



SUNLIGHT REIT

Infusing  
Sustainability

**Annual Results 2019**



# Agenda

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Management**

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# Results Highlights



FY18/19

Revenue	HK\$817.4M
<b>HK\$850.7M</b>	<b>+4.1%</b> YoY

Net Property Income	HK\$646.1M
<b>HK\$682.5M</b>	<b>+5.6%</b> YoY

Distribution Per Unit	HK26.5 cents
<b>HK27.3 cents</b>	<b>+3.0%</b> YoY

30 Jun 2019

Property Valuation	HK\$18,755M
<b>HK\$20,003M</b>	<b>+6.7%</b> YoY

NAV Per Unit	HK\$9.03
<b>HK\$9.68</b>	<b>+7.2%</b> YoY

Gearing	21.8%
<b>20.4%</b>	<b>N/A</b>

# Results Highlights (cont'd)



## 1. Decentralization Continued To Support Office Performance

- ◆ Momentum in office decentralization supported passing rents of Grade A office market.



## 2. Slowdown in Consumer Spending

- ◆ Retail sales have showed signs of faltering.
- ◆ Trade mix optimization for key retail assets has proved rewarding.



## 3. Rebranding Cum Enhancement Strategy

- ◆ Budgetted over HK\$70 million for the refurbishment of Strand 50 and The Harvest.
- ◆ Full-year rental income contribution with a higher passing rent from The Harvest.



## 4. Proactive Capital Management Strategy

- ◆ Higher cash return mitigate the impact of upsurge in interest outlay.
- ◆ Executed a series of forward-start interest rate swaps (“IRSs”) to strengthen the fixed rate position from FY19/20 onwards.



# Financial Highlights



Income Statement (HK\$'M)	FY18/19	FY17/18	Change
Revenue	850.7	817.4	+4.1%
Property Operating Expenses	(168.2)	(171.3)	-1.8%
<b>Net Property Income ("NPI")</b>	<b>682.5</b>	646.1	<b>+5.6%</b>
<b>Distributable Income</b>	<b>467.3</b>	450.5	<b>+3.7%</b>
DPU (HK cents)	27.3	26.5	+3.0%

- ◆ Steady growth was attributable to respectable rental reversion and effective cost control.
- ◆ Distributable income growth was partly offset by increased finance costs due to a higher interest rate environment.

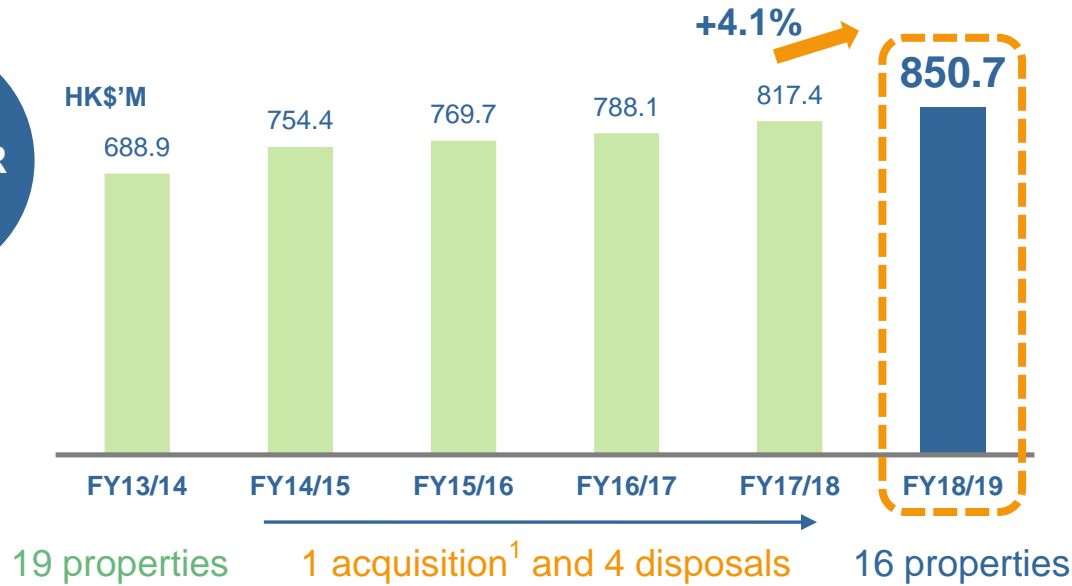
Financial Position (HK\$'M)	30 Jun 2019	30 Jun 2018	Change
<b>Investment Properties</b>	<b>20,002.5</b>	18,754.8	<b>+6.7%</b>
Bank Borrowings	4,237.3	4,251.5	-0.3%
<b>Net Asset Value ("NAV")</b>	<b>15,991.9</b>	14,857.0	<b>+7.6%</b>
<b>NAV/unit (HK\$)</b>	<b>9.68</b>	9.03	<b>+7.2%</b>

- ◆ Rise in the value of investment properties was supported by rental income growth.



# Revenue and NPI Trends

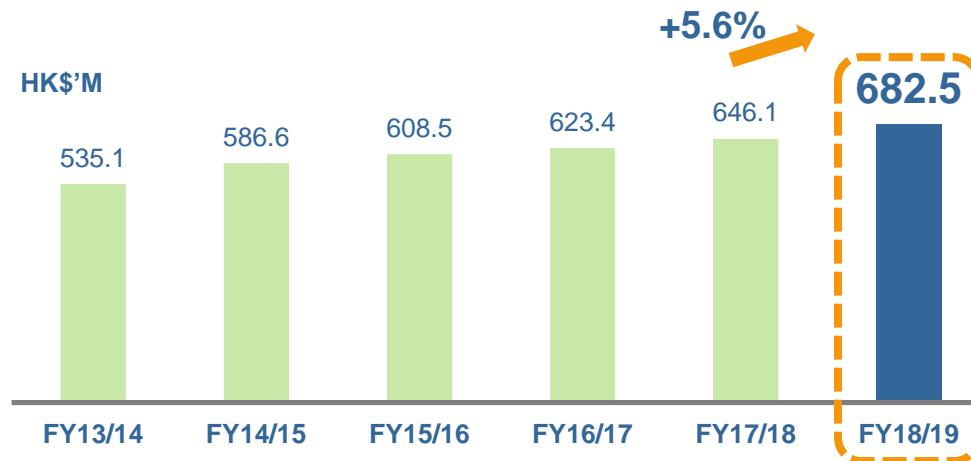
5-YR CAGR  
4.3%



## Revenue

- ◆ Creating value by asset recycling and organic growth through asset enhancement initiatives and trade mix rebalancing.

5-YR CAGR  
5.0%



## Net Property Income

- ◆ Cost-driven asset enhancement initiatives and disciplined cost control contributed to faster NPI growth.

