



SUNLIGHT REIT

Annual Results 2017

Investor Presentation

Advancing with
Proactive Management



Agenda



- A. Performance and Distribution Highlights**
- B. Review of Operations**
- C. Asset Enhancement Initiatives (AEI)**
- D. Financial Review**
- E. Capital Management Update**
- F. Outlook and Strategy**
- G. Q & A**



A. Performance and Distribution Highlights

- ~ Net Property Income and Annual Distributable Income were HK\$623.4 million and HK\$434.5 million respectively, up 2.5% and 4.7%. NAV / Unit further improved by 2.8% yoy to HK\$8.49.
- ~ Final and Special Distributions of HK 13.3 cents and HK 7.5 cents were declared respectively. Distribution per Unit (DPU) for the full year of HK 33.0 cents implies a distribution yield of 6.4%¹.
- ~ Refinanced all outstanding term loan facilities at 0.7% p.a. over HIBOR (versus 1.24% previously).
- ~ AEI at Sheung Shui Centre completed with an estimated return on investment of 16%.
- ~ Bought back 7.5 million units during the year for HK\$36 million.

Note:

1. Based on closing unit price of HK\$5.12 on 30 Jun 2017.

Performance Highlights (continued)



Operational

Occupancy

96.9%

(30 June 2016: 95.9%)

Passing Rent

HK\$44.9 / sq. ft.

(↑1.6% YoY)

Rental Reversion

7.1%

(FY2015/16: 15.3%)

Revenue & Distributions

Revenue

HK\$788.1 M

(↑2.4% YoY)

Distributable Income

HK\$434.5 M

(↑4.7% YoY)

DPU

HK 33.0 cents

(↑35.8% YoY)
(including Special Distribution
of HK 7.5 cents)

Financial Position

Property Valuation

HK\$17,062.4 M

(↑2.5% YoY)

NAV / Unit

HK\$8.49

(↑2.8% YoY)

Gearing

21.5%

(30 June 2016: 21.9%)

