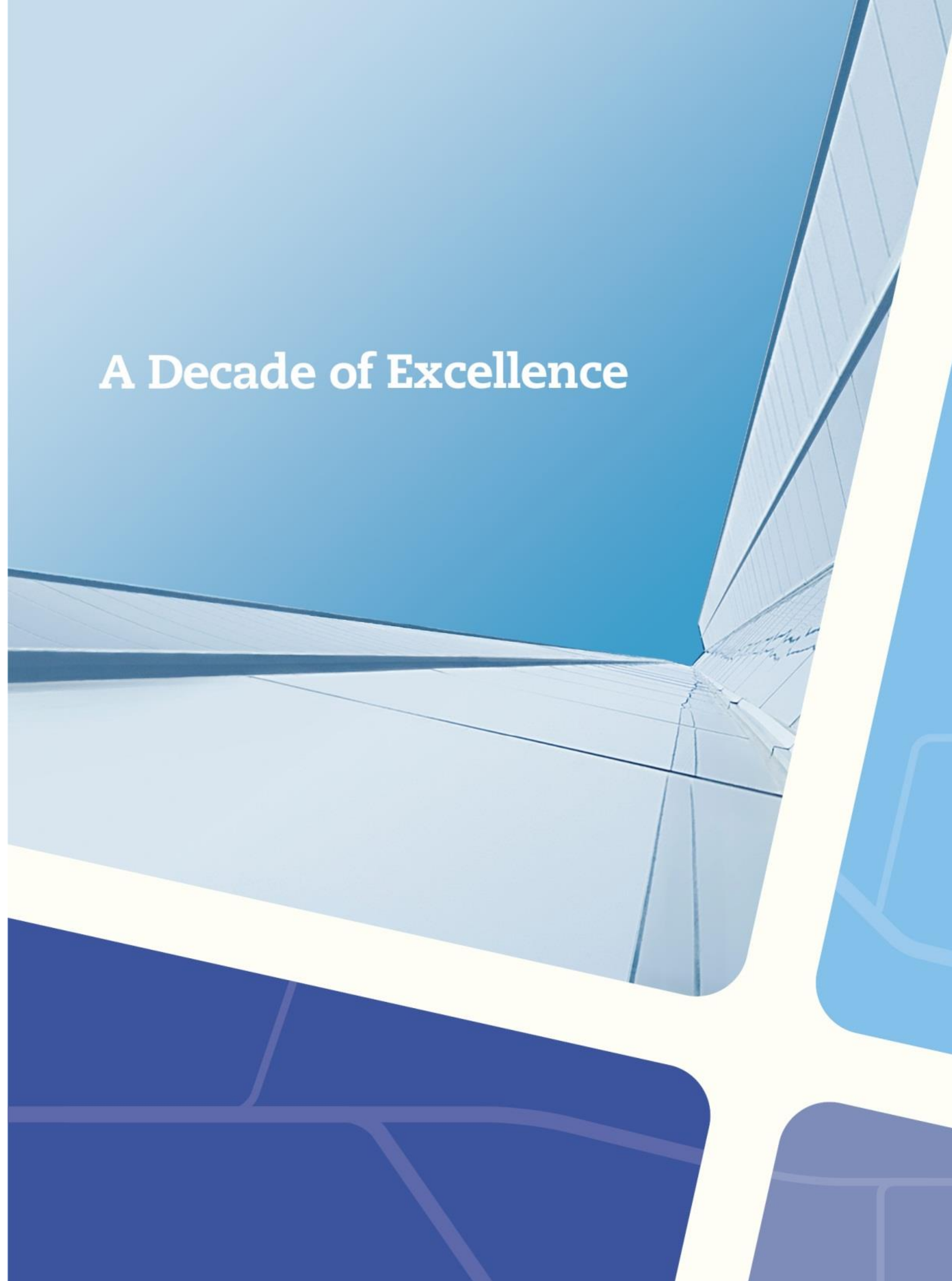
SUNLIGHT REIT



Annual Results 2016

Investor Presentation

Agenda

A. Who We Are

B. FY2015/16 Final Results

C. Operating Performance

D. Asset Enhancement

E. Capital Management

F. Outlook

A. Who We Are

- **Sponsored by Shau Kee Financial Enterprises ("SKFE") and Henderson Land Development ("HLD"), Sunlight REIT has been listed on the Hong Kong Stock Exchange since December 2006.**

Unitholding Structure (as at 30 Jun 2016)	
SKFE/HLD	37.8%
Silchestor International Investor LLP	15.3%
Free Float	46.9% (approximately 767 M units)

- **At 30 June 2016, the unit price and market capitalisation of Sunlight REIT were HK$4.42 and approximately HK$7,231 M respectively.**

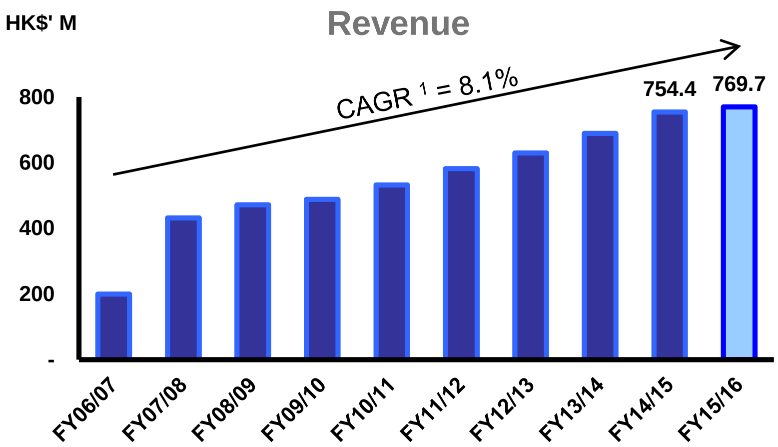
Stock Market Performance (as at 30 Jun 2016)