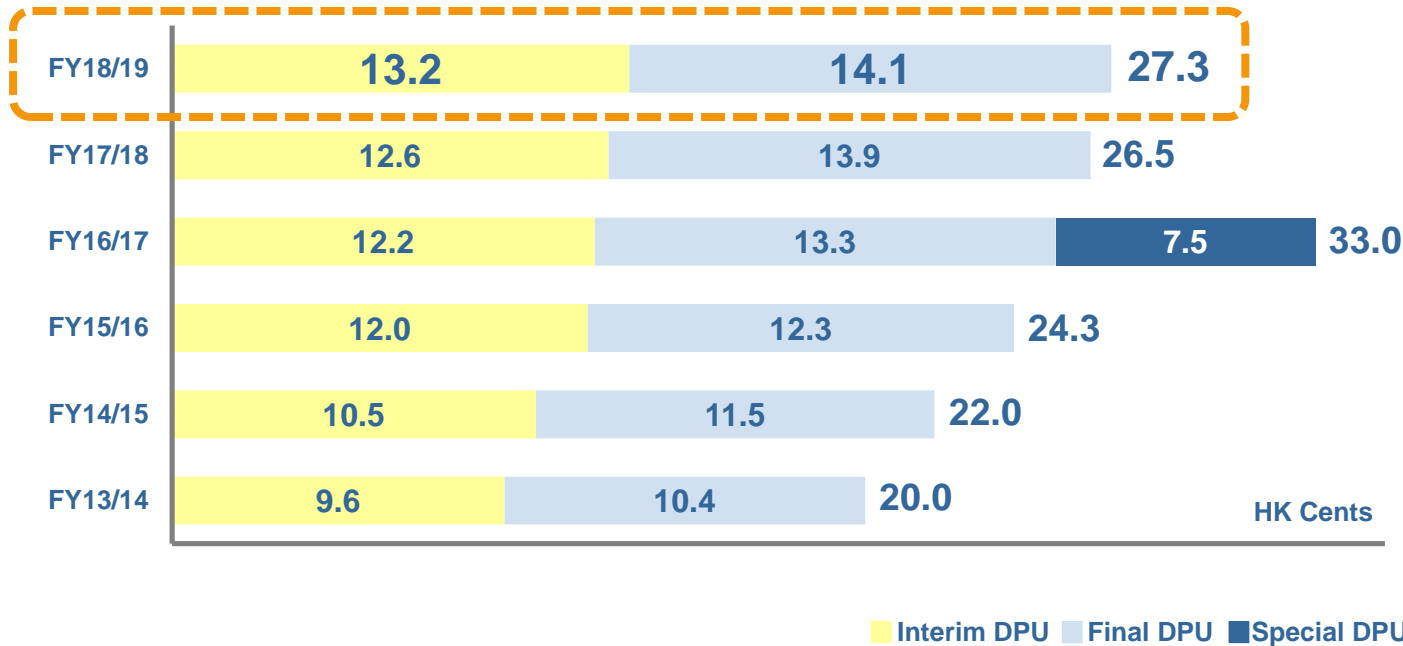
Note:

1. Excluding the unification of On Loong Commercial Building in FY15/16.



# DPU Trend

5-YR  
CAGR  
**6.4%**



DPU Growth  
**+3.0%**  
YoY

Distribution Yield<sup>1</sup>  
**4.6%**

Payout Ratio  
**96.4%**

Note:

1. Distribution yield based on the closing price of HK\$5.99 on the last trading day of FY18/19, or 5.2% based on the closing price on announcement date.

**2**

## **Operating Performance**

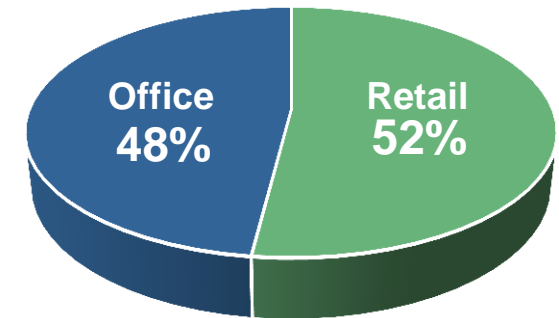
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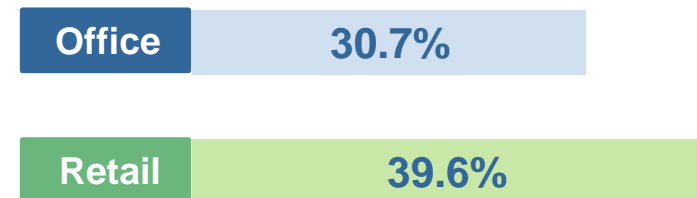
# Performance Highlights

	Office	Retail	Overall
30 Jun 2019	<b>94.0%</b>	<b>98.1%</b>	<b>95.3%</b>
<b>Occupancy Rate</b>			
30 Jun 2018	97.8%	99.2%	98.2%
30 Jun 2019	<b>35.5</b>	<b>75.8</b>	<b>48.6</b>
<b>Passing Rent<sup>1</sup></b> (HK\$ / sq. ft.)			
30 Jun 2018	33.8	73.9	46.5
FY18/19	<b>11.4%</b>	<b>11.4%</b>	<b>11.4%</b>
<b>Rental Reversion<sup>2</sup></b>			
FY17/18	6.9% <sup>3</sup>	8.0%	7.4%

NPI by Type



FY19/20 Expiry Profile by GRA



Notes:

1. Passing rent is calculated on average rent per sq. ft. for occupied gross rentable area ("GRA").
2. Rental reversion is calculated on change in effective rent of the leases renewed and commenced during the reporting period.
3. Stripping out the renewal of a G/F shop at Righteous Centre, rental reversion would have been 9.0%.



# Top 3 Office Properties<sup>1</sup>



1. Sunlight Tower		
	30 Jun 2019	30 Jun 2018
Occupancy rate	98.2%	98.5%
Passing Rent HK\$ / sq. ft.	39.6	38.2
Rental Reversion <sup>4</sup>	13.5%	10.4%
	FY19/20	FY20/21
Expiry by GRA	20.5%	61.1%



2. Strand 50 <sup>2</sup>		
	30 Jun 2019	30 Jun 2018
Occupancy rate	68.4% <sup>3</sup>	93.0%
Passing Rent HK\$ / sq. ft.	31.8	29.8
Rental Reversion <sup>4</sup>	10.6%	9.1%

