



SUNLIGHT REIT

陽光房地產基金

Stock Code 股份代號 : 435

FY2022/23 Interim Results

Investor Presentation

15 February 2023





01



Results Highlights



Interim results summary

- Revenue was down 3.9% year on year, mainly attributable to lower passing rents and occupancy rates registered at various properties, while net property income declined 4.9%.
- Cost-to-income ratio rose slightly to 20.8% as compared to 20.1% recorded in the same period last year.
- Reflecting a higher interest rate regime, distributable income was down 8.7%.

Net Property Income (NPI)

HK\$'M

307.6

323.4 (Interim FY2021/22)

▼4.9% YoY

Distributable Income

HK\$'M

198.2

217.2 (Interim FY2021/22)

▼8.7% YoY

Distribution Per Unit (DPU)

HK cents

11.0

12.2 (Interim FY2021/22)

▼9.8% YoY

Net Asset Value Per Unit (NAV)

HK\$

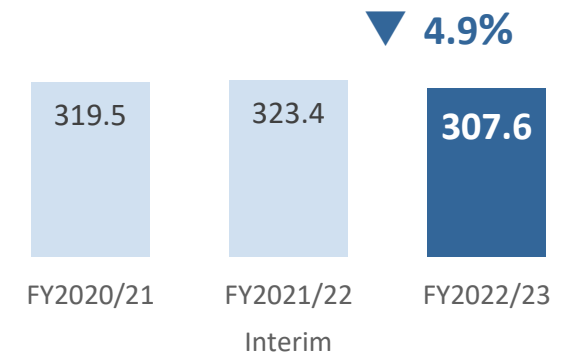
8.05

 (31 Dec 2022)

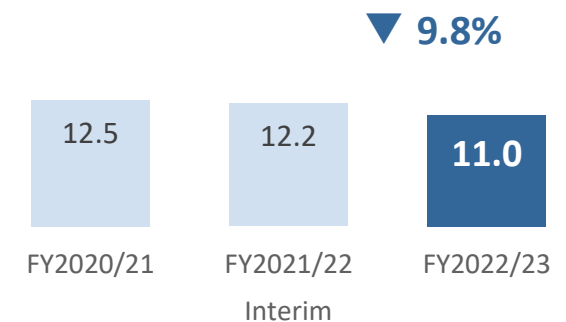
8.36 (30 Jun 2022)

▼3.7% HoH

NPI (HK\$'M)

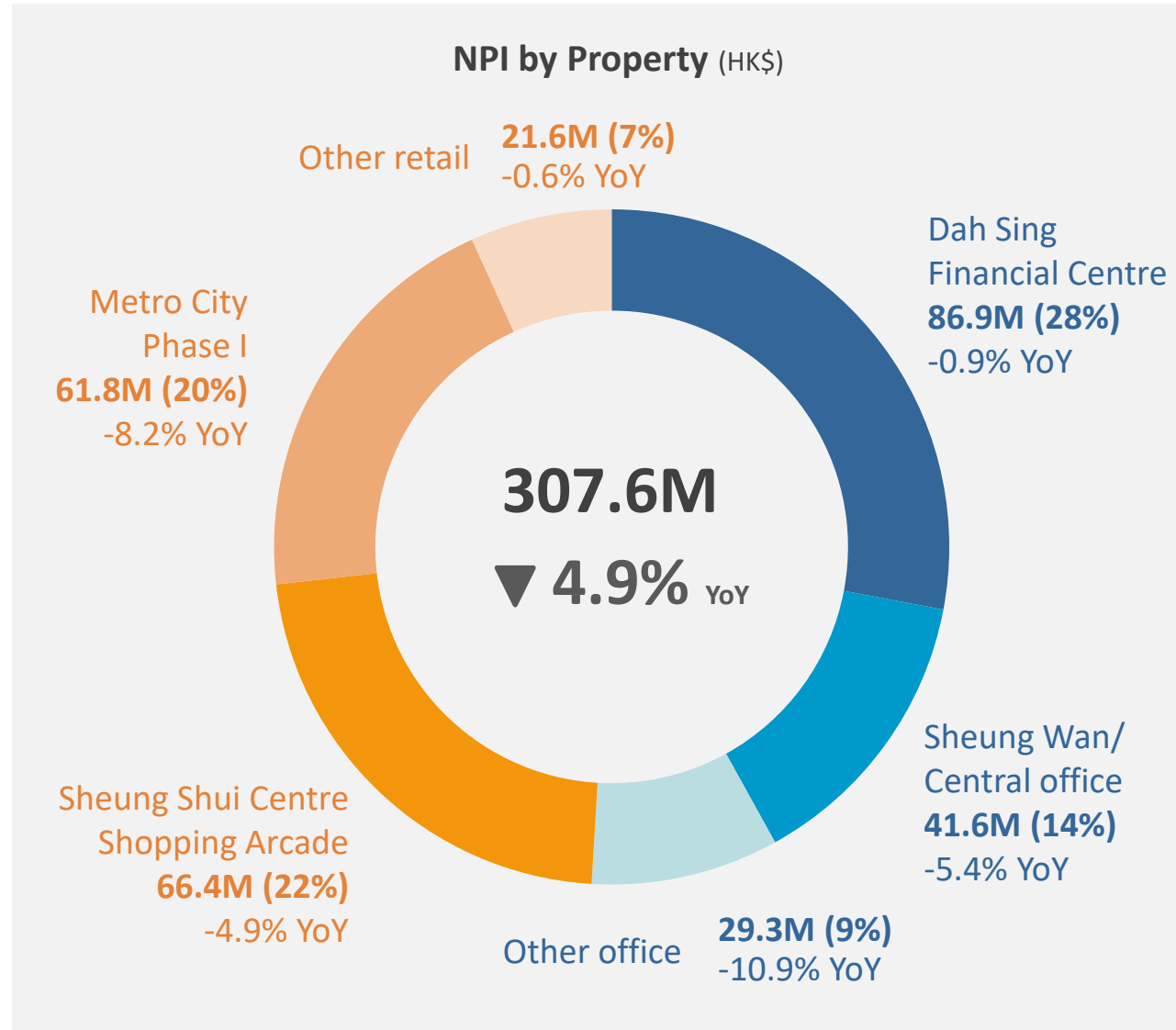


DPU (HK cents)



NPI supported by a balanced and diversified portfolio

- Office and retail portfolios made almost equal contributions to NPI.
- NPI declined 4.1% and 5.7% for the office and retail portfolio respectively.
- Top 3 properties of the overall portfolio accounted for 70% of total NPI.



Financial position

HK\$'M	31 Dec 2022
Non-current assets	17,797.0
Current assets	671.7
Gross assets	18,468.7
Current liabilities	1,610.3
Non-current liabilities	3,259.6
Gross liabilities	4,869.9
Net assets	13,598.8
Gearing ratio	23.9%
No. of units in issue	1,688.3M

Selected items (HK\$'M)	31 Dec 2022	HoH
Investment properties	17,649.3	-2.5%
<i>Office</i>	9,620.6	-2.8%
<i>Retail</i>	8,028.7	-2.1%
■ Valuation of office and retail portfolio registered a mild decrease, reflecting slight cap rate expansion by 5-15 bps for most of the properties.		
Borrowings	4,413.0	0.0%
<i>Current</i>	1,300.0	0.0%
<i>Non-current</i>	3,113.0	0.0%

DPU at a glance

Distributable Income

HK\$'M

198.2

217.2 (Interim FY2021/22)