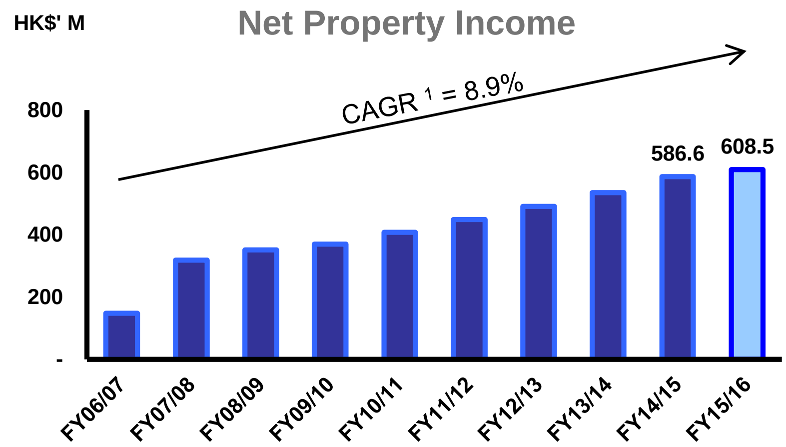
	Total Return				Annual Return
	1-year	3-year	5-year	Since Listing	Since Listing
Sunlight REIT	18.9%	67.2%	141.9%	262.2%	14.5%
Hang Seng Index	(17.5%)	11.7%	11.7%	50.3%	4.4%
Hang Seng Property Index	(12.8%)	15.8%	24.8%	72.5%	5.9%
Hang Seng REIT Index	11.4%	36.0%	72.9%	120.1%	8.6%

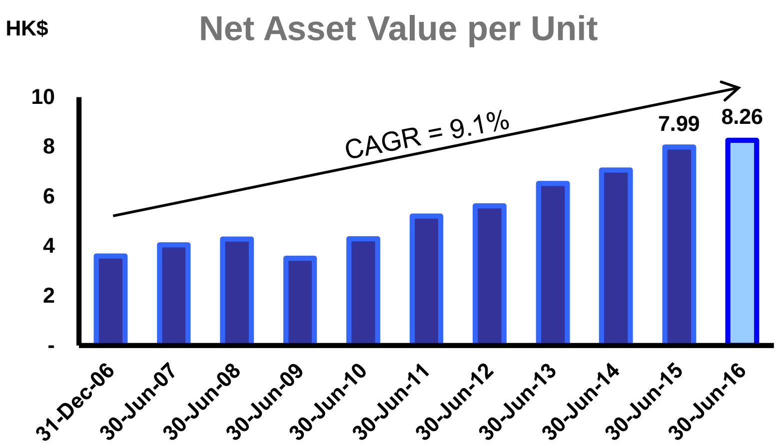
Source: Bloomberg.

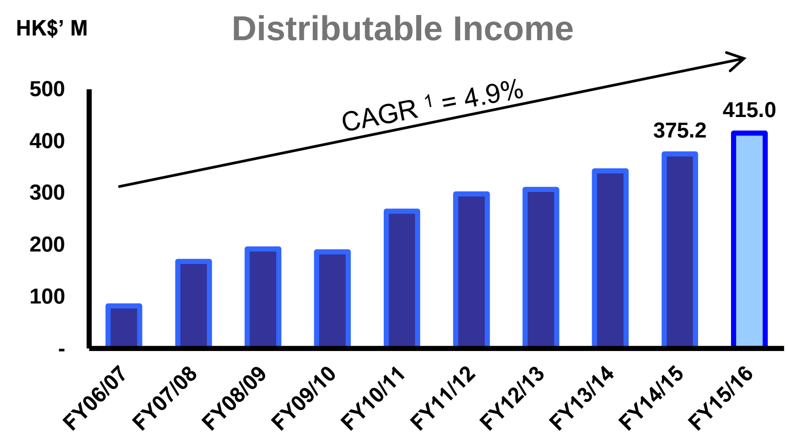
A. Who We Are

- Key financial indicators.









Notes:
1. CAGR calculations are based on annualised FY2006/07 figures.

A. Who We Are

- Diversified and balanced portfolio:
  - 10 office and 6 retail properties in Hong Kong;
  - Aggregate appraised value of HK$16,651 M and a total GRA of 1,206,827 sq. ft. (at 30 June 2016).
- The office properties are primarily located in core business areas, including Central, Wan Chai and Sheung Wan, as well as in decentralised business areas such as Mongkok / Yau Ma Tei and North Point.
- The retail properties are primarily situated at regional transportation hubs and New Towns with high population density such as Tseung Kwan O, Sheung Shui and Yuen Long.
- Henderson Sunlight Asset Management Limited (the “Manager”) is an indirect wholly-owned subsidiary of Henderson Land Development Company Limited (“HLD”) and is responsible for formulating and implementing asset management strategies in relation to operational, investment, financial and risk management.
- Henderson Sunlight Property Management Limited (the “Property Manager”) has been delegated the responsibilities of providing property management, lease management and marketing services to the supervision of the Manager.

I. Top Three Properties

1


Sunlight Tower

Location: Wan Chai

Year of completion: 1998

Gross rentable area: 376,381 sq. ft.

11


Sheung Shui Centre Shopping Arcade

Location: Sheung Shui

Year of completion: 1993

Gross rentable area: 122,339 sq. ft.

12


Metro City Phase I Property

Location: Tseung Kwan O

Year of completion: 1996

Gross rentable area: 188,889 sq. ft.

II. Sheung Wan / Central

2


Bonham Trade Centre

Location: Sheung Wan

Year of completion: 1998

Gross rentable area: 117,909 sq. ft.

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

III. Other Office Properties

3


Righteous Centre

Location: Mong Kok

Year of completion: 1996

Gross rentable area: 51,767 sq. ft.

7 Java Road 108 Commercial Centre
8 On Loong Commercial Building Property
9 Sun Fai Commercial Centre Property
10 Wai Ching Commercial Building Property

IV. Other Retail Properties

13


Kwong Wah Plaza Property

Location: Yuen Long

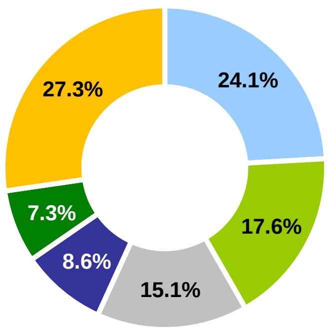
Year of completion: 1998

Gross rentable area: 64,842 sq. ft.