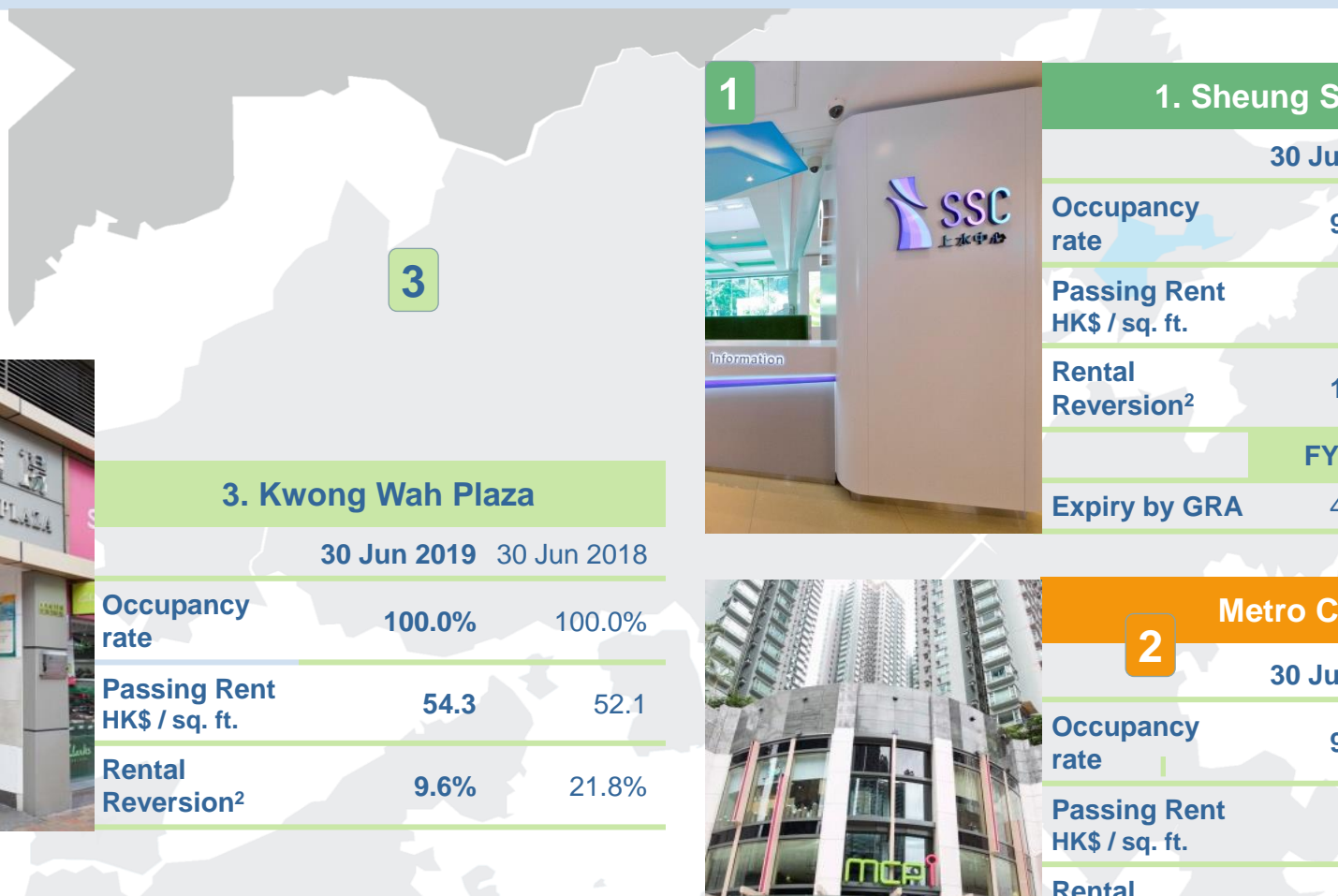


3. The Harvest		
	30 Jun 2019	30 Jun 2018
Occupancy rate	96.4%	100.0%
Passing Rent HK\$ / sq. ft.	51.2	47.3

Notes:

1. Top 3 office properties are ranked by valuation at 30 Jun 2019.
2. Bonham Trade Centre has been renamed Strand 50 with effect from 1 Sep 2019.
3. Excluding the renovated area at Strand 50, the occupancy rate would have been 95.4%.
4. For rental reversion which are for the respective financial years ended 30 Jun.

# Top 3 Retail Properties<sup>1</sup>



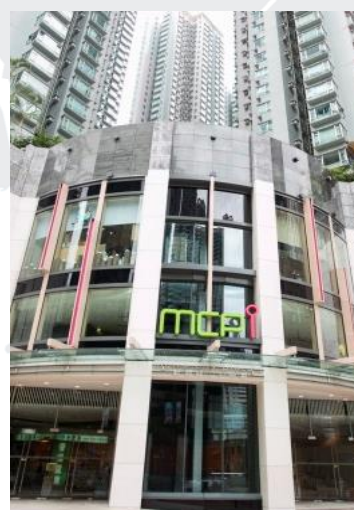
## 3. Kwong Wah Plaza

	30 Jun 2019	30 Jun 2018
Occupancy rate	100.0%	100.0%
Passing Rent HK\$ / sq. ft.	54.3	52.1
Rental Reversion <sup>2</sup>	9.6%	21.8%



## 1. Sheung Shui Centre

	30 Jun 2019	30 Jun 2018
Occupancy rate	98.1%	98.9%
Passing Rent HK\$ / sq. ft.	118.4	115.9
Rental Reversion <sup>2</sup>	13.4%	3.8%
	<b>FY19/20</b>	<b>FY20/21</b>
Expiry by GRA	47.4%	40.3%



## 2. Metro City Phase I

	30 Jun 2019	30 Jun 2018
Occupancy rate	98.9%	99.8%
Passing Rent HK\$ / sq. ft.	57.5	55.8
Rental Reversion <sup>2</sup>	11.5%	10.5%
	<b>FY19/20</b>	<b>FY20/21</b>
Expiry by GRA	35.0%	18.1%

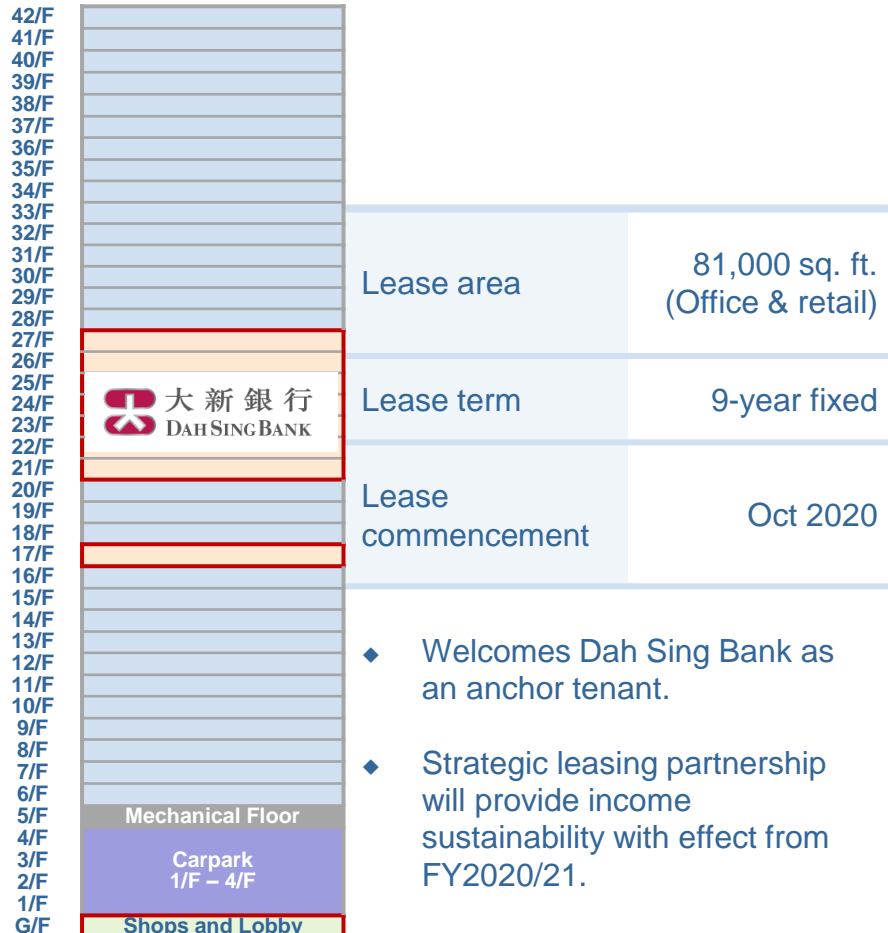
### Notes:

1. Top 3 retail properties are ranked by valuation at 30 Jun 2019.
2. For rental reversion which are for the respective financial years ended 30 Jun.

