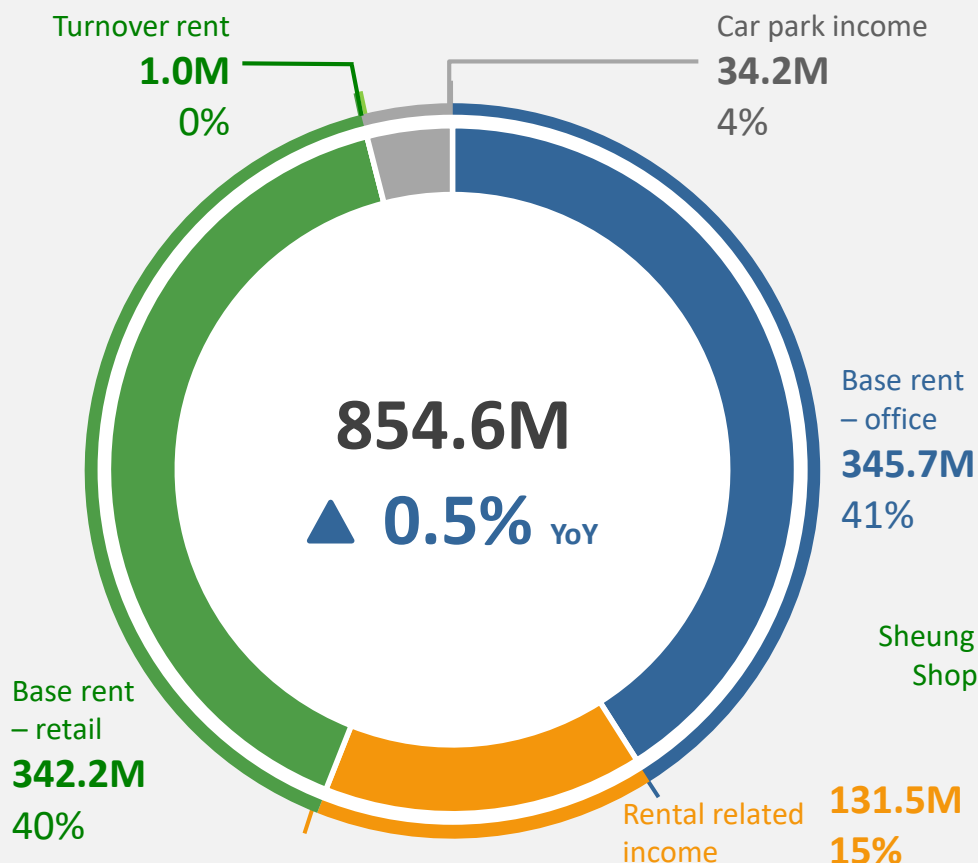
DPU (HK cents)



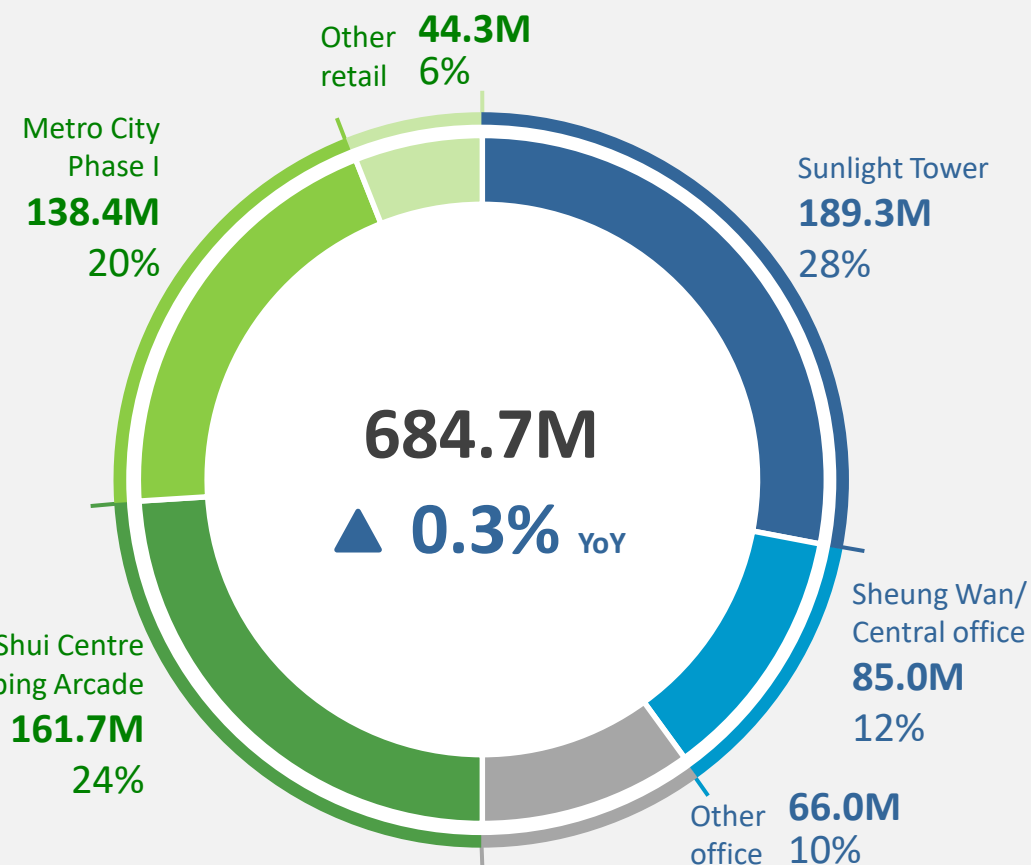
Stable Income Derived from a Diversified Portfolio

- The commercial leasing market was under pressure for most of the year, notably the retail sector.
- Rental income mainly consisted of base rent (>99%).
- Office and retail properties maintained balanced contributions to NPI.

Revenue by Income Type (HK\$)



NPI by Property (HK\$)



Financial Position

HK\$'M	30 Jun 2020
Non-current assets	19,071.8
Current assets	602.3
Total assets	19,674.1
Current liabilities	2,051.0
Non-current liabilities	2,851.9
Total liabilities	4,902.9
Net assets	14,771.2
Gearing ratio	21.6%
No. of units in issue	1,661.4M

Selected items (HK\$'M)	30 Jun 2020	YoY
Investment properties	18,918.0	-5.4%
<i>Office</i>	10,183.2	-4.0%
<i>Retail</i>	8,734.8	-7.0%
<ul style="list-style-type: none"> A valuation loss was mainly caused by the decrease in market rents especially for ground floor shops and retail assets. 		
Bank borrowings	4,250.0	No change
<i>Current</i>	1,645.0	+174.2%
<i>Non-current</i>	2,605.0	-28.6%
<ul style="list-style-type: none"> Two 3-year bilateral credit facility agreements had been entered into with a total amount of HK\$600M. 		

DPU at a Glance

Annual Distributable Income

HK\$'M

467.0 (FY2019/20)

467.3 (FY2018/19)

▼ 0.1% YoY

Distribution Yield¹

7.0%

30 Jun 2020

7.2%

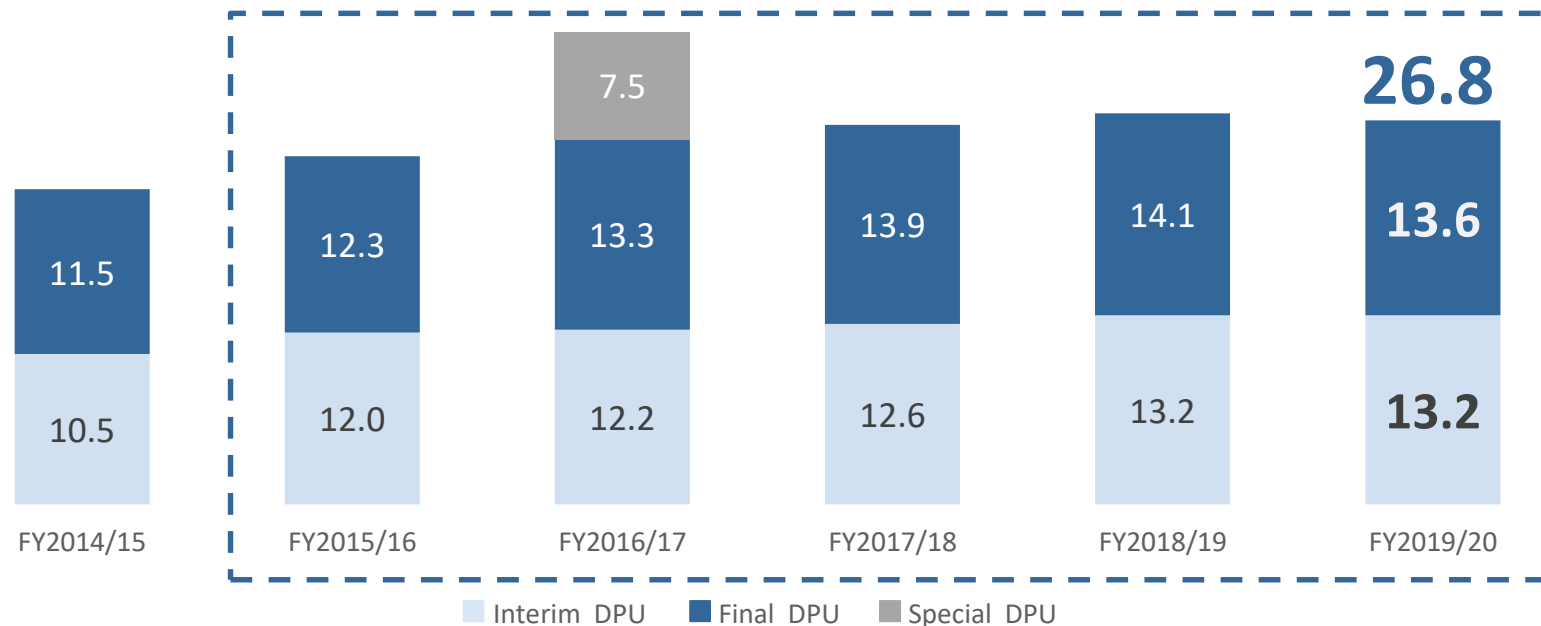
08 Sep 2020

Payout Ratio

95.2%

5-year cumulative DPU: HK 137.9 cents

HK Cents


4.0%
5-year
CARG

Note:

1. Distribution yield based on the closing price of HK\$3.85 on the last trading day of FY2019/20 or based on the closing price of HK\$3.70 on the results announcement date.