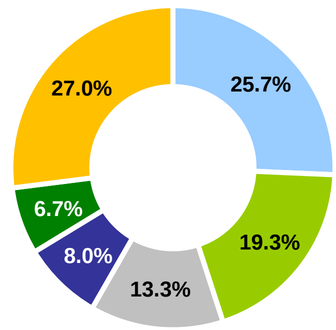
14 Beverley Commercial Centre Property
15 Supernova Stand Property
16 Palatial Stand Property

Sunlight REIT Portfolio Breakdown

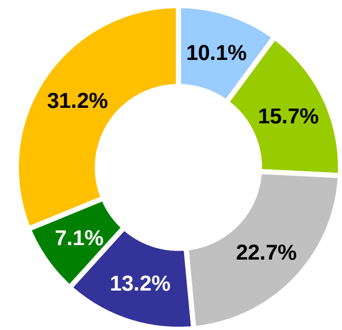
Valuation



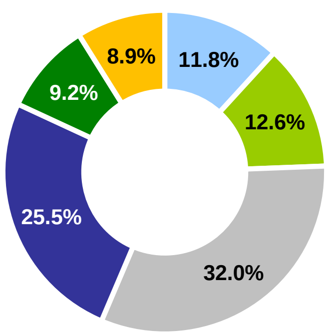
Net Property Income



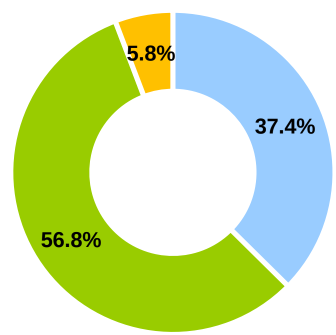
GRA



No. of Leases



No. of Car Park Spaces



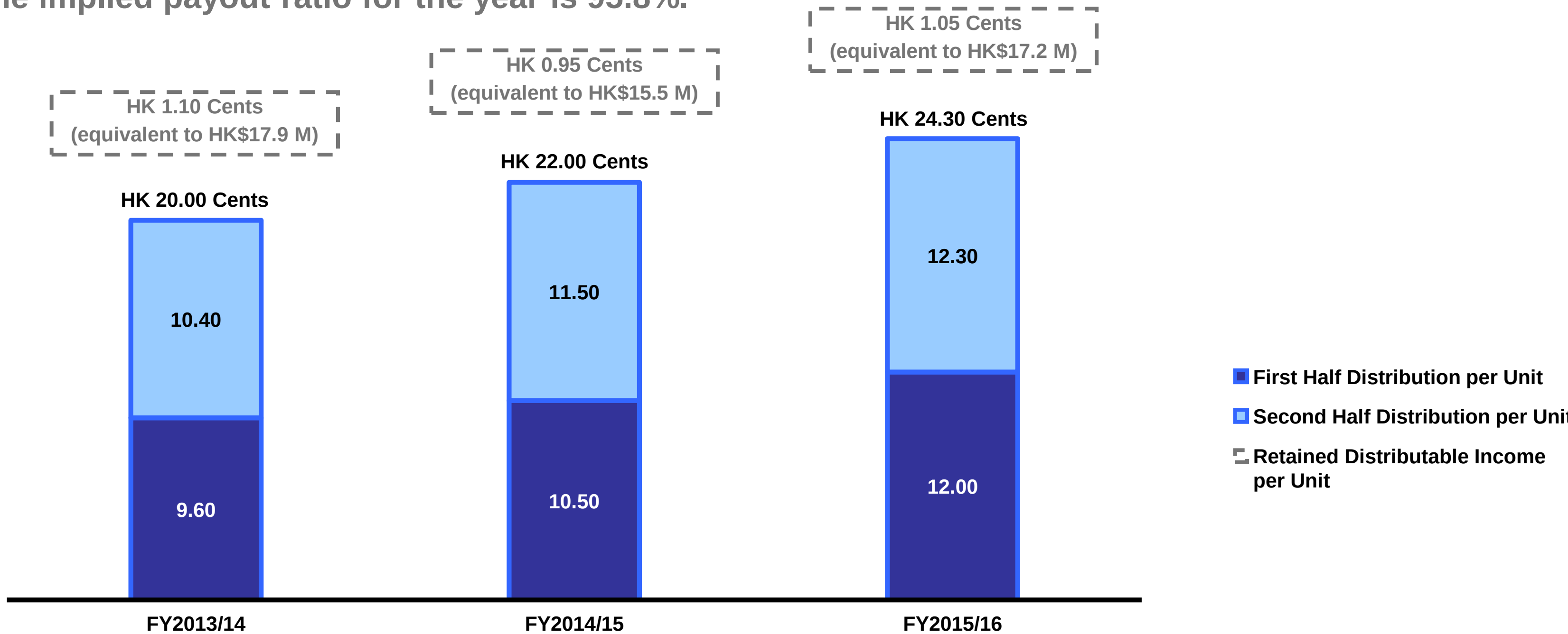
- Sunlight Tower
- Sheung Shui Centre Shopping Arcade
- Metro City Phase I Property
- Sheung Wan / Central
- Other Office Properties
- Other Retail Properties

Note:
Based on information at 30 Jun 2016, excluding the contributions from the three non-core properties disposed during the year.

B. FY2015/16 Final Results

Distribution

- The Board of Directors recommended a final distribution of HK 12.3 cents. Together with the interim distribution of HK 12.0 cents per unit, the total DPU for the year would amount to HK$ 24.3 cents, up 10.5% year-on-year.
- The implied payout ratio for the year is 95.8%.