▼ **8.7%** YoY

Distribution Yield¹

6.5%

31 Dec 2022

6.3%

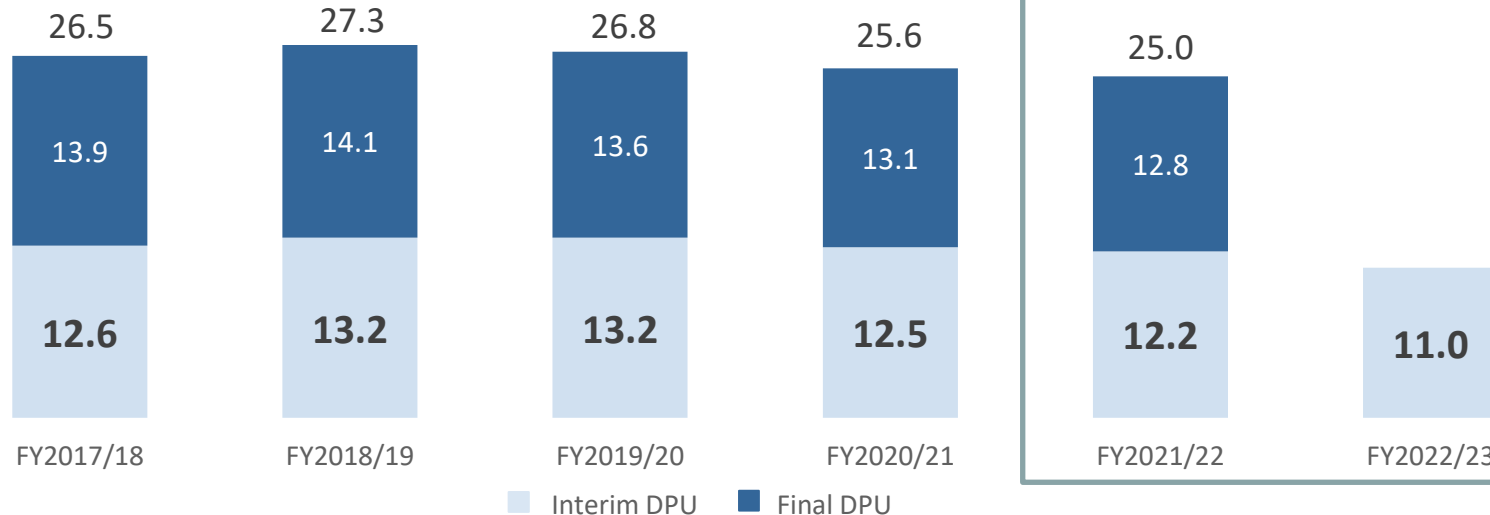
15 Feb 2023

Payout Ratio

93.7%

94.2% (Interim FY2021/22)

HK cents



Note:

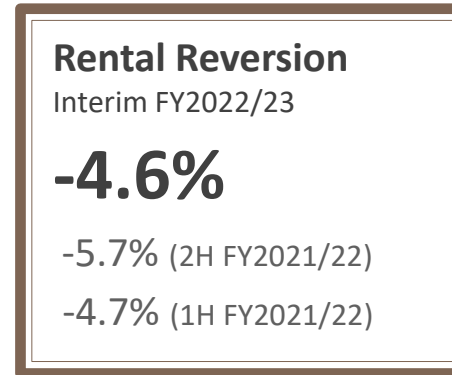
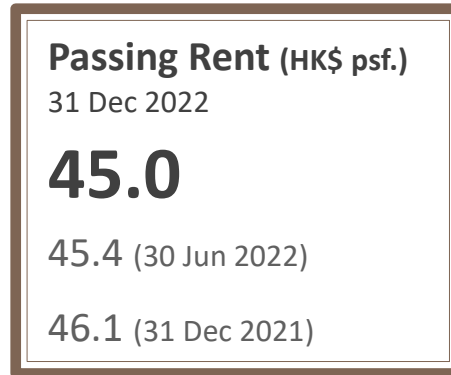
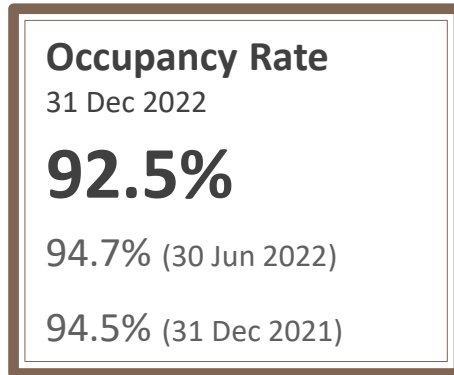
- Annualized distribution yield was calculated based on the closing price of HK\$3.37 on the last trading day of FY2022/23 Interim or based on the closing price of HK\$3.47 on the results announcement date.



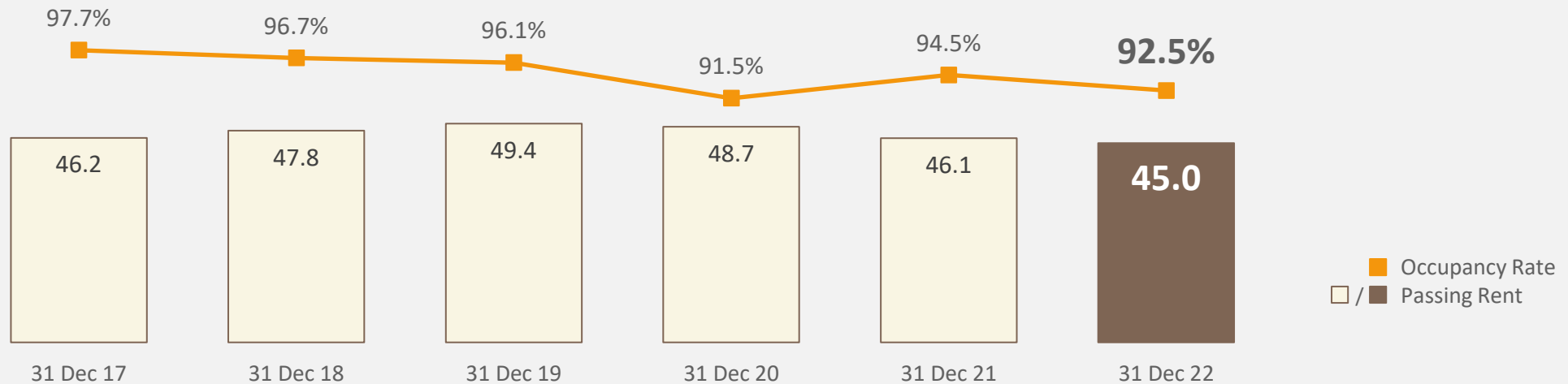
02

Portfolio Performance

Operating performance



Trends of 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

Interim FY2022/23

-4.5%

-6.1% (2H FY2021/22)

-4.5% (1H FY2021/22)

Expiry Profile

by GRA

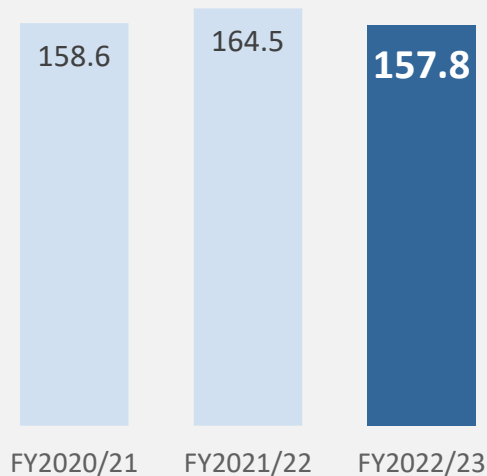
17.1% (2H FY2022/23)

23.6% (1H FY2022/23)

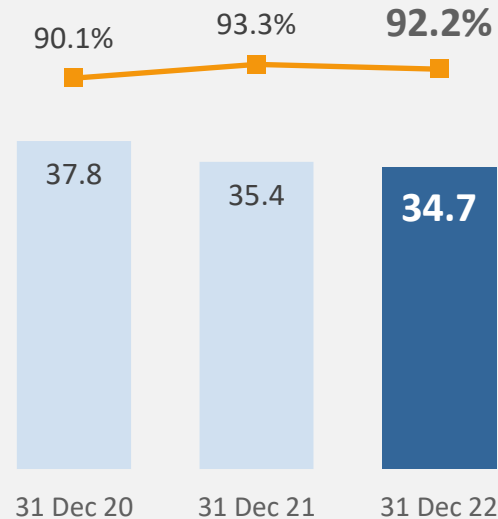
- Occupancy rate of the office portfolio was affected by higher vacancies at Strand 50 and Winsome House Property.
- New lettings of Grade A offices remained lacklustre.