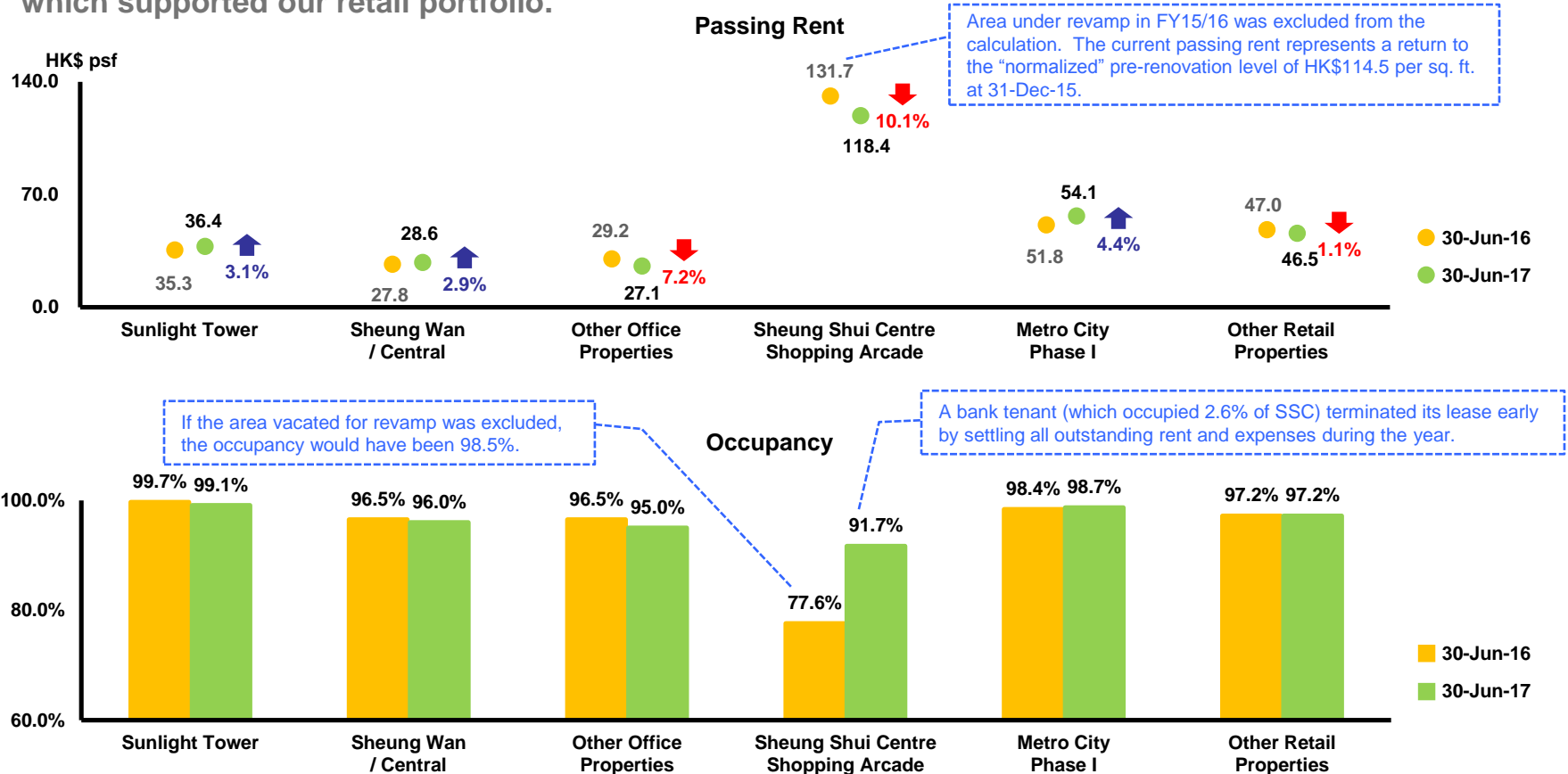


B. Review of Operations

Passing Rent and Occupancy



- Portfolio passing rents increased slightly amid moderated rental reversions and stable occupancy rates.
- Healthy supply-demand dynamics and resurgence of office decentralization momentum underpinned our office portfolio performance.
- Retail sentiment stabilizing though still cautious. Resilient domestic consumption was a bright spot which supported our retail portfolio.



Rental Reversion



- ↻ Sunlight Tower, a prime building in Wan Chai featuring both institutional and corporate tenants, achieved a respectable 11.9% rental reversion and a satisfactory retention rate of 62%.
- ↻ Sheung Wan / Central portfolio remained well sought after by small and medium-sized enterprises due to their affordable rentals and proximity to Central.
- ↻ Metro City Phase I performed well, aided by its defensive nature and a rewarding tenant mix reconfiguration exercise.
- ↻ Performance of Sheung Shui Centre was somewhat affected by slower tourist traffic (and consumption) and a temporary rent void caused by its renovation programme.

Rental Reversion ¹		
	FY2016/17	FY2015/16
Sunlight Tower	11.9%	11.7%
Sheung Wan / Central	9.8%	15.5%
Other Office Properties	6.3%	11.1%
Sheung Shui Centre Shopping Arcade	3.9%	17.7%
Metro City Phase I	14.5%	17.4%
Other Retail Properties	-3.4%	20.8%
Overall	7.1%	15.3%

Note:
 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 FY2015/16 have been restated to take into account the disposal of 3 Properties, the completions of which took place in Jul and Aug 2015 respectively.



Property Operating Expenses

- ~ The bulk of property operating expenses such as security and utilities were kept under control. Reasonable cost savings was also achieved by more efficient energy consumption.
- ~ The increase in operating expenses was mainly due to higher rental commission (being part of “Property Manager’s Fees” and “Other Direct Costs”) associated with the re-letting activities for the renovated area of SSC).

	Property Operating Expenses		
(HK\$' M)	FY2016/17	FY2015/16	Change
Building Management Fee	56.2	56.6	-0.7%
Property Manager's Fees	51.2	47.9	6.8%
Government Rent and Rates	35.0	34.7	0.7%
Marketing and Promotion Expenses	5.8	5.9	-2.0%
Car Park Operating Costs	5.8	6.3	-7.4%
Other Direct Costs	10.7	9.8	9.3%
Total	164.7	161.2	2.1%

	Building Management Fee		
(HK\$' M)	FY2016/17	FY2015/16	Change
Electricity	13.8	14.7	-6.4%
DMC Contribution	10.0	9.9	0.3%
Repair and Maintenance	11.5	11.9	-2.6%
Cleaning	8.6	8.4	2.5%
Security	6.7	6.6	0.7%
Festive Decoration	2.9	2.6	12.5%
Others	2.7	2.5	10.9%
Total	56.2	56.6	-0.7%



