



SUNLIGHT REIT

Annual Results 2015

Investor Presentation

Pruning for
better yields



Agenda



- ~ **Highlights**
- ~ **FY2014/15 Final Results**
- ~ **Property Performance**
- ~ **Asset Management**
- ~ **Acquisition and Disposal**
- ~ **Capital Management**



Sunlight Tower

Location: Wan Chai
 Year of completion: 1998
 Gross rentable area: 376,381 sq. ft.



Bonham Trade Centre

Location: Sheung Wan
 Year of completion: 1998
 Gross rentable area: 117,909 sq. ft.



Righteous Centre

Location: Mong Kok
 Year of completion: 1996
 Gross rentable area: 51,767 sq. ft.



Winsome House Property

Location: Central
 Year of completion: 1999
 Gross rentable area: 40,114 sq. ft.



135 Bonham Strand Trade Centre Property

Location: Sheung Wan
 Year of completion: 2000
 Gross rentable area: 63,915 sq. ft.



Legend

Office properties

- 6 235 Wing Lok Street Trade Centre
- 7 Java Road 108 Commercial Centre
- 8 Yue Fai Commercial Centre Property¹
- 9 On Loong Commercial Building Property²
- 10 Everglory Centre¹
- 11 Sun Fai Commercial Centre Property
- 12 Wai Ching Commercial Building Property

Retail properties

- 16 Royal Terrace Property¹
- 17 Beverley Commercial Centre Property
- 18 Supernova Stand Property
- 19 Palatial Stand Property



Sheung Shui Centre Shopping Arcade

Location: Sheung Shui
 Year of completion: 1993
 Gross rentable area: 122,339 sq. ft.



Metro City Phase I Property

Location: Tseung Kwan O
 Year of completion: 1996
 Gross rentable area: 188,889 sq. ft.



Kwong Wah Plaza Property

Location: Yuen Long
 Year of completion: 1998
 Gross rentable area: 64,842 sq. ft.

Note:
 1. Completion of the disposals of Yue Fai Commercial Centre Property, Everglory Centre and Royal Terrace Property took place in July and August 2015.
 2. Sunlight REIT acquired the remaining interests in On Loong Commercial Building and has become the sole owner of the building with effect from 3 August 2015.



Highlights

Highlights



- ☛ Sunlight REIT announced an encouraging set of results for FY2014/15, with revenue and net property income growing by 9.5% and 9.6% respectively.
- ☛ Final distribution of HK 11.5 cents per unit will bring the total distribution per unit (“DPU”) for the full year to HK 22.0 cents, representing a year-on-year increase of 10.0%.
- ☛ Rental reversions for the office and retail portfolios were 18.3% and 20.3% respectively.
- ☛ The appraised value of the portfolio of Sunlight REIT rose by 10.7% from a year ago to HK\$17,035.3 million at 30 June 2015.
- ☛ Three non-core properties were successfully disposed of for an aggregate consideration of HK\$919.5 million subsequent to the year under review.

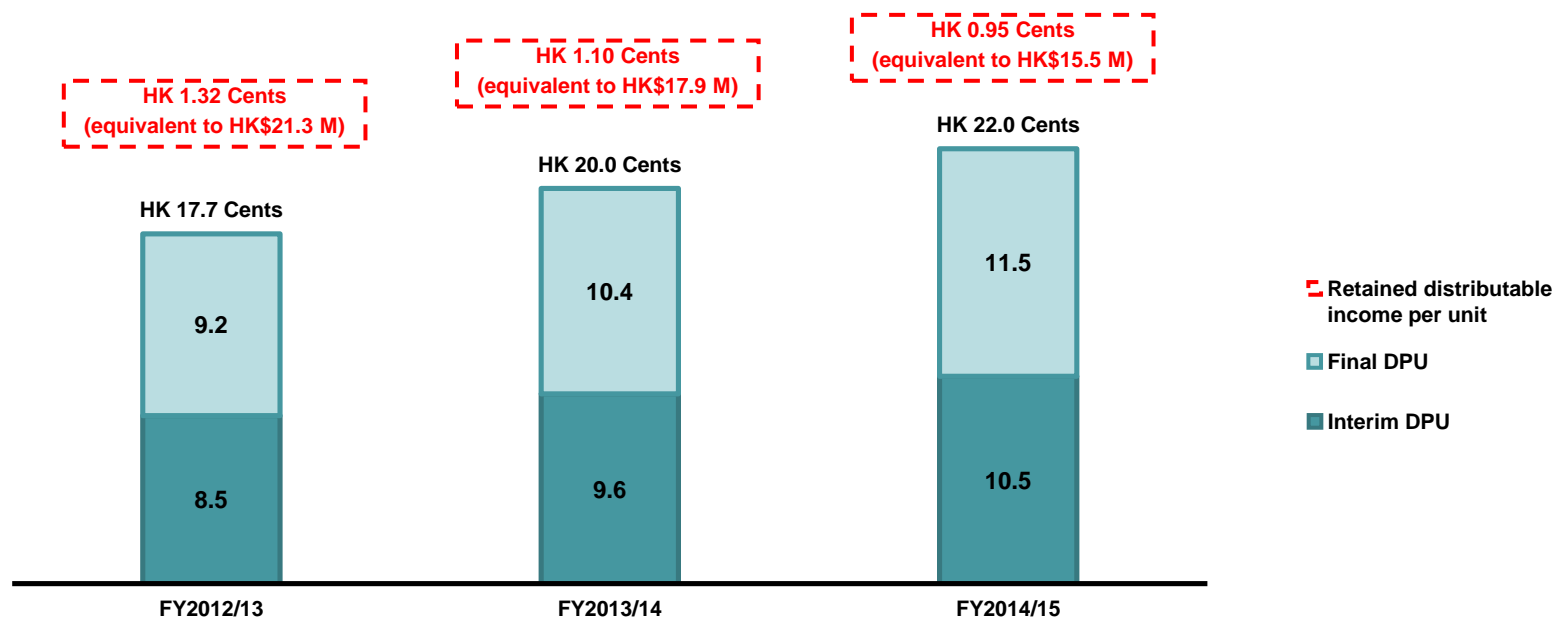


FY2014/15 Final Results

Distribution



- ~ The Board of Directors declared a distribution of HK 11.5 cents for the second half of FY2014/15 implying a full year payout ratio of 95.9%. Full year distribution amounted to HK 22.0 cents.
- ~ Distribution attributed to the underlying operation before taking into account the effect of management fee paid in units increased by 9.9% to HK 19.49 cents.