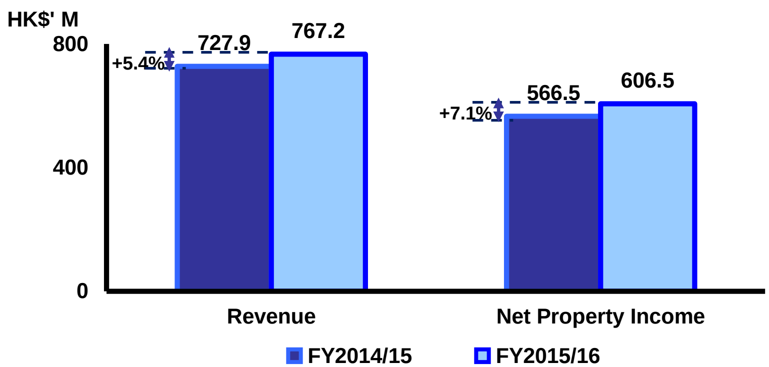
		FY2013/14	FY2014/15	FY2015/16
1.	Manager Fee in Units	50.0%	50.0%	50.0%
2.	Distribution Policy	94.8%	95.9%	95.8%

Financial Highlights – Profit and Loss Summary

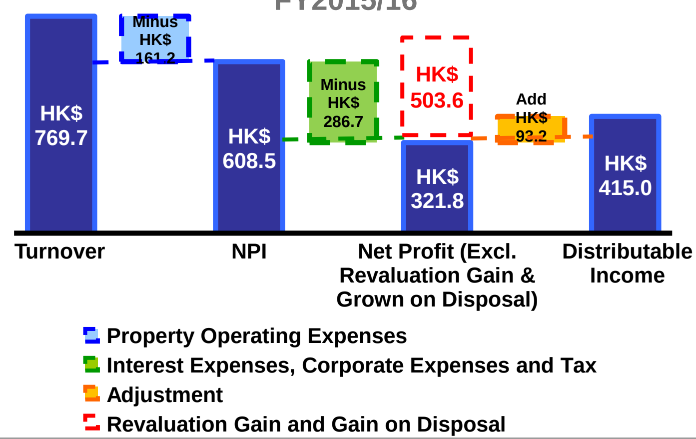
- The reported growth figures were affected by the completion of the disposal of three non-core properties during the Year; stripping out their contributions, the growth in revenue and net property income would have been 5.4% and 7.1% respectively.

(HK$' M)	FY2014/15	FY2015/16	Variance
Revenue	754.4	769.7	2.0%
Property Operating Expenses	167.8	161.2	(3.9%)
Net Property Income	586.6	608.5	3.7%
Cost to Income Ratio (%)	22.2	20.9	N/A
Distributable Income	375.2	415.0	10.6%
DPU (HK Cents)	22.0	24.3	10.5%
Payout Ratio (%)	95.9	95.8	N/A
Units in Issue ('000)		1,635,909.9	

Excluding Contributions from the Disposed Properties



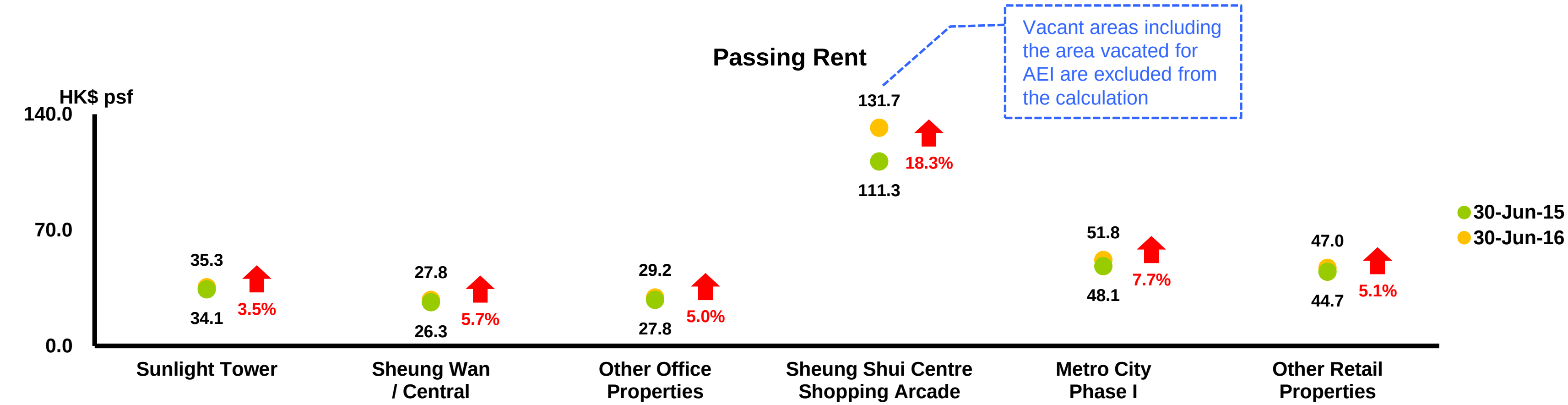
FY2015/16

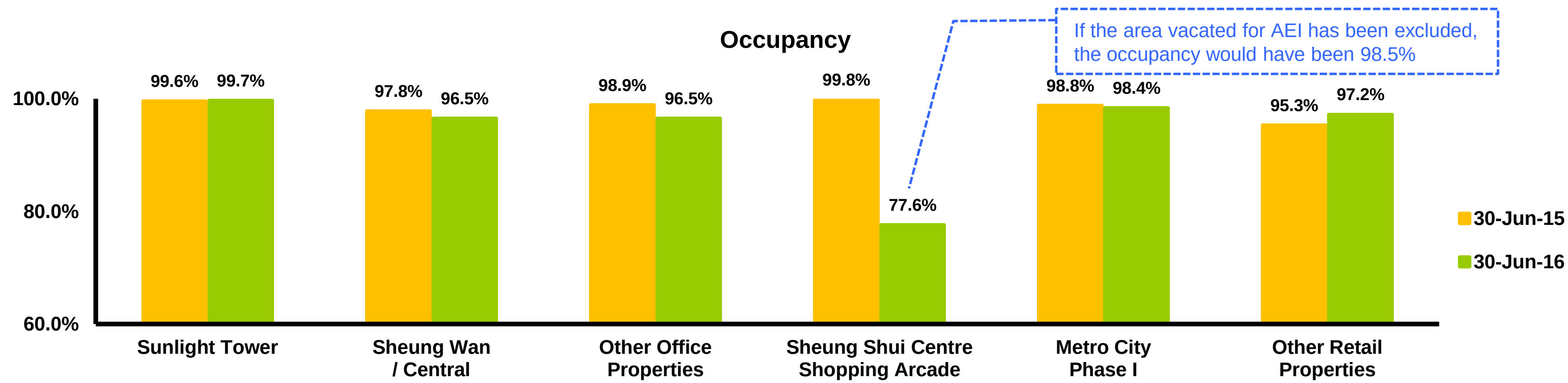


C. Operating Performance

Passing Rent and Occupancy [1]