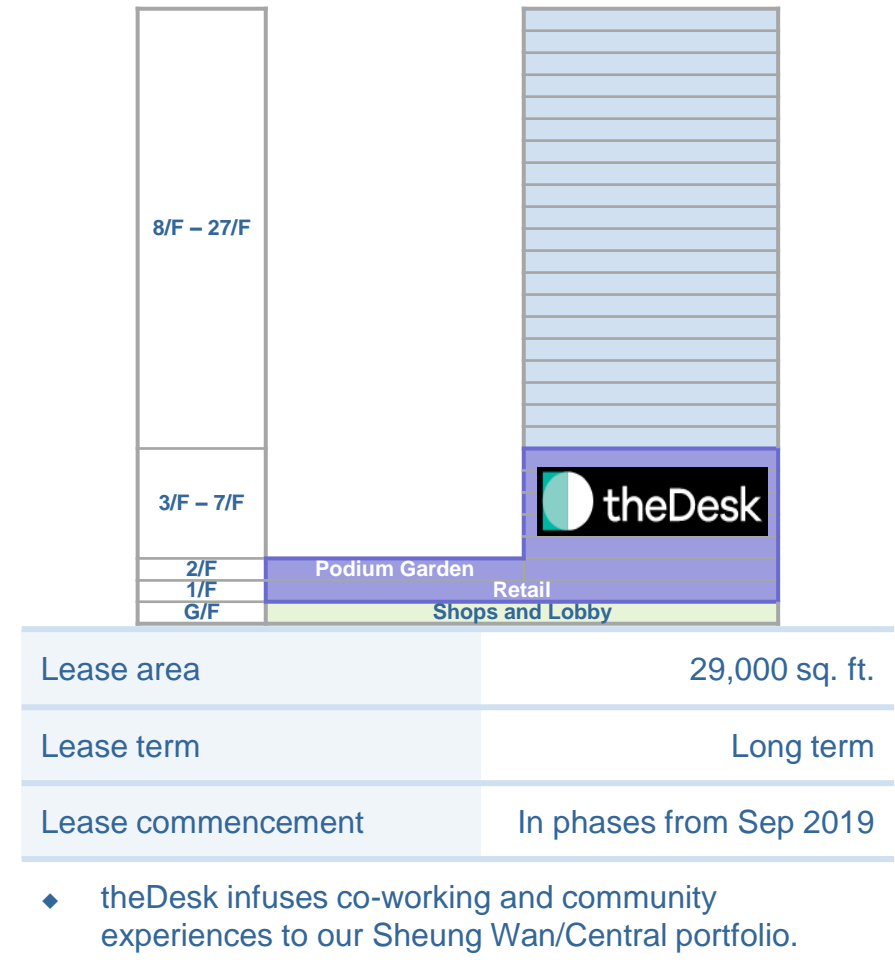
# Office Portfolio – Strategic Leasing Partnership



## Sunlight Tower



## Strand 50



Note:  
1. The property will be renamed "Dah Sing Financial Centre" upon lease commencement (or at a later date as mutually agreed).

# Retail Portfolio – Trade Mix Optimization



## SSC



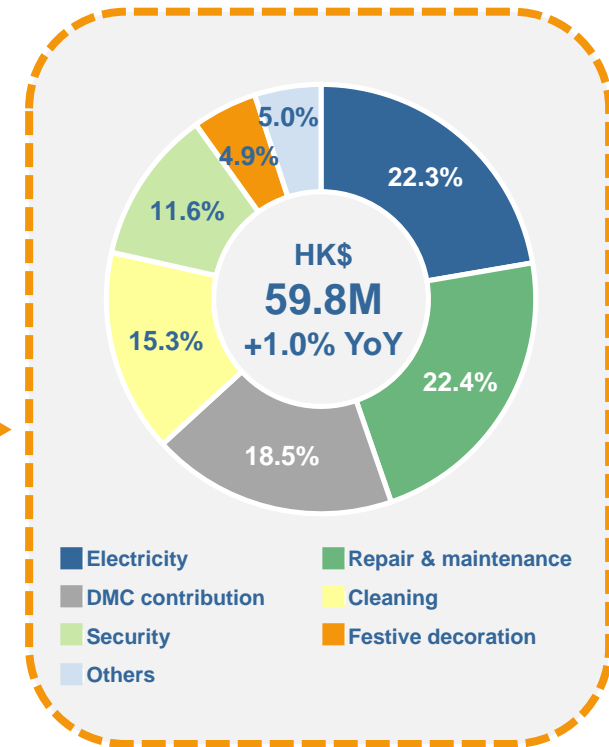
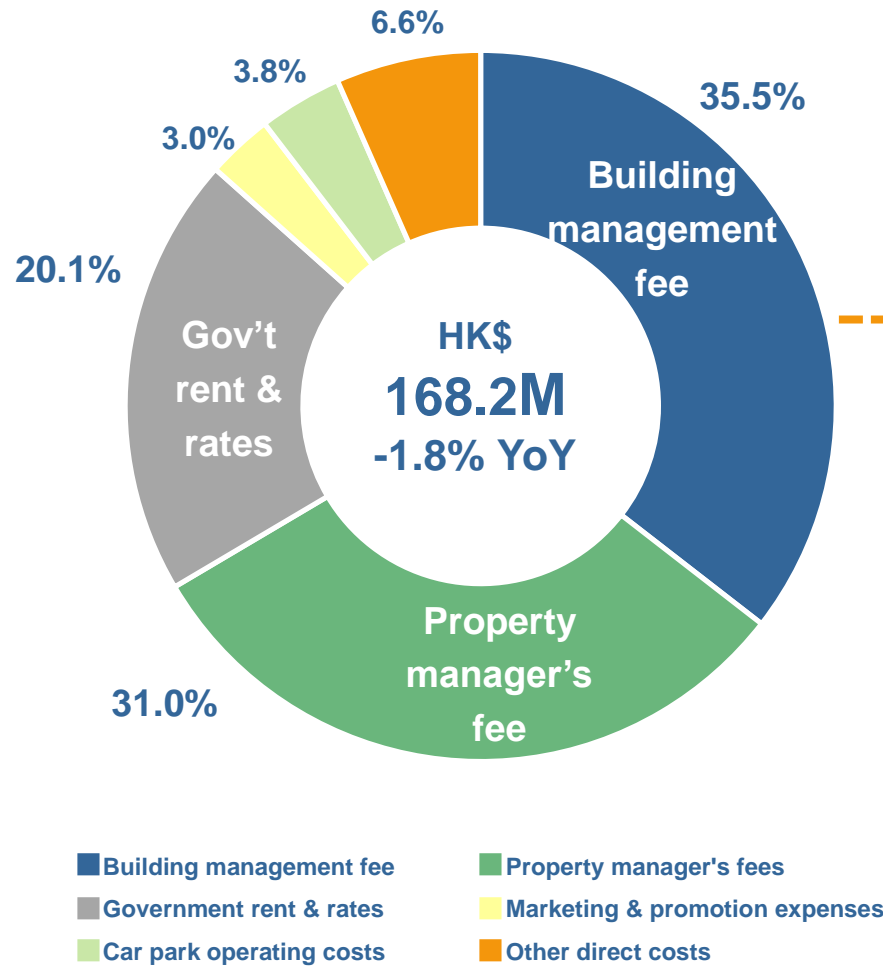
## MCPI