	FY2012/13	FY2013/14	FY2014/15	FY2015/16
1. Manager Fee in Units	50.0%	50.0%	50.0%	50.0%
2. Distribution Policy	93.1%	94.8%	95.9%	≥ 90.0%

Financial Highlights – Profit and Loss Summary



- Supported by stable occupancies and continued reversionary gains, Sunlight REIT announced an encouraging set of results for FY2014/15, with revenue and net property income growing by 9.5% and 9.6% respectively.

(HK\$' M)	FY2015	FY2014	Change
Turnover	754.4	688.9	9.5%
Property Operating Expenses	167.8	153.8	9.1%
Net Property Income	586.6	535.1	9.6%
Cost to Income Ratio (%)	22.2	22.3	N/A
Profit after Taxation (Excluding Revaluation Gain) ¹	306.2	269.0	13.8%
Total Distributable Income	375.2	342.8	9.4%
DPU (HK cents)	22.0	20.0	10.0%
Payout Ratio (%)	95.9	94.8	N/A
Units in Issue ('000) ²	1,636,636.8		

Note:

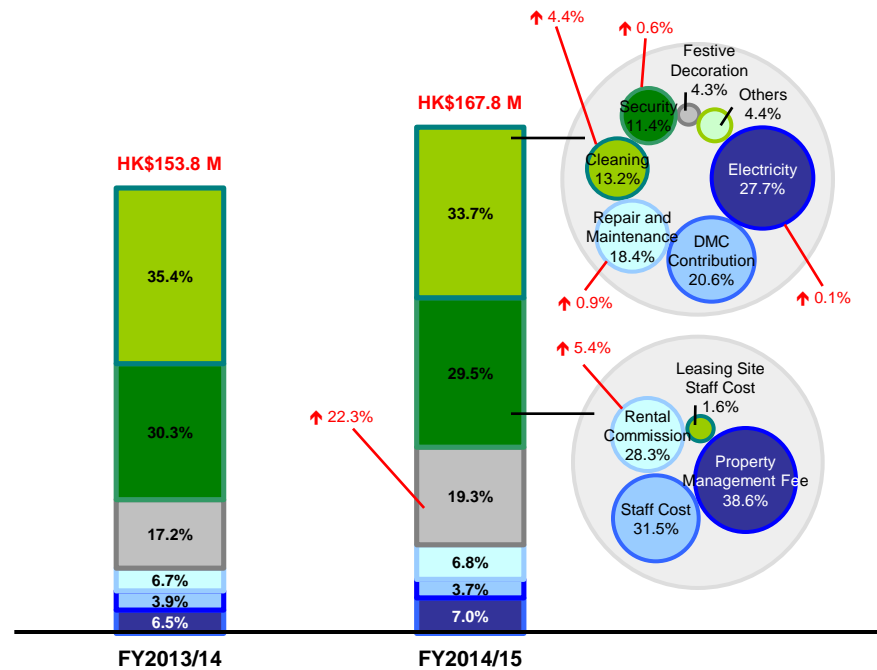
- Revaluation gain for FY2014/15 and FY2013/14 are HK\$1,596.5 M and HK\$961.0 M respectively.
- Taking into account the repurchase of 1,850,000 units subsequent to the period.

Expenses

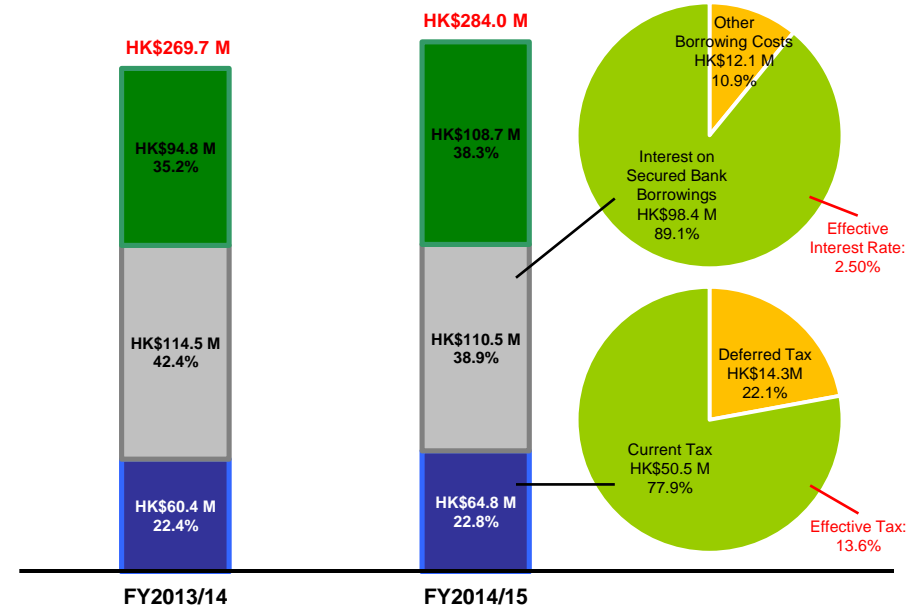


- Key property related expenses were kept under adequate control while higher expenses for certain items reflected higher rent and value of the portfolio. This resulted in a satisfactory cost to income ratio of 22.2%
- Effective interest rate and effective tax rate were 2.50% and 13.6% respectively.

Breakdown of Property Expenses



Breakdown of Other Expenses



- Other Direct Costs
- Car Park Operating Costs
- Marketing and Promotion Expenses
- Government Rent and Rates
- Property Manager's Fees
- Building Management Fee

- Income Tax
- Finance Costs
- Administrative Expenses



Property Performance

Rental Reversion and Retention



- ↻ Sunlight Tower and Sheung Shui Centre Shopping Arcade continue to demonstrate notable rental reversion.
- ↻ Increase in tenant retention at Sunlight Tower reflects higher relocation costs in general, and the favourable pricing segment of our office properties, while a lower retention at Metro City Phase I Property reflects the ongoing tenant reconfiguration strategy.