- Thanks to high tenant retention, occupancy rates of the office and retail portfolios were steady at 98.0% and 98.2% (excluding the space under renovation at SSC), while passing rent were up 4.6% and 6.5% to HK$31.6 and HK$71.6 respectively, supported by positive albeit moderating rental reversion.





Note:
1. Operational statistics of FY2014/15 has been restated to take into account the disposal of Everglory Centre, Yue Fai Commercial Centre Property and Royal Terrace Property, the completions of which took place in Jul and Aug 2015 respectively.

Rental Reversion and Lease Expiry Profile

- Mirroring the robust Grade A office leasing market, Sunlight Tower enjoyed a high retention rate of 79.7% during the Year and a solid rental reversion of 11.7%.
- Given the sustainable demand from small and medium-sized enterprises and the spillover benefit from a buoyant office market in Central, our Grade B office properties in Sheung Wan and Central posted satisfactory performances.
- On MCPI, our effort in continuously reconfiguring the tenant mix with a special focus on daily necessities has proved rewarding, thus sustaining a stable rental reversion.
- Although weaker inbound tourism and the effect of AEI has adversely affected SSC, our mass-market strategy has helped sustained positive rental reversion during the Year.

	Rental Reversion [1, 2]		Expiring GRA [3]		Average Rent of Expiring Leases (HK$ psf) [3]	
	FY2014/15	FY2015/16	FY2016/17	FY2017/18	FY2016/17	FY2017/18
Sunlight Tower	19.2%	11.7%	28.0%	58.0%	35.6	34.7
Sheung Wan / Central	17.2%	15.5%	49.9%	35.5%	27.8	27.5
Other Office Properties	17.6%	11.1%	46.8%	45.9%	26.9	29.3
Sheung Shui Centre Shopping Arcade	27.3%	17.7%	35.5%	33.0%	143.0	118.5
Metro City Phase I	15.3%	17.4%	52.0%	21.6%	43.7	64.0
Other Retail Properties	18.7%	20.8%	58.4%	18.8%	49.6	48.3
Overall	19.3%	15.3%				

Notes:

1. For renewal of leases with turnover and base rent component, rental reversion refers to the changes in base rent component only. Operational statistics of Interim FY2014/15 and FY2015/16 have been restated to take into account the disposal of Everglory Centre, Yue Fai Commercial Centre Property and Royal Terrace Property, the completions of which took place in Jul and Aug 2015 respectively.
2. The effect of the properties disposed has been removed in these calculation.
3. As at 30 Jun 2016.

Property Operating Expenses

- **Excluding the effect of the properties disposed, property operating expenses fell 0.5% year-on-year.**
- **Key property related expenses such as security and utilities were kept under close control. Substantial savings were also achieved by more efficient energy consumption.**

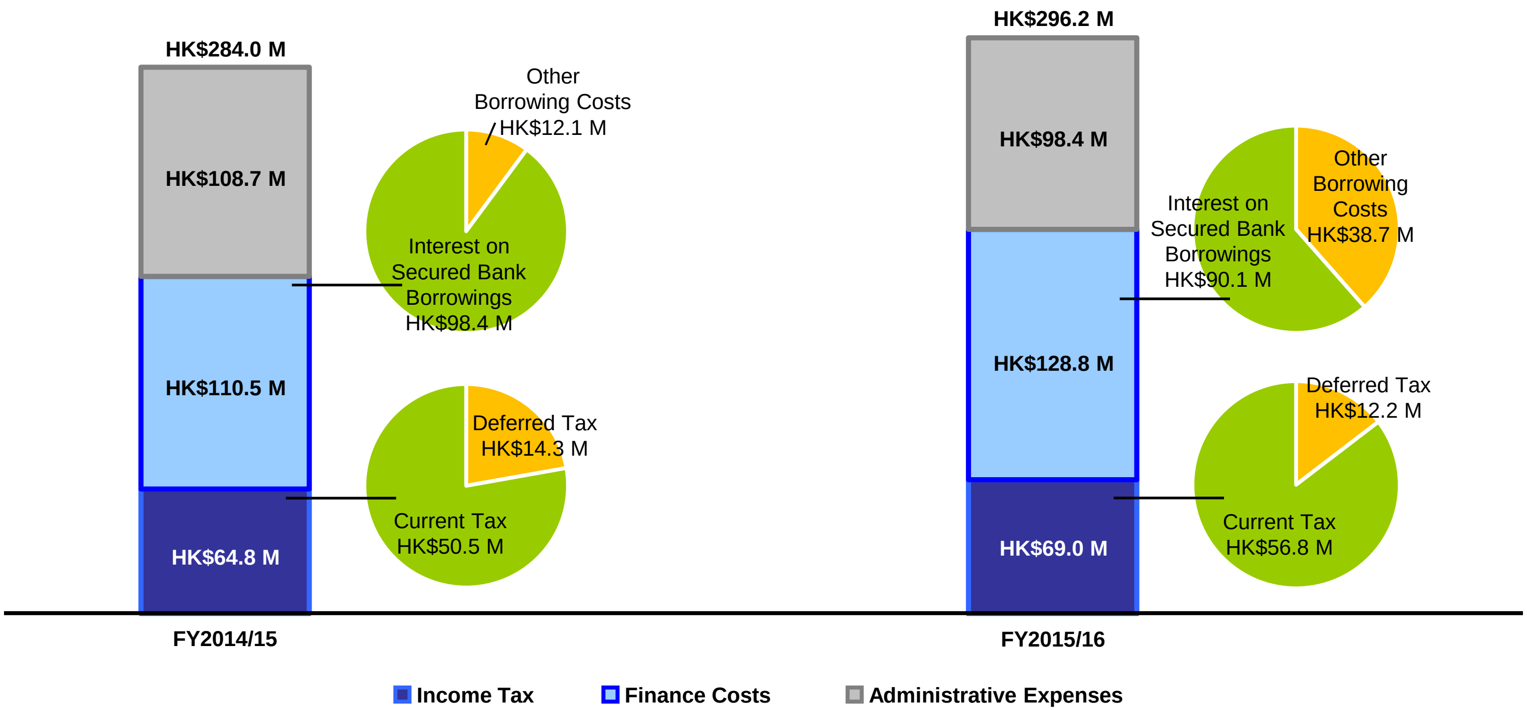
	Property Operating Expenses		
(HK$' M)	**FY2014/15**	**FY2015/16**	**Variance**
Building Management Fee *	**56.6**	**56.6**	**0.0%**
Property Manager's Fees	**49.5**	**47.9**	**(3.2%)**
Government Rent and Rates	**32.4**	**34.8**	**7.4%**
Marketing and Promotion Expenses	**11.3**	**5.9**	**(47.8%)**
Car Park Operating Costs	**6.3**	**6.3**	**0.0%**
Other Direct Costs	**11.7**	**9.8**	**(16.2%)**
Total	**167.8**	**161.2**	**(3.9%)**