Interim NPI (HK\$'M)

▼ **4.1% YoY**



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



Valuation (HK\$'M)	31 Dec 2022	30 Jun 2022	Change
<i>Dah Sing Financial Centre</i>	5,068.0	5,172.0	-2.0%
<i>Sheung Wan/ Central office</i>	2,725.8	2,819.3	-3.3%
<i>Other office properties</i>	1,826.8	1,902.6	-4.0%
Sub-total	9,620.6	9,893.9	-2.8%

Operating performance of retail portfolio

Rental Reversion

Interim FY2022/23

-4.8%

-5.2% (2H FY2021/22)

-4.9% (1H FY2021/22)

Expiry Profile

by GRA

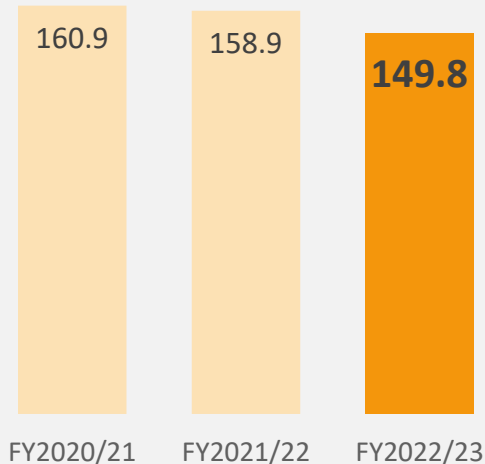
23.2% (2H FY2022/23)

24.2% (1H FY2022/23)

- The setback in NPI was mainly attributable to gradual shift in tenant mix to non-discretionary trades at SSC and the rental gap at MCPI due to the ongoing renovation project and the departure of certain bank tenants.
- Tenants remained cautious in mapping out future expansion plans.

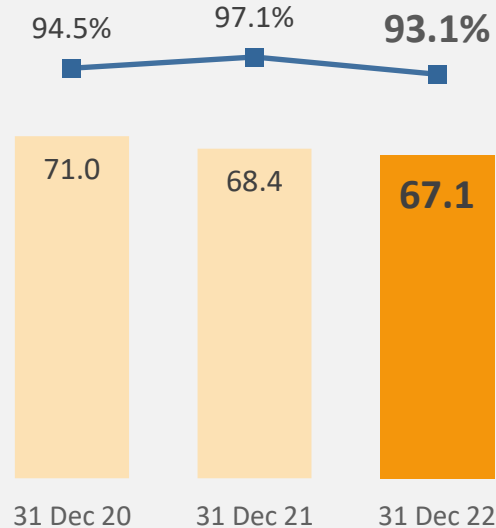
Interim NPI (HK\$'M)

▼ **5.7% YoY**



Occupancy Rate and Passing Rent

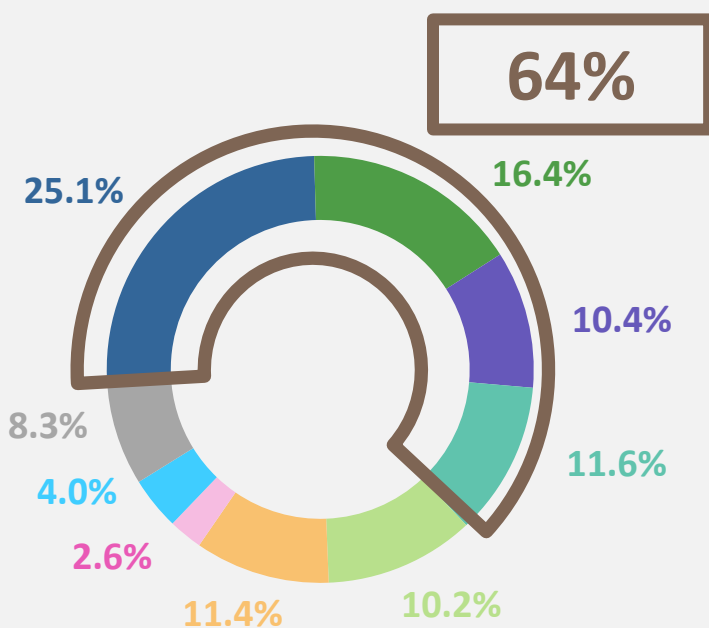
(HK\$ psf.)



Valuation (HK\$'M)	31 Dec 2022	30 Jun 2022	Change
SSC	3,690.0	3,780.0	-2.4%
MCPI	3,050.0	3,107.0	-1.8%
Other retail properties	1,288.7	1,314.3	-1.9%
Sub-total	8,028.7	8,201.3	-2.1%

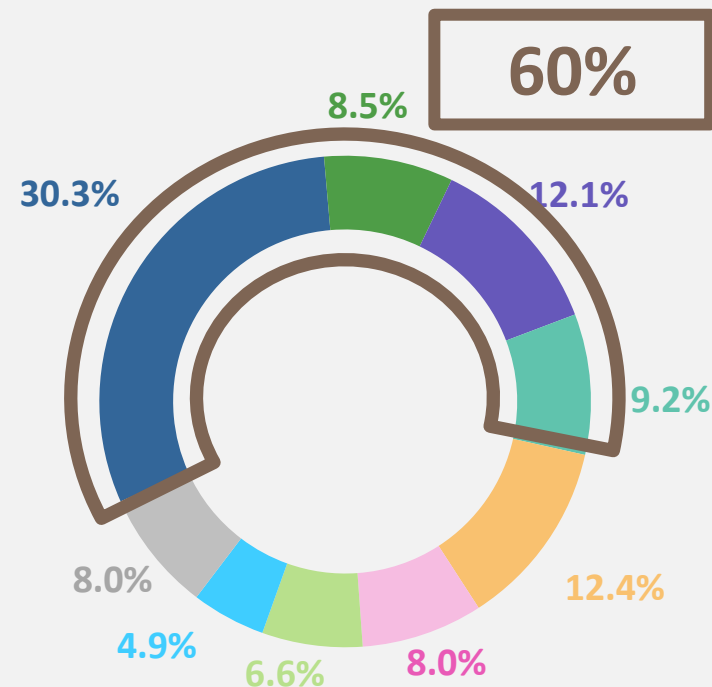
Retail portfolio – tenant mix at a glance

Tenant Mix (at 31 Dec 2022)



Sheung Shui Centre Shopping Arcade

Non-Discretionary Trades:
 Food and beverage
 Financial
 Education
 Supermarket and foodstuff



Metro City Phase I

- Food and beverage
- Healthcare and beauty
- Financial
- Fashion and jewellery
- Education
- Lifestyle
- Supermarket and foodstuff
- Others
- Vacant

Major office properties



Wan Chai

Dah Sing Financial Centre		
	31 Dec 2022	30 Jun 2022
Occupancy Rate	88.5%	91.4%
Passing Rent (HK\$ psf.)	41.6	42.7
Rental Reversion ¹	-9.0%	-10.0%
	2H FY22/23	1H FY22/23
Expiry by GRA	5.7%	19.9%



