



SUNLIGHT REIT

FY2020/21 Annual Results Investor Presentation

7 September 2021





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Results Summary

- The setback to operating results due to COVID-19 was tempered by lower finance costs attributable to a benign monetary environment and sound capital management.
- Proactive tenant acquisition was at the forefront of our priorities, with the addition of Dah Sing Bank as a major tenant being a notable feature of the year.
- Initial foray into sustainable finance and medium term notes demonstrates the credit quality of Sunlight REIT as well as its firm commitment to sustainability.

Revenue

HK\$'M

799.3

854.6 (FY2019/20)

▼ 6.5% YoY

Net Property Income (NPI)

HK\$'M

639.7

684.7 (FY2019/20)

▼ 6.6% YoY

Distribution Per Unit (DPU)

HK cents

25.6

26.8 (FY2019/20)

▼ 4.5% YoY

Net Asset Value Per Unit (NAV)

HK\$

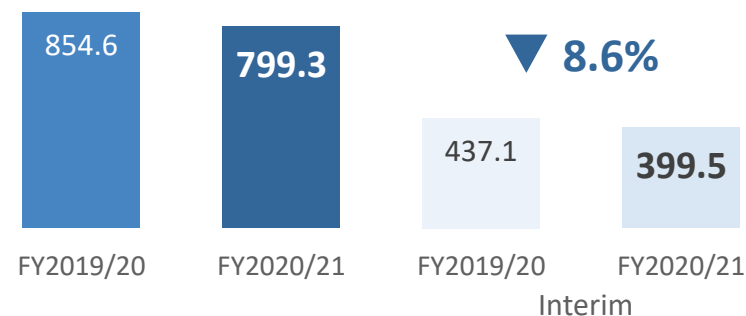
8.45

8.89 (30 June 2020)

▼ 4.9% YoY

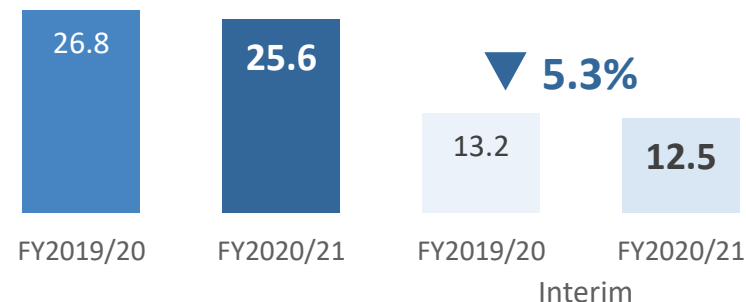
Revenue (HK\$'M)

▼ 6.5%



DPU (HK cents)

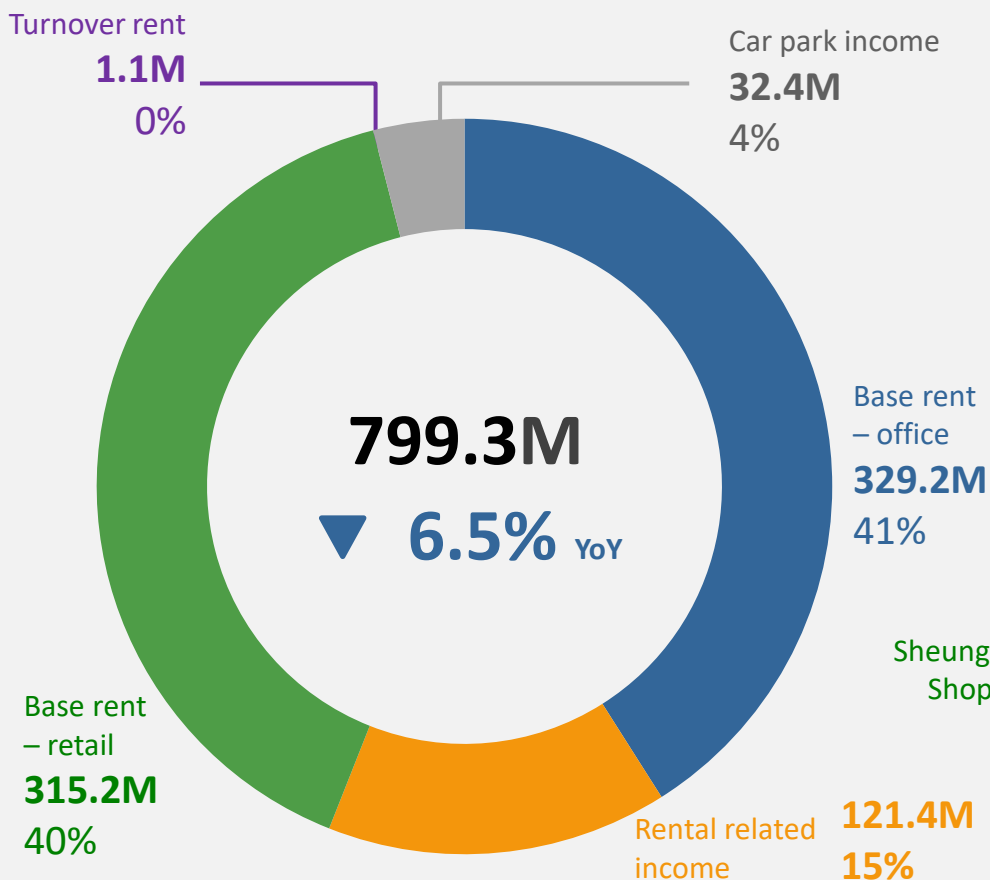
▼ 4.5%



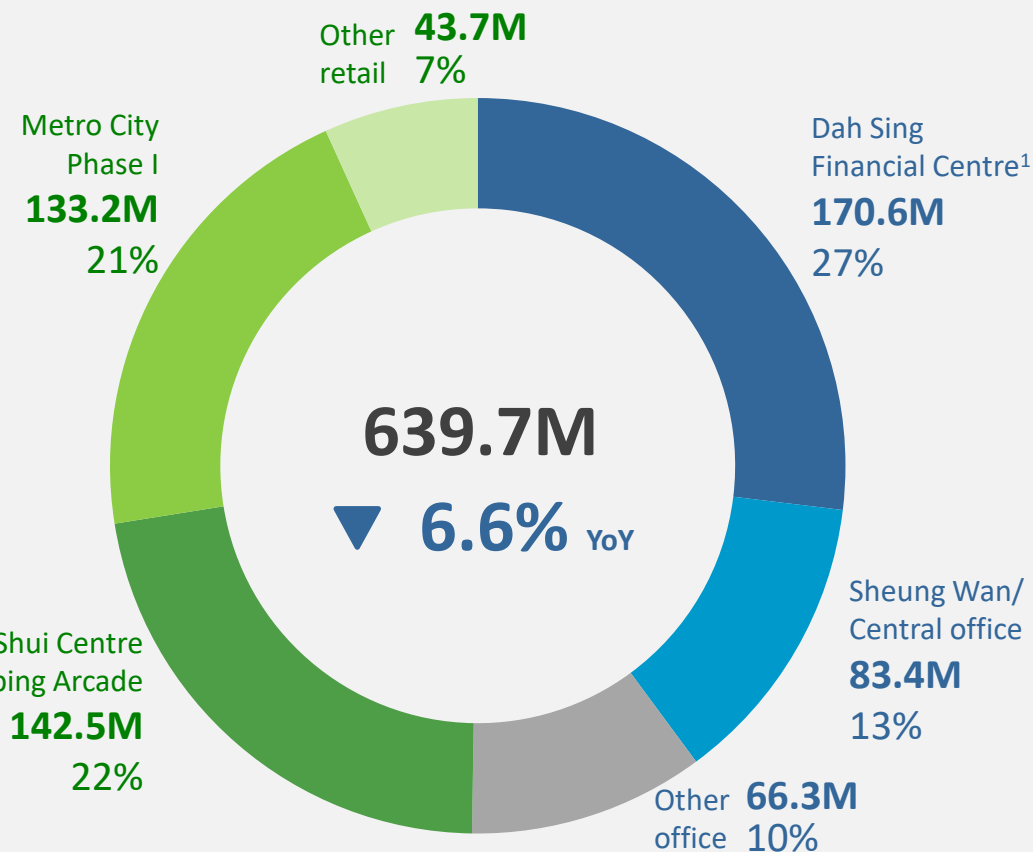
Income Derived from a Diversified and Balanced Portfolio

- Decline in NPI was caused by lower occupancy rates, negative rental reversions and amortized rental concessions.
- Office and retail portfolios maintained balanced contributions to NPI.

Revenue by Income Type (HK\$)



NPI by Property (HK\$)



Note:

1. The property was previously known as Sunlight Tower (renamed with effect from 8 March 2021).

Financial Position

HK\$'M	30 Jun 2021
Non-current assets	18,521.4
Current assets	678.3
Total assets	19,199.7
Current liabilities	2,411.1
Non-current liabilities	2,664.4
Total liabilities	5,075.5
Net assets	14,124.3
Gearing ratio	23.0%
No. of units in issue	1,672.1M

Selected items (HK\$'M)	30 Jun 2021	YoY
Investment properties	18,341.7	-3.0%
<i>Office</i>	10,022.2	-1.6%
<i>Retail</i>	8,319.5	-4.8%
<ul style="list-style-type: none"> A decrease in property valuation reflected a softening in the market rents of commercial properties. 		
Bank borrowings	4,418.0	+4.0%
<i>Current</i>	2,005.0	+21.9%
<i>Non-current</i>	2,413.0	-7.4%
<ul style="list-style-type: none"> Completed over HK\$1.5 billion sustainability-linked loans and a maiden issuance of HK\$300 million medium term notes. 		