	* Building Management Fee		
(HK$' M)	**FY2014/15**	**FY2015/16**	**Variance**
Electricity	15.7	14.7	(6.4%)
DMC Contribution	11.7	9.9	(15.4%)
Repair and Maintenance	10.4	11.9	14.4%
Cleaning	7.5	8.4	12.0%
Security	6.4	6.6	3.1%
Festive Decoration	2.4	2.6	8.3%
Others	2.5	2.5	0.0%
Total	**56.6**	**56.6**	**0.0%**

Other Expenses

- Finance costs increased 16.5% year-on-year, mainly attributable to the unwinding cost (of $22.2M) of certain IRSs. Cash interest expenses dropped 8.5%, aided by more favourable rates for the new IRSs.
- Due to the absence of substantial professional fees, administrative expenses recorded a year-on-year decrease of 9.5% to HK$98.4 M.
- Effective interest rate and effective tax rate were 2.30% p.a. and 14.5% respectively.

Breakdown of Other Expenses

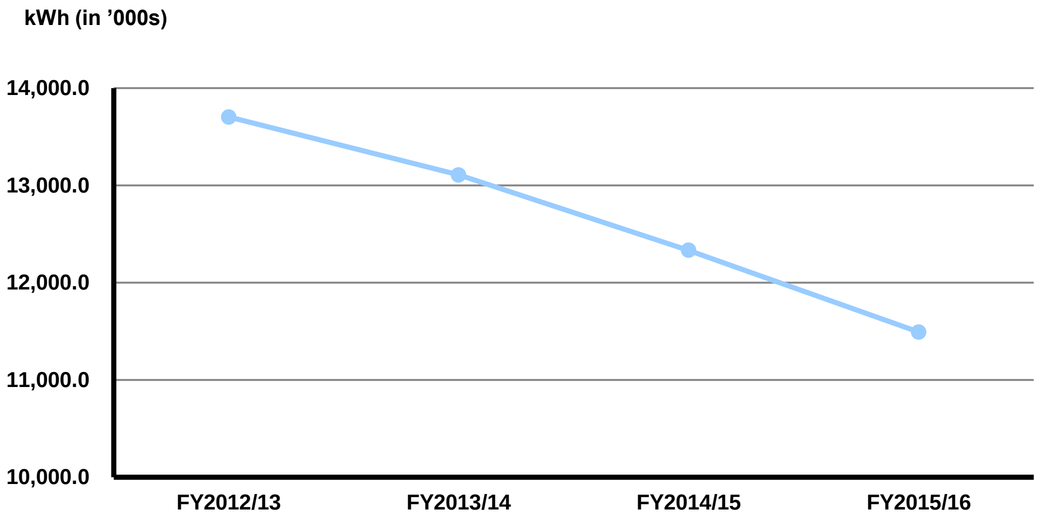


D. Asset Enhancement

Energy Savings

- Both phases of the chiller upgrading project at Sunlight Tower were completed in May 2014 and April 2016 respectively. The chiller replacement initiative at SSC, which was completed in April 2015, also made a full-year contribution to energy saving.
- The Manager has also increased the coverage of LED/energy saving lighting across the portfolio.

Total Energy Consumption[1]



LED and energy saving lighting : common area coverage

100%

for Sunlight REIT’s wholly-owned properties

Energy usage in SSC (kWh)

↓22.2%

Notes:
1. Cumulative measurements taken at eight of Sunlight REIT’s wholly-owned properties, namely Sunlight Tower, Sheung Shui Centre Shopping Arcade, Metro City Phase I Property, Bonham Trade Centre, Righteous Centre, 235 Wing Lok Street Trade Centre, Java Road 108 Commercial Centre and On Loong Commercial Building Property.

Shopping Mall Reconfiguration

- The reconfiguration works involving approximately 20% (close to 26,000 sq. ft.) of the GRA commenced in April 2016. The estimated cost of the project is approximately HK$25 M.
- The revamped area is earmarked for soft opening in November this year. While the leasing progress has admittedly been slower than expected pre-commitments representing close to 70% of the new rentable space have clearly been secured.

Previous layout

New layout

- Rent void relating to the ongoing reconfiguration will largely remain until end-2016, while the substantial rental commission expenses attributable to the new letting activities is expected to push up the operating expenses of SSC transiently in the first half of FY2016/17.