02

Portfolio Performance

Operating Performance

Occupancy Rate

30 Jun 2020

95.7%

96.1% (31 Dec 2019)

95.3% (30 Jun 2019)

Passing Rent (HK\$ psf.)

30 Jun 2020

48.6

49.4 (31 Dec 2019)

48.6 (30 Jun 2019)

Rental Reversion

FY2019/20

6.0%

11.4% (FY2018/19)

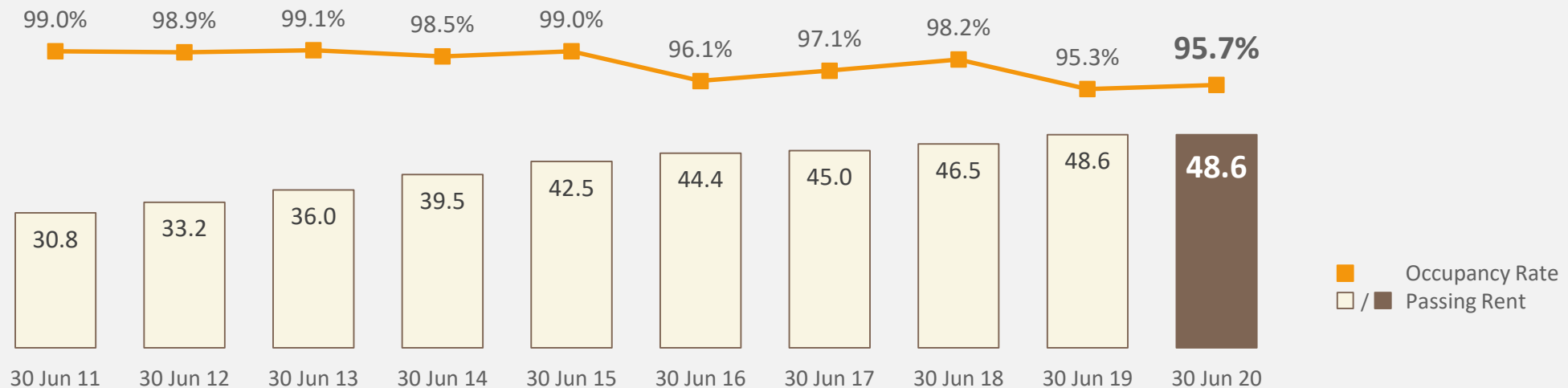
No. of Leases (30 Jun 2020)

822

Average Lease Length

2.7 years

Occupancy Rate¹ and Passing Rent¹ (HK\$ psf.)



Note:

1. All figures have been adjusted to exclude disposed properties.

Operating Performance of Office Portfolio

Rental Reversion

FY2019/20

10.0%

11.4% (FY2018/19)

12.3% **5.6%**

1H FY19/20 2H FY19/20

10.1% 13.0%

1H FY18/19 2H FY18/19

Retention Rate

FY2019/20

68%

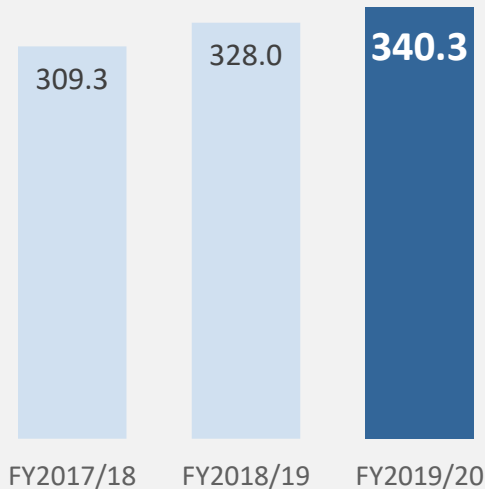
64% (FY2018/19)

Lease Expiry in FY2020/21

50.6% Office GRA

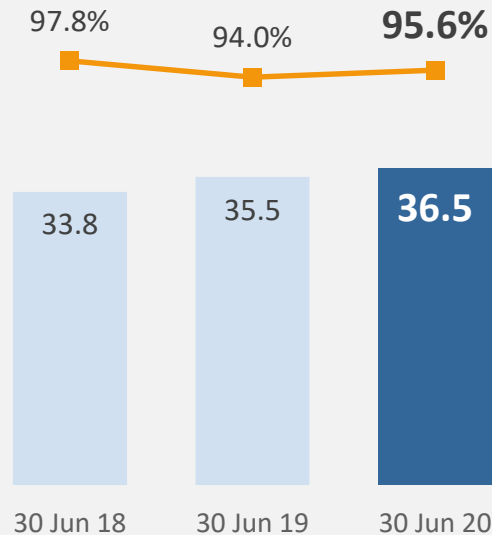
30.7% Office GRA (FY2019/20)

NPI (HK\$'M)

▲ 3.7% YoY


Occupancy Rate and Passing Rent

(HK\$ psf.)



Valuation (HK\$'M)	30 Jun 2020	31 Dec 2019	Change
<i>Sunlight Tower</i>	5,200.3	5,303.3	-1.9%
<i>Sheung Wan/Central office</i>	2,945.4	3,116.2	-5.5%
<i>Other office properties</i>	2,037.5	2,203.2	-7.5%
Sub-total	10,183.2	10,622.7	-4.1%

Operating Performance of Retail Portfolio

Rental Reversion

FY2019/20

3.2%

11.4% (FY2018/19)

8.7%

1H FY19/20 2H FY19/20

11.1% 11.1%¹

1H FY18/19 2H FY18/19

Retention Rate

FY2019/20

77%

74% (FY2018/19)

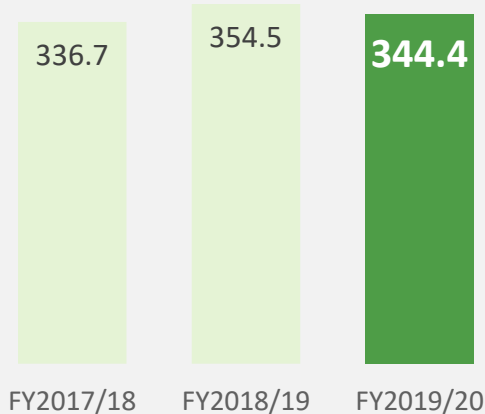
Lease Expiry in FY2020/21

31.9%

 Retail GRA

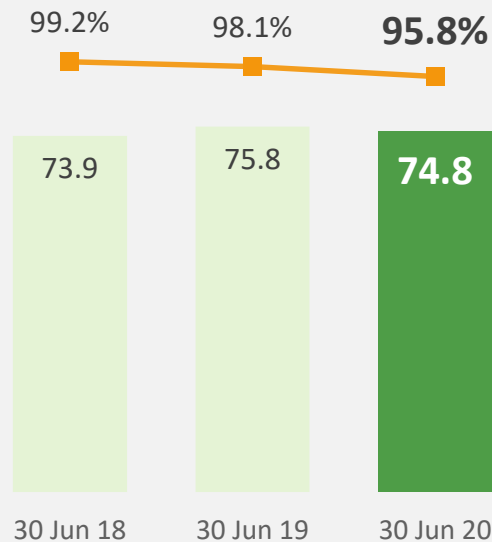
39.6% Retail GRA (FY2019/20)

NPI (HK\$'M)

 **2.9% YoY**


Occupancy Rate and Passing Rent

(HK\$ psf.)



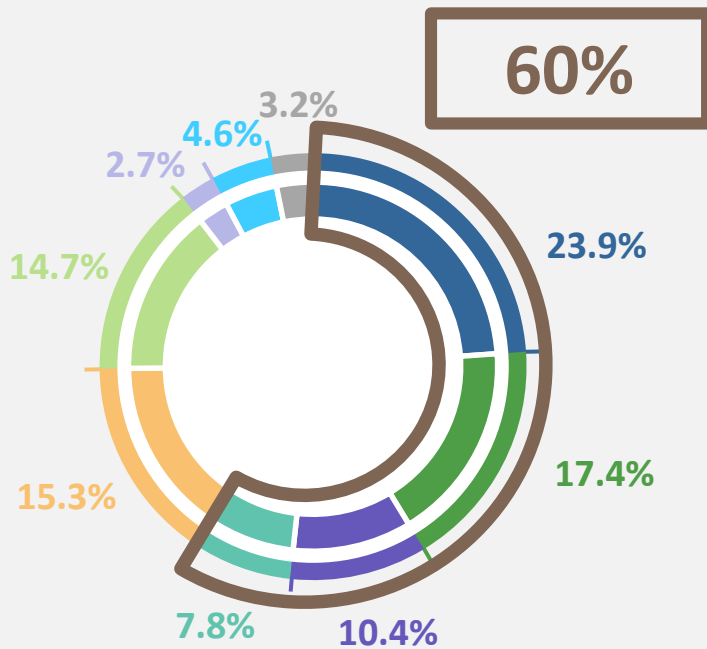
Valuation (HK\$'M)	30 Jun 2020	31 Dec 2019	Change
SSC	4,194.3	4,483.8	-6.5%
MCPI	3,184.5	3,341.7	-4.7%
Other retail properties	1,356.0	1,447.9	-6.3%
Sub-total	8,734.8	9,273.4	-5.8%

Note:

1. A lease originally due in May 2019 was renewed in September 2019. Hence, this lease was reflected and adjusted in rental reversion of 2H FY2018/19.