DPU at a Glance

Annual Distributable Income

HK\$'M

438.3

467.0 (FY2019/20)

▼ 6.1% YoY

Distribution Yield¹

5.7%

30 Jun 2021

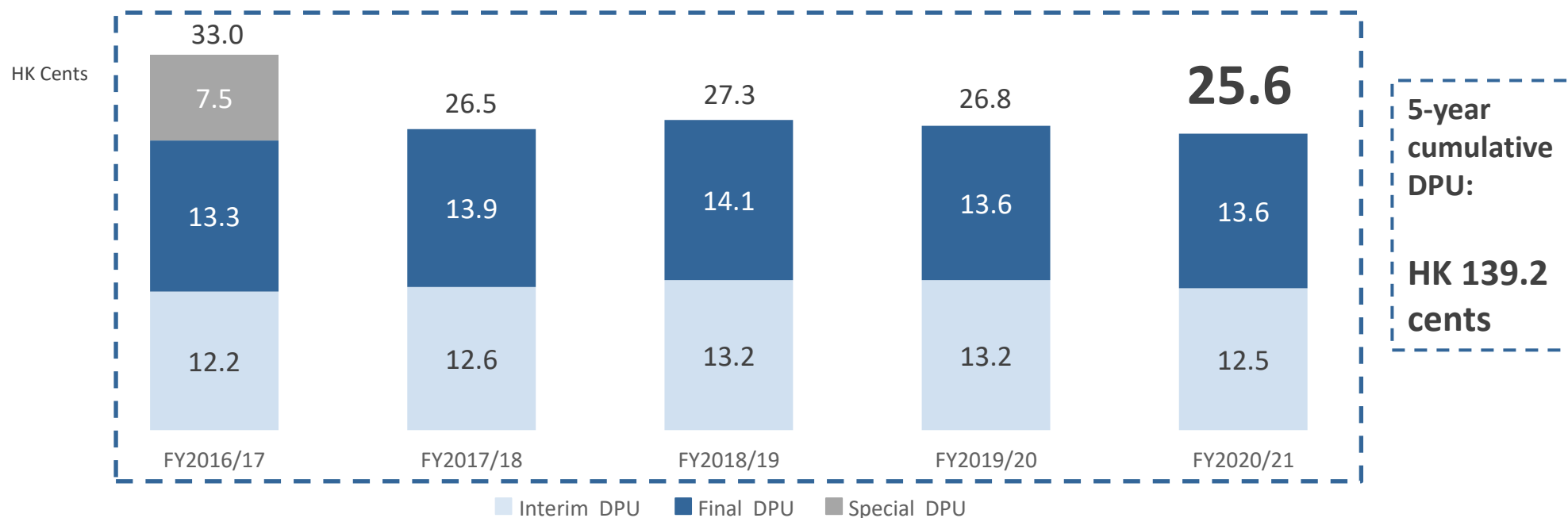
5.2%

07 Sep 2021

Payout Ratio

97.5%

95.2% (FY2019/20)



Note:

1. Distribution yield based on the closing price of (i) HK\$4.49 on the last trading day of FY2020/21 and (ii) HK\$4.94 on the results announcement date.



02

Portfolio Performance

Overall Operating Performance

Occupancy Rate

30 Jun 2021

93.7%

91.5% (31 Dec 2020)

95.7% (30 Jun 2020)

Passing Rent (HK\$ psf.)

30 Jun 2021

47.7

48.7 (31 Dec 2020)

48.6 (30 Jun 2020)

Rental Reversion

FY2020/21

-6.2%

6.0% (FY2019/20)

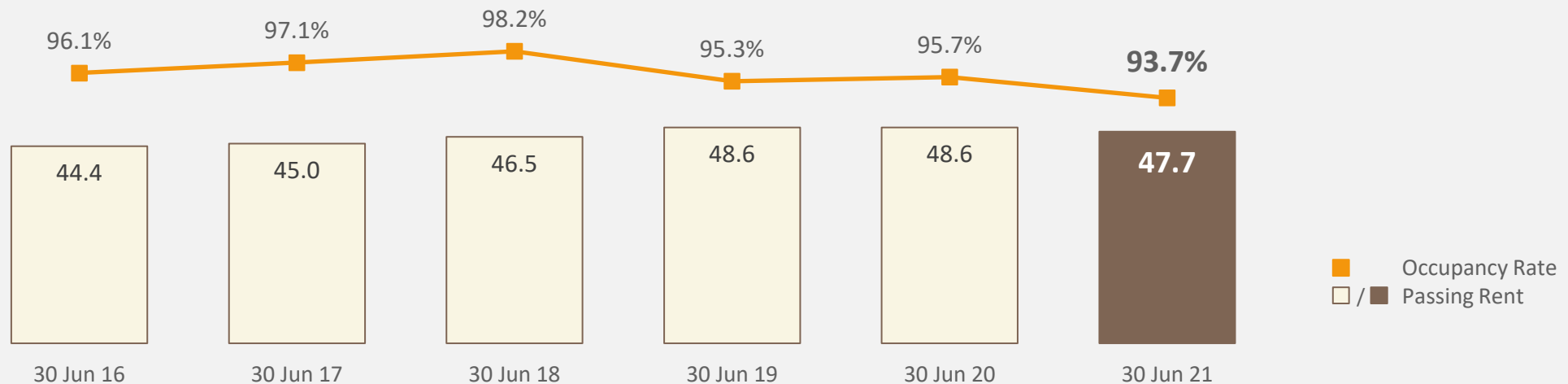
No. of Leases (30 Jun 2021)

817

Average Lease Length

3.3 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

FY2020/21

-5.3%

10.0% (FY2019/20)

Retention Rate

FY2020/21

53%

68% (FY2019/20)

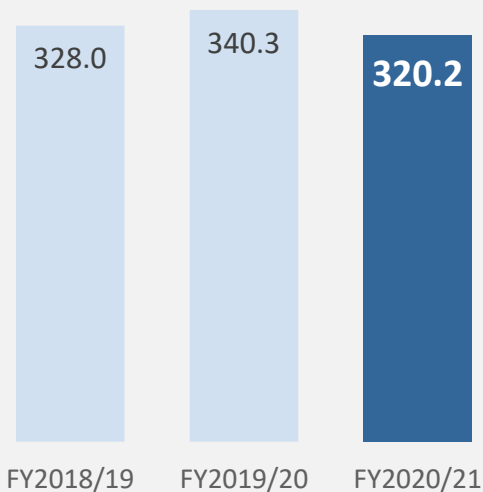
Lease Expiry in FY2021/22

29.1% Office GRA

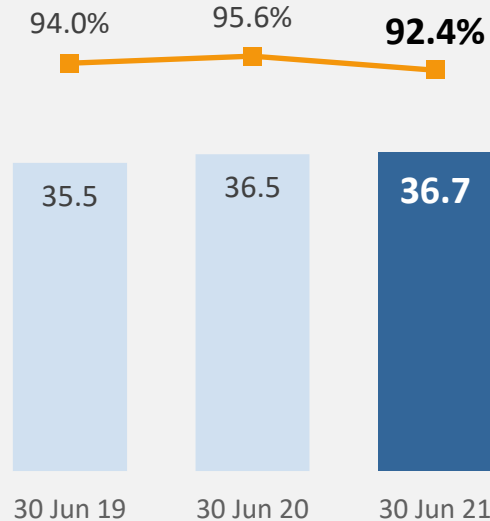
FY2020/21: 50.6%

NPI (HK\$'M)

▼ **5.9% YoY**



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



Valuation (HK\$'M)	30 Jun 2021	30 Jun 2020	Change
<i>Dah Sing Financial Centre</i>	5,236.9	5,200.3	0.7%
<i>Sheung Wan/Central office properties</i>	2,836.9	2,945.4	-3.7%
<i>Other office properties</i>	1,948.4	2,037.5	-4.4%
Sub-total	10,022.2	10,183.2	-1.6%

Operating Performance of Retail Portfolio

Rental Reversion

FY2020/21

-7.2%

3.2% (FY2019/20)

Retention Rate

FY2020/21

67%

77% (FY2019/20)

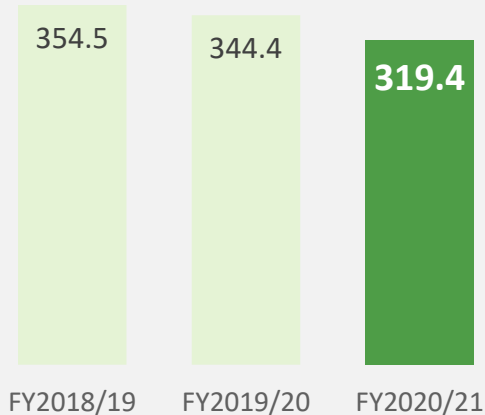
Lease Expiry in FY2021/22

37.1% Retail GRA

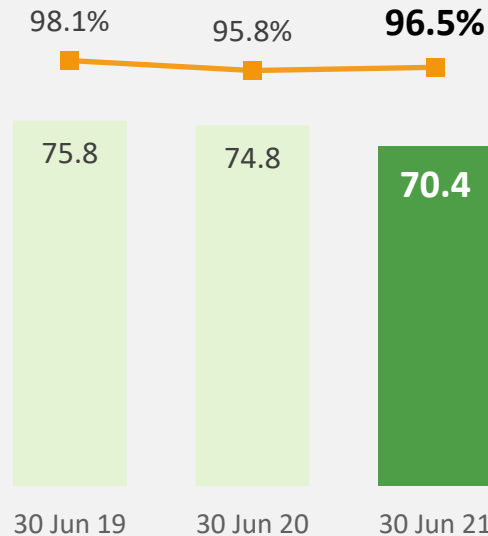
FY2020/21: 31.9%

NPI (HK\$'M)

▼ **7.2% YoY**



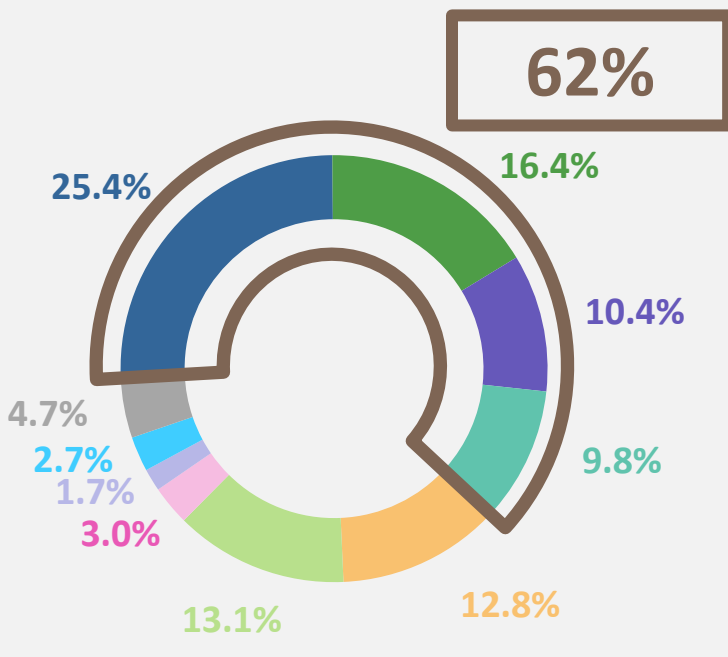
Occupancy Rate and Passing Rent (HK\$ psf.)