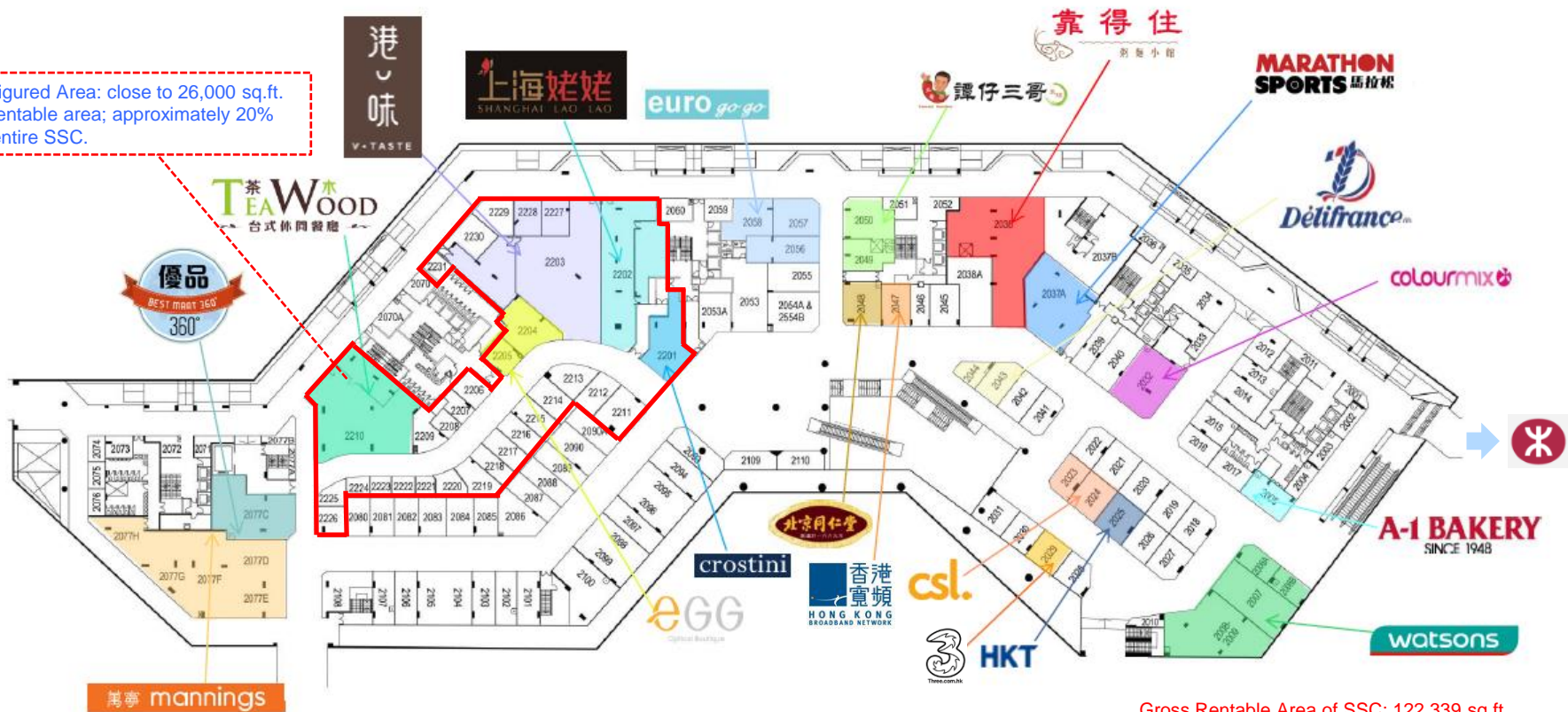
C. AEI

AEI - Sheung Shui Centre



- Work period: undertaken between April-October 2016.
- At 30 June 2017: 89% of the revamped area have been leased with the average achieved unit rent representing a 21% premium to pre-renovation level, or a 73% premium to that of the previous restaurant lease.
- Return on investment is estimated at approximately 16%.

Reconfigured Area: close to 26,000 sq.ft. gross rentable area; approximately 20% of the entire SSC.



Gross Rentable Area of SSC: 122,339 sq.ft

AEI - Sheung Shui Centre (continued)



Before



A traditional Chinese restaurant and a few shops were turned into multiple tenants including trendy F&Bs & more varieties to draw better traffic.