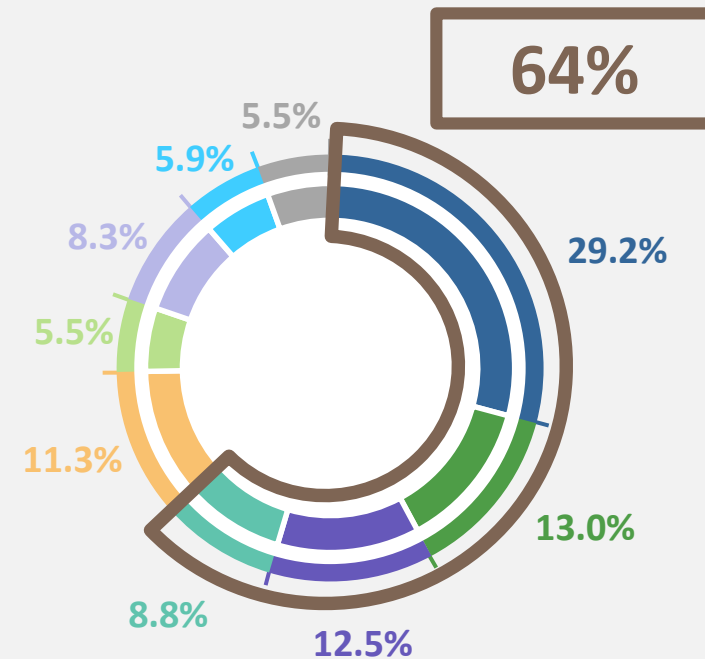
Retail Portfolio – Trade Mix Optimization

Tenant Composition (30 Jun 2020)



Sheung Shui Centre Shopping Arcade

Non-Discretionary Trades:
 Food & Beverage
 Financial
 Education
 Snacks & Convenience Store



Metro City Phase I

- Food and Beverage
- Financial
- Education
- Snacks and Convenience store
- Healthcare and Beauty
- Fashion and Jewellery
- Lifestyle
- Others
- Vacant

Relief and Caring Measures amid COVID-19

For Tenants

- Prioritized small to medium sized enterprises
- Relief programme:
 - Rental concessions
 - Covered 50% in terms of number of tenancies
 - Implemented management fee waivers
- Promotional campaigns to stimulate tenants' sales

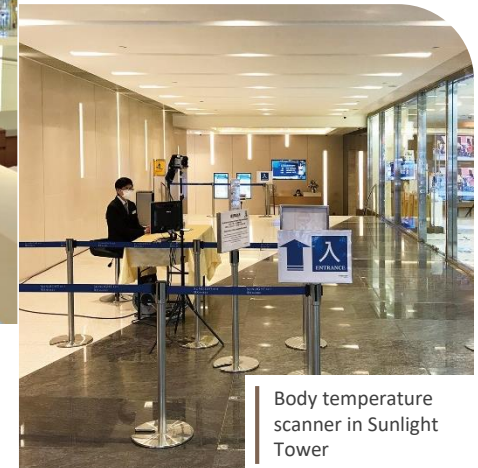


At Properties

- Applied anti-virus RAZE photocatalytic technology in shopping malls and common areas of core office properties
- Set up body temperature scanners and hand sanitizer dispensers at office lobbies
- Conducted more frequent cleaning of lift cars and air filters



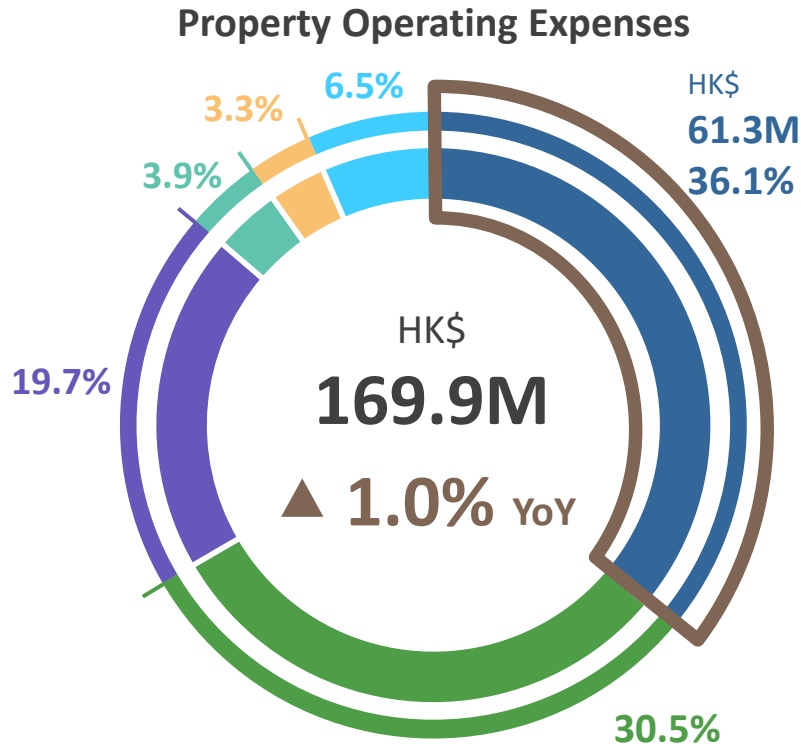
Sterilization in SSC



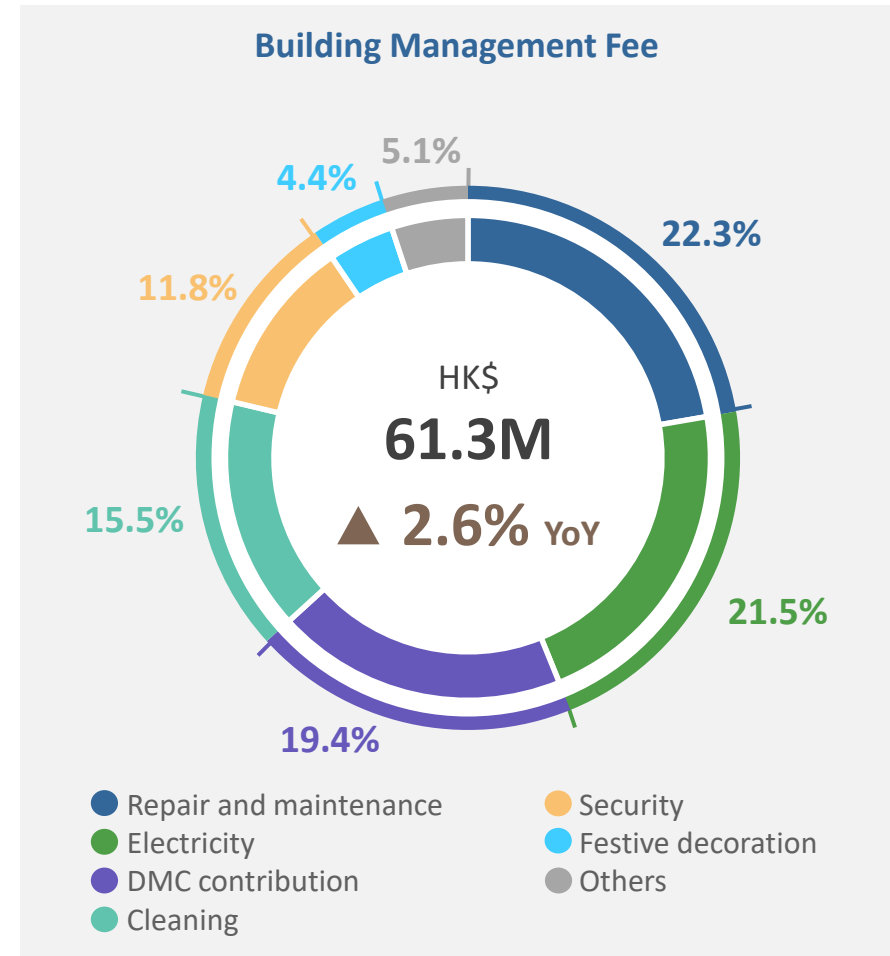
Body temperature scanner in Sunlight Tower

Cost Control

- Cost-to-income ratio was largely unchanged at 19.9%.
- A statutory minimum wage had put cost pressure on cleaning and security contracts.



- Building management fee
- Property Manager's fees
- Government rent and rates
- Car park operating costs
- Marketing and promotion expenses
- Other direct costs



- Repair and maintenance
- Electricity
- Security
- Festive decoration
- Others
- Cleaning

Sunlight Tower



Wan Chai

Appraised Value:

HK\$5,200M

Cap Rate:

Office 3.75%

Retail: 3.65%

Rental Reversion

FY2019/20

13.6%

13.5% (FY2018/19)

Retention

FY2019/20

65%

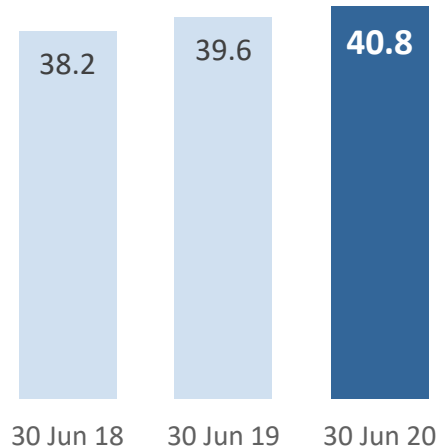
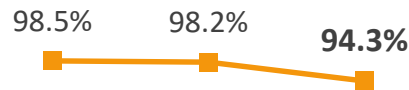
Expiry Profile

by GRA

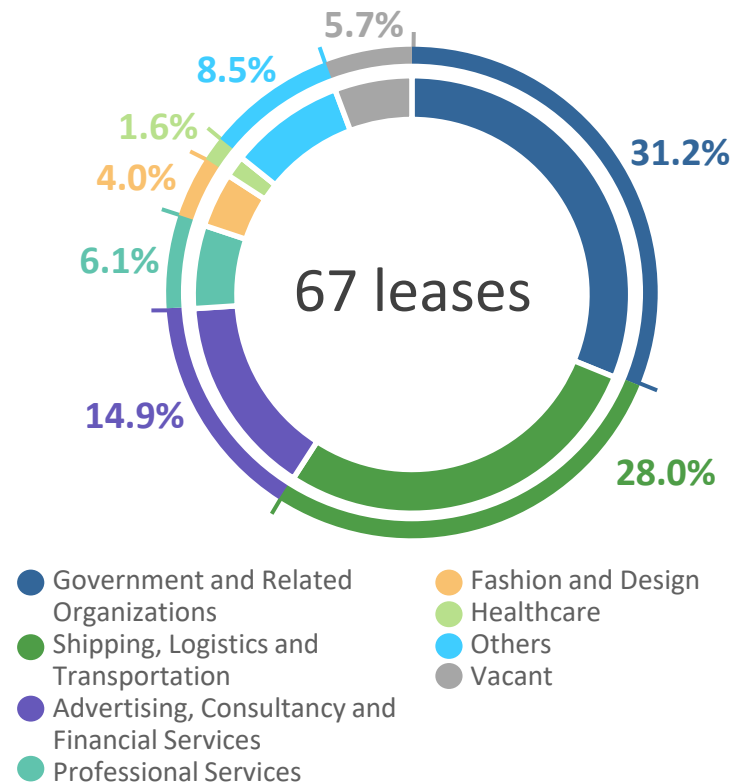
58.3% (FY2020/21)

14.2% (FY2021/22)

Occupancy Rate and Passing Rent (HK\$ psf.)