Valuation (HK\$'M)	30 Jun 2021	30 Jun 2020	Change
SSC	3,892.6	4,194.3	-7.2%
MCPI	3,097.4	3,184.5	-2.7%
Other retail properties	1,329.5	1,356.0	-2.0%
Sub-total	8,319.5	8,734.8	-4.8%

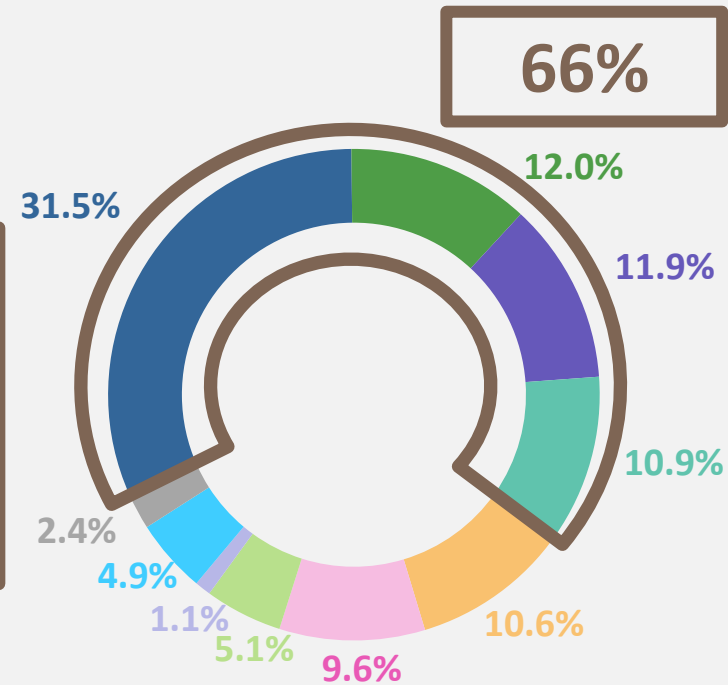
Retail Portfolio – Tenant Mix Optimization

Tenant Mix (30 Jun 2021)



Sheung Shui Centre Shopping Arcade

Non-Discretionary Trades:
 Food & beverage
 Financial
 Education
 Snacks & convenience stores



Metro City Phase I

- Food and beverage
- Fashion and jewellery
- Financial
- Lifestyle
- Education
- AV and books
- Snacks and convenience stores
- Others
- Healthcare and beauty
- Vacant

Promotional Campaigns to Drive Local Consumption



Marketing initiatives

- Promotional cash coupons to stimulate footfall and tenants' sales



New eShop

- An e-shopping platform was launched in Nov 2020



Our Responses to COVID-19

Enhancing health and safety protection



Comprehensive disinfection



Regular COVID-19 testing



Online training about air quality

Enhancing workplace protection



Split team & work-from-home



Face masks & COVID-19 testing kits



Vaccination leave

Enhancing community care initiatives



Rental assistance



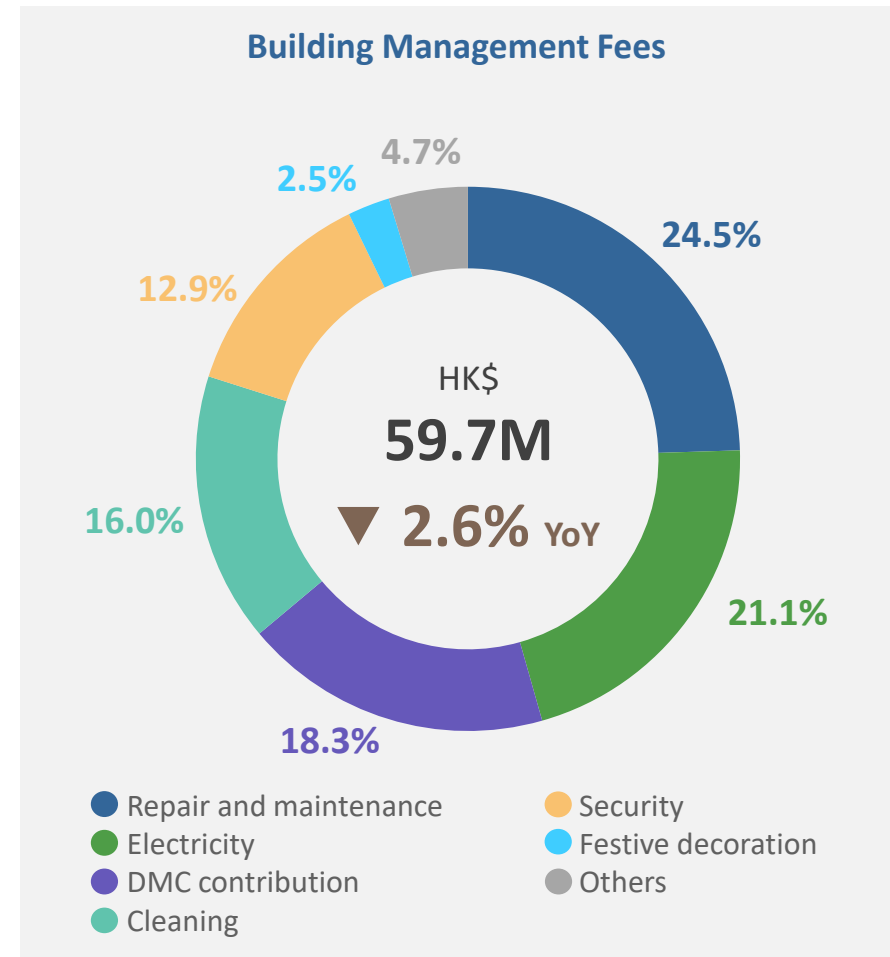
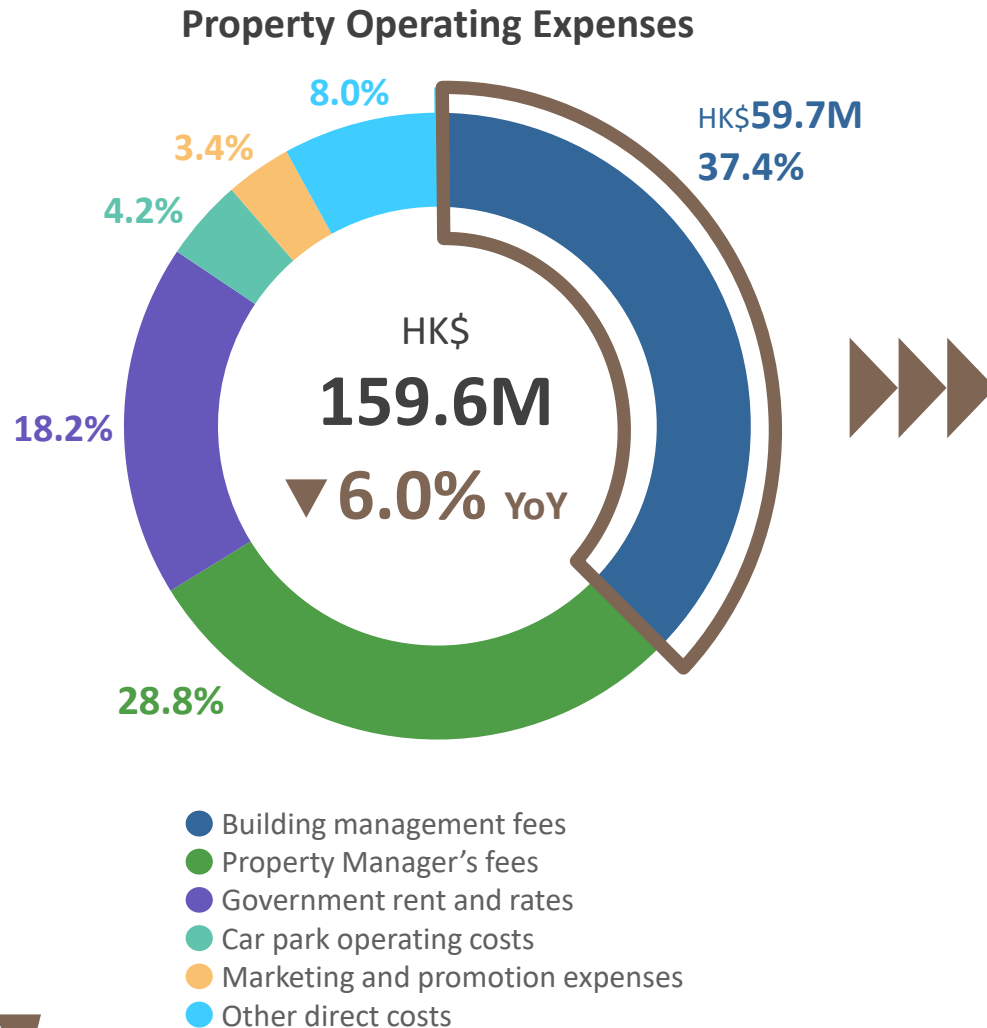
Online learning for children



Sunlight goodies bags

Disciplined Cost Control

- Cost-to-income ratio was unchanged at 20.0%, mainly driven by lower Property Manager's fees and government rates concession.



Dah Sing Financial Centre



Wan Chai

Appraised Value:

HK\$5,237M

Cap Rate:

Office: 3.75%

Retail: 3.65%

Rental Reversion

FY2020/21

-2.2%

13.6% (FY2019/20)

Retention

FY2020/21

36%

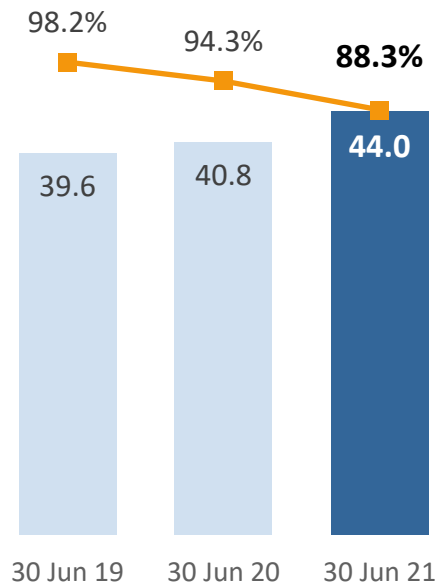
Expiry Profile

by GRA

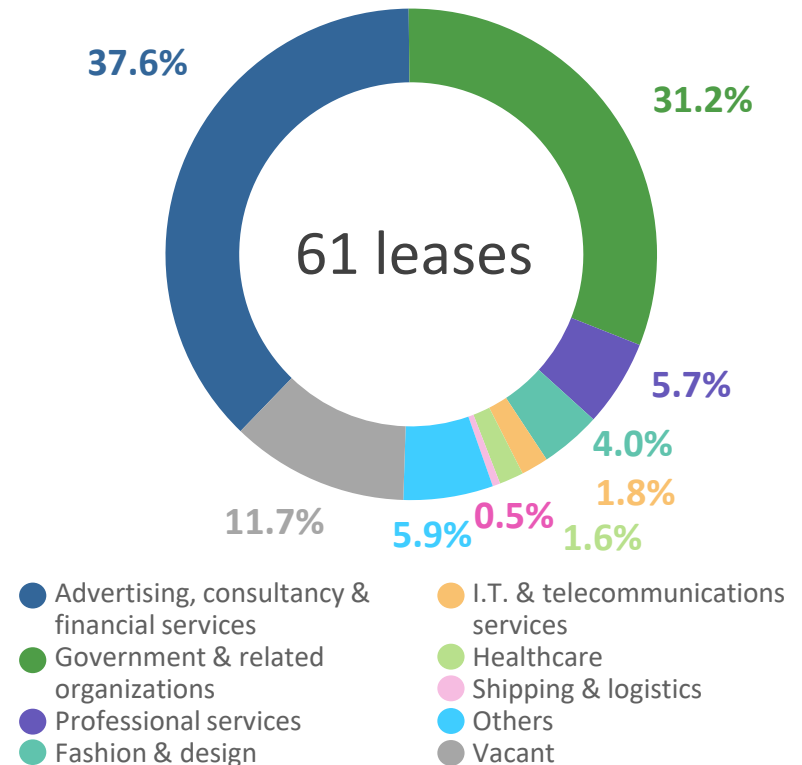
14.2% (FY2021/22)