Before



After



After





D. Financial Review

Profit and Loss Summary



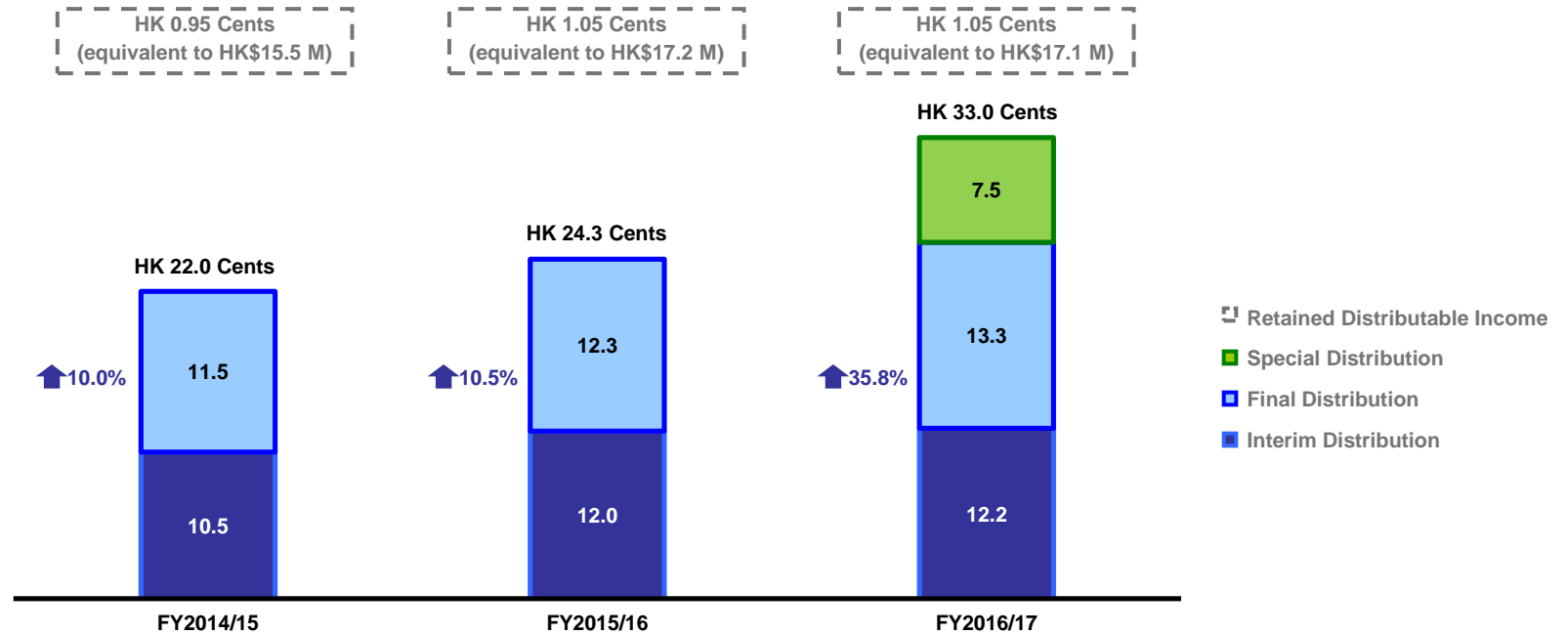
(HK\$' M)	FY2016/17	FY2015/16	Change
Revenue	788.1	769.7	2.4%
Property Operating Expenses	164.7	161.2	2.1%
Net Property Income	623.4	608.5	2.5%
Cost to Income Ratio (%)	20.9	20.9	N/A
Annual Distributable Income	434.5	415.0	4.7%
DPU (HK Cents) ¹	33.0	24.3	35.8%
Payout Ratio (%) ^{1 & 2}	124.3	95.8	N/A

- ↗ Net property income up 2.5% yoy, while annual distributable income expanded at a faster rate of 4.7%, thanks to containment in operating costs and lower interest expenses.
- ↗ Excluding the special distribution, DPU and payout ratio would be HK 25.5 cents (4.9% yoy growth) and 96.1% respectively.

Notes:

1. Including a special distribution of HK 7.5 cents in FY2016/17.
2. Payout ratio for FY2016/17 would have been 96.1% if the special distribution is excluded.