Sheung Wan

Strand 50		
	31 Dec 2022	30 Jun 2022
Occupancy Rate	92.3%	99.7%
Passing Rent (HK\$ psf.)	32.3	32.4
Rental Reversion ¹	0.8%	0.4%
Appraised Value (HK\$'M)	1,274.4	1,316.9



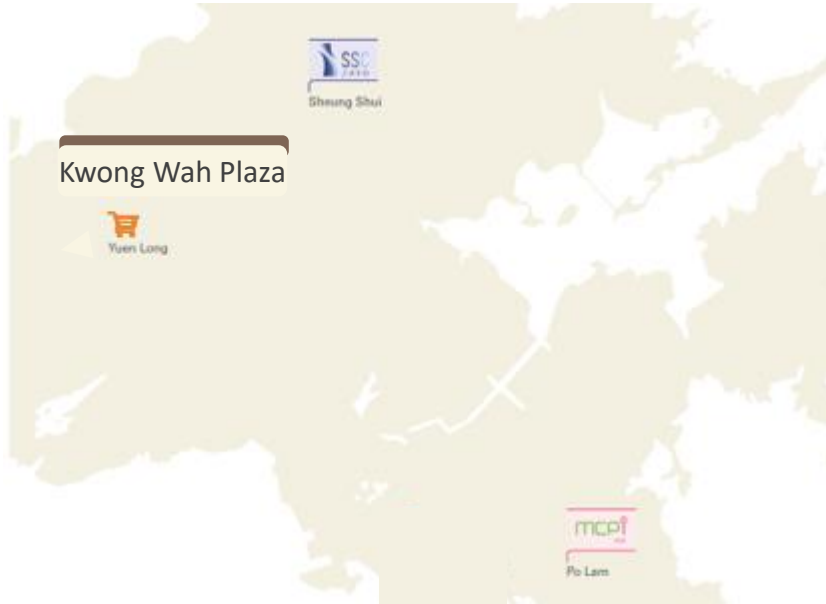
Mong Kok

The Harvest		
	31 Dec 2022	30 Jun 2022
Occupancy Rate	91.4%	80.4%
Passing Rent (HK\$ psf.)	41.0	36.7
Rental Reversion ¹	-0.2%	2.2%
Appraised Value (HK\$'M)	547.0	597.0

Note:

1. Rental reversions are for the respective periods ended at the specified date.

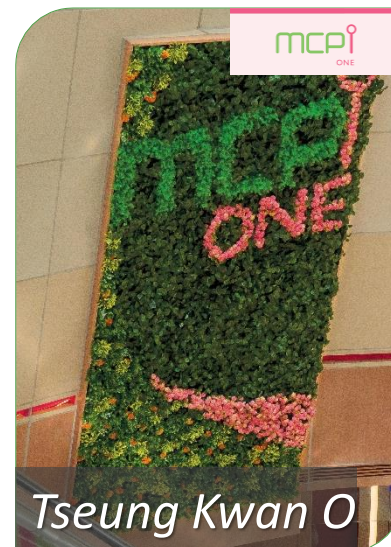
Major retail properties



Sheung Shui Centre		
	31 Dec 2022	30 Jun 2022
Occupancy Rate	91.7%	92.9%
Passing Rent (HK\$ psf.)	98.4	100.6
Rental Reversion ¹	-6.4%	-4.0%
	2H FY22/23	1H FY22/23
Expiry by GRA	19.4%	33.2%



Kwong Wah Plaza		
	31 Dec 2022	30 Jun 2022
Occupancy Rate	97.8%	98.4%
Passing Rent (HK\$ psf.)	52.1	50.5
Rental Reversion ¹	-2.3%	-6.6%
Appraised Value (HK\$'M)	1,141.0	1,165.0



Metro City Phase I		
	31 Dec 2022	30 Jun 2022
Occupancy Rate	91.9%	94.6%
Passing Rent (HK\$ psf.)	54.6	54.7
Rental Reversion ¹	-1.6%	-4.7%
	2H FY22/23	1H FY22/23
Expiry by GRA	27.9%	21.4%

Note:

1. Rental reversions are for the respective periods ended at the specified date.

03

Capital Management



Interest rate management

Interest Expenses

HK\$'M

58.6

46.7 (Interim FY2021/22)

▲ 25.7% YoY

Effective Interest Rate

2.64% p.a.

2.09% p.a. (Interim FY2021/22)

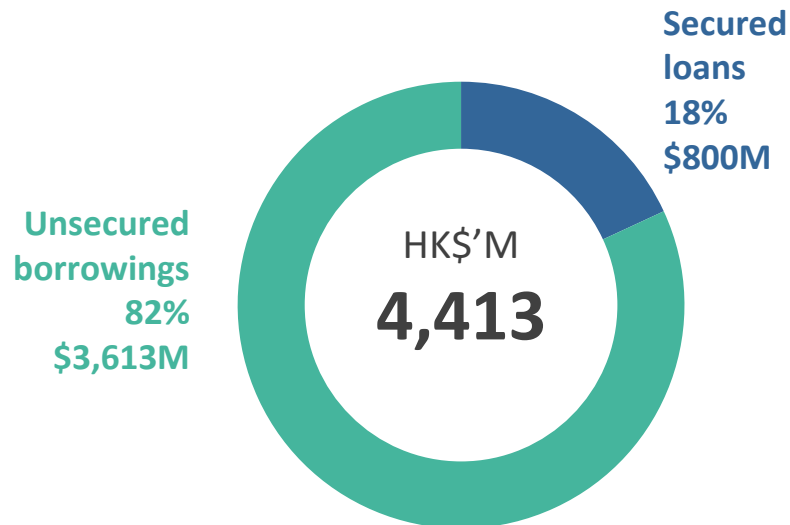
Interest Margin

HIBOR + 0.80%

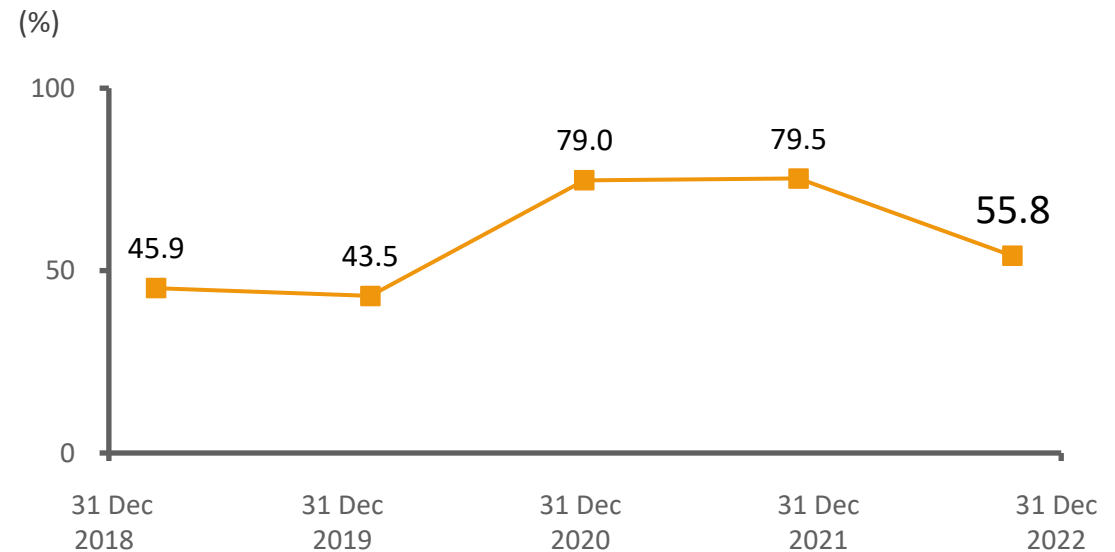
(31 Dec 2022)

HIBOR + 0.79% (30 Jun 2022)