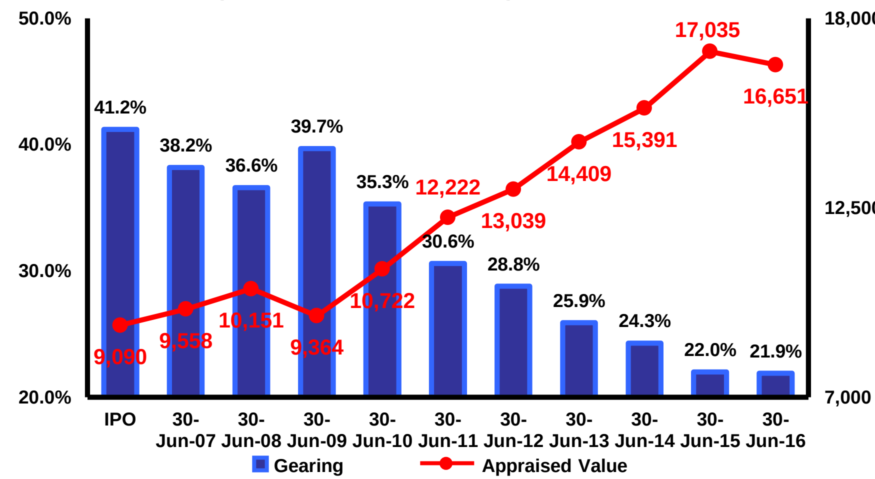
E. Capital Management

Financial Highlights – Balance Sheet

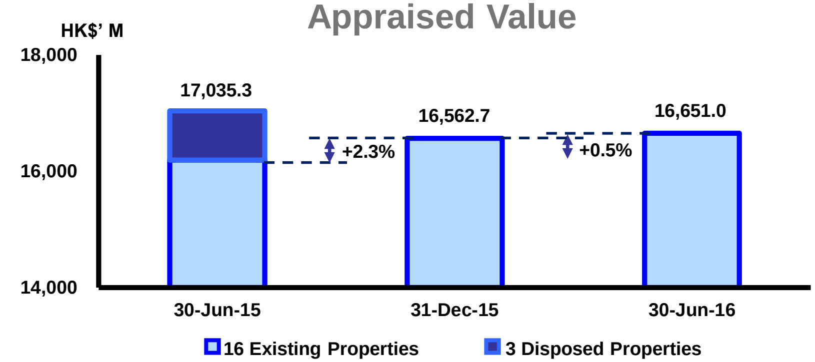
- Excluding the three disposed properties, appraised value of investment properties increased by 2.8% and 0.5% compared to 30 June 2015 and 31 December 2015 respectively, supported by growth in achieved rents. Overall cap rates remained unchanged at 4.1% (December 2015: 4.1%, June 2015: 4.1%) [1].

HK$' M	30 Jun 15	30 Jun 16	Change
Investment Properties	17,035.3	16,651.0	(2.3%)
Other Assets	398.1	77.4	(80.6%)
Relevant Investments	-	61.8	N/A
Cash & Cash Equivalents	464.3	1,134.8	144.4%
Total Assets	17,897.7	17,925.0	0.2%
Interest Bearing Borrowings	3,894.1	3,895.9	0.0%
Deferred Tax Liabilities	295.3	143.8	(51.3%)
Financial Derivatives Liabilities	35.3	40.7	15.4%
Other Liabilities	575.9	326.5	(43.3%)
Total Liabilities	4,800.6	4,406.9	(8.2)%

Gearing (Total Borrowings / Total Assets)



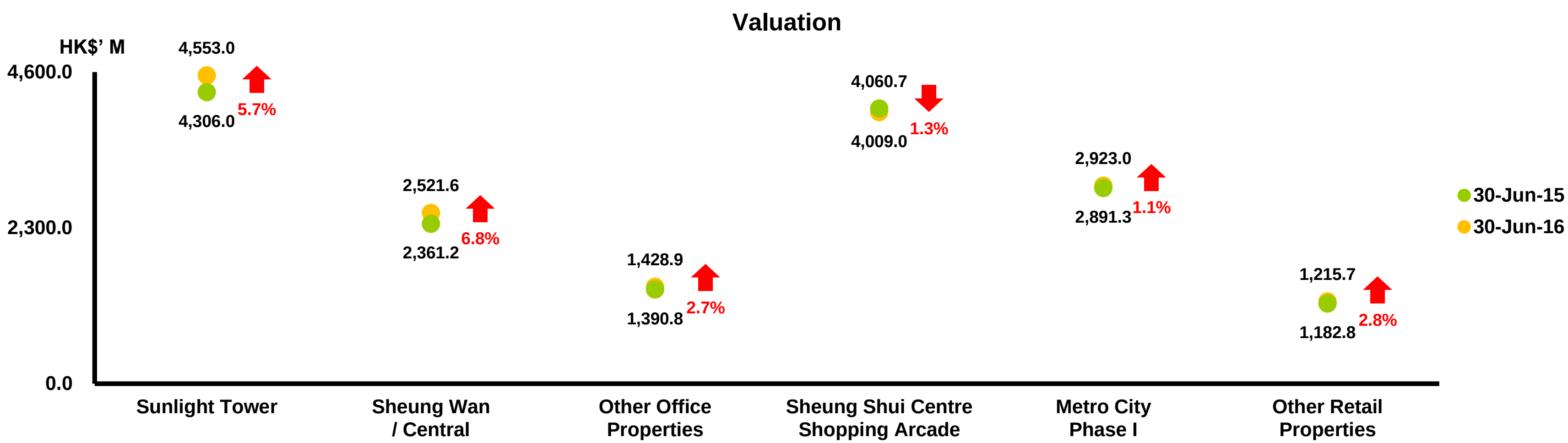
Appraised Value



Note:
1. Excluding the three non-core properties (Everglory Centre, Yue Fai Commercial Centre Property and Royal Terrace Property) which were disposed during the reporting period

Valuation

- Rental growth continues to be the main the driver behind the increase in appraised value.