DPU: 3-year Comparison



	FY2014/15	FY2015/16	FY2016/17
1. Manager's Fee in Units	50.0%	50.0%	50.0%
2. Payout Ratio	95.9%	95.8%	124.3% ^{1&2}

Notes:

- Including a special distribution of HK 7.5 cents in FY2016/17.
- Payout ratio for FY2016/17 would have been 96.1% if the special distribution is excluded.

Financial Position



- ↗ Property portfolio valuation +2.5% yoy, mainly attributable to rental improvement.
- ↗ Strong cash position (given the asset disposal in 2015) justified payment of a special distribution.
- ↗ NAV at 30 June 2017 was HK\$8.49 versus unit price of HK\$5.31 on 4 September 2017.

HK\$' M	30 Jun 17	30 Jun 16	Change
Investment Properties	17,062.4	16,651.0	2.5%
Other Assets	88.1	77.3	13.9%
Relevant Investments	61.4	61.9	-0.8%
Cash & Cash Equivalents	1,085.9	1,134.8	-4.3%
Total Assets	18,297.8	17,925.0	2.1%

HK\$' M	30 Jun 17	30 Jun 16	Change
Interest Bearing Borrowings	3,901.9	3,895.9	0.2%
Other Liabilities	496.4	511.0	-2.9%
Total Liabilities	4,398.3	4,406.9	-0.2%
Net Asset Value	13,899.5	13,518.1	2.8%
NAV / Unit (HK\$)	8.49	8.26	2.8%



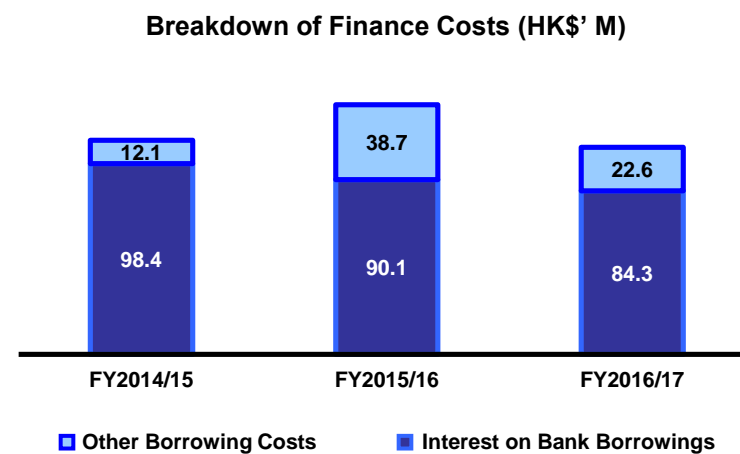
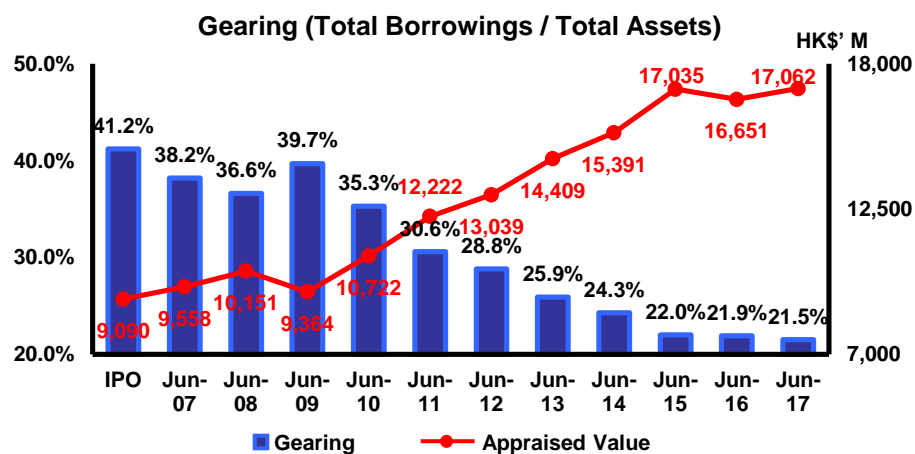
E. Capital Management

Borrowing Profile



	30 June 2017	30 June 2016		30 June 2017	30 June 2016
Average Spread (over HIBOR)	0.7% p.a.	1.24% p.a.	Fixed Rate Portion of Borrowings	79.0%	71.3%
Weighted Maturity (years)	4.3	2.3	Undrawn Facility (RCF)	HK\$300 M	HK\$300 M
Secured Loans / Unsecured Loans	66% / 34%	100% / 0%		FY2016/17	FY2015/16
Unencumbered Properties (as a % of total)	41.6%	14.2%	Interest Coverage (times)	6.34	5.76

- ~ All term loans (of HK\$3,925 million) have been refinanced at 0.7% p.a. (versus 1.24% previously) over HIBOR which will bring decent interest savings for the year ahead.
- ~ Initiating unsecured term loans provide flexibility for future financing needs.
- ~ Over 70% loans hedged to fixed rates will mitigate impact of potential interest rates increase.