Total Borrowings Composition (at 31 Dec 2022)



Fixed Rate Borrowings as a % of Total Borrowings



Healthy debt structure

Total Borrowings

HK\$'M

4,413 (31 Dec 2022)

4,413 (30 Jun 2022)

Weighted Debt Maturity Period

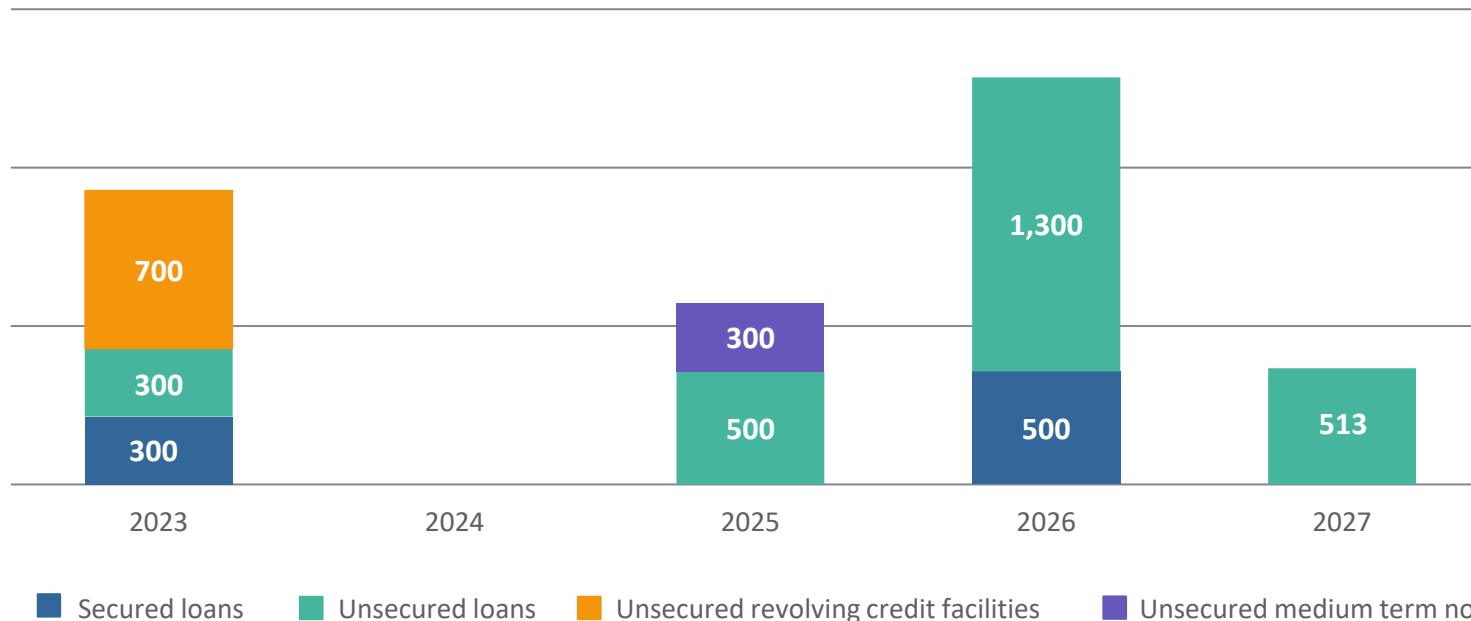
2.6 Years

2.9 years (30 Jun 2022)

- At 31 December 2022, sustainability-linked loans accounted for about 64% of total borrowings.
- In January 2023, Sunlight REIT entered into a HK\$300M secured term loan facility agreement with a bank for a tenure of 4.5 years.

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

(at 31 Dec 2022)



Resilient credit profile

Gearing Ratio

23.9% (31 Dec 2022)

23.3% (30 Jun 2022)

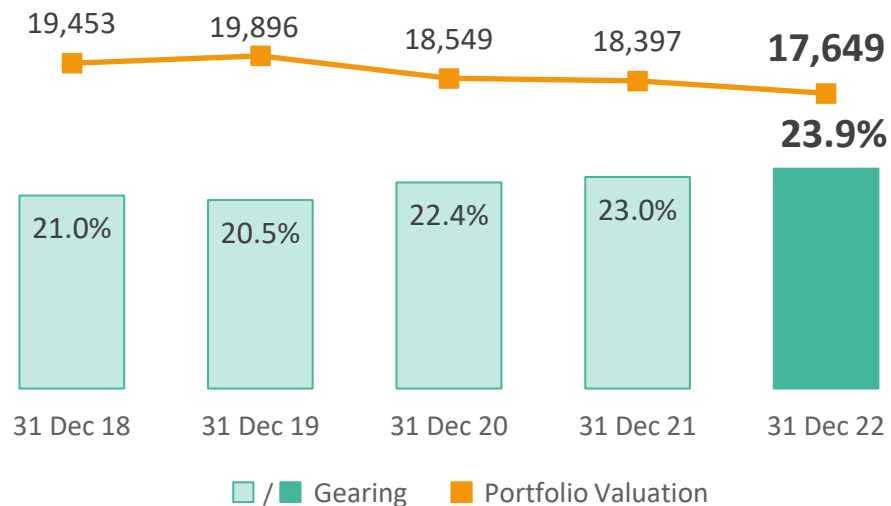
Interest Coverage Ratio

4.5x

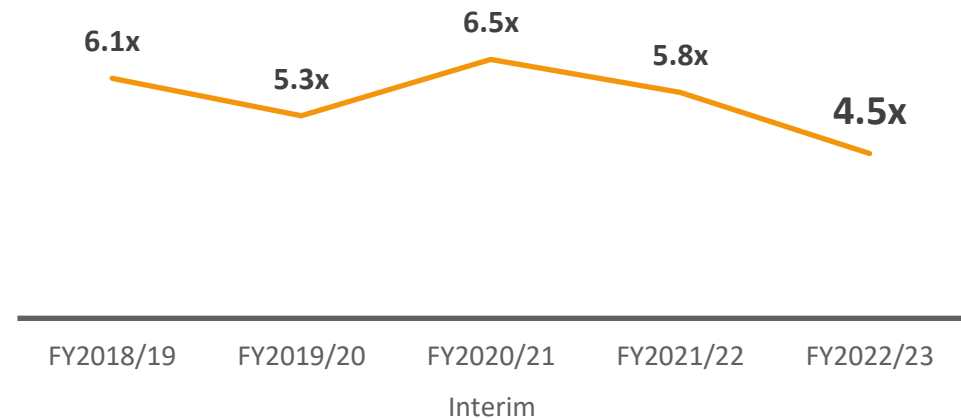
5.8x (Interim FY2021/22)

- Upon completion of the acquisition of West 9 Zone Kids which is expected to take place in April 2023, the gearing ratio is projected to increase from 23.9% to approximately 26.4%.