Rental Reversion ¹			Retention ¹	
	FY2015	FY2014	FY2015	FY2014
Sunlight Tower	19.2%	28.9%	91.4%	75.9%
Sheung Wan / Central	17.2%	19.0%	71.8%	65.5%
Other Office Properties	17.5%	18.6%	69.9%	71.0%
Sheung Shui Centre Shopping Arcade	27.3%	36.2%	66.6%	58.5%
Metro City Phase I Property	15.3%	17.9%	60.9%	79.1%
Other Retail Properties	18.3%	29.5%	72.8%	86.5%
Total	19.2%	26.0%	75.8%	72.0%

Note:

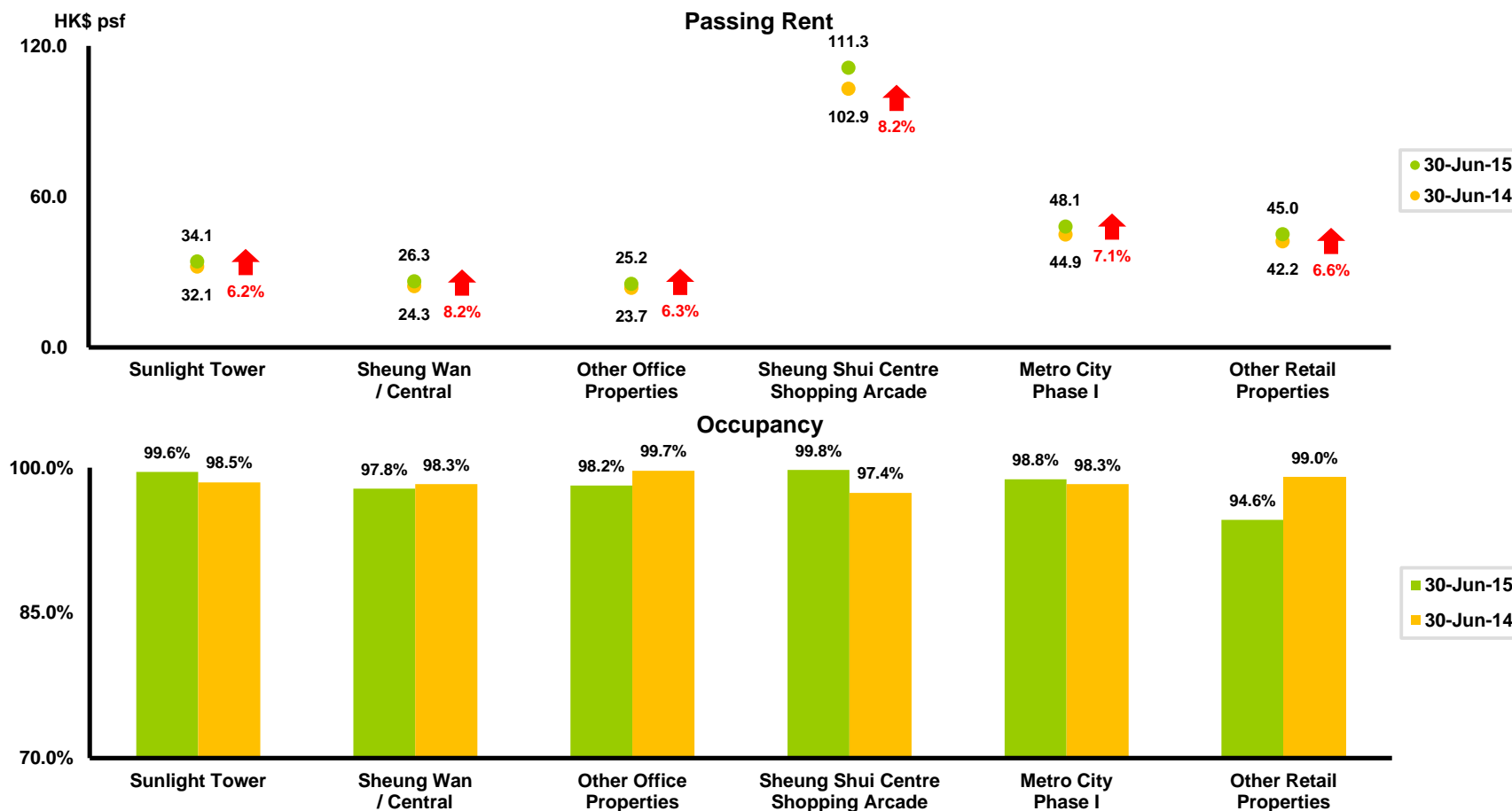
1. For renewal of leases with turnover and base rent component, rental reversion refers to the changes in base rent component only.



Passing Rent and Occupancy

↗ The rise in passing rent from HK\$38.2 psf to HK\$41.1 psf was the main reason behind the 9.5% growth in turnover.

↗ Occupancy has remained stable in every segment.



Lease Expiry Table



Leases that will expire in FY2016 remain below market rent and therefore should bode well for rental reversion going forward.

Expiring GRA	FY2016		FY2017		Average Rent of Expiring Leases (HK\$ psf)
	FY2016	FY2017	FY2016	FY2017	FY2016
Sunlight Tower	32.7%	29.6%			33.6
Sheung Wan / Central	46.2%	42.0%			24.5
Other Office Properties	47.1%	43.1%			22.6
Sheung Shui Centre Shopping Arcade	40.5%	33.6%			97.2
Metro City Phase I Property	43.2%	42.1%			43.7
Other Retail Properties	44.3%	45.5%			36.6
Total	41.3%	38.1%			36.9