24.3% (FY2022/23)

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



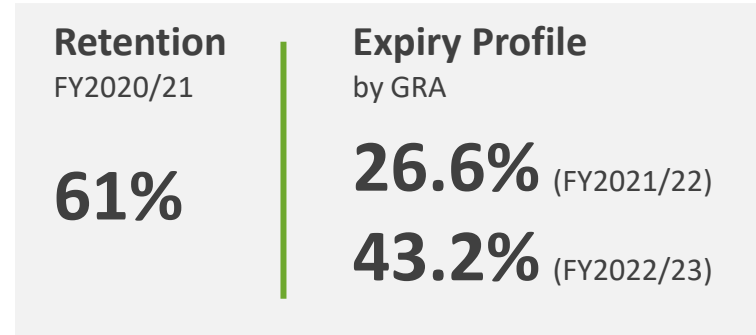
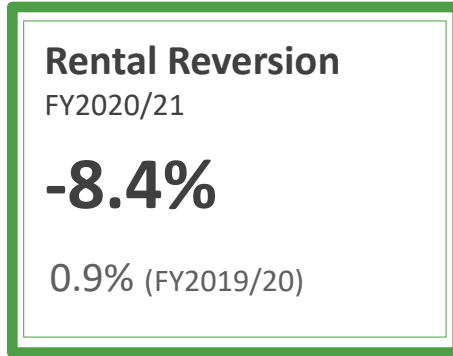
Tenant Mix (30 Jun 2021)



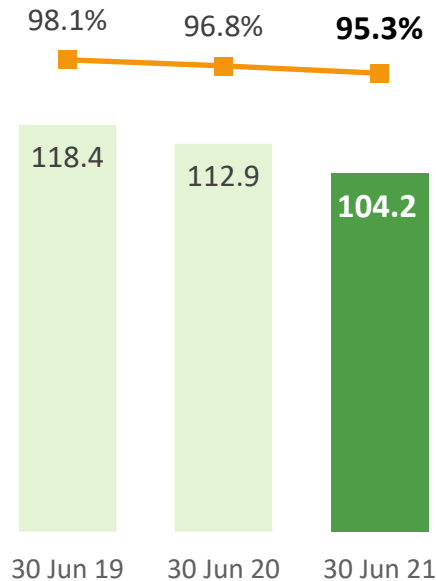
Sheung Shui Centre Shopping Arcade



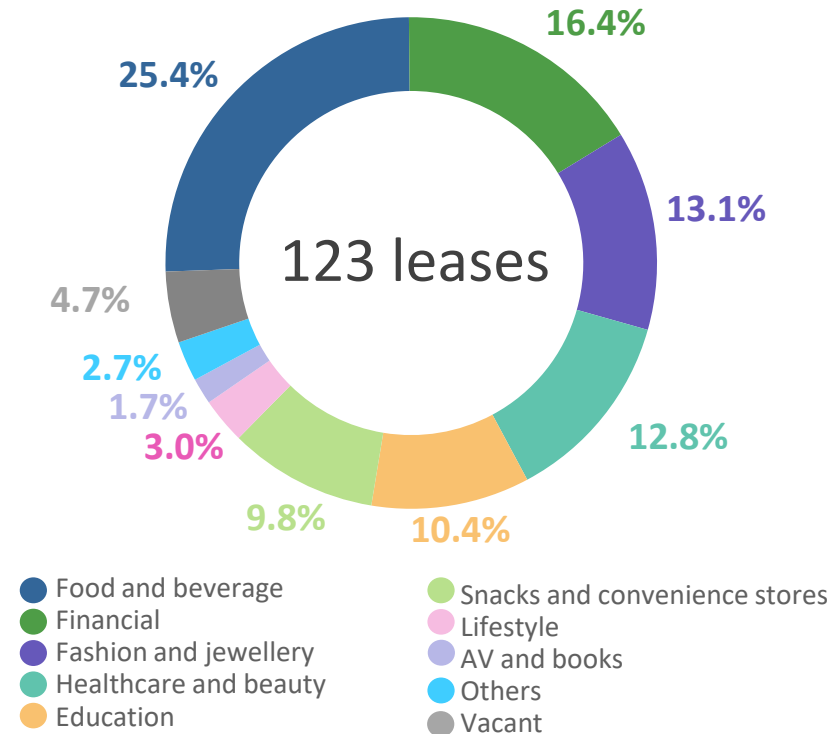
Sheung Shui
 Appraised Value:
HK\$3,893M
 Cap Rate:
4.30%



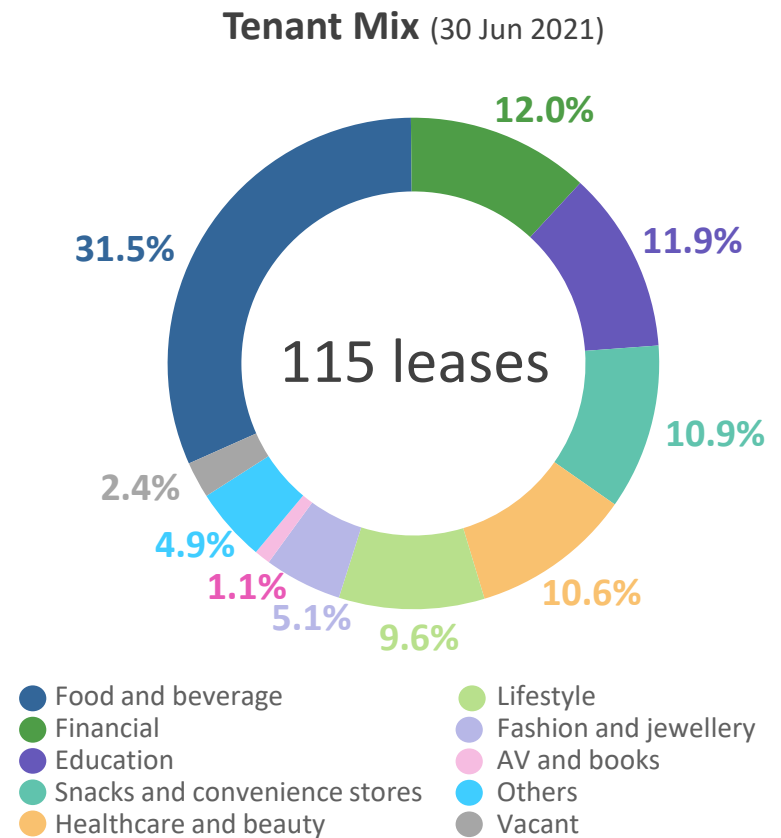
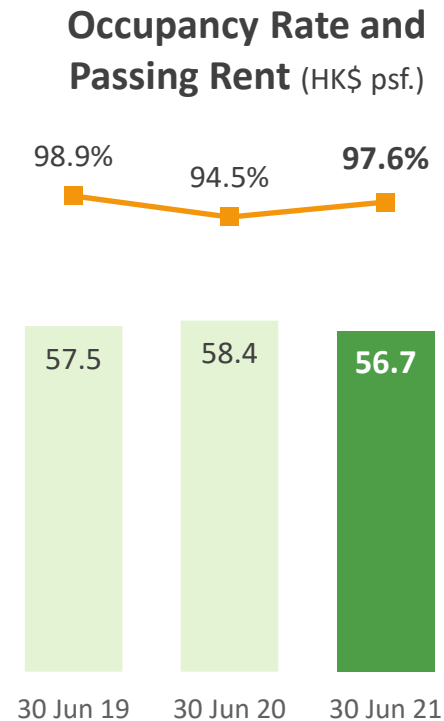
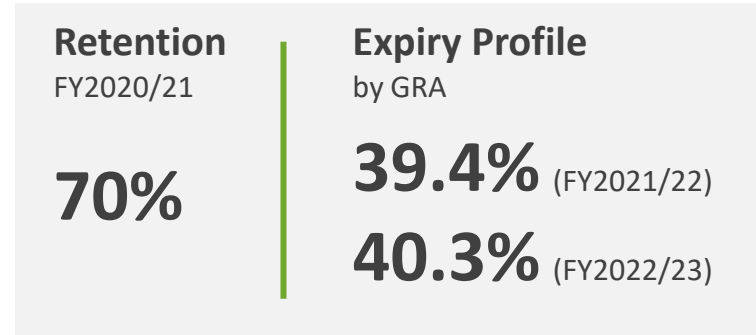
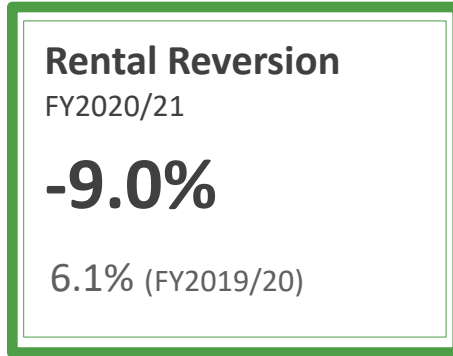
Occupancy Rate and Passing Rent (HK\$ psf.)



Tenant Mix (30 Jun 2021)



Metro City Phase I Property



Strand 50



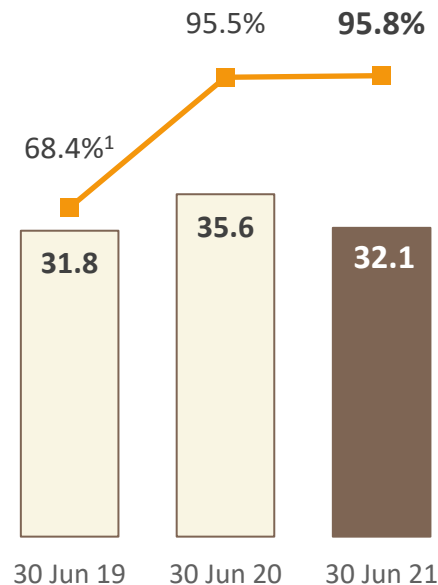
Rental Reversion

FY2020/21

-1.1%

10.9% (FY2019/20)

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



- The property is being successfully transformed into an appealing modern workplace in the core of the Sheung Wan district.
- Completion of chiller plant replacement project will further increase its energy efficiency.