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

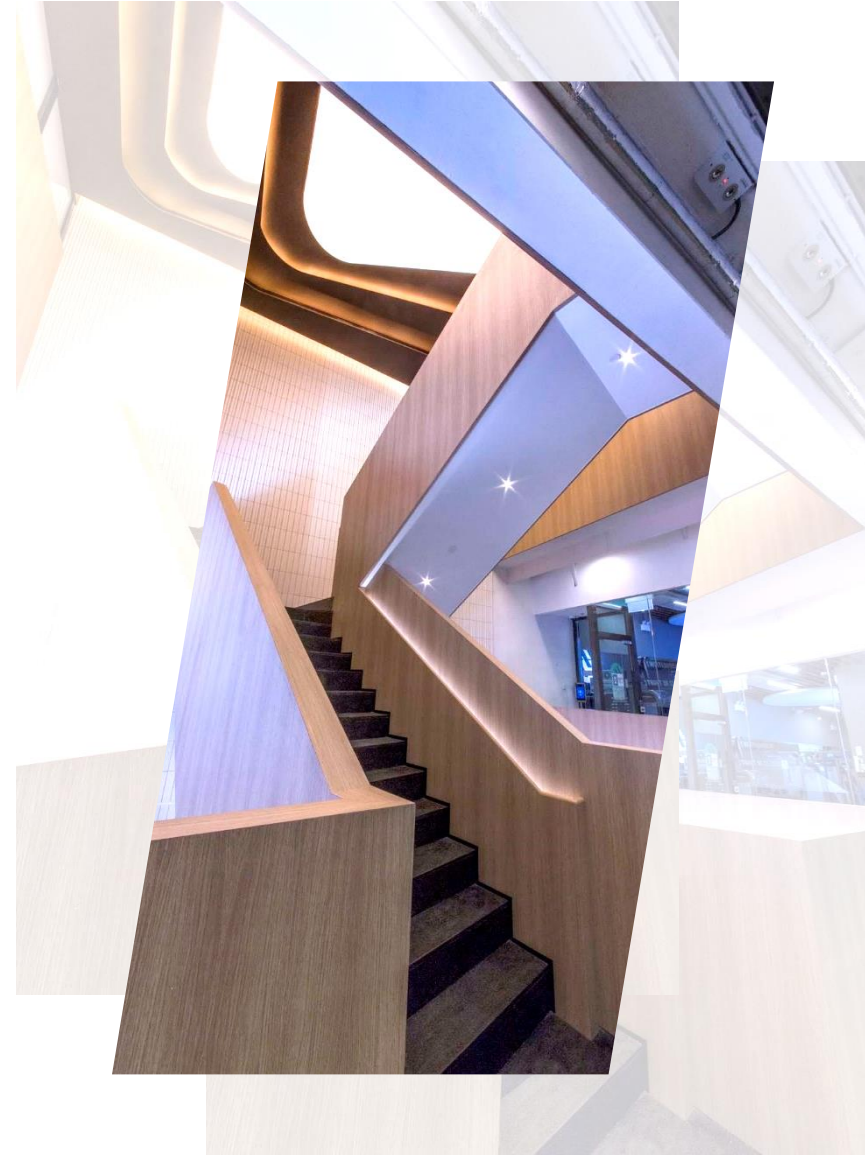


Interest Coverage Ratio¹



Note:

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



04

Outlook
&
Updates

Outlook & Updates

Office Outlook

- With an additional 3.9 million sq. ft. of new Grade A office space expected to come on stream between 2023-2024, the current high level of office vacancies is poised to persist.
- Such office supply situation may continue to have an adverse impact on the office portfolio of Sunlight REIT.
- However, the performance of selected Grade B office buildings focusing on semi-retail trades will remain stable and are well placed to capitalize on a recovery of consumer spending.

Cost Management

- Disciplined budgetary controls will remain, but overheads are edging up in light of an increase in utility expenses and upward adjustment to the statutory minimum wage.

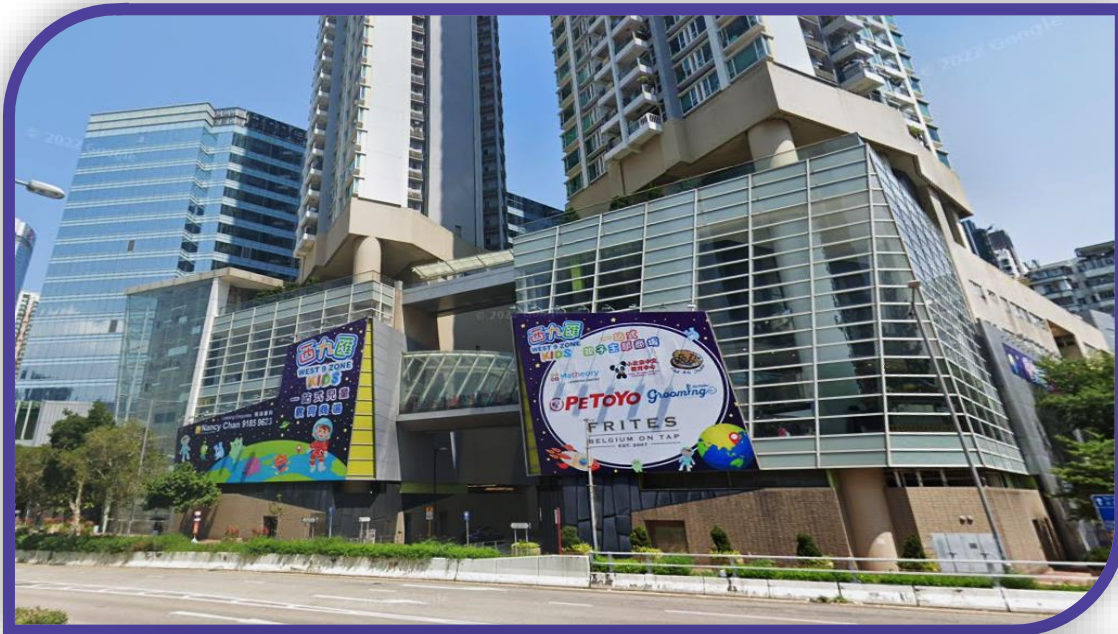
Retail Outlook

- The retail portfolio is bound to benefit from an expected upturn in domestic consumption and tourist spending given the relaxation of cross-border traffic controls. However, tangible benefits will not be material in the near term.
- The renovation project at MCPI is expected to be completed in the second quarter of 2022, implying that the gains which may be reaped will only begin to contribute by FY2023/24.

Capital Management

- Reflecting the increase in local interbank rates and the prospect of additional borrowing, interest expenses is envisaged to be considerably higher than that recorded in the previous financial year.
- The Manager is confident to conclude refinancing of the term loan due before the end of FY22/23 with favorable terms.

Acquisition of West 9 Zone Kids





Property details of West 9 Zone Kids

Transaction Details

Location	Commercial development of “Floriant Rise” No. 38 Cherry Street, Tai Kok Tsui, Kowloon, Hong Kong
Description	A 3-storey community shopping mall with 17 commercial carparking spaces and 8 external wall advertising spaces
Gross rentable area	58,800 sq. ft..
Consideration	HK\$748 million
Valuation	HK\$849 million ¹ (a discount of approx. 11.9%)
Transaction completion date	13 April 2023
Monthly rental income	Approximately HK\$2.9M at 31 Dec 2022
Occupancy rate	90.7% at 31 Dec 2022
Guaranteed income	<ul style="list-style-type: none"> ▪ Gross Rental Income from the completion date to 30 Jun 2024 shall not be less than HK\$47.3M, representing an annualized gross rental yield of 5.2% based on the Consideration ▪ Subject to a cap of HK\$5M
Funding source	Cash resources and bank borrowings

Note:

1. Valuation prepared by Knight Frank Petty Limited.



Reasons for and benefits of the acquisition



Strategic location with good public transport accessibility

- Located at Tai Kok Tsui, one of the developed residential areas of West Kowloon
- Direct covered footbridge linkage to the Olympic station of the MTR



Community shopping mall with defensive trade mix

- Relatively defensive trade mix, comprising education, eateries and other service trades