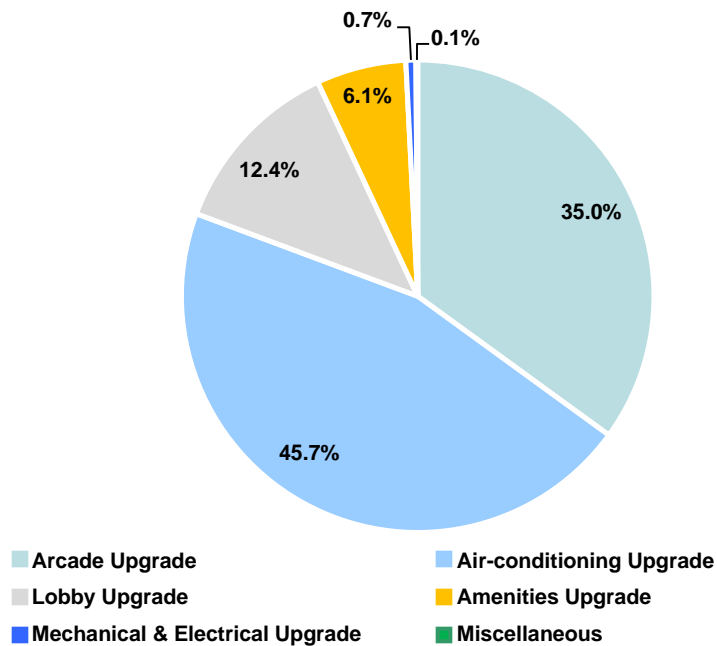
Asset Management

CAPEX

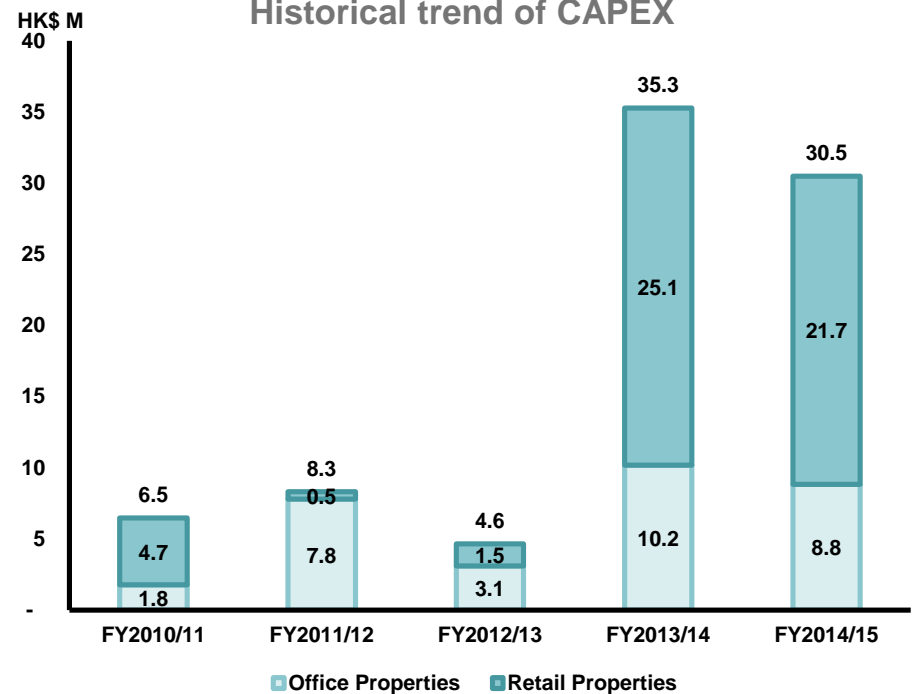


- At the time of writing, contracted capital commitments for FY15/16 amounted to HK\$27.6 million.
- The Manager plans to redesign the layout and configuration of a key area of Sheung Shui Centre Shopping Arcade (around 20% of the rentable area), with an ultimate objective of further improving the customer traffic and income profile of the shopping mall.
- Although the project will inevitably incur a rent void in respect of the affected area for an approximately 9-month period beginning from Mar 2016, the benefits to be reaped from the refurbishment works should outweigh the brief interruption to income.

Breakdown of FY2014/15 CAPEX



Historical trend of CAPEX

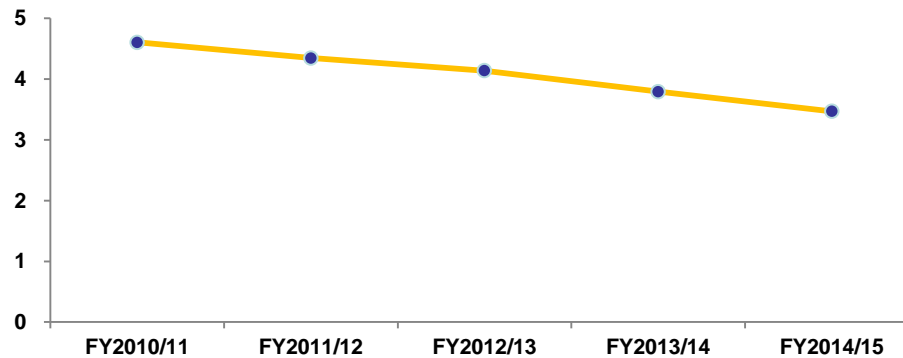


Energy saving



- Since the replacement of one of the three chillers at Sunlight Tower from air-cooled to water-cooled, electricity usage has notably decreased. Replacement of a second water-cooled chiller has been scheduled for FY15/16.
- HK\$11.0 M was spent on chiller replacement was all completed at Sheung Shui Centre Shopping Arcade. Considerable savings was registered in the first month of operation.

Total electricity consumption at Sunlight Tower (MWh)



Sunlight Tower	FY2014/15	FY2013/14	Variance
Total electricity consumption	3,469 MWh	3,792 MWh	323 MWh (↓8.5%)
Avg. Temperature	23.9°C	23.3 °C	↑0.6°C (↑2.6%)
Relative Humidity	77.3%	75.7%	↑1.6 pp (↑2.1%)





Acquisition and Disposal

Disposal

10 Everglory Centre

Location: Tsim Sha Tsui
GRA: 29,802 sq. ft.
 (O: 25,896 sq. ft.; R: 3,906 sq. ft. with 4 shops)
No. of car park spaces: 0
Occupancy at 31 Jun 2015: 95.1%
Passing rent at 31 Jun 2015: HK\$ 21.3

Disposal

16 Royal Terrace Property

Location: North Point
GRA: 9,565 sq. ft.
 (R: 9,565 sq. ft. with 7 shops)
No. of car park spaces: 49
Occupancy at 31 Jun 2015: 88.4%
Passing rent at 31 Jun 2015: HK\$ 48.0