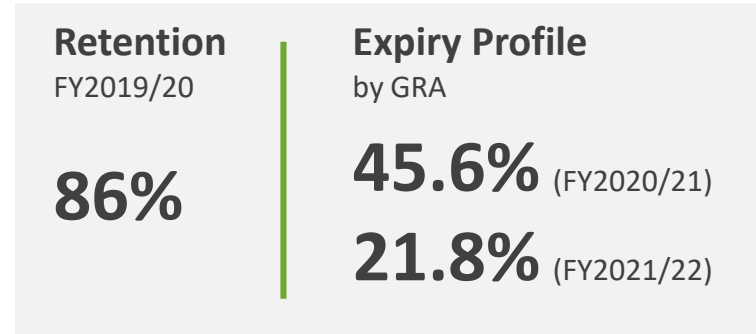
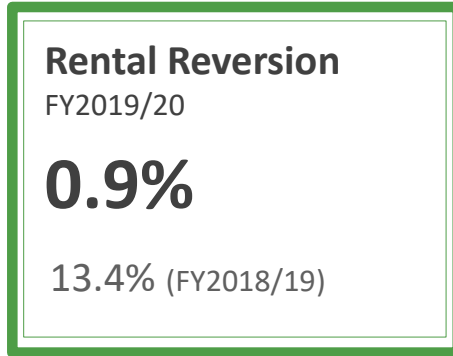
Tenant Mix (30 Jun 2020)



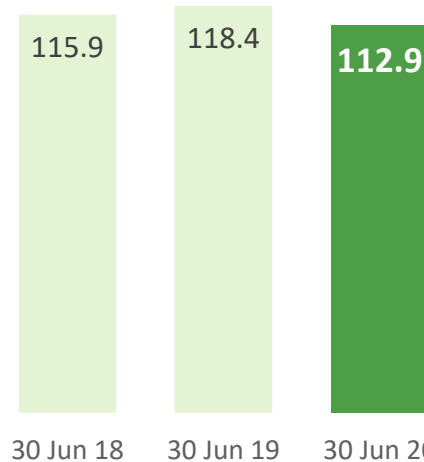
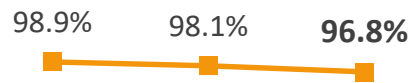
Sheung Shui Centre Shopping Arcade



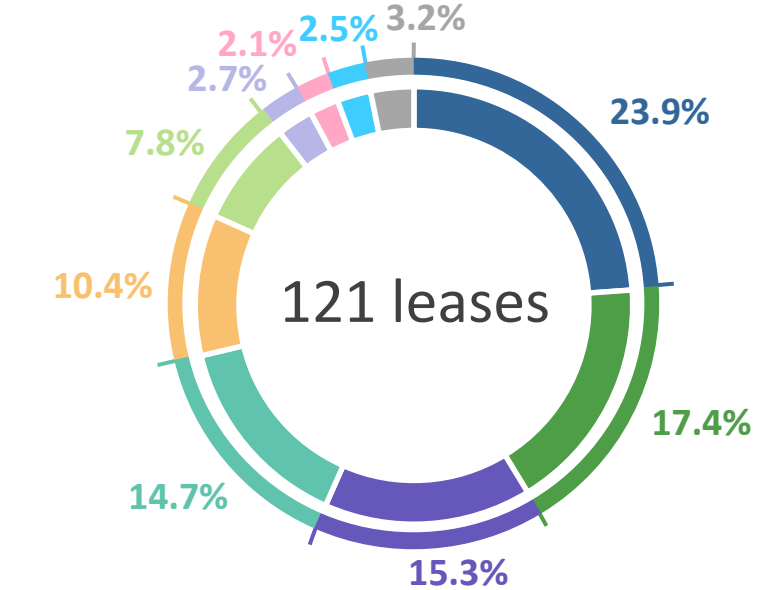
Sheung Shui
 Appraised Value:
HK\$4,194M
 Cap Rate:
4.30%



Occupancy Rate and Passing Rent (HK\$ psf.)

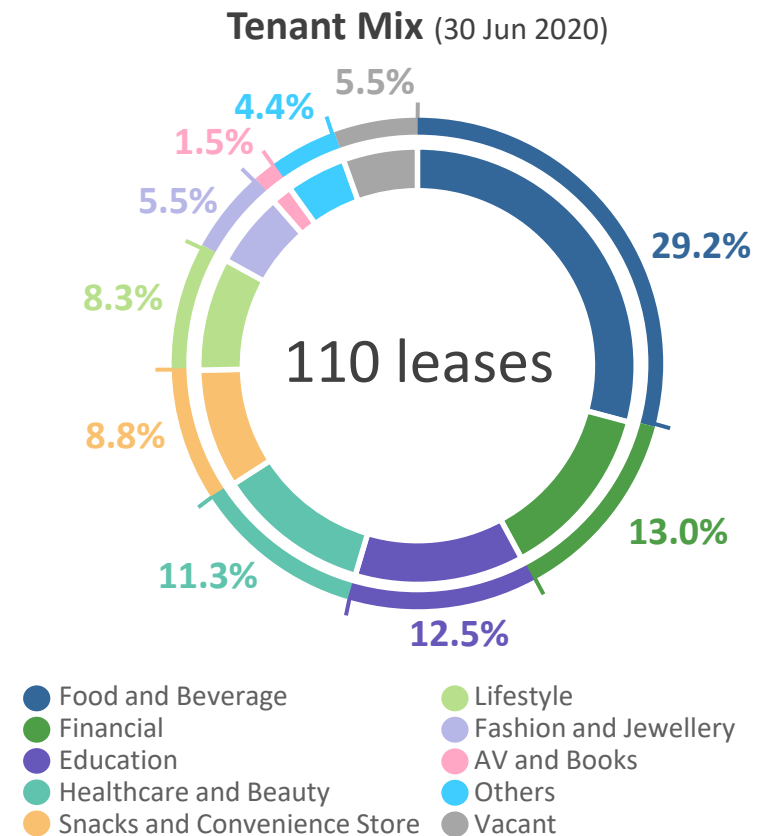
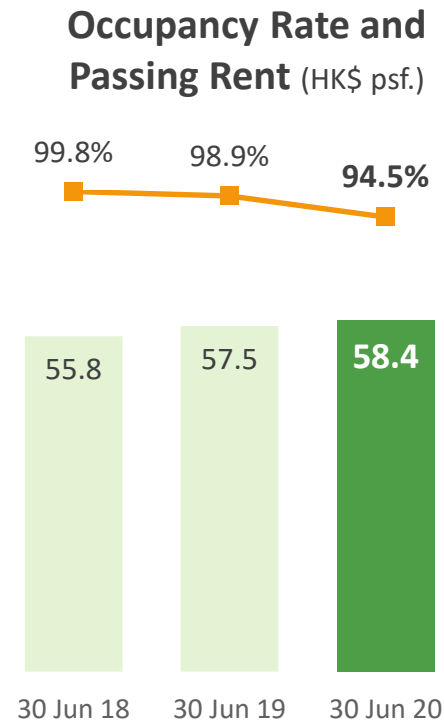
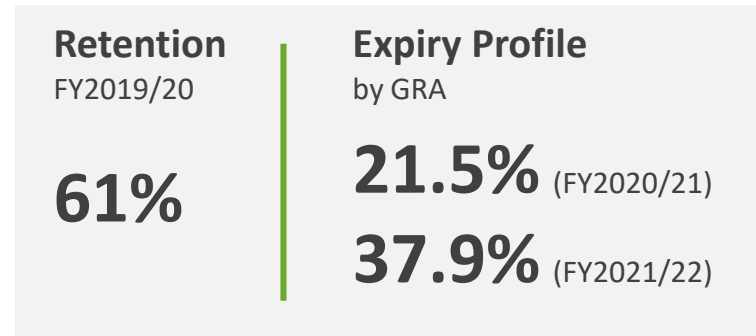
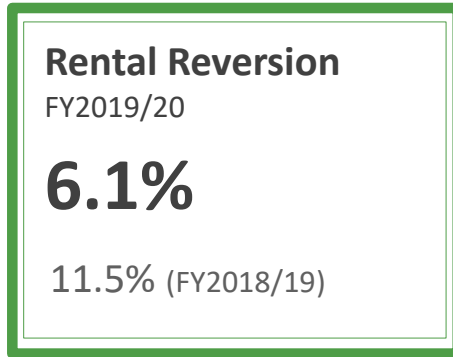


Tenant Mix (30 Jun 2020)



- Food and Beverage
- Financial
- Healthcare and Beauty
- Fashion and Jewellery
- Education
- Snacks and Convenience Store
- Lifestyle
- AV and Books
- Others
- Vacant

Metro City Phase I



Strand 50



Rental Reversion

FY2019/20

10.9%

10.6% (FY2018/19)

Retention

FY2019/20

62%

48% (FY2018/19)

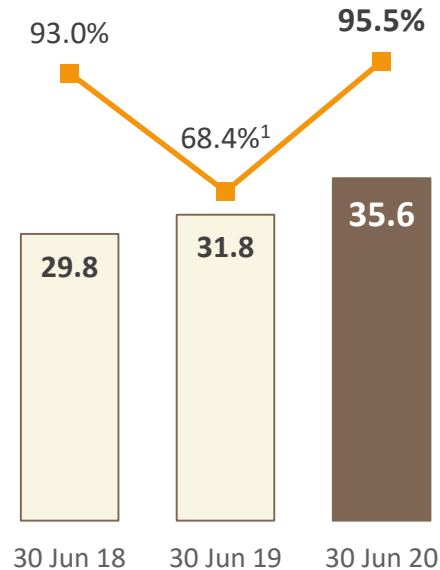
Space Reconfiguration

CAPEX

HK\$

48M

Occupancy Rate and Passing Rent (HK\$ psf.)