Chiller Plant Replacement Project



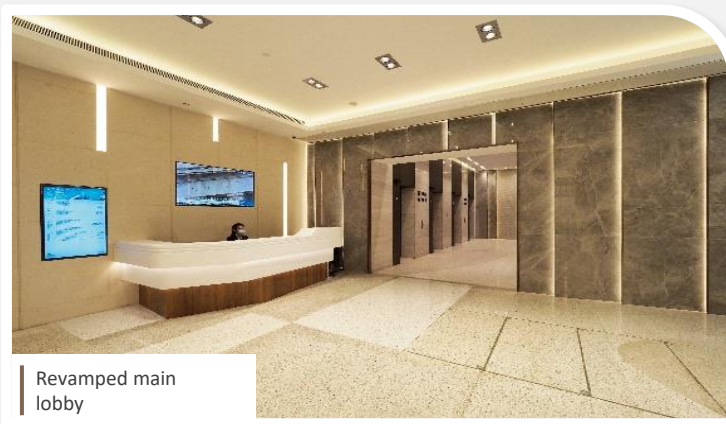
Note:

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

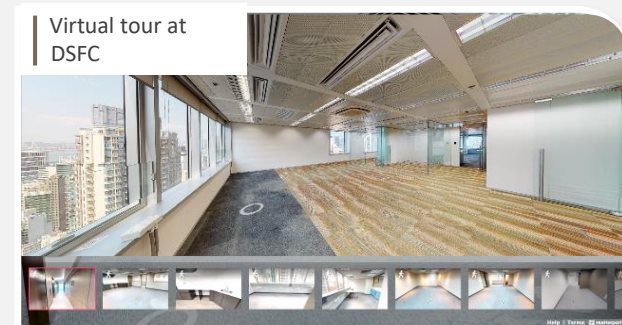
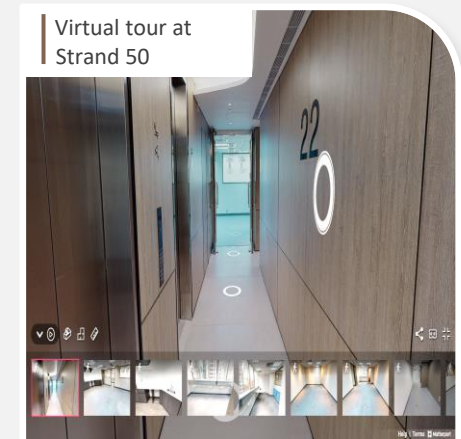
Highlights of Asset Enhancement Initiatives

- Revamped the main lobby of Dah Sing Financial Centre to enhance its overall ambience.
- Installed an UV-C disinfection robot at SSC and launched virtual tours amidst COVID-19.

Refurbishment at DSFC



Proptech application



03

Capital Management



New Financing Instruments

Sustainability-linked Loans

HK\$'M

1,513

Medium Term Notes

HK\$'M

300

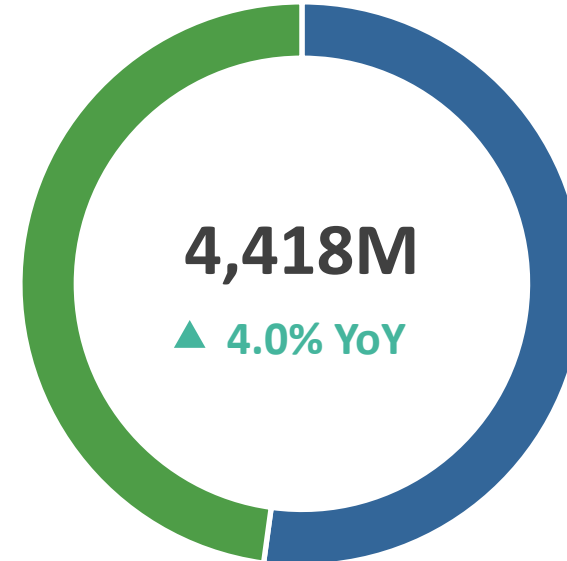
- Increased the proportion of unsecured loans given a favorable interest rate environment.
- Indication of our firm commitment to sustainability.



Total Borrowings Composition

(HK\$) (30 Jun 2021)

Unsecured
loans
48%
2,113M



Secured
loans
52%
2,305M

Healthy Debt Structure

Total Borrowings

HK\$'M

4,418

4,250 (30 Jun 2020)

▲ 4.0% YoY

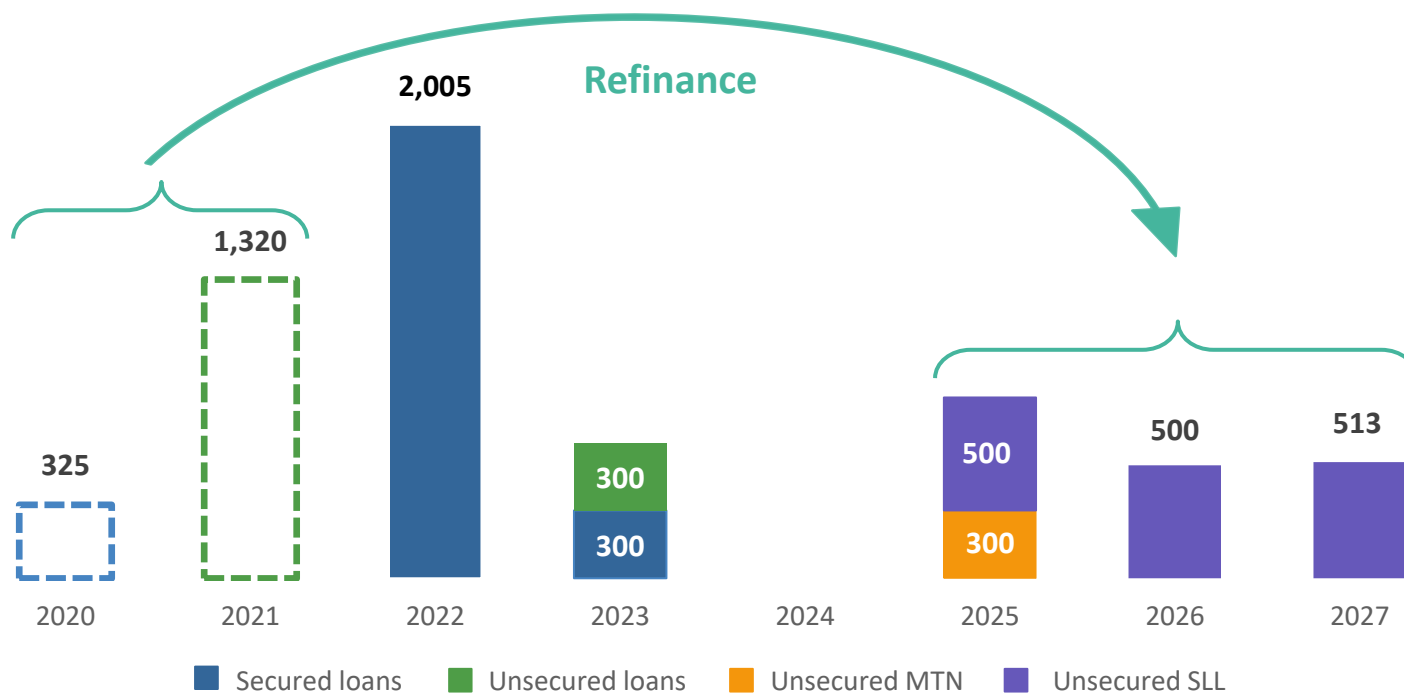
Interest Margin

HIBOR + 0.74%

HIBOR + 0.71% (30 Jun 2020)

- Slightly higher interest margin was compensated by lower HIBOR.
- The debt maturity profile has been extended to 2025 - 2027.

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



Resilient Credit Profile

Gearing Ratio

23.0%

21.6% (30 Jun 2020)

Interest Coverage Ratio

6.3x

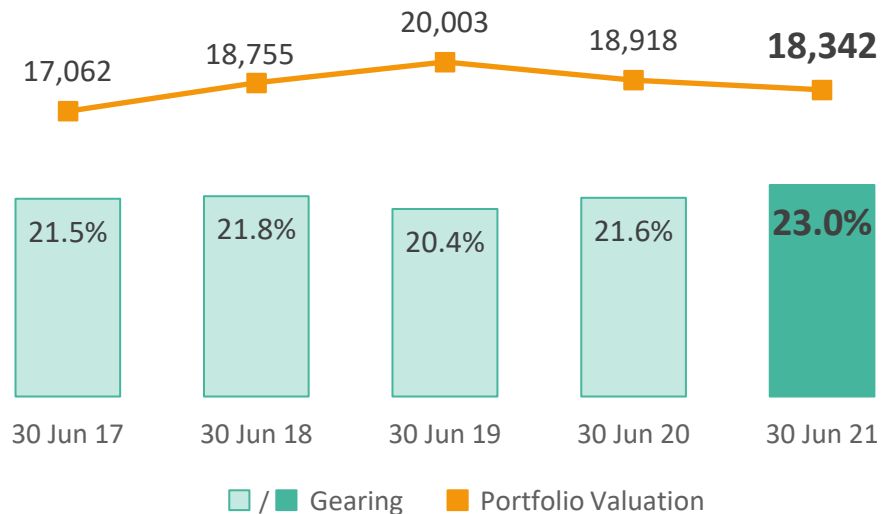
5.5x (FY2019/20)

Effective Interest Rate

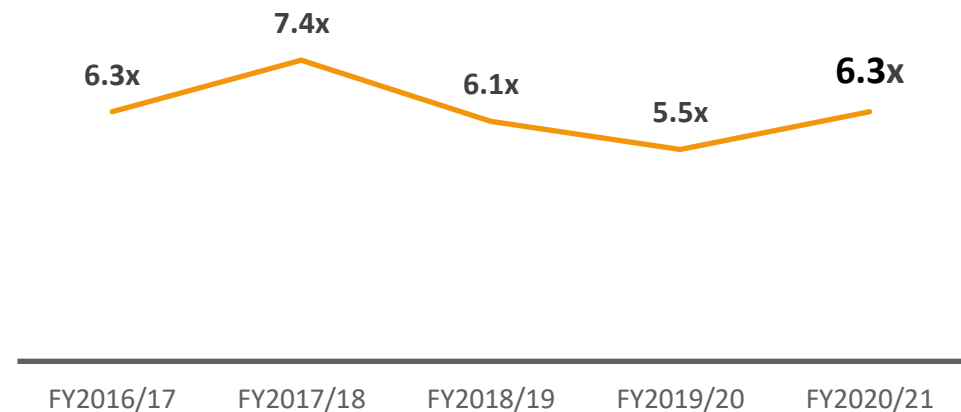
2.0% p.a.