# Improved Cost-to-Income Ratio to 19.8%

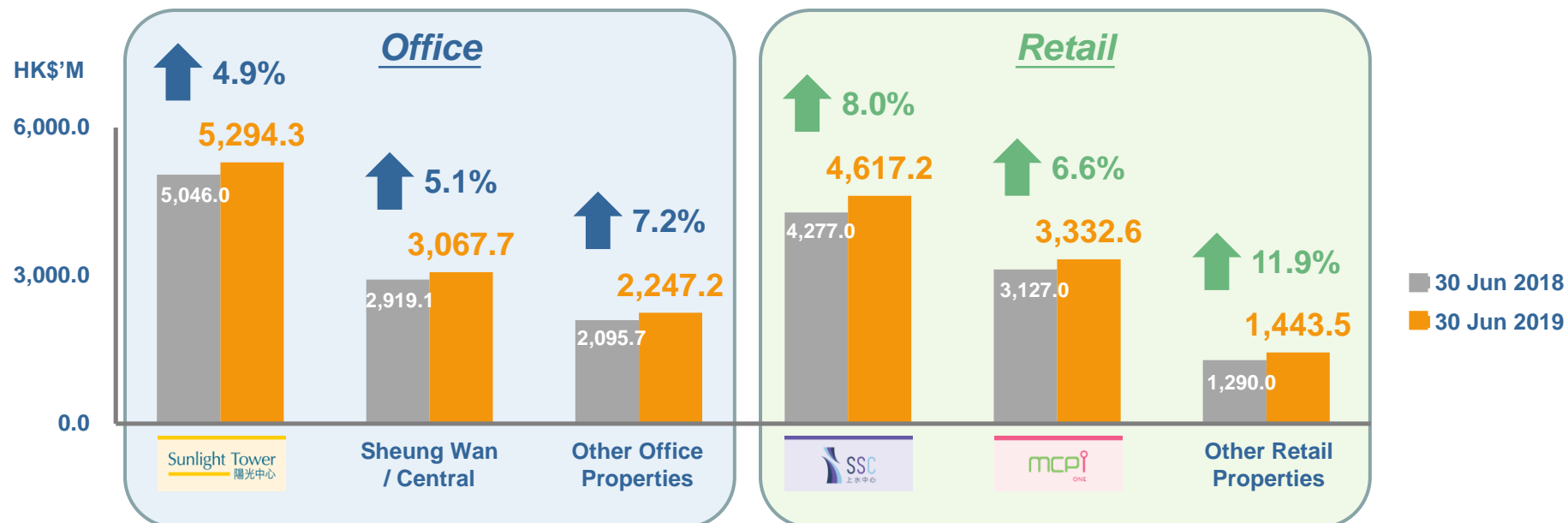
## Components of Property Operating Expenses



### Record Low Cost-to-Income Ratio

- ◆ Lower rental commissions was the key factor of improved cost-to-income ratio from 21.0% to 19.8%.

# Valuation



Capitalization Rate	30 Jun 2019		30 Jun 2018		30 Jun 2017	
	Office	Retail	Office	Retail	Office	Retail
Sunlight Tower	3.75%	3.65%	3.75%	3.65%	3.85%	3.75%
Bonham Trade Centre	3.45%	3.80%	3.45%	3.80%	3.65%	4.00%
The Harvest	3.10%	2.90%	3.00%	2.75%	N/A	N/A
Sheung Shui Centre	N/A	4.30%	N/A	4.30%	N/A	4.40%
Metro City Phase I	N/A	4.40%	N/A	4.40%	N/A	4.50%
Kwong Wah Plaza	3.60%	3.60%	3.65%	3.60%	3.85%	3.80%