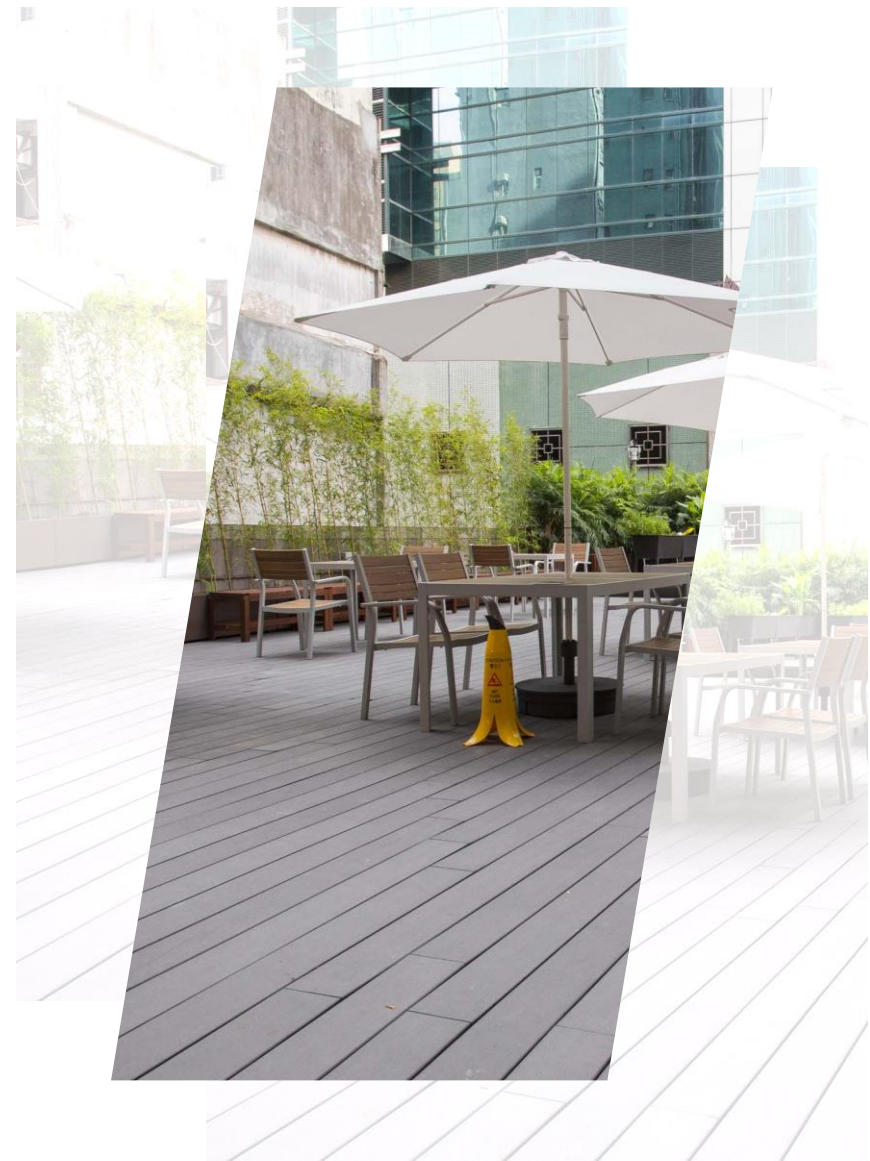
Complementary benefits to existing retail portfolio

- Reduce reliance on income derived from major retail properties
- Improve the geographic footprint of Sunlight REIT and further diversify its portfolio



Improving retail market sentiment

- Offer reasonable upside potential in rental reversion given the relaxation in social distancing restrictions and the re-opening of HK's travel gateway to inbound tourists



05

Appendix

Sunlight REIT at a glance

Market Capitalization

HK\$'M

5,689.6

31 Dec 2022

Discount to NAV

58.1%

31 Dec 2022

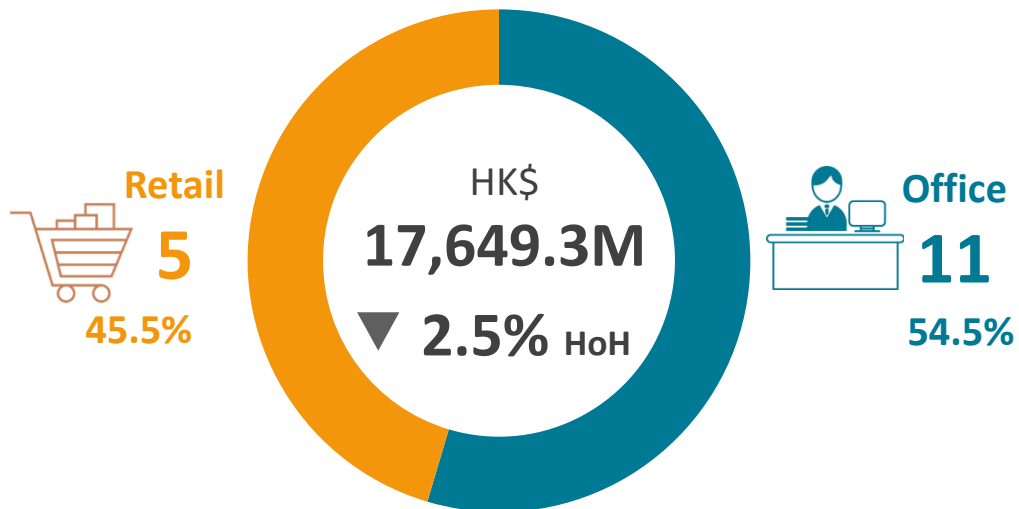
Annualized Total Return

Since listing

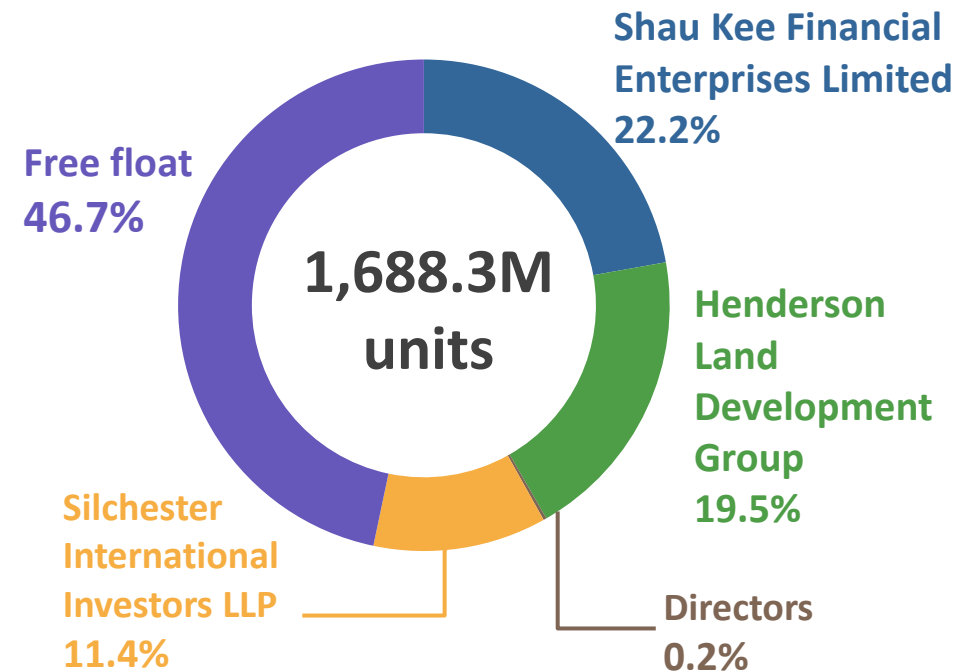
9.1%

31 Dec 2022

Valuation (at 31 Dec 2022)



Unitholding Structure (at 31 Dec 2022)



Portfolio at a glance

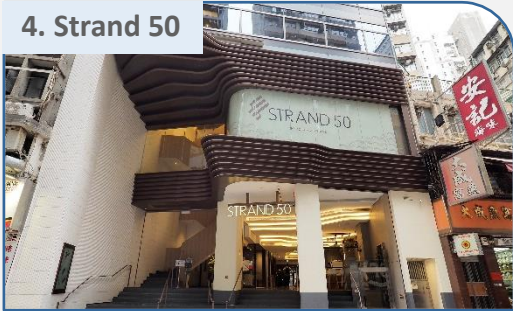
1. Dah Sing Financial Centre



GRA: 376,381 sq. ft.