New Tenants at Low Zone



Note:

1. Excluding the renovated area, the occupancy rate would have been 95.4%.

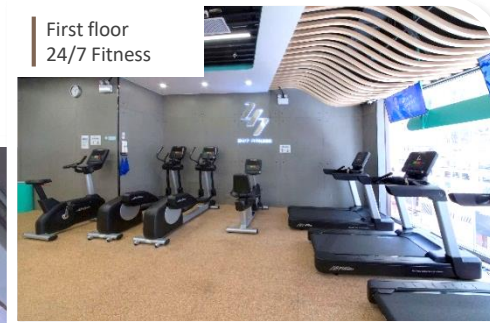
The New Image of Strand 50



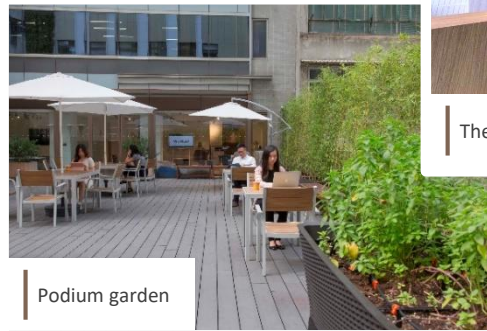
- Enhanced connectivity and integration with the landscape and neighbourhood of Sheung Wan
- Optimized tenant mix with co-working space operator, gym and light F&B



theDesk

First floor
24/7 Fitness

The staircase



Podium garden

Ground floor
BEP & 29 Coffee



03

Capital Management

Resilient Credit Profile

Gearing Ratio

21.6% (30 Jun 2020)

20.4% (30 Jun 2019)

Interest Coverage Ratio

5.5x (FY2019/20)

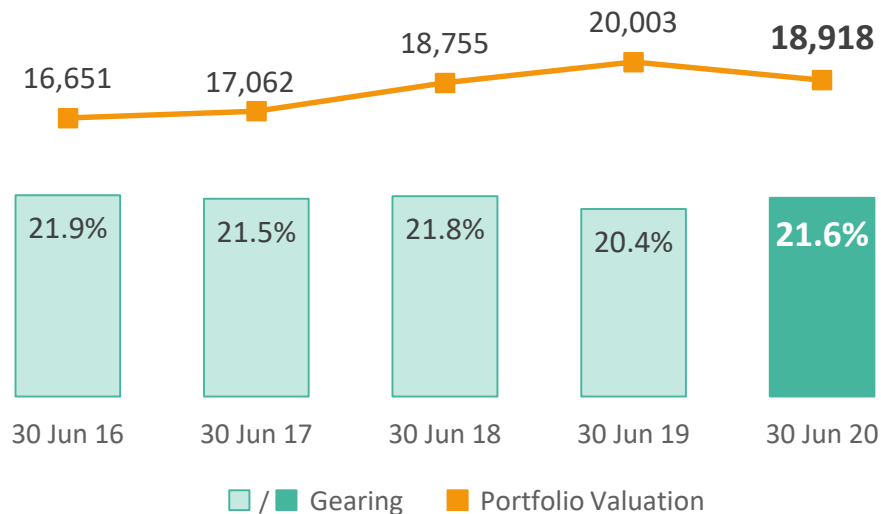
6.1x (FY2018/19)

Effective Interest Rate

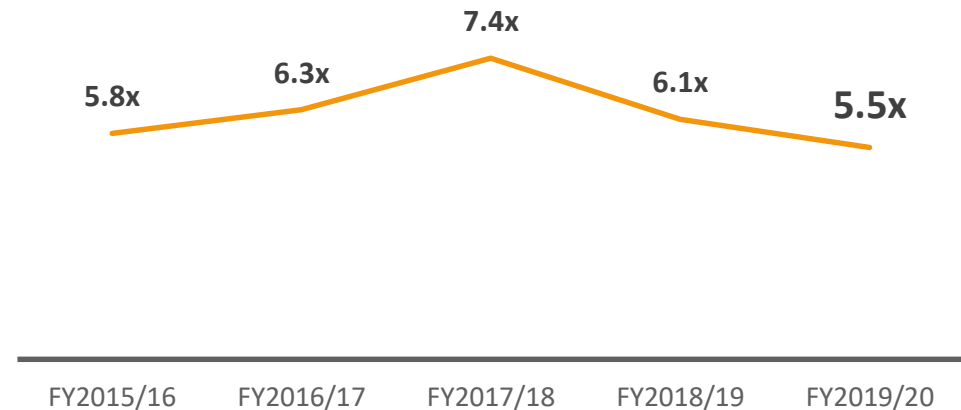
2.53% p.a. (FY2019/20)

2.25% p.a. (FY2018/19)

Trends of Gearing Ratio & Portfolio Valuation (HK\$'M)



Interest Coverage Ratio¹



Note:

1. Interest coverage ratio is calculated by dividing EBITDA by interest expenses incurred on total borrowings.

Healthy Debt Structure

Bank Borrowings

HK\$'M

4,250

(30 Jun 2020)

4,250 (30 Jun 2019)

Interest Margin

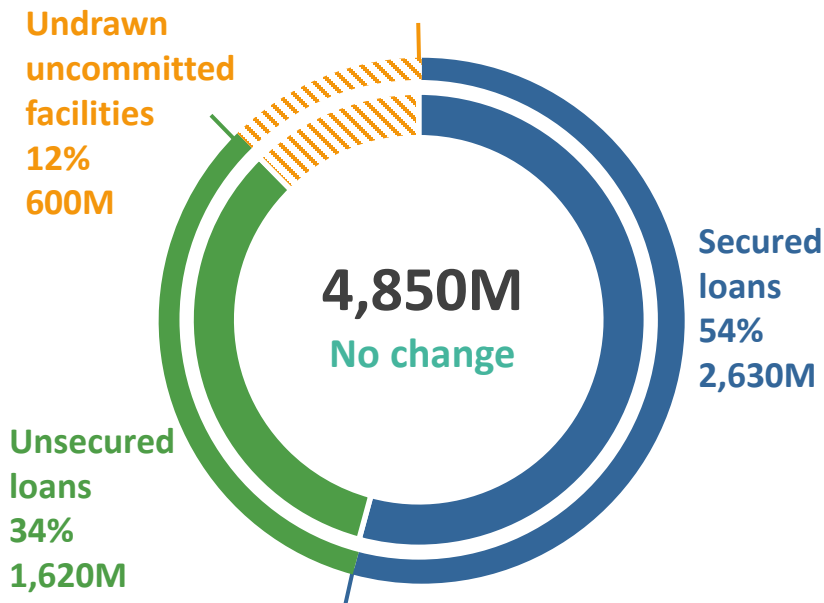
HIBOR + 0.71%

(30 Jun 2020)

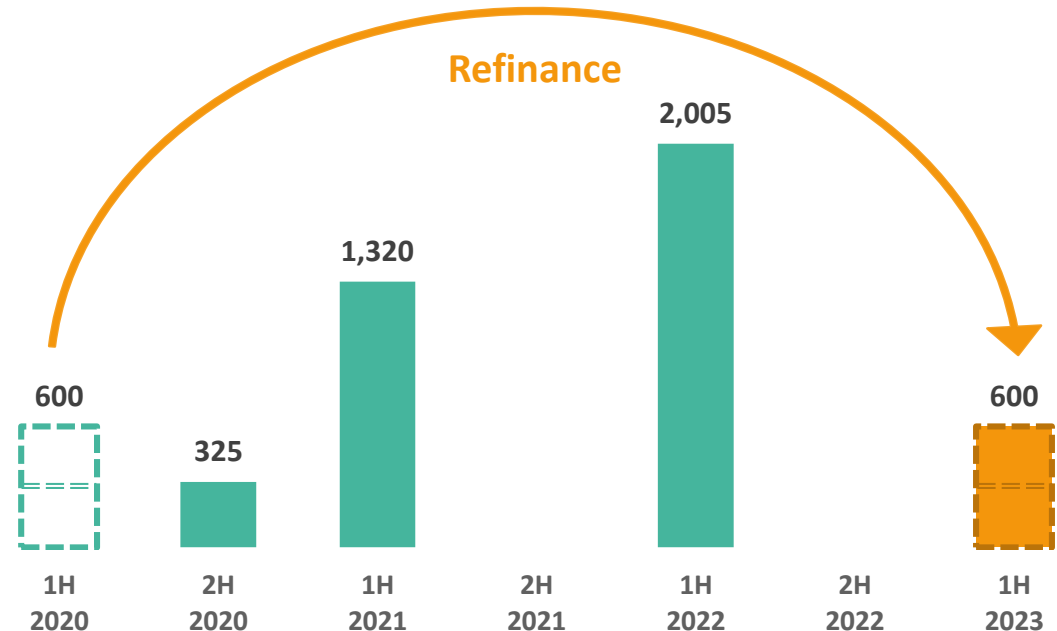
HIBOR + 0.69% (30 Jun 2019)

- Higher interest margin was compensated by lower HIBOR.
- The Manager aims to diversify the funding sources by means of sustainability-linked loans and medium term notes.