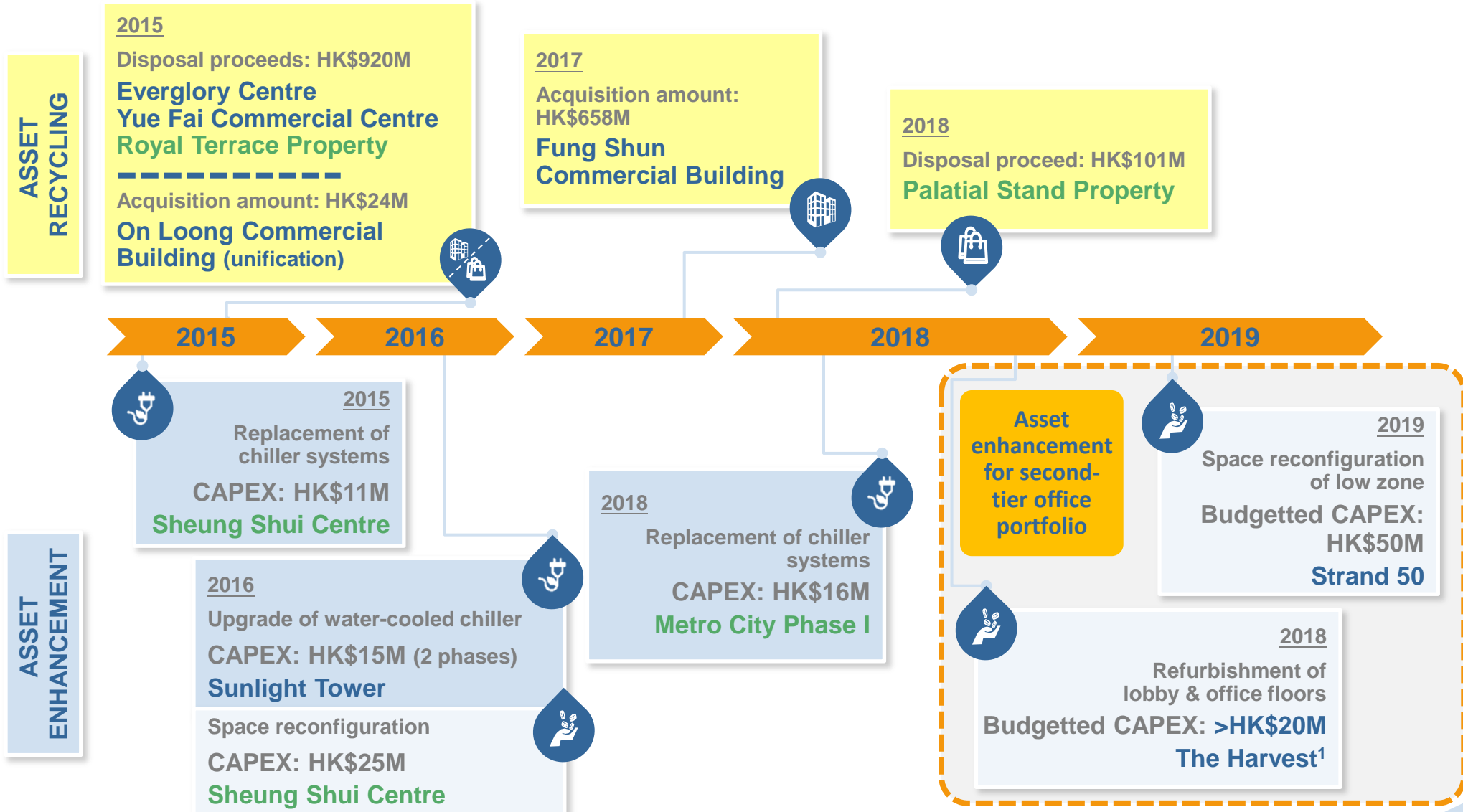
**3**

## **Asset Management**

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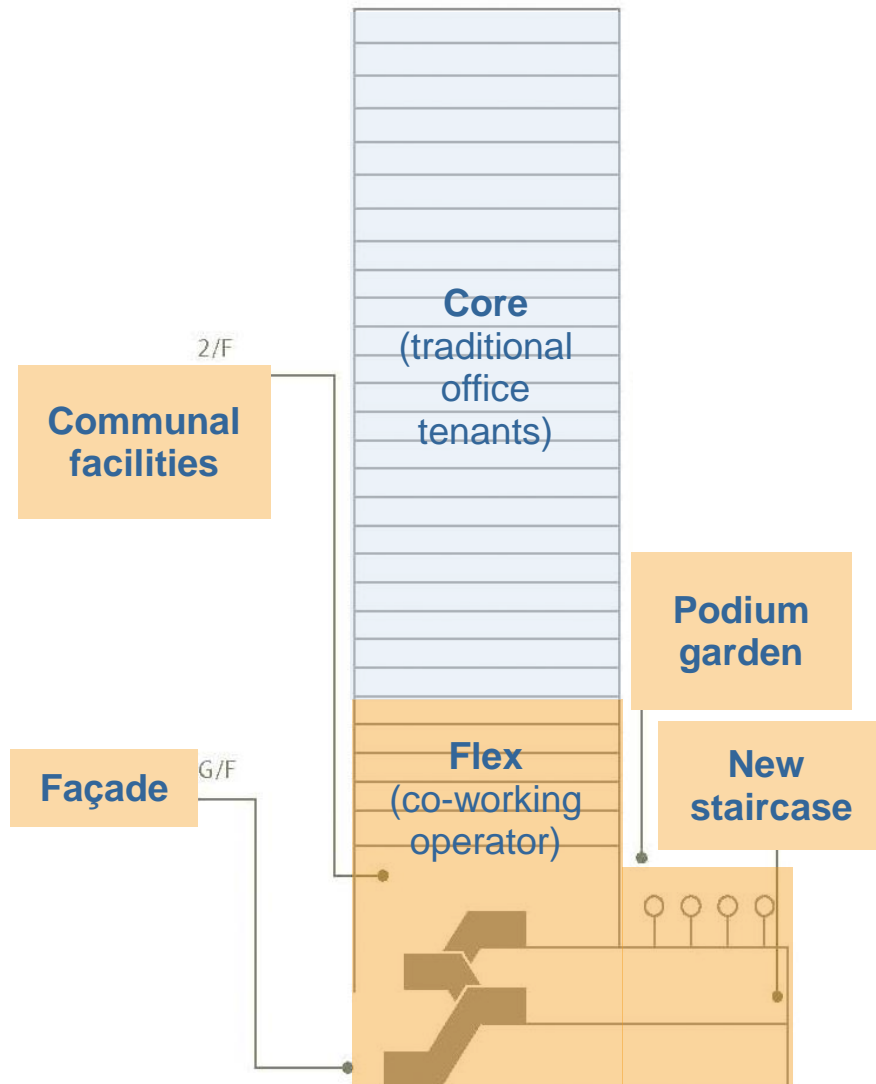
# Timeline of Major Asset Recycling and Enhancement




Note:

1. The property was previously known as Fung Shun Commercial Building.

# Revitalization of Strand 50



	<i>Flex</i>		<i>Core</i>
<b>Tenant</b>	Two eatery operators		Office
<b>Area</b>	~4,000 sq. ft. G/F	~29,000 sq. ft. 1/F – 7/F	~85,000 sq. ft. 8/F – 27/F
<b>Renovation Period</b>			Unaffected
<b>Start</b>	Apr 2019	Apr 2019	
<b>Completion</b>	End of 2019	Sep 2019	
<b>CAPEX</b>	HK\$50M		
<b>ROI</b>	Approximately 15%		

## Contemporary Workplace for Flexible and Traditional Tenants

- ◆ TheDesk will operate in phases beginning from Sep 2019.
- ◆ The income base of Strand 50 will make reasonable headway in the second half of FY2019/20.



# Revitalization of Strand 50 (cont'd)



*Lobby & conferencing facilities*



\* The above images are artist's impression.

**4**

## **Capital Management**

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# Healthy Bank Borrowings Profile

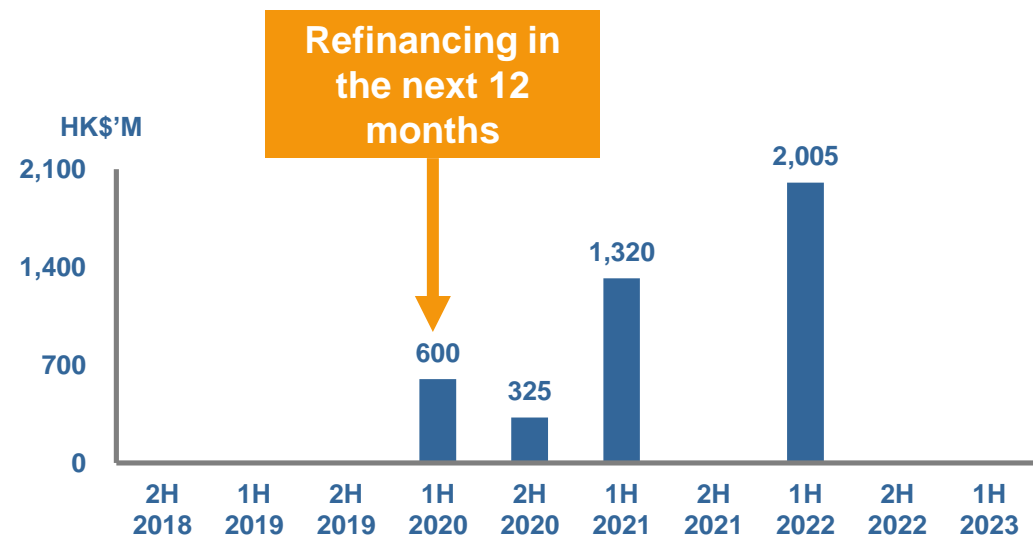
Weighted Maturity (Years)	2.3
	3.3 <sup>1</sup> 30 Jun 2018