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

4. Strand 50



- 5. 135 Bonham Strand Trade Centre Property
- 6. Winsome House Property
- 7. 235 Wing Lok Street Trade Centre

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

- 8. The Harvest
- 9. Righteous Centre
- 10. Java Road 108 Commercial Centre
- 11. On Loong Commercial Building
- 12. Sun Fai Commercial Centre Property
- 13. Wai Ching Commercial Building Property



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

2. Sheung Shui Centre



GRA: 122,339 sq. ft.

3. Metro City Phase I



GRA: 188,889 sq. ft.

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

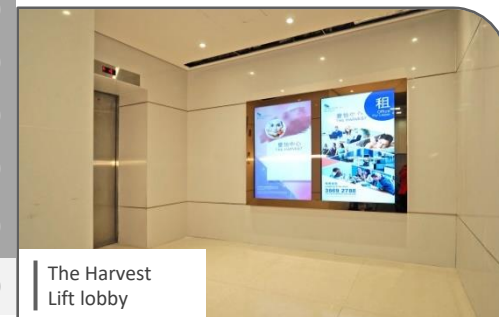
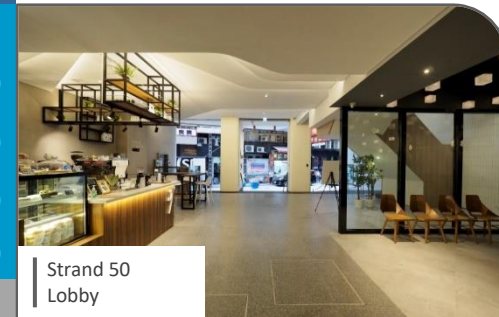
- 14. Kwong Wah Plaza Property
- 15. Beverley Commercial Centre Property
- 16. Supernova Stand Property

Consolidated statement of profit or loss

HK\$'M	Interim		
	FY2022/23	FY2021/22	YoY
Revenue	388.5	404.3	-3.9%
Property operating expenses	(81.0)	(80.9)	0.1%
Net property income	307.6	323.4	-4.9%
Other income	8.4	3.9	116.8%
Administrative expenses	(52.3)	(54.3)	-3.7%
Net increase / (decrease) in fair value of investment properties	(448.4)	49.7	n/a
Profit / (loss) from operations	(184.8)	322.7	n/a
Finance costs on interest bearing liabilities	(55.3)	(50.1)	10.4%
Income tax	(34.3)	(38.3)	-10.5%
Profit / (loss) after taxation	(274.4)	234.2	n/a

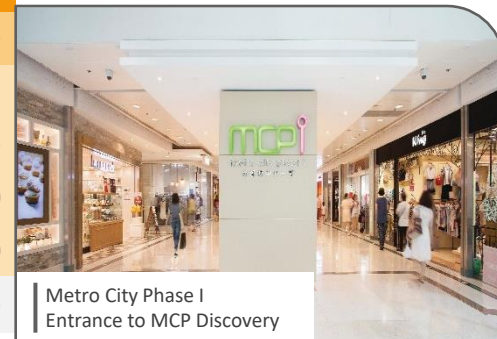
Key office portfolio statistics

Property	Operational statistics						Property financials		
	Occupancy rate (%)		Passing rent (HK\$ psf.)		Rental reversion (%)		Capitalization rate at 31 Dec 2022 (%)		Appraised value at 31 Dec 2022 (HK\$'000)
	at 31 Dec 2022	at 30 Jun 2022	at 31 Dec 2022	at 30 Jun 2021	six months ended 31 Dec 2022	six months ended 30 Jun 2022	Office	Retail	
Dah Sing Financial Centre	88.5	91.4	41.6	42.7	(9.0)	(10.0)	3.80	3.70	5,068,000
<u>Sheung Wan/Central Office Properties</u>									
Strand 50	92.3	99.7	32.3	32.4	0.8	0.4	3.55	3.85	1,274,400
135 Bonham Strand Trade Centre Property	99.4	99.1	26.7	27.1	(4.7)	(3.6)	3.65	3.85	558,900
Winsome House Property	88.8	97.2	39.9	39.9	(5.4)	N/A	3.65	3.65	537,600
235 Wing Lok Street Trade Centre	94.5	96.8	19.7	19.8	(4.3)	(1.6)	3.65	3.85	354,900
<u>Other Office Properties</u>									
The Harvest	91.4	80.4	41.0	36.7	(0.2)	2.2	3.45	3.25	547,000
Righteous Centre	100.0	100.0	34.9	34.5	5.7	0.0	3.75	3.50	532,000
Java Road 108 Commercial Centre	96.1	100.0	24.8	25.0	(2.8)	(5.7)	3.85	4.05	267,900
On Loong Commercial Building	100.0	100.0	27.2	27.6	(3.7)	(21.6)	3.75	3.75	239,000
Sun Fai Commercial Centre Property	97.1	98.5	21.4	21.4	(0.3)	1.0	3.90	4.10	163,200
Wai Ching Commercial Building Property	97.2	97.2	17.0	17.0	(0.8)	(1.9)	3.65	3.95	77,700
Sub-total/Average	92.2	94.8	34.7	35.1	(4.5)	(6.1)			9,620,600



Key retail portfolio statistics

Property	Operational statistics						Property financials		
	Occupancy rate (%)		Passing rent (HK\$ psf.)		Rental reversion (%)		Capitalization rate at 31 Dec 2022 (%)		Appraised value at 31 Dec 2022 (HK\$'000)
	at	at	at	at	six months ended	six months ended	Office	Retail	
	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022			
Sheung Shui Centre Shopping Arcade	91.7	92.9	98.4	100.6	(6.4)	(4.0)	N/A	4.35	3,690,000
Metro City Phase I Property	91.9	94.6	54.6	54.7	(1.6)	(4.7)	N/A	4.35	3,050,000
Other Retail Properties									
Kwong Wah Plaza Property	97.8	98.4	52.1	50.5	(2.3)	(6.6)	3.70	3.65	1,141,000
Supernova Stand Property	100.0	100.0	57.2	57.2	N/A	N/A	N/A	3.80	74,100
Beverley Commercial Centre Property	100.0	81.9	29.6	30.6	1.5	(4.1)	N/A	4.15	73,600
Sub-total/Average	93.1	94.5	67.1	67.6	(4.8)	(5.2)			8,028,700



Timeline of major asset recycling and enhancement

ASSET RECYCLING

ASSET ENHANCEMENT



On Loong Commercial Building
(ownership unification)

Acquisition amount: HK\$24M



Everglory Centre
Yue Fai Commercial Centre
Royal Terrace Property

Disposal proceeds: HK\$920M



The Harvest
(previously known as Fung Shun Commercial Building)

Acquisition amount: HK\$658M



Palatial Stand Property

Disposal proceeds: HK\$101M



2015

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

Space reconfiguration
CAPEX: HK\$25M
SSC

2016

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

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

2017

2018

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

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

2019 - 2020

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

Refurbishment of lobby
Dah Sing Financial Centre

2021

2022 - 2023

Space reconfiguration of 2/F
Metro City Phase I

COST SAVING

RENTAL ENHANCEMENT

Note:

1. The property has been renamed as Dah Sing Financial Centre.

Sustainability updates

A) 2022 GRESB Real Estate Assessment



- A two-star rating for our first GRESB Real Estate Assessment
- Our dedicated commitment to integrating sustainability criteria into the business

B) EnergywiSe Certifications



Dah Sing Financial Centre



Metro City Phase I



Contact Us

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Disclaimer

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