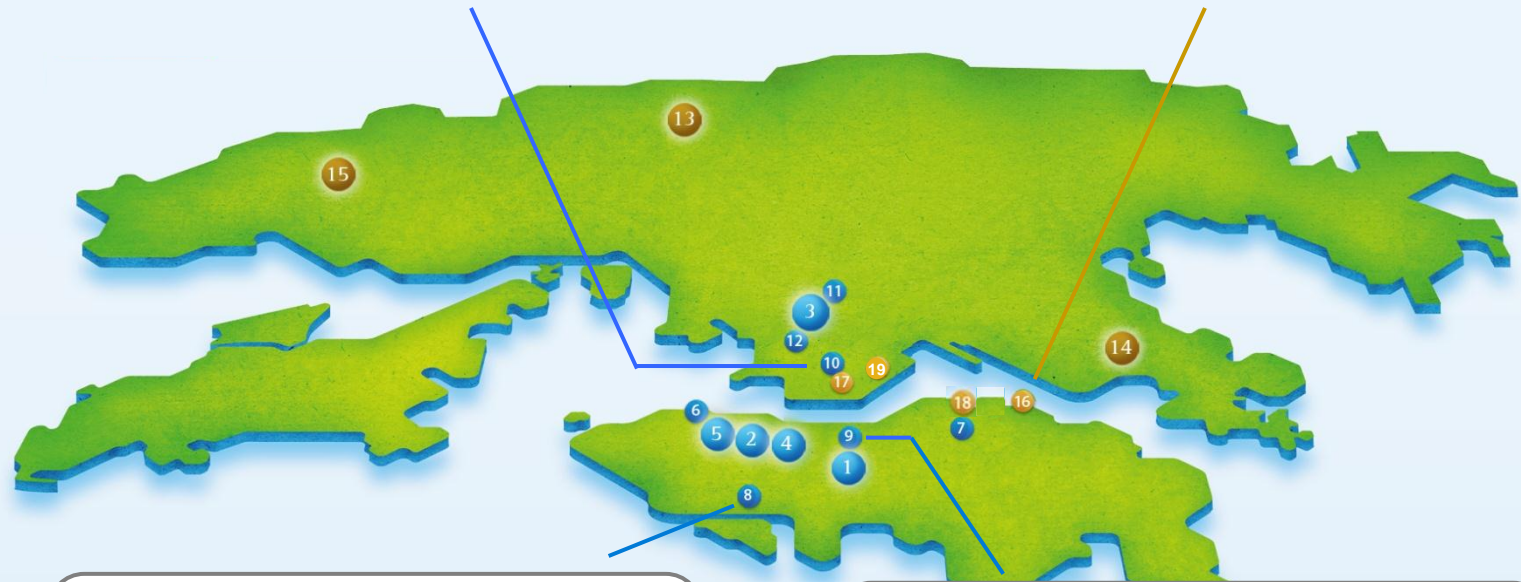
Legend

Office properties

- 1 Sunlight Tower
- 2 Bonham Trade Centre
- 3 Righteous Centre
- 4 Winsome House Property
- 5 135 Bonham Strand Trade Centre Property
- 6 235 Wing Lok Street Trade Centre
- 7 Java Road 108 Commercial Centre
- 8 Yue Fai Commercial Centre Property
- 9 On Loong Commercial Building Property
- 10 Everglory Centre
- 11 Sun Fai Commercial Centre Property
- 12 Wai Ching Commercial Building Property

Retail Properties

- 13 Sheung Shui Centre Shopping Arcade
- 14 Metro City Phase I Property
- 15 Kwong Wah Plaza Property
- 16 Royal Terrace Property
- 17 Beverley Commercial Centre Property
- 18 Supernova Stand Property
- 19 Palatial Stand Property



Disposal

8 Yue Fai Commercial Centre Property

Location: Aberdeen
GRA: 42,751 sq. ft.
 (O: 41,272 sq. ft.; R: 1,479 sq. ft. with 3 shops)
No. of car park spaces: 0
Occupancy at 31 Jun 2015: 97.4%
Passing rent at 31 Jun 2015: HK\$ 18.2

Acquisition of unit 6A & 21/F

9 On Loong Commercial Building Property

Location: Wan Chai
GRA: 27,206 sq. ft. (incl. 6A & 21/F)
 (O: 25,498 sq. ft.; R: 1,708 sq. ft. with 1 shop)
No. of car park spaces: 0
Occupancy at 31 Jun 2015: 100.0% (excl. 6A & 21/F)
Passing rent at 31 Jun 2015: HK\$ 28.6 (excl. 6A & 21/F)



Information relating to the properties

- A slightly lower NPI and distribution may be resulted upon completion of disposals. However, given that the size of the disposals is small (approx. 4.9% of the entire portfolio valuation), such financial impact is expected to be limited.
- After deducting the estimated expenses of HK\$10.5 M, the net proceeds of approx. HK\$909 M will be used for general working capital and there is no current intention for partial repayment of bank borrowings. No material change in gearing ratio should therefore be resulted.

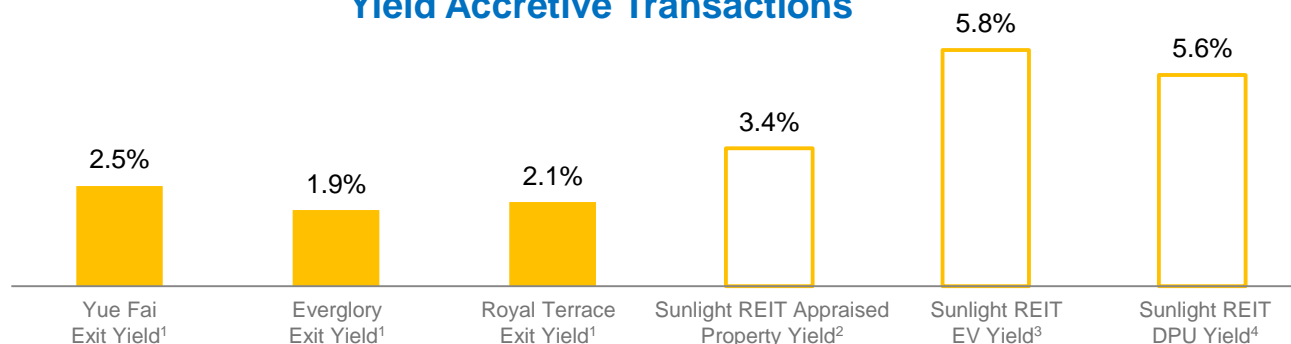
Property	GRA (sq. ft.)			Occupancy at 30 Jun 2015	FY2014/15		At 30 Jun 2015	
	Office	Retail	Total		NPI (HK\$'000)	Approx. % of NPI of entire portfolio	Appraised value (HK\$'000)	Approx. % of appraised value of entire portfolio
Yue Fai Commercial Centre Property	41,272	1,479	42,751	97.4%	7,834	1.3%	287,000	1.7%
Everglory Centre Property	25,896	3,906	29,802	95.1%	6,420	1.1%	309,100	1.8%
Royal Terrace Property	0	9,565	9,565	88.4%	5,854	1.0%	246,400	1.4%
Total	67,168	14,950	82,118	N/A	20,108	3.4%	842,500	4.9%

Disposals of three non-core properties



The consideration for each disposal represents substantial premium the appraised value of the property