2.53% p.a. (FY2019/20)

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



Interest Coverage Ratio¹

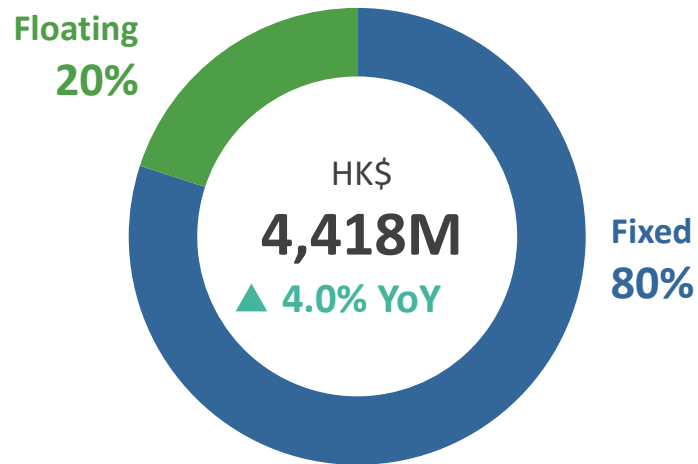


Note:

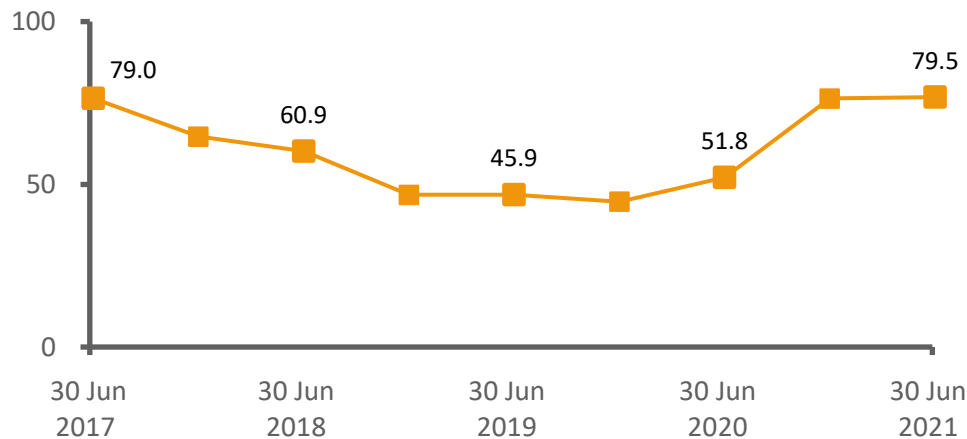
1. Interest coverage ratio is calculated by dividing EBITDA by interest expenses incurred on total borrowings.

Interest Rate and Treasury Management

Fixed vs Floating Rate Exposure (30 Jun 2021)



Fixed Rate Borrowings as a % of Total Borrowings



Bond Investments

HK\$'M

140.9 (30 Jun 2021)

115.7 (30 Jun 2020)

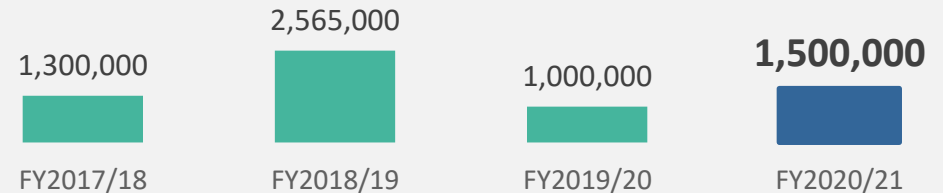
Yield to Maturity

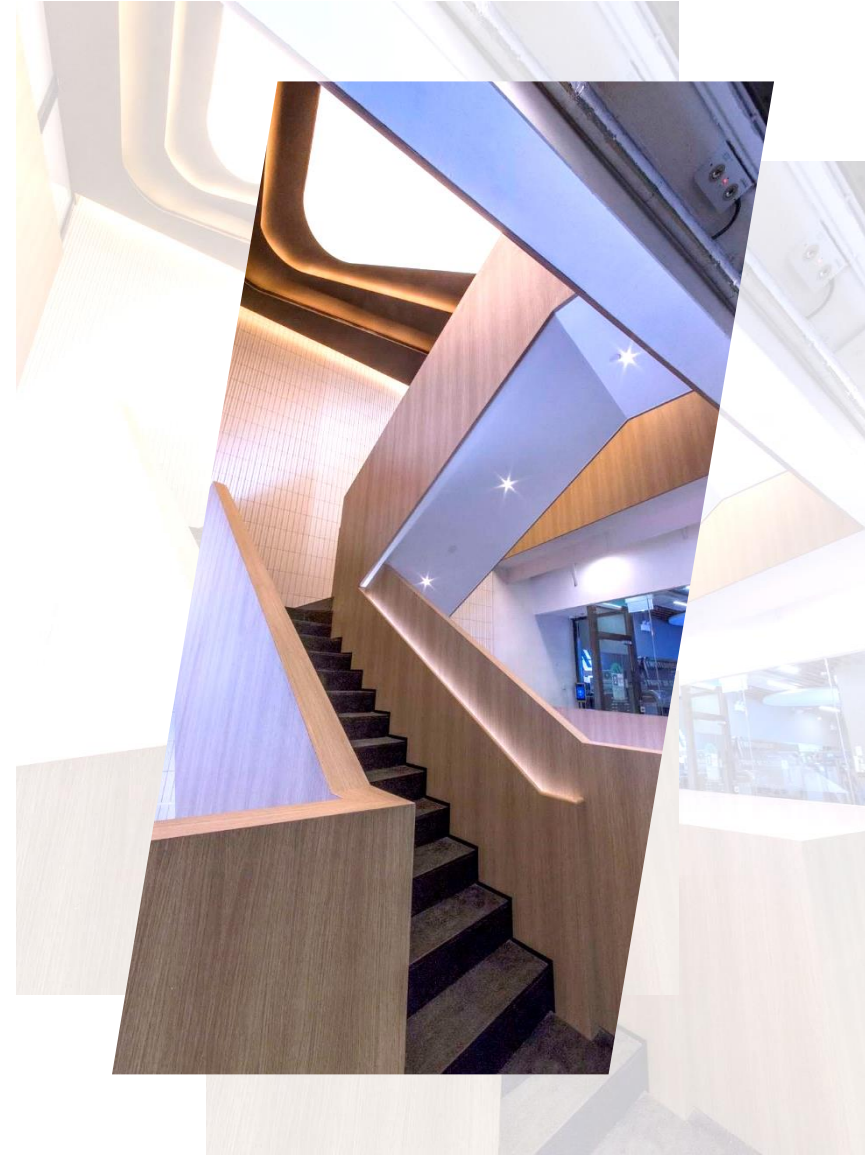
Weighted Average

4.0% (30 Jun 2021)

4.5% (30 Jun 2020)

No. of Units Repurchased





04

Outlook
&
Strategies

Outlook & Strategies



Office Outlook

- Office rents will remain under pressure given the existing vacant stock and new supply in 2022 and 2023.
- Extensive work-from-home arrangements are unlikely to continue given Hong Kong's crowded living conditions.
- Pent-up demand from domestic and mainland enterprises will be a bright spot.



Retail Outlook

- Higher-margin retail businesses are likely to stay under pressure (albeit less intense) in the first half of FY2021/22.
- Domestic consumption is expected to remain resilient, which should help to underpin leasing demand.
- Stable occupancy rates despite negative rental reversions.

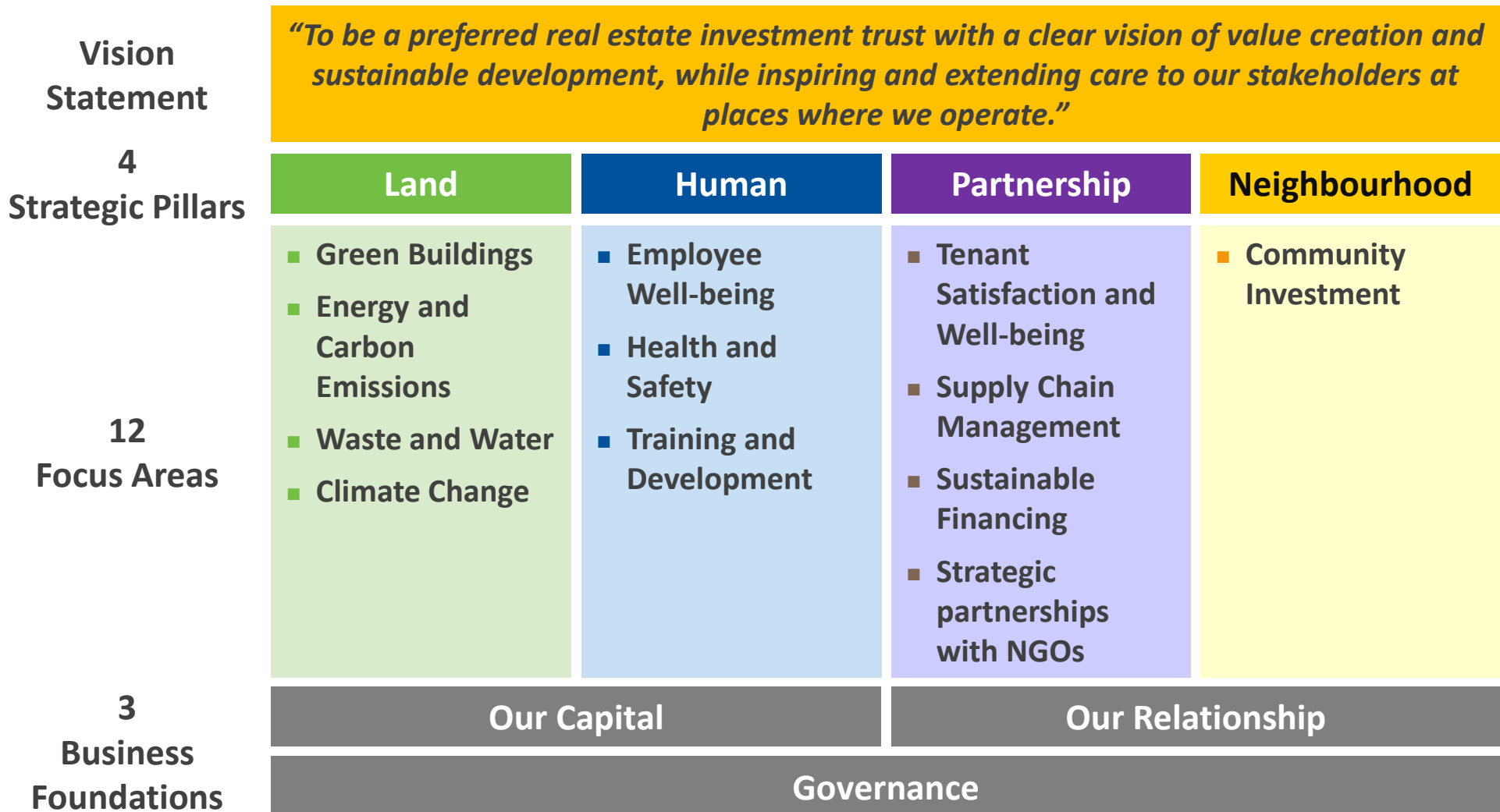


Strategies of Sunlight REIT

- The Manager remains agile and responsive to changing market conditions:
 - ✓ Uphold building quality and safety standards of our properties
 - ✓ Implement strict cost controls
 - ✓ Enhance capital management efficiency
 - ✓ Explore acquisition opportunities
- Sustainable finance will be a notable feature. In particular, the size of sustainability-linked loans will likely double by the end of FY2021/22.
- Amendments to the Trust Deed in accordance with REIT Code effective in December 2020 have given us noticeable headway in terms of the scope and flexibility of real estate investments.