Unsecured Debt	31.1%
	31.4% 30 Jun 2018

Undrawn Facility (HK\$)	600M
	280M 30 Jun 2018

HK\$'M	30 Jun 2019	30 Jun 2018	Change
Bank Borrowings	4,250.0	4,270.0	-0.5%
- Secured	2,930.0	2,930.0	No change
- Unsecured	1,320.0	1,340.0	-1.5%

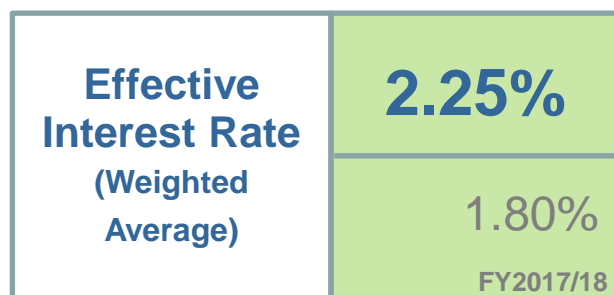
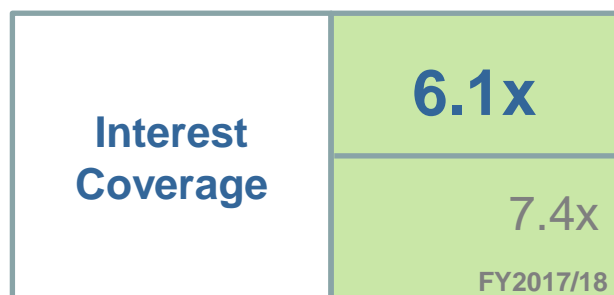
## Maturity Profile of Bank Borrowings



Note:

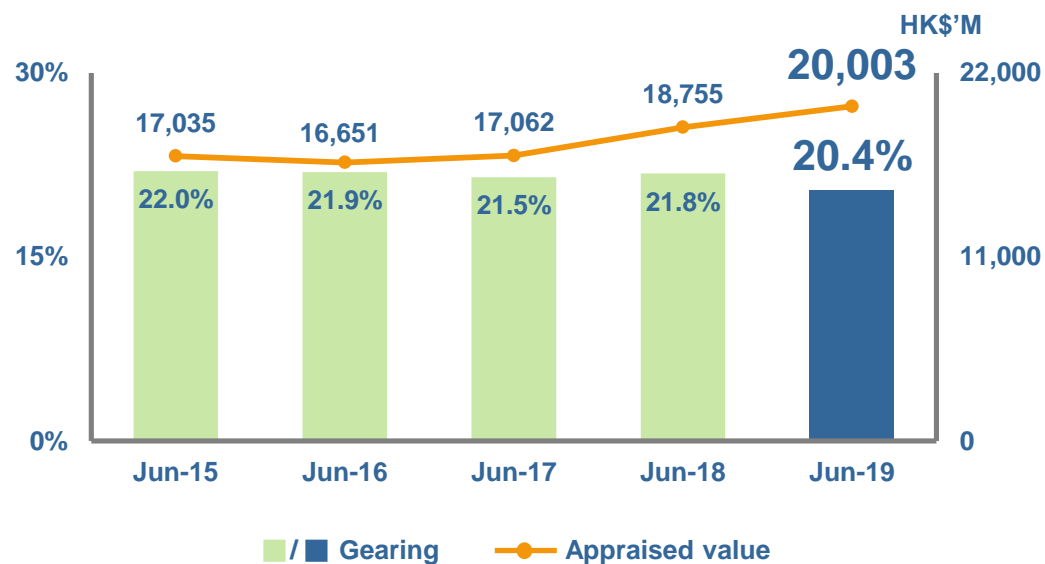
1. Excluded the revolving credit facility amounted to HK\$20 million.

# Solid Financial Position



HK\$'M	30 Jun 2019	30 Jun 2018	Change
<b>Bank Borrowings</b>	<b>4,250.0</b>	4,270.0	<b>-0.5%</b>
- Fixed	<b>1,950.0</b>	2,600.0	<b>-25.0%</b>
- Floating	<b>2,300.0</b>	1,670.0	<b>+37.7%</b>

**Gearing and Appraised Value Trends**



# Proactive Interest Rate Management



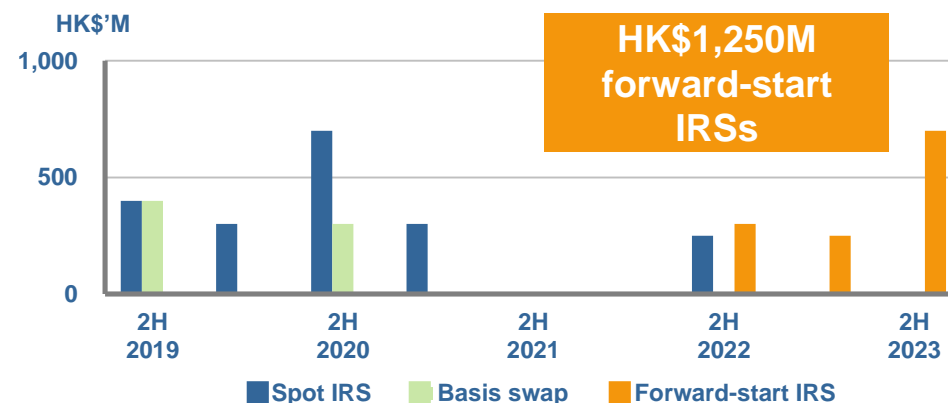
HK\$'M	FY18/19	FY17/18	Change
Cash Interest Expenses	95.7	74.0	+29.3%
Interest Income	16.8	9.9	+69.1%
Net Cash Finance Costs	78.9	64.1	+23.1%

<b>Weighted Average Interest Rate</b>	<b>1.52% p.a.</b>
Before loan interest margin <sup>1</sup> (Fixed Rate Portion)	1.38% p.a. 30 Jun 2018
<b>Fixed Rate Borrowings / Total Borrowings</b>	<b>46%</b>
	61% <sup>2</sup> 30 Jun 2018

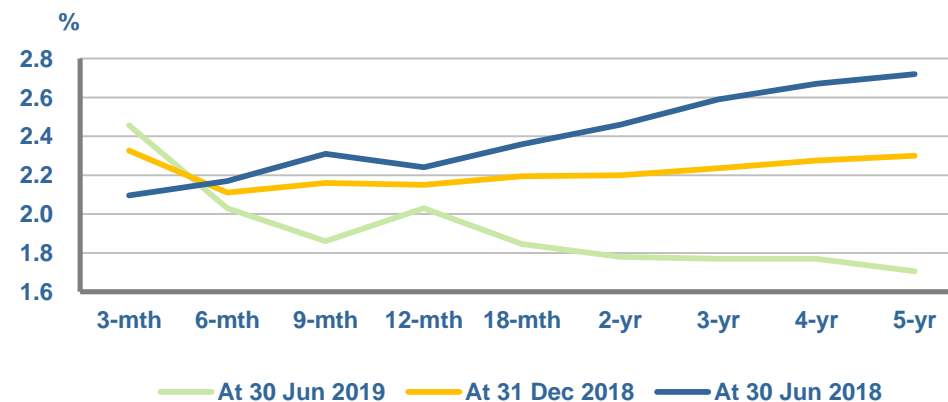
Notes:

1. Blended loan interest margin was 0.69% per annum over HIBOR.
2. Excluded the revolving credit facility amounted to HK\$20 million.