Debt Composition (HK\$)

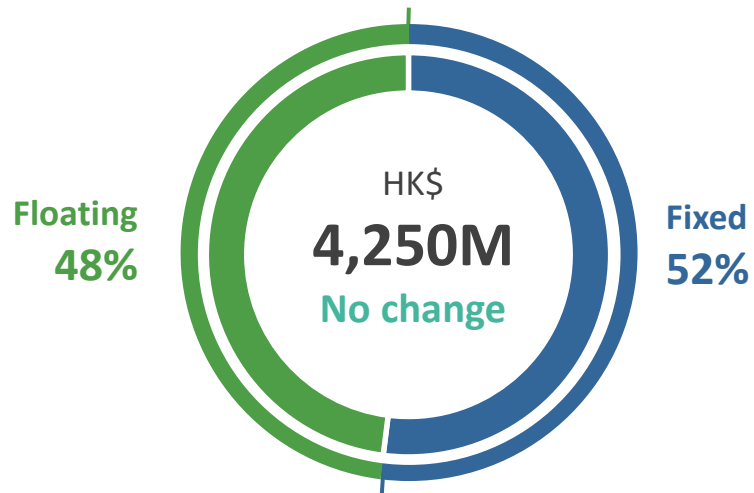


Maturity Profile of Bank Borrowings (HK\$'M)

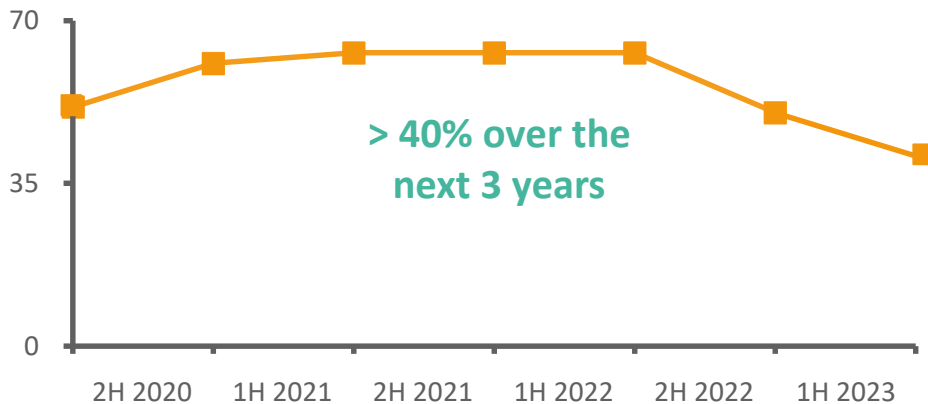


Interest Rate and Treasury Management

Fixed vs Floating Rate Exposure (30 Jun 2020)



Hedging Level (%)



Bond Investments

HK\$'M

115.7 (30 Jun 2020)

136.4 (30 Jun 2019)

Yield to Maturity

Weighted Average

4.5% (30 Jun 2020)

4.4% (30 Jun 2019)

No. of Units Repurchased

13,948,000

7,547,000

1,300,000

2,565,000

1,000,000

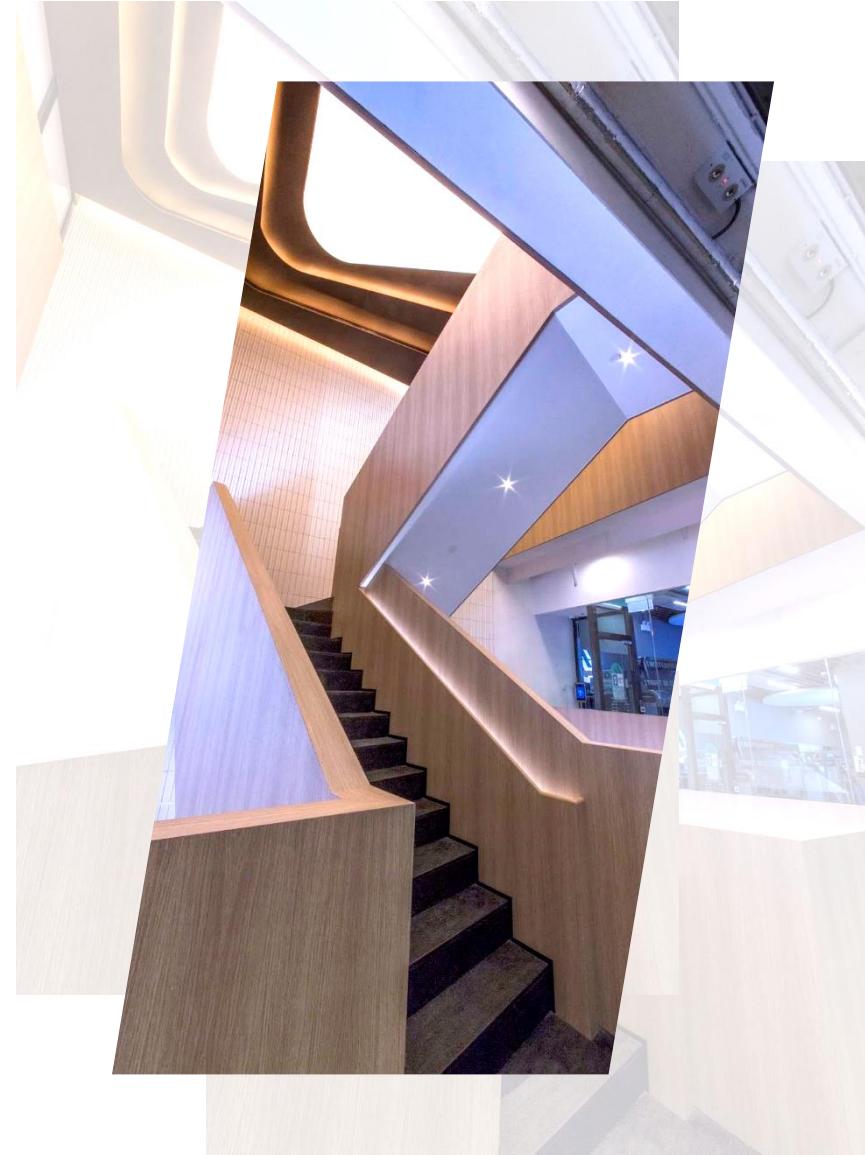
FY2015/16

FY2016/17

FY2017/18

FY2018/19

FY2019/20



04

Outlook & Updates

Outlook & Updates

Outlook

Economic Risks

- The short-term outlook for the global economy will be highly dependent on the duration of the COVID-19 outbreak.
- For Hong Kong, its economic prospects may be further clouded by the strained Sino-US relations.

Sector Outlook

Office

- The office market is envisaged to remain under pressure both in terms of rent and occupancy rate.

Retail

- Consumer sentiment is expected to stay cautious, with tourist spending unlikely to offer contributions until the relaxation of lockdown restrictions.



Prospects of Sunlight REIT

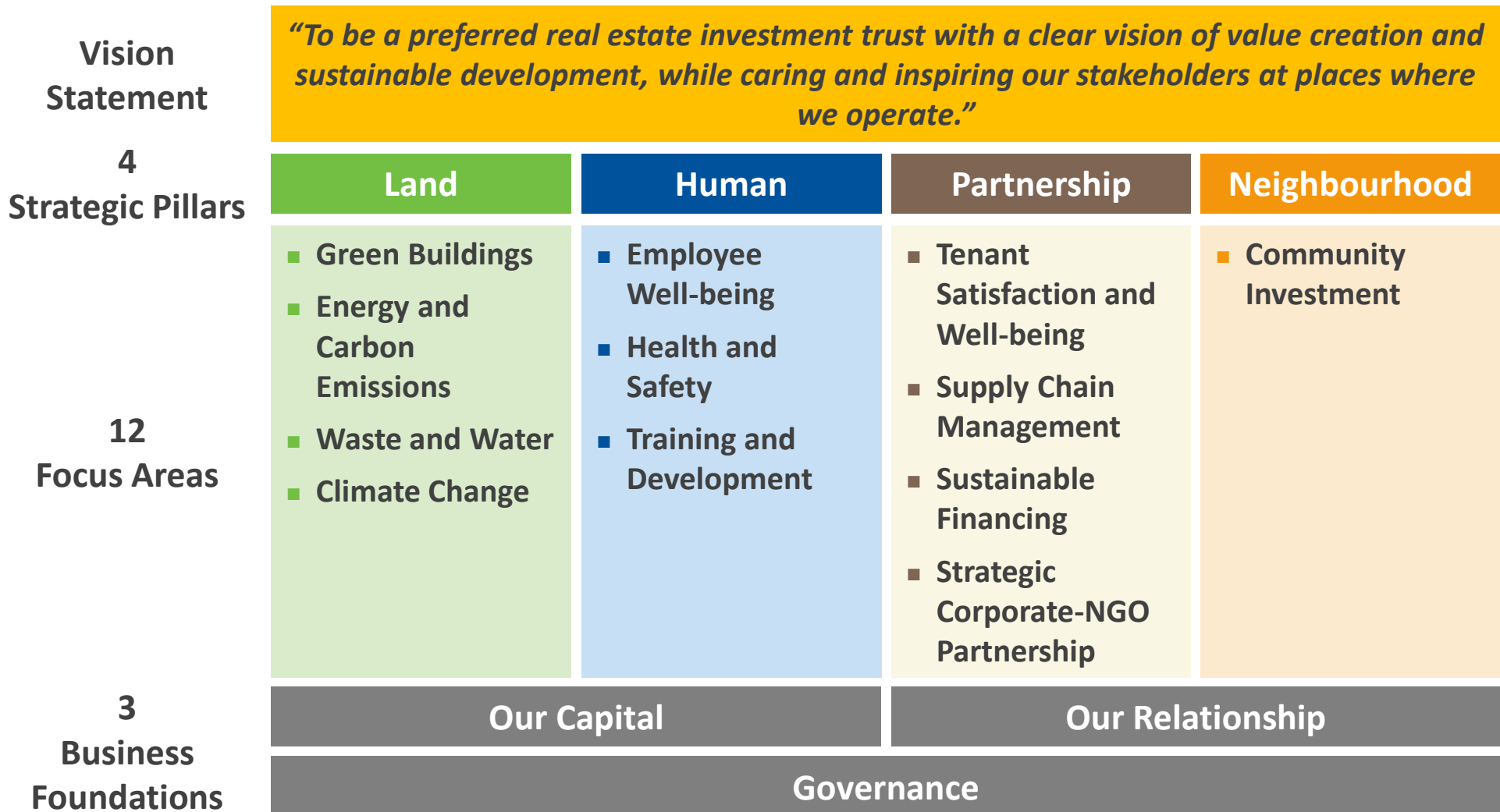
- The operating environment will remain challenging.
- Negative rental reversion will be a more dominant feature particularly for the retail properties.
- The amortization of rental concessions granted is expected to exert a bigger impact on the bottom line of FY2020/21.