Yield Accretive Transactions



	Consideration (HK\$'000)	Appraised value at 30 Apr 2015 (HK\$'000)	Premium to appraised value at 30 Apr 2015	Appraised value at 30 Jun 2015 (HK\$'000)	Exit yield ¹ (based on NPI of FY2014/15)
Yue Fai Commercial Centre Property (excl. 1/F)	300,640	237,400	26.6%	N/A	N/A
Yue Fai Commercial Centre Property (incl. 1/F)	314,440 ⁵	251,000	25.3%	287,000	2.5%
Everglory Centre	336,880	200,700	67.9%	309,100	1.9%
Royal Terrace Property	282,000	168,100	67.8%	246,400	2.1%
Total⁶	933,320	619,800	50.6%	842,500	2.2%

Notes: 1. Calculated on the basis of NPI of FY2014/15 and the disposal consideration of the property

2. Calculated on the basis of NPI of FY2014/15 and the appraised valuation as at 30 Jun 2015 of Sunlight's portfolio

3. Calculated on the basis of portfolio NPI of FY2014/15 and the share price of HK\$3.95 as at 30 Jun 2015

4. Calculated on the basis of FY2014/15 and the share price of HK\$3.95 as at 30 Jun 2015

5. Calculated by adding the sale consideration of Yue Fai Commercial Centre Property (excl. 1/F) (HK\$ 300.64 M), the consideration of acquisition of unit 6A of On Loong Commercial Building (HK\$ 5,800 M) & the equity money of HK\$8 M in exchange for the 1/F of Yue Fai Commercial Centre Property

6. Accounts for the sum of the figures of Yue Fai Commercial Centre Property (incl. 1/F), Everglory Centre and Royal Terrace Property

Unification of On Loong Commercial Building



- On 3 July 2015, Sunlight REIT disposed of the 1/F of Yue Fai Commercial Centre Property in exchange for Unit 6A of On Loong Commercial Building and an equality money of HK\$8 million. Separately on 3 August 2015, Sunlight REIT acquired the remaining units (namely, the 21/F) of On Loong Commercial Building and since then has become the sole owner of all the building.
- Unifying the ownership will enhance the capital value of the property and improve the overall internal rate of return of the property through (i) cost saving by eliminating property management services rendered under the deed of mutual covenants (DMC); (ii) incremental rent/asset value for the entire property under single ownership; and (iii) benefit of positive carry under the current interest rate environment. It will also enable the Manager to have more flexibility in terms of usage and renovation of the building.

	Gross consideration (HK\$'000)	Price paid psf (HK\$)	Appraised value at 30 Apr 2015 (HK\$'000)	Appraised value at 31 May 2015 (HK\$'000)	Premium of consideration to appraised value
Unit 6A of On Loong Commercial Building	5,800	10,507	4,070	N/A	42.5%
21/F of On Loong Commercial Building	16,350	15,000	N/A	9,630	69.8%



Capital Management

Valuation



- Appraised value of investment properties increased by 10.7% boosted by increase in market rent and cap rate compression brought about by the sale of the three non-core assets at a substantial premium to their previous valuation.
- Weighted average cap rate for the portfolio decreased from 4.1% on 30 Jun 2014 and 31 Dec 2014 to 4.0% on 30 Jun 2015.

Property	Cap Rate					
	Retail			Office		
	As at 30 Jun 15	As at 31 Dec 14	Change	As at 30 Jun 15	As at 31 Dec 14	Change
Sunlight Tower	3.75%	3.75%	0.00%	3.85%	3.85%	0.00%
Bonham Trade Centre	4.00%	4.20%	-0.20%	3.65%	3.85%	-0.20%
Righteous Centre	3.60%	3.60%	0.00%	3.95%	3.95%	0.00%
Winsome House	3.80%	4.00%	-0.20%	3.65%	3.85%	-0.20%
135 Bonham Strand Trade Centre	4.00%	4.20%	-0.20%	3.65%	3.85%	-0.20%
235 Wing Lok Street Trade Centre	4.00%	4.25%	-0.25%	3.65%	3.85%	-0.20%
Java Road 108 Commercial Centre	4.20%	4.20%	0.00%	3.95%	3.95%	0.00%
Yue Fai Commercial Centre	3.60%	4.10%	-0.50%	3.60%	4.10%	-0.50%
On Loong Commercial Building	3.90%	4.00%	-0.10%	3.85%	3.95%	-0.10%
Everglory Centre	3.10%	4.15%	-1.05%	3.10%	3.85%	-0.75%
Sun Fai Commercial Centre	4.25%	4.35%	-0.10%	4.00%	4.10%	-0.10%
Wai Ching Comm Building	4.10%	4.20%	-0.10%	3.75%	3.85%	-0.10%
Sheung Shui Centre	4.40%	4.40%	0.00%	-	-	-
Metro City Plaza I	4.50%	4.50%	0.00%	-	-	-
Kwong Wah Plaza	3.80%	3.80%	0.00%	3.85%	3.85%	0.00%
Royal Terrace	2.80%	4.25%	-1.45%	-	-	-
Beverly Commercial Centre	4.30%	4.30%	0.00%	-	-	-
Supernova Stand	4.00%	4.00%	0.00%	-	-	-
Palatial Stand	4.35%	4.35%	0.00%	-	-	-