## Maturity Profile of IRSs



## Hong Kong Dollar 3-month Swaps Curve



# Timely Treasury Management



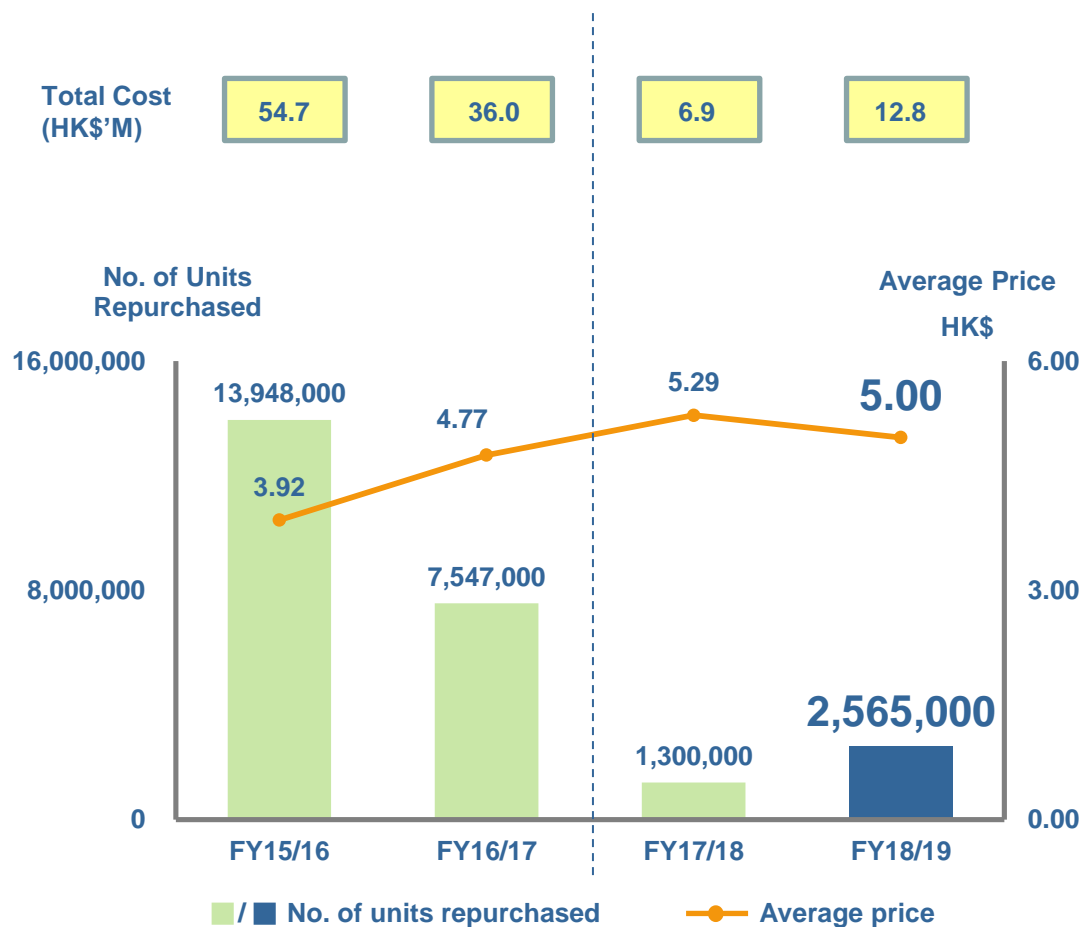
## Fixed Income Portfolio

Bond Investments	<b>136.4M</b>
	108.8M 30 Jun 2018

Years to Maturity	<b>1.8</b>
	2.5 30 Jun 2018

Yield to Maturity (Weighted Average)	<b>4.4%</b>
	3.9% 30 Jun 2018

## Unit Buy-back



**5**

## **Outlook & Strategy**

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## Property Leasing Market

- ◆ **DOWNSIDE RISK** of the **OFFICE PORTFOLIO** is **RELATIVELY LOW** as decentralization is expected to support Grade A office demand in business areas where Sunlight REIT has a meaningful presence.
- ◆ Prospects for the **RETAIL SECTOR** are **CLEARLY LESS CERTAIN** due to slowdown in consumer spending and a rise in supply of new retail space.

## Capital Management

- ◆ **HIGHER HONG KONG DOLLAR FUNDING COSTS** may arise in spite of lower interest rates in the US.



## Property Leasing Market

### **STRATEGIC LEASING PARTNERSHIP FOR INCOME SUSTAINABILITY**

#### 1) Sunlight Tower

- ◆ 9-year lease with Dah Sing Bank, occupying 22% GRA starting from Oct 2020.

#### 2) Strand 50

- ◆ Long term lease with theDesk from Sep 2019 reflecting the intention of introducing a co-working element in our Sheung Wan/Central portfolio.

## Asset & Capital Management

- ◆ Consider acquisition opportunities with prudence.
- ◆ Manage interest rate profile proactively.
- ◆ Conduct minor refinancing activities for expiring loans in the next 12 months.

# Steady and Superior Performance



## Sunlight REIT's Unit Price Performance (at 30 Jun 2019)

	Total return <sup>1</sup>			
	1-year	3-year	5-year	Since listing
Sunlight REIT	16.0%	59.4%	142.8%	477.1%
Hang Seng Index	2.5%	52.3%	47.4%	129.0%
Hang Seng Index – Properties	14.8%	61.3%	75.1%	178.3%
Hang Seng REIT Index	20.8%	54.8%	106.4%	240.7%

Source: Bloomberg

Notes:

1. Total return is the holding period return with distributions reinvested in the relevant security.
2. Distribution yield based on the closing price of HK\$5.99 on the last trading day of FY18/19.



Annualized  
Total  
Return  
since Listing<sup>1</sup>  
**15%**

Balanced and diversified  
portfolio delivered steady  
and superior returns



Distribution  
Yield<sup>2</sup>  
**4.6%**  
-----  
Discount to  
NAV<sup>2</sup>  
**38%**

A defensive yield play and  
strong asset backing



Gearing  
**20.4%**

Solid financial position  
with headroom for further  
acquisition

# Contact Us



Thank You



## REIT Manager

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# Disclaimer

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