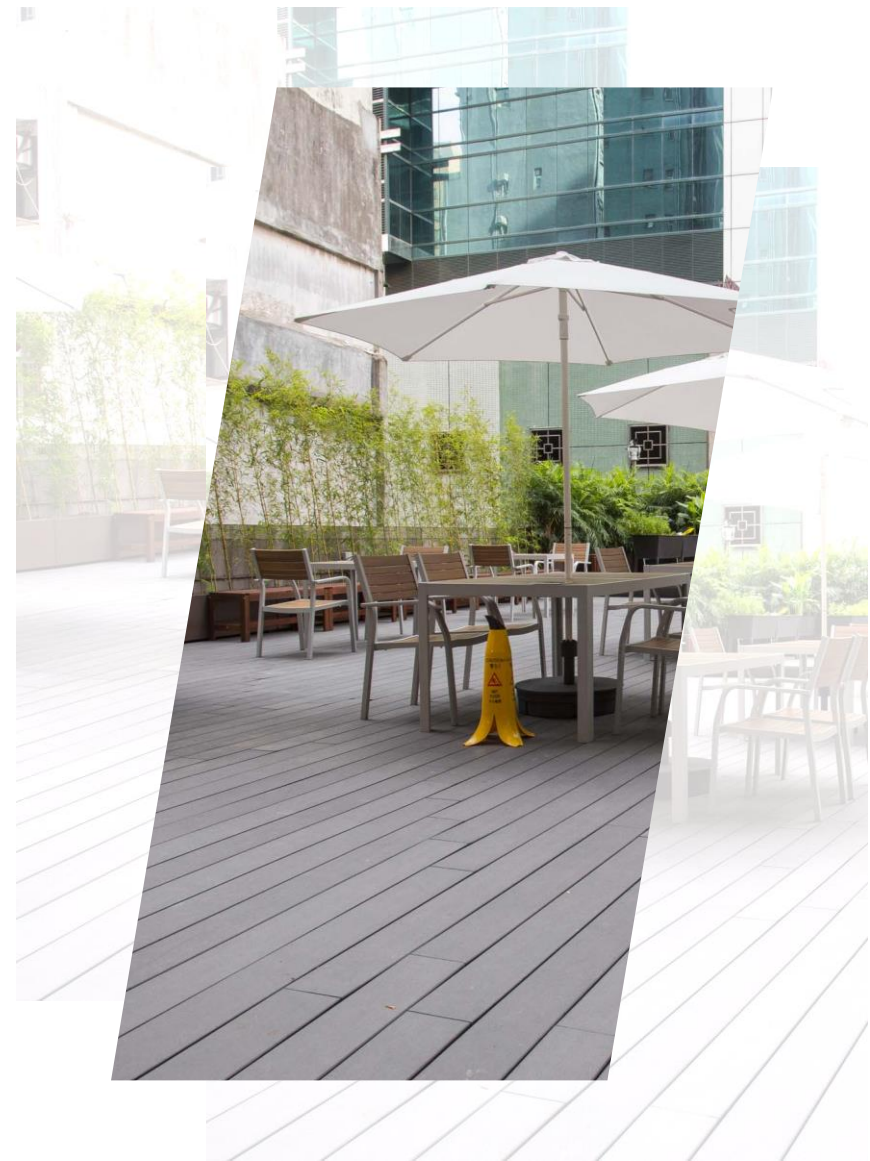
Updates

- Welcome Dah Sing Bank to become an anchor tenant of Sunlight Tower beginning October 2020, occupying office and retail spaces of over 89,000 sq. ft..
- Budgetted approximately HK\$6M for the chiller replacement at Strand 50.
- Secured a JPY7,000 million (equivalent to approximately HK\$500 million) sustainability-linked loan for a tenure of 7 years.

Environmental, Social and Governance

- An ESG committee has been established to devise a holistic sustainability strategy framework.
- Going on a three-phase sustainability journey to include strategy formulation, target setting and progress tracking.





05

Appendix

Sunlight REIT at a Glance

Market Capitalization

HK\$'M

6,396.5

30 Jun 2020

Discount to NAV

56.7%

30 Jun 2020

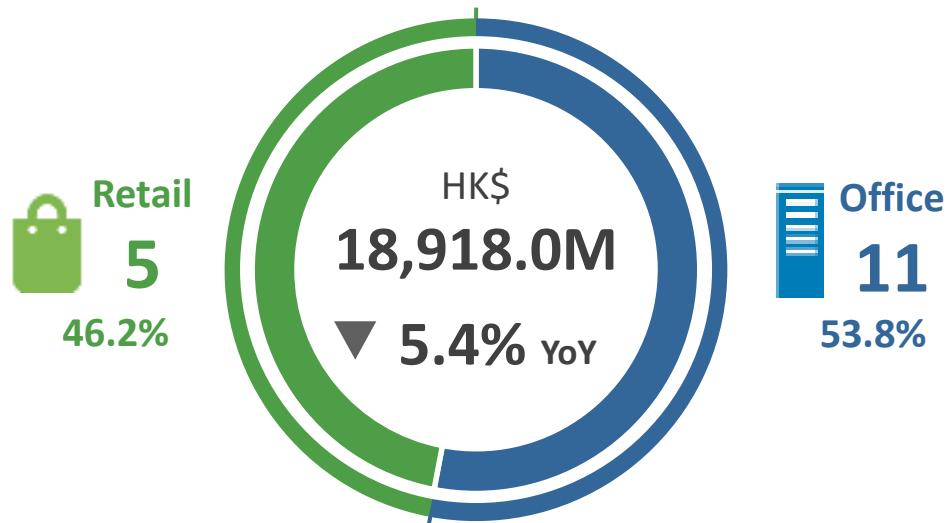
Annualized Total Return

Since listing

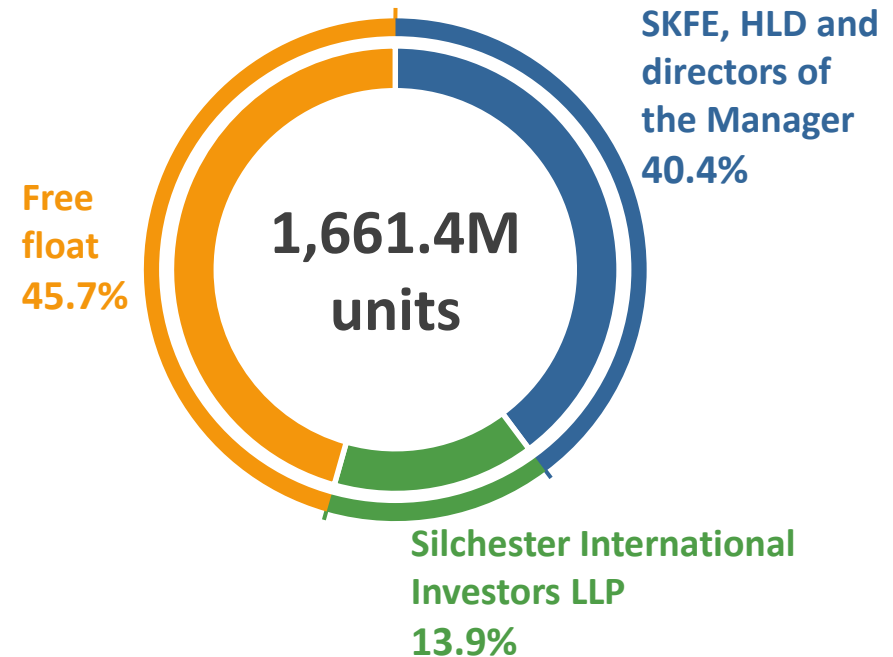
10.6%

30 Jun 2020

Valuation (30 Jun 2020)



Unitholding Structure (30 Jun 2020)



Portfolio at a Glance

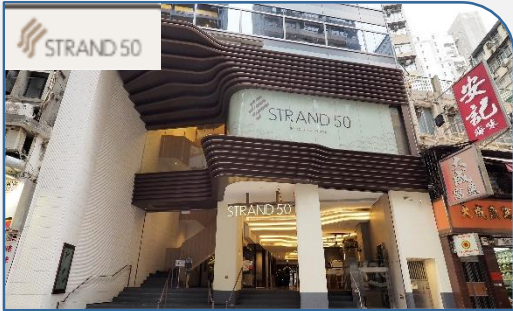
Sunlight Tower
陽光中心



SSC
上水中心
Sheung Shui



Sheung Wan/Central Office Properties (GRA: 274,223 sq. ft.)

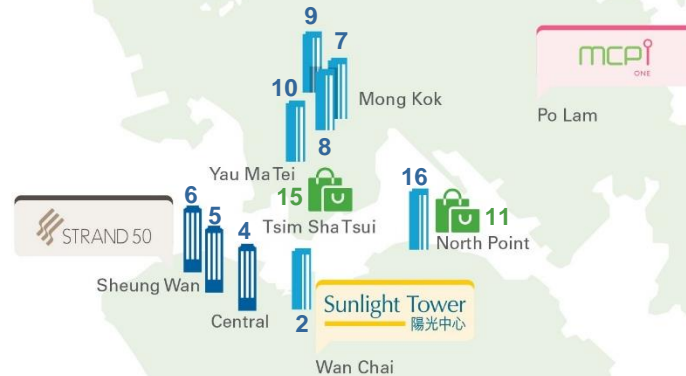


- 4. Winsome House Property
- 5. 135 Bonham Strand Trade Centre Property
- 6. 235 Wing Lok Street Trade Centre

Other Office Properties (GRA: 194,019 sq. ft.)