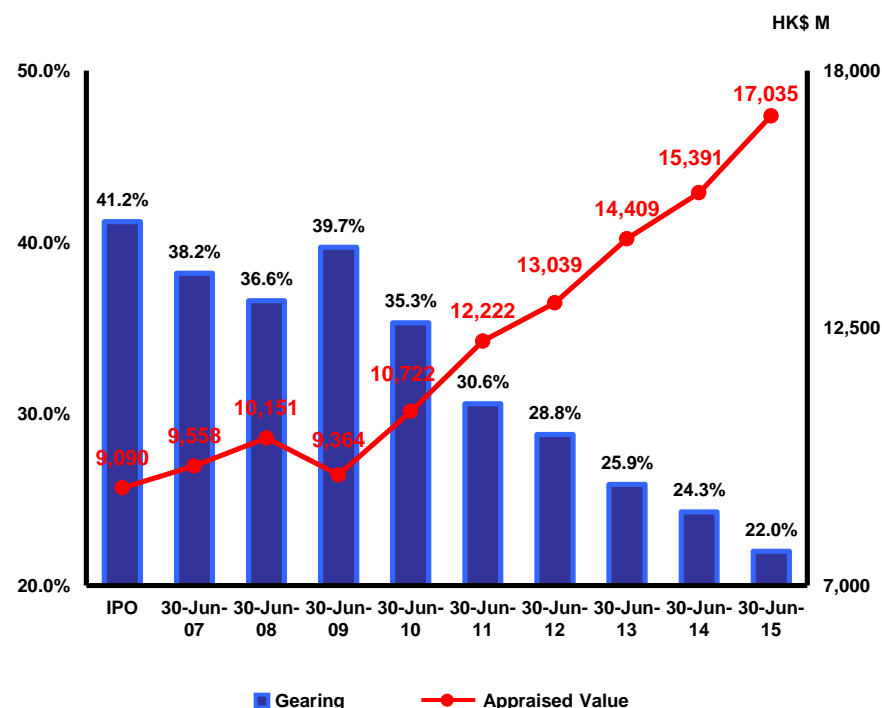
Financial Highlights – Balance Sheet



- Given the higher property valuation, the gearing ratio of Sunlight REIT, defined as total borrowings as a percentage of gross assets, decreased from 24.3% at 30 June 2014 to 22.0% at 30 June 2015.

As at Jun (HK\$' M)	FY2015	FY2014	Change
Investment Properties	17,035.3	15,390.6	10.7%
Other Assets	398.1	416.0	-4.3%
Cash & Cash Equivalents	464.3	345.3	34.5%
Total Assets	17,897.7	16,151.9	10.8%
Interest Bearing Borrowings	3,894.1	3,872.2	0.6%
Deferred Tax Liabilities	295.3	281.5	4.9%
Financial Derivatives Liabilities	35.3	49.0	-28.0%
Other Liabilities	575.9	454.3	26.8%
Total Liabilities	4,800.6	4,657.0	3.1%

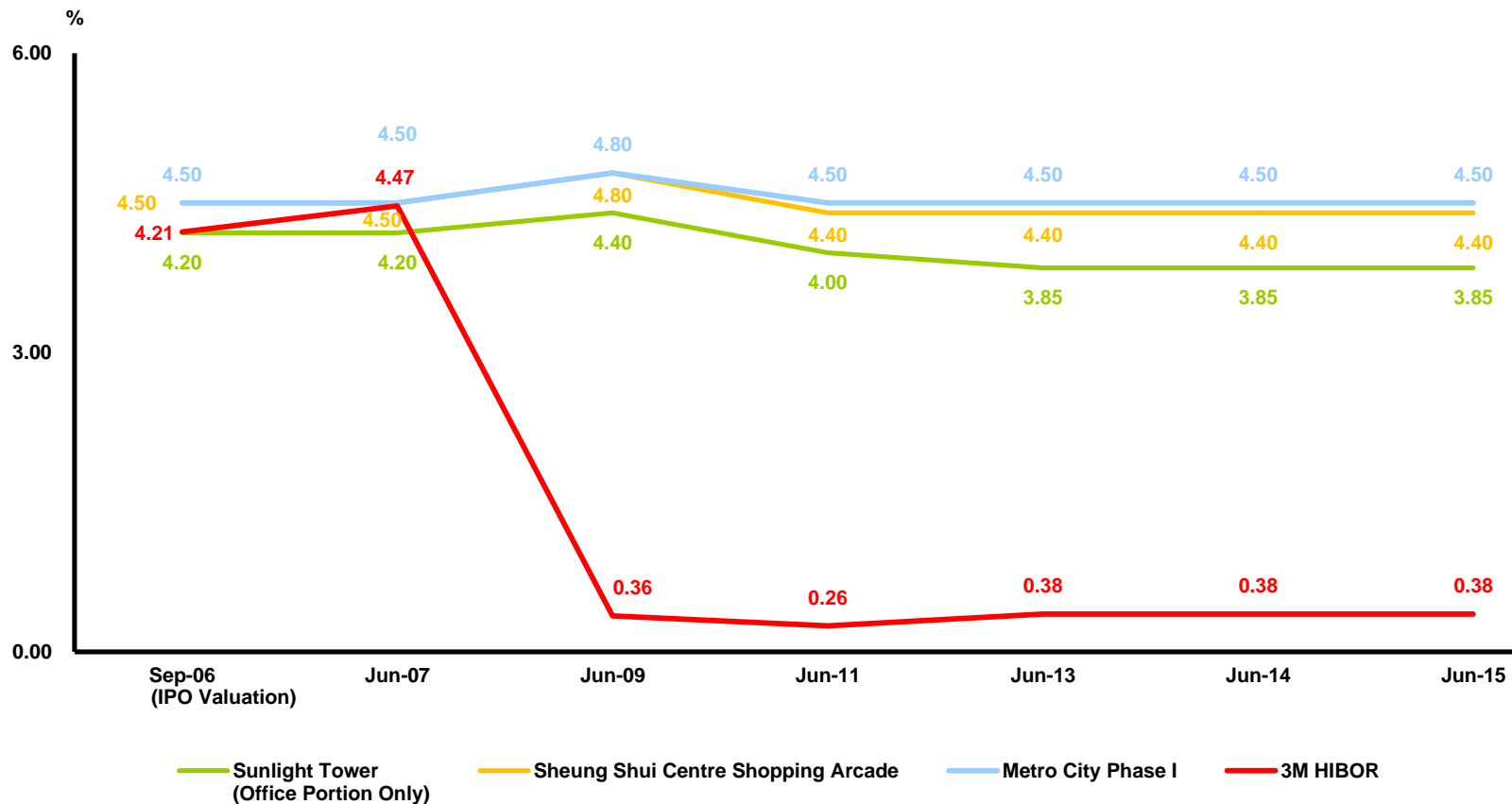
Gearing (Total Borrowings / Total Assets)