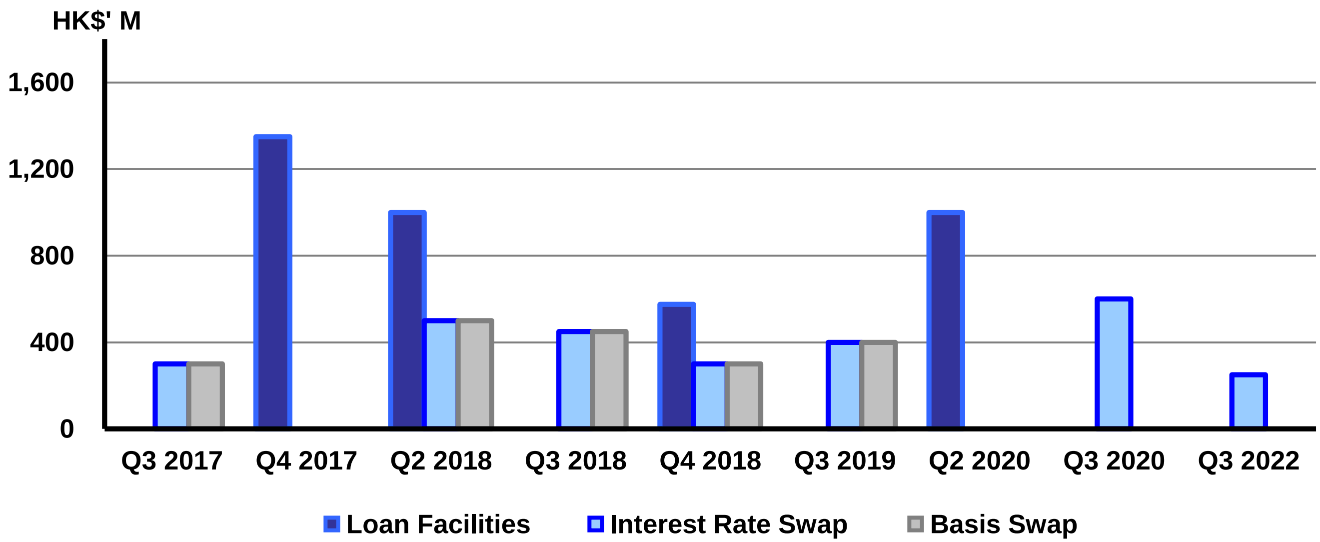


	At 30 Jun 15		At 31 Dec 15		At 30 Jun 16	
	Office	Retail	Office	Retail	Office	Retail
Sunlight Tower	3.85%	3.75%	3.85%	3.75%	3.85%	3.75%
Bonham Trade Centre	3.65%	4.00%	3.65%	4.00%	3.65%	4.00%
Righteous Centre	3.95%	3.60%	3.95%	3.60%	3.95%	3.60%
Sheung Shui Centre Shopping Arcade	N/A	4.40%	N/A	4.40%	N/A	4.40%
Metro City Phase I	N/A	4.50%	N/A	4.50%	N/A	4.50%
Kwong Wah Plaza	3.85%	3.80%	3.85%	3.80%	3.85%	3.80%

Debt Management

- At 30 June 2016, Sunlight REIT had in place total loan facilities of HK$4,225.0 M, comprising term loan facilities of HK$3,925.0 M which were fully drawn down and an unsecured revolving credit facility of HK$300.0 M that remained undrawn.
- With a weighted loan maturity period of 2.3 years, the term loan facilities carry a blended interest margin of 1.24% per annum over HIBOR (before interest rate swap arrangements).
- Approximately 71.3% (or HK$2,800.0 M) of Sunlight REIT's borrowings have been hedged to fixed rates with a weighted average interest rate of 1.17% and tenure of 3.0 years (taking into account the effect of basis swaps).

Maturity Profile of Loan Facilities and Interest Rate Swap



Financial Highlights – Key Data

- Balance sheet showed healthy improvement in terms of stronger financial ratios and an enhanced capital structure.

	30 Jun 2015	30 Jun 2016	Change
Net Assets Attributable to Unitholders (HK$' M)	13,097.1	13,518.1	3.2%
Net Asset Value (NAV) per Unit (HK$)	7.99	8.26	3.4%

	FY2015	FY2016
Gearing	22.0%	21.9%
Net Debt / EBITDA (Times)	7.21	5.37
Interest Coverage (Times)	4.89	5.76
Average Cost of Debt	2.51%	2.30%

	30 Jun 2015	30 Jun 2016
Unencumbered properties as % of Total Properties	17.2%	14.2%
Average Term to Maturity (Years)	3.3	2.3
Repayment Tranches	4.0	4.0
Average Spread	1.24%	1.24%
Unused Facility	HK$300 M	HK$300 M

Unit Repurchase

- The Manager has commenced on-market repurchase of units on behalf of Sunlight REIT since June 2012.

Period	No. of Unit Repurchase	Average Price (HK$)	Total Cost (HK$)
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
1H FY2015/16	6,663,000	3.8573	25,701,170
2H FY2015/16	7,285,000	3.9755	28,961,280
Total	22,148,000	3.5356	78,306,304

- This strategy is expected to continue, subject to funding and as long as there is value to be created for the benefit of unitholders.

F. Outlook

Outlook

- The office market is expected to be steady but the pace of rental reversion for Sunlight REIT's portfolio will naturally decelerate in the short-to-medium term as leases will begin to revert from a higher base. Likewise, slowing rental reversion, and negative in selected cases, is clearly an emerging scenario given the more difficult retail outlook.
- Due to rent void impact on SSC, new letting commitments at Sunlight Tower as well as the space reconfiguration of approximately 8% of GRA at the ground floor of Metro City Phase I, the Manager is currently projecting that the net property income of Sunlight REIT may fall in the first half of FY2016/17, before exhibiting a nice rebound in the second half of the financial year.
- On the cost side, the escalation in contractual expenses relating to cleaning and security services over the past few years seems relenting to a certain extent, thus easing the pressure on the operating margin of Sunlight REIT.
- Intense competition from aggressive investors as well as end-users such as like multinational and mainland corporations has helped to hold up capital values. Despite with the cash resources made available from asset disposals, the Manager will remain prudent in pursuing acquisitions.
- The continued compression in interest margin for loan and debt instruments will provide the Manager with a valuable opportunity to refine and bolster the capital structure of Sunlight REIT, especially in view of the need for refinancing a substantial portion of its loan facilities maturing in 2017.

Q & A