- 2. On Loong Commercial Building
- 7. The Harvest
- 8. Righteous Centre
- 9. Sun Fai Commercial Centre Property
- 10. Wai Ching Commercial Building Property
- 16. Java Road 108 Commercial Centre

14
Yuen Long



**Gross Rentable Area:
1,235,367 sq. ft.**



Other Retail Properties (GRA: 79,516 sq. ft.)

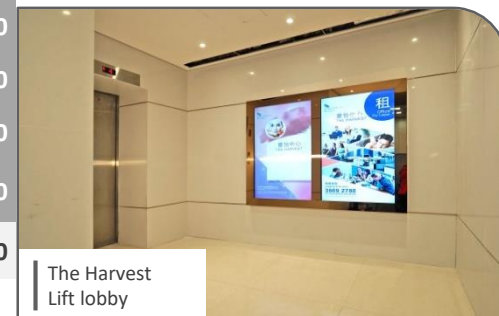
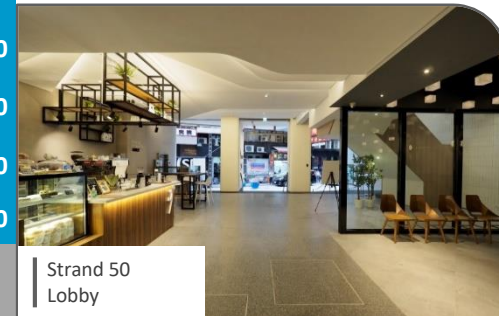
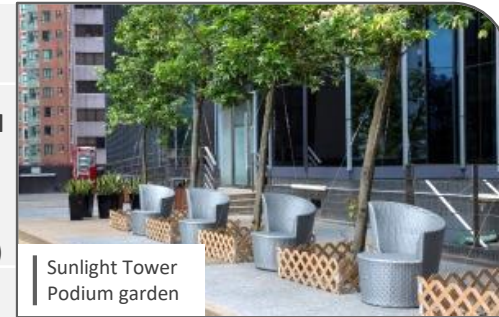
- 11. Supernova Stand Property
- 14. Kwong Wah Plaza Property
- 15. Beverley Commercial Centre Property

Consolidated Statement of Profit or Loss

HK\$'M	FY2019/20	FY2018/19	YoY
Revenue	854.6	850.7	+0.5%
Property operating expenses	(169.9)	(168.2)	+1.0%
Net property income	684.7	682.5	+0.3%
Other income	17.1	17.8	-4.0%
Administrative expenses	(109.8)	(118.7)	-7.5%
(Decrease) / increase in fair value of investment properties	(1,142.8)	1,194.0	n/a
(Loss)/ profit from operations	(550.9)	1,775.6	n/a
Finance costs on interest bearing liabilities	(120.4)	(103.1)	+16.8%
Income tax	(80.1)	(81.3)	-1.5%
(Loss)/ profit after taxation	(751.4)	1,591.1	n/a

Key Office Portfolio Statistics

Property	Operational statistics						Property financials		
	Occupancy rate at 30 June (%)		Passing rent at 30 June (HK\$ / sq. ft.)		Rental reversion (%)		Capitalization rate at 30 June 2020 (%)		Appraised value at 30 June 2020 (HK\$'000)
	2020	2019	2020	2019	FY2019/20	FY2018/19	Office	Retail	
Sunlight Tower	94.3	98.2	40.8	39.6	13.6	13.5	3.75	3.65	5,200,300
Sheung Wan/Central Office Properties									
Strand 50	95.5	68.4 ¹	35.6	31.8	10.9	10.6	3.45	3.80	1,339,800
135 Bonham Strand Trade Centre Property	94.5	100.0	30.1	29.4	7.1	12.6	3.55	3.80	614,800
Winsome House Property	96.1	100.0	44.8	43.8	10.2	6.5	3.55	3.60	597,300
235 Wing Lok Street Trade Centre	94.3	93.8	22.3	22.6	0.4	9.2	3.55	3.80	393,500
Other Office Properties									
The Harvest	100.0	96.4	51.1	51.2	N/A	N/A	3.30	3.10	660,400
Righteous Centre	99.3	100.0	35.2	36.3	2.4	8.5	3.75	3.50	554,500
Java Road 108 Commercial Centre	100.0	96.1	26.4	26.4	4.1	7.1	3.75	4.00	298,700
On Loong Commercial Building	94.1	100.0	32.9	31.6	7.0	8.6	3.65	3.70	266,900
Sun Fai Commercial Centre Property	100.0	100.0	23.1	22.7	9.5	9.1	3.80	4.05	175,900
Wai Ching Commercial Building Property	100.0	97.2	17.8	16.1	21.5	20.8	3.55	3.90	81,100
Sub-total/Average	95.6	94.0	36.5	35.5	10.0	11.4			10,183,200



Key Retail Portfolio Statistics

Property	Operational statistics						Property financials		
	Occupancy rate at 30 June (%)		Passing rent at 30 June (HK\$ / sq. ft.)		Rental reversion (%)		Capitalization rate at 30 June 2020 (%)		Appraised value at 30 June 2020 (HK\$'000)
	2020	2019	2020	2019	FY2019/20	FY2018/19	Office	Retail	
Sheung Shui Centre Shopping Arcade	96.8	98.1	112.9	118.4	0.9	13.4	N/A	4.30	4,194,300
Metro City Phase I Property	94.5	98.9	58.4	57.5	6.1	11.5	N/A	4.40	3,184,500
Other Retail Properties									
Kwong Wah Plaza Property¹	99.3	100.0	55.7	54.3	8.9	9.6	3.60	3.60	1,191,900
Beverley Commercial Centre Property	77.4	62.9	39.6	45.6	(24.7)	(0.2)	N/A	4.10	92,000
Supernova Stand Property	100.0	100.0	54.5	54.5	4.7	7.7	N/A	3.80	72,100
Sub-total/Average	95.8	98.1	74.8	75.8	3.2	11.4			8,734,800



Note:

- Subsequent to the financial year end, an additional office unit with gross rentable area of 533 sq. ft. was acquired on 31 July 2020 for HK\$8 million.

Timeline of Major Asset Recycling and Enhancement



ASSET RECYCLING

On Loong Commercial Building (ownership unification)

Acquisition amount: HK\$24M



The Harvest (previously known as Fung Shun Commercial Building)

Acquisition amount: HK\$658M



Everglory Centre Yue Fai Commercial Centre Royal Terrace Property

Disposal proceeds: HK\$920M

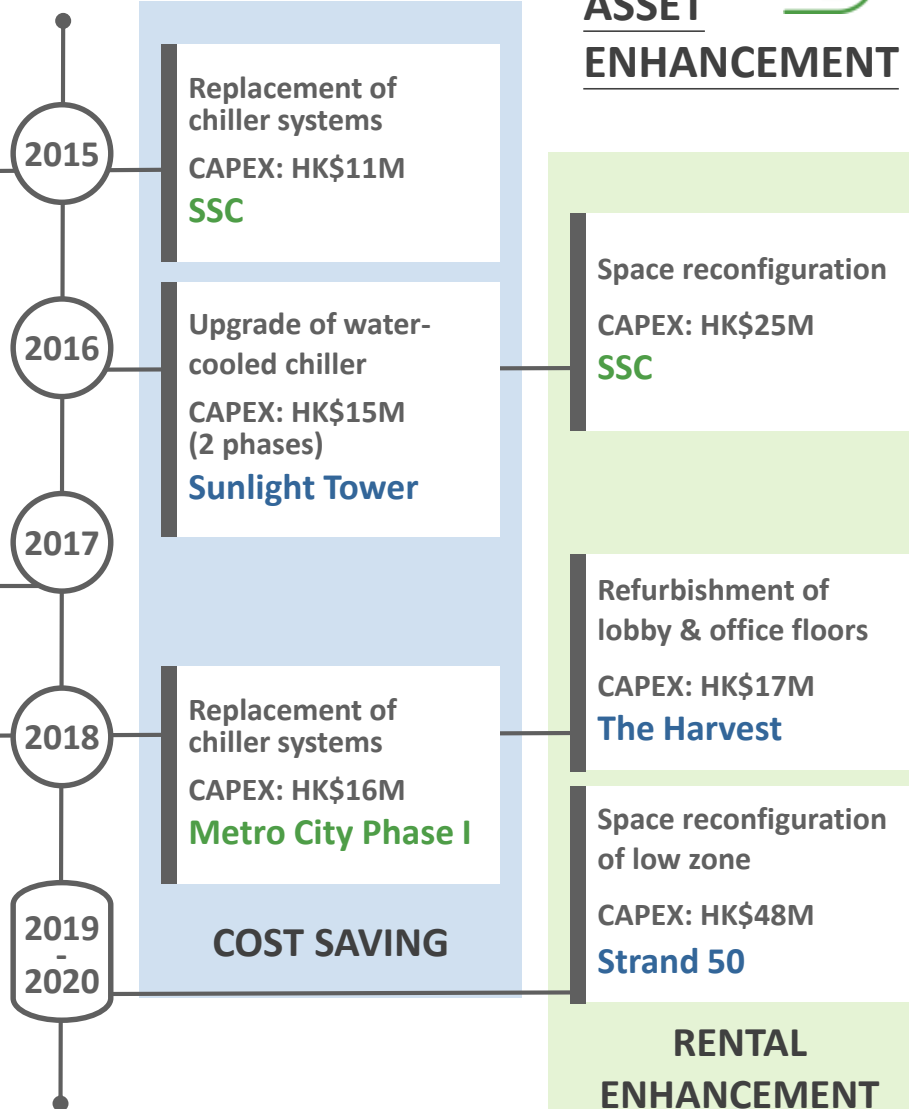


Palatial Stand Property

Disposal proceeds: HK\$101M



ASSET ENHANCEMENT



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Disclaimer

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