Environmental, Social and Governance

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



Sustainability Targets

Land



Green buildings

- Obtain green building certifications for four properties (Dah Sing Financial Centre, SSC, MCPI and Strand 50) by FY2025/26
- Obtain good class or above indoor air quality certificates for 50% of properties (in terms of total GRA) by FY2025/26
- Adopt one building innovation and/or ESG-related proptech annually



Waste and water

- Divert 25% waste from landfill by FY2030/31
- Reduce 25% water consumption by FY2030/31
- Develop policy and system to record quantity of certain recyclables for selected wholly-owned properties by FY2021/22
- Conduct water risk assessment by FY2021/22



Energy and carbon emissions

- Reduce 25% energy consumption and carbon emissions by FY2030/31
- Conduct carbon audit by FY2025/26



Climate change

- Adopt Task Force on Climate-related Financial Disclosures (TCFD) framework for climate-related disclosure by FY2025/26

Note: The sustainability targets cover the wholly-owned properties. The baseline year for energy consumption and carbon emissions as well as water consumption is FY2015/16.

Sustainability Targets (cont'd)

Human



Employee Well-being

- Conduct annual employee well-being survey by FY2022/23



Health and Safety

- Evaluate occupational health and safety training needs of employees by FY2025/26



Training and Development

- Increase 30% training hours per employee by FY2030/31
- Develop employee learning and development plan by FY2025/26

Neighbourhood



Community Investment

- Increase 50% volunteering hours by FY2030/31
- Increase 100% CSR budget by FY2030/31

Partnership



Tenant Satisfaction and Well-being

- Establish a green lease programme by FY2025/26



Supply Chain Management

- Develop supply chain risks assessment system by FY2025/26
- Develop and implement green procurement system by FY2025/26



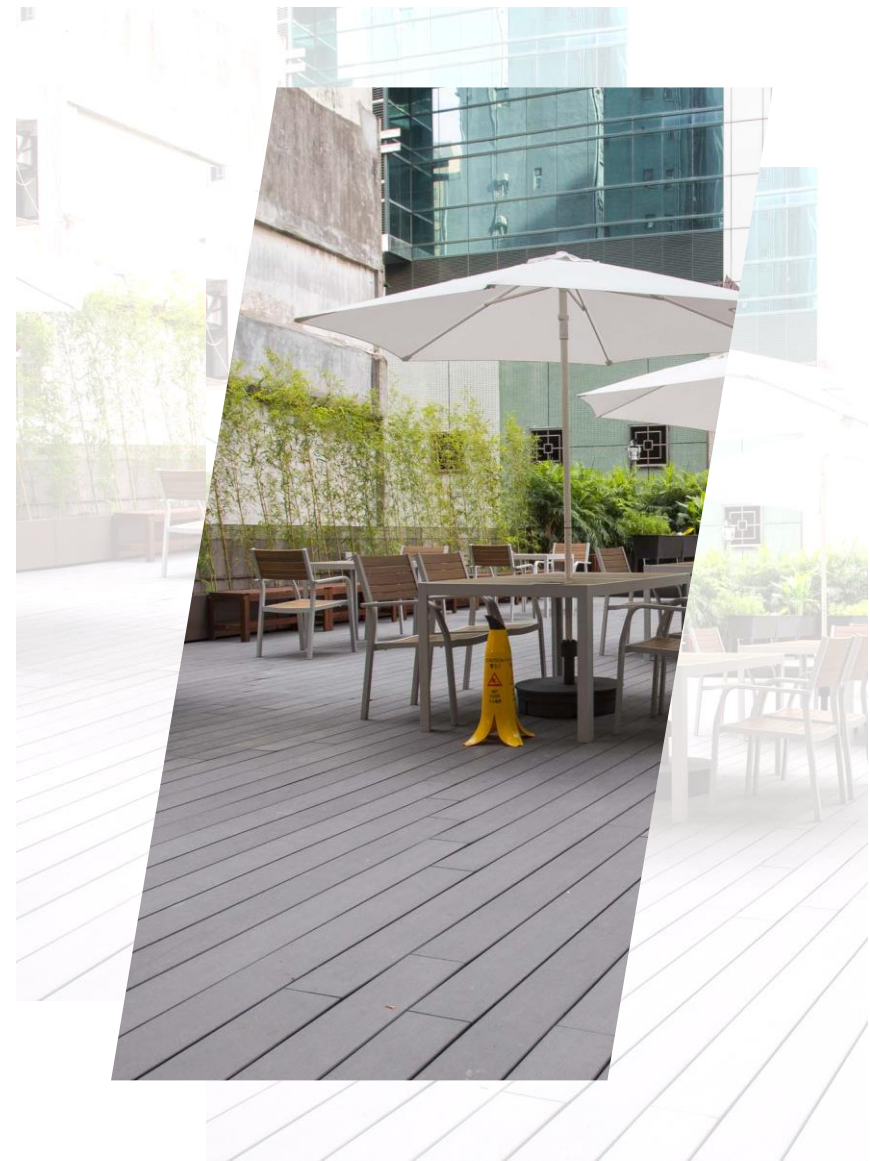
Sustainable Financing

- Develop sustainable finance framework by FY2025/26



Strategic Corporate-NGO Partnership

- Conduct impact measurement for major corporate social responsibility ("CSR") initiatives by FY2030/21



05

Appendix

Sunlight REIT at a Glance

Market Capitalization

HK\$'M

7,507.9

30 Jun 2021

Discount to NAV

46.9%

30 Jun 2021

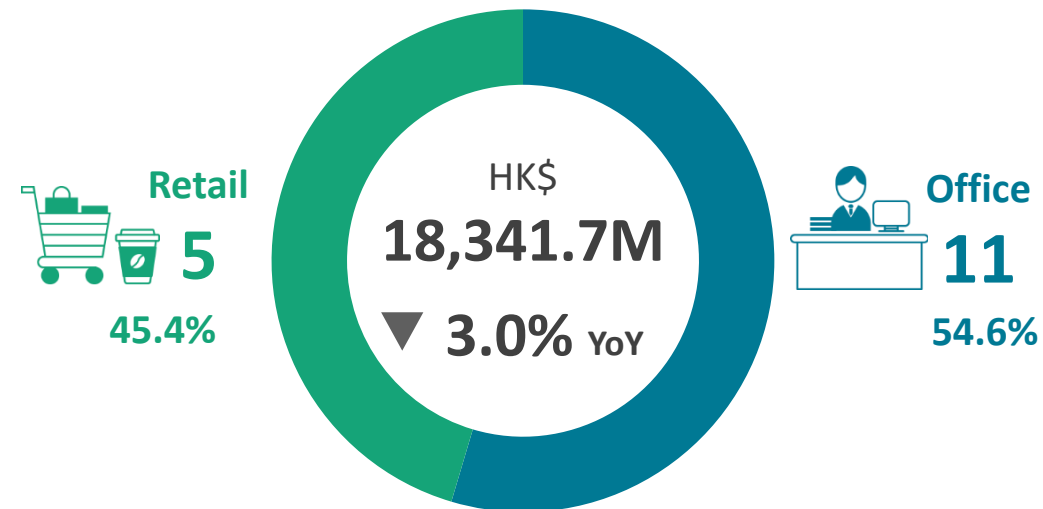
Annualized Total Return

Since listing

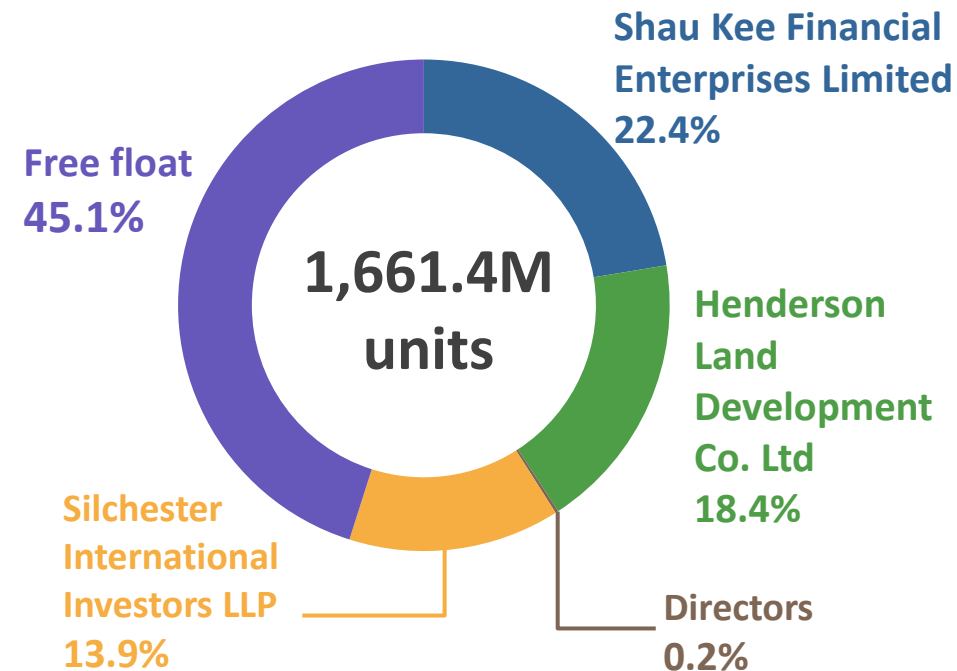
11.5%

30 Jun 2021

Valuation (30 Jun 2021)