Cap Rate and HIBOR



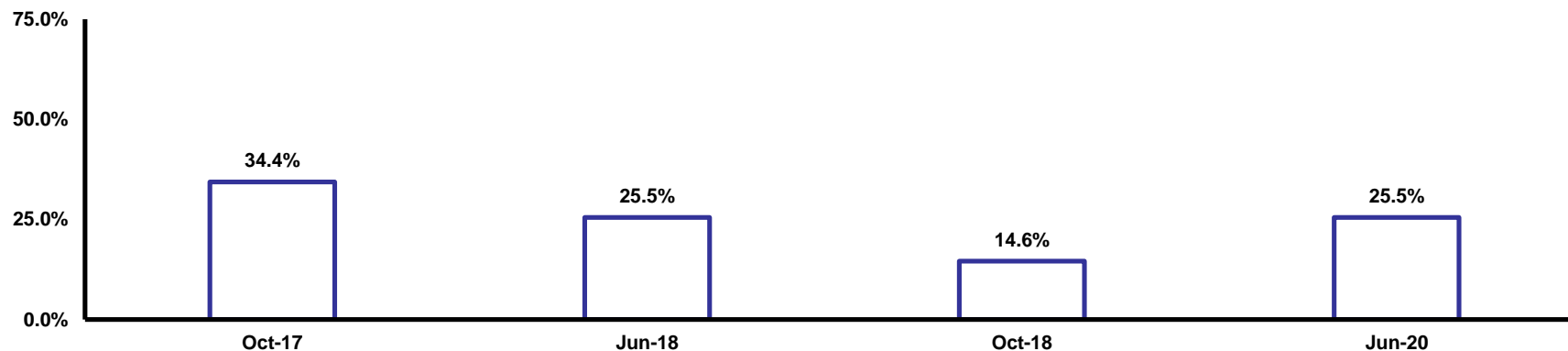
- Valuers have remained conservative with cap rates used in ascertaining the appraised value of the portfolio since IPO.
- The magnitude of falling interest rate since 2008 has far exceeded the corresponding adjustment in cap rates.



Debt Profile



- At 30 June 2015, Sunlight REIT had in place total loan facilities of HK\$4,225 million, comprising term loan facilities of HK\$3,925 million which were fully drawn and a HK\$300 million revolving credit facility with HK\$290 million undrawn.
- The term loan facilities, carrying a blended interest margin of 1.24% per annum over HIBOR (before interest rate swap arrangements) and a weighted loan maturity period of 3.3 years.

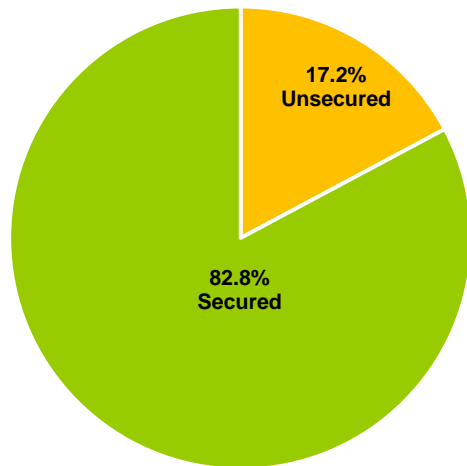


Type:	Bilateral	Bilateral	Bilateral	Bilateral
Drawn Down:	Oct 13	Jun 13	Oct 13	Jun 13
Amount:	HK\$1,350 M	HK\$1,000 M	HK\$575 M	HK\$1,000 M

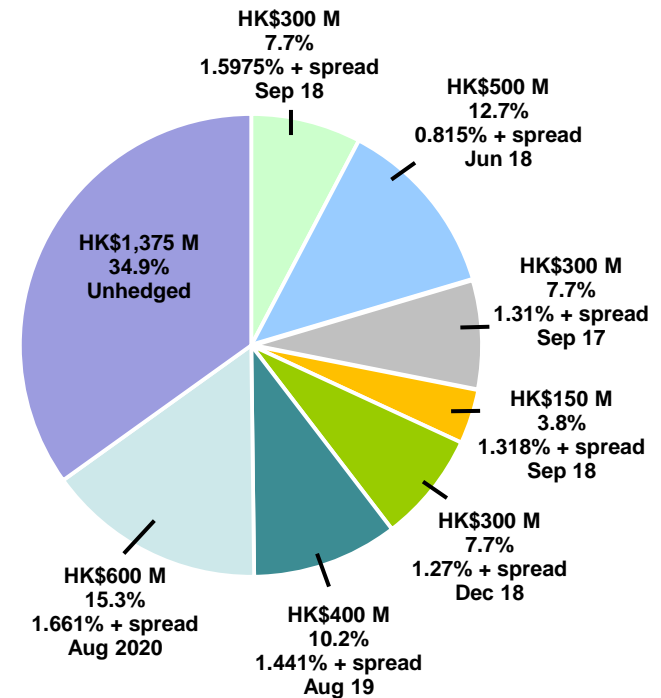
Debt Management



- ~ The facilities share, on a pari passu basis, a mortgage over certain properties with an appraised value of HK\$14,112.5 M, with the remainder assets (HK\$2,922.8 M) unencumbered.
- ~ Approximately 65.0% of the total debt exposure have been hedged, with a weighted average swap rate of 1.35% p.a. (before loan spread).



Proportion of Secured and Unencumbered Assets
(after taking into account the disposal of the three properties)



Hedging Profile at 10 Sep 2015

Financial Highlights – Key Data



- Balance sheet exhibited healthy improvement with better financial ratios as well as an enhanced capital structure.

	30 Jun 15	30 Jun 14	Change
Net Assets Attributable to Unitholders (HK\$' M)	13,097.1	11,494.9	13.9%
Net Asset Value (NAV) per Unit (HK\$)	7.99	7.06	13.2%

	FY2015	FY2014
Gearing	22.0%	24.3%
Net Debt / EBITDA (Times)	7.21	8.06
Interest Coverage (Times)	4.89	4.68
Average Cost of Debt	2.50%	2.41%

	30 Jun 15	30 Jun 14
Unencumbered properties as % of Total Properties	17.2%	14.9%
Weighted Term Loan Maturity (Years)	3.3	4.3
Average Spread	1.24%	1.24%
Unused Facility	HK\$290 M	HK\$300 M

Unit Repurchase



- ~ The Manager has conducted on-market repurchase of units on behalf of Sunlight REIT since Jun 2012, recognising the discount at which the units are trading to the NAV.

Period	No. of Unit Repurchase	Average Price	Total Cost
2H FY2011/12	3,600,000	2.4648	8,873,340
1H FY2012/13	1,500,000	3.1550	4,732,494
2H FY2012/13	600,000	3.4281	2,056,850
1H FY2013/14	1,500,000	3.0564	4,584,570
1H FY2014/15	1,000,000	3.3966	3,396,600
Total	8,200,000	2.8834	23,643,854

- ~ Immediately after the year under review, a total of 1,850,000 units were bought back (and cancelled).
- ~ This strategy is expected to continue, subject to funding and as long as there is value to be created for the benefit of unitholders.



Q & A