Unitholding Structure (30 Jun 2021)



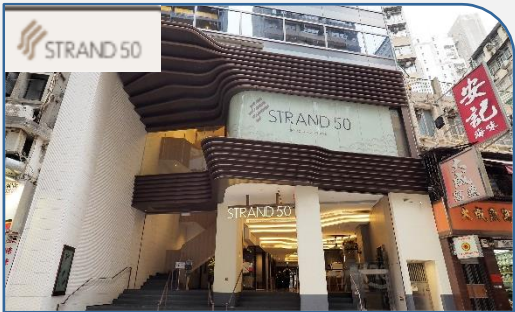
Consolidated Statement of Profit or Loss

HK\$'M	FY2020/21	FY2019/20	YoY
Revenue	799.3	854.6	-6.5%
Property operating expenses	(159.6)	(169.9)	-6.0%
Net property income	639.7	684.7	-6.6%
Other income	9.0	17.1	-47.4%
Administrative expenses	(107.6)	(109.8)	-2.1%
(Decrease) / increase in fair value of investment properties	(605.2)	(1,142.8)	-47.0%
(Loss)/ profit from operations	(64.1)	(550.9)	-88.4%
Finance costs on interest bearing liabilities	(93.7)	(120.4)	-22.2%
Income tax	(75.9)	(80.1)	-5.3%
(Loss)/ profit after taxation	(233.7)	(751.4)	-68.9%

Portfolio at a Glance



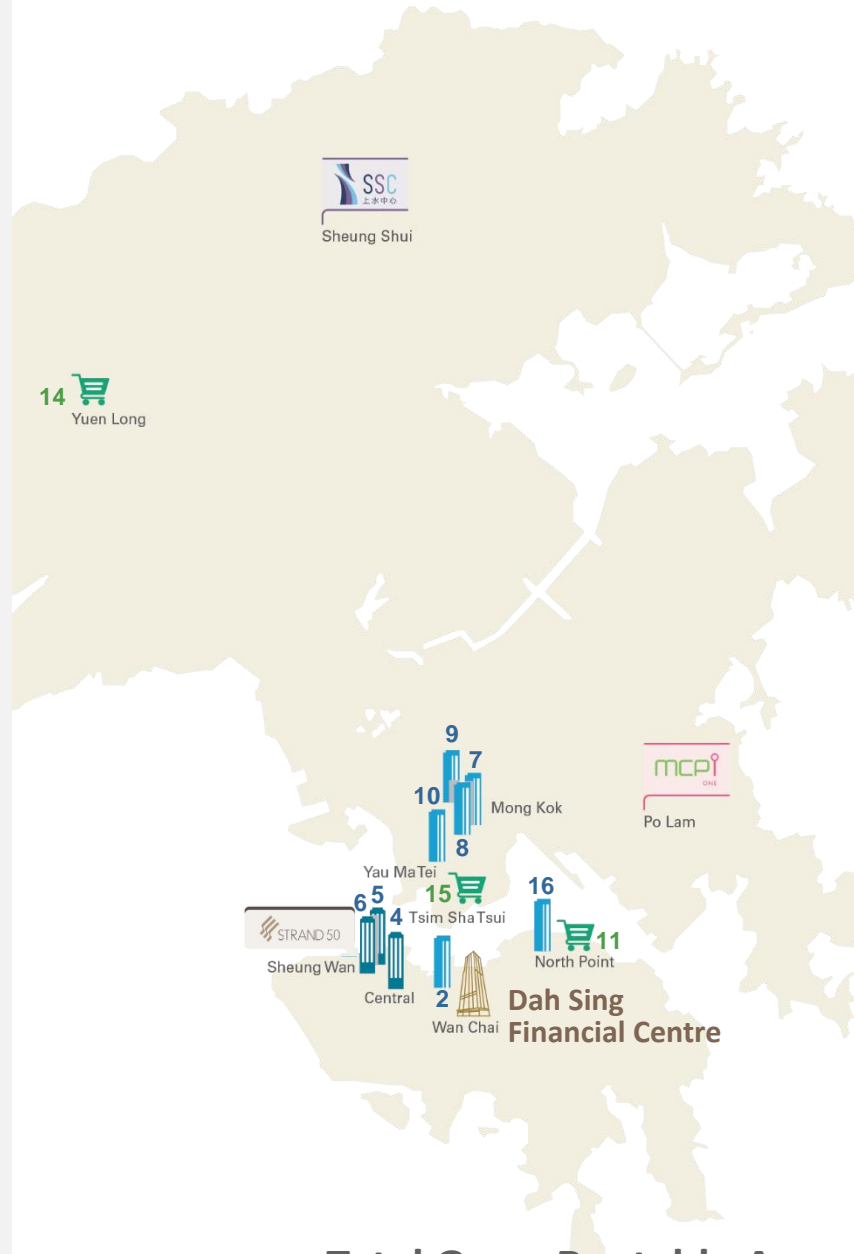
Sheung Wan/Central Office Properties (GRA: 274,223 sq. ft.)



- 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



**Total Gross Rentable Area:
1,236,422 sq. ft.**

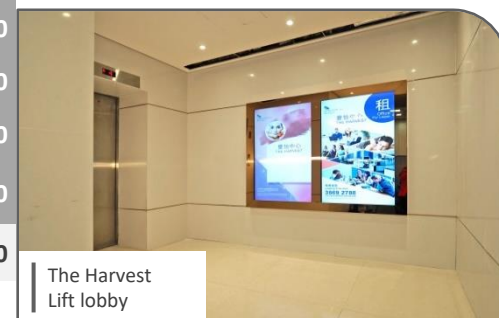
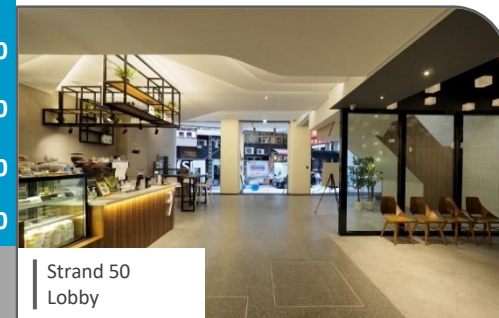


Other Retail Properties (GRA: 80,571 sq. ft.)

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

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 2021 (%)		Appraised value at 30 June 2021 (HK\$'000)
	2021	2020	2021	2020	FY2020/21	FY2019/20	Office	Retail	
Dah Sing Financial Centre ¹	88.3	94.3	44.0	40.8	(2.2)	13.6	3.75	3.65	5,236,900
Sheung Wan/Central Office Properties									
Strand 50	95.8	95.5	32.1	35.6	(1.1)	10.9	3.45	3.80	1,315,800
135 Bonham Strand Trade Centre Property	93.1	94.5	27.9	30.1	(9.1)	7.1	3.55	3.80	584,700
Winsome House Property	94.3	96.1	42.7	44.8	(11.0)	10.2	3.55	3.60	565,000
235 Wing Lok Street Trade Centre	88.6	94.3	20.9	22.3	(11.5)	0.4	3.55	3.80	371,400
Other Office Properties									
The Harvest	100.0	100.0	53.2	51.1	(10.7)	N/A	3.30	3.10	627,200
Righteous Centre	100.0	99.3	33.9	35.2	(6.0)	2.4	3.75	3.50	539,000
Java Road 108 Commercial Centre	96.1	100.0	24.9	26.4	(9.1)	4.1	3.75	4.00	278,200
On Loong Commercial Building	100.0	94.1	31.2	32.9	(9.8)	7.0	3.65	3.70	253,500
Sun Fai Commercial Centre Property	100.0	100.0	21.7	23.1	(9.7)	9.5	3.80	4.05	169,400
Wai Ching Commercial Building Property	91.7	100.0	17.4	17.8	(0.4)	21.5	3.55	3.90	81,100
Average	92.4	95.6	36.7	36.5	(5.3)	10.0	Sub-total		10,022,200



Note:

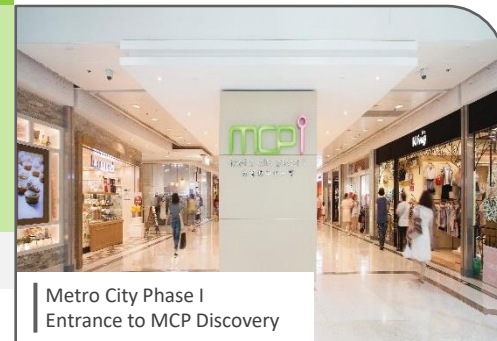
1. The property was previously known as Sunlight Tower (renamed with effect from 8 March 2021).

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 2021 (%)		Appraised value at 30 June 2021 (HK\$'000)
	2021	2020	2021	2020	FY2020/21	FY2019/20	Office	Retail	
Sheung Shui Centre Shopping Arcade	95.3	96.8	104.2	112.9	(8.4)	0.9	N/A	4.30	3,892,600
Metro City Phase I Property	97.6	94.5	56.7	58.4	(9.0)	6.1	N/A	4.40	3,097,400
Other Retail Properties									
Kwong Wah Plaza Property¹	97.7	99.3	53.5	55.7	6.4	8.9	3.60	3.60	1,177,700
Beverley Commercial Centre Property	77.5	77.4	32.8	39.6	(32.5)	(24.7)	N/A	4.10	77,000
Supernova Stand Property	100.0	100.0	57.2	54.5	(10.7)	4.7	N/A	3.80	74,800
Average	96.5	95.8	70.4	74.8	(7.2)	3.2	Sub-total		8,319,500



Sheung Shui Centre Shopping Arcade Atrium



Metro City Phase I Entrance to MCP Discovery



Kwong Wah Plaza Lift lobby

Note:

1. Additional office units with GRA of 533 sq. ft. and 522 sq. ft. were acquired on 31 July 2020 and 31 March 2021 costing HK\$8.0 million and HK\$8.1 million respectively.

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



2015

2016

2017

2018

2019

2020

2021

Replacement of chiller systems
 CAPEX: HK\$11M
SSC

Upgrade of water-cooled chiller
 CAPEX: HK\$15M (2 phases)
Sunlight Tower¹

Replacement of chiller systems
 CAPEX: HK\$16M
Metro City Phase I

Replacement of chiller systems
 CAPEX: HK\$6M
Strand 50

COST SAVING

ASSET ENHANCEMENT



Space reconfiguration
 CAPEX: HK\$25M
SSC

Refurbishment of lobby & office floors
 CAPEX: HK\$17M
The Harvest

Space reconfiguration of low zone
 CAPEX: HK\$48M
Strand 50

Refurbishment of lobby
Dah Sing Financial Centre

RENTAL ENHANCEMENT

Note:

- The property has been renamed as Dah Sing Financial Centre with effect from 8 March 2021.

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Disclaimer

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