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\$' M)
2H FY2011/12	3,600,000	2.4648	8.9
1H FY2012/13	1,500,000	3.1550	4.7
2H FY2012/13	600,000	3.4281	2.1
1H FY2013/14	1,500,000	3.0564	4.6
1H FY2014/15	1,000,000	3.3966	3.4
1H FY2015/16	6,663,000	3.8573	25.7
2H FY2015/16	7,285,000	3.9755	29.0
1H FY2016/17	4,838,000	4.7136	22.8
2H FY2016/17	2,709,000	4.8591	13.2
Total	29,695,000	3.8483	114.4

↪ Funding spent on unit buyback thus far totalled HK\$114 million, largely similar to the amount of special distribution (of HK\$123 million) declared this year.



F. Outlook and Strategy

Outlook and Strategy



Office:

- Healthy supply-demand balance resulting from promising economic outlook.

Retail:

- Slightly cautious, but recent retail sales figures offer a glimmer of hope.
- Continuous space and tenant reconfiguration to adapt to changing consumer trends and styles.

Cost Management:

- Under control despite minimum wage revision.

AEI:

- MCPI's new chiller system will be installed by mid-2018 at a cost of approximately HK\$16 million.

Capital Management:

- Refinancing exercise brings decent interest cost savings.
- Well positioned to withstand interest-rate hikes given hedging strategy.
- Favourable funding environment, strong financial position together with a flexible investment mandate will facilitate the exploring of accretive acquisition opportunities.



G. Q & A



Appendix – Sunlight REIT's Portfolio

I. Top Three Properties

1



Sunlight Tower

Location: Wan Chai

Gross rentable area: 376,381 sq. ft.

Passing rent*: HK\$36.4 per sq. ft.

11



Sheung Shui Centre Shopping Arcade

Location: Sheung Shui

Gross rentable area: 122,339 sq. ft.

Passing rent*: HK\$118.4 per sq. ft.

12



Metro City Phase I Property

Location: Tseung Kwan O

Gross rentable area: 188,889 sq. ft.

Passing rent*: HK\$54.1 per sq. ft.

II. Sheung Wan / Central

2



Bonham Trade Centre

Location: Sheung Wan

Gross rentable area: 117,909 sq. ft.

Passing rent*: HK\$28.9 per 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

Gross rentable area: 51,767 sq. ft.

Passing rent*: HK\$34.7 per sq. ft.

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

IV. Other Retail Properties

13



Kwong Wah Plaza Property

Location: Yuen Long

Gross rentable area: 64,842 sq. ft.

Passing rent*: HK\$49.6 per sq. ft.

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

* As at 30 Jun 2017.

Sunlight Tower

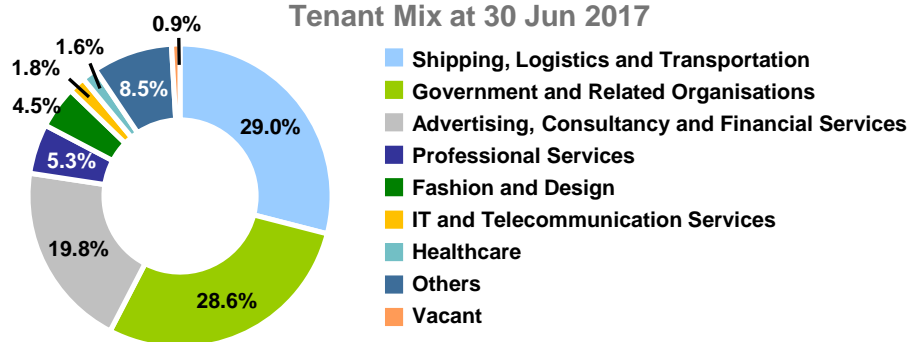


Key Statistics ¹

Occupancy (%)	99.1
Passing Rent (HK\$/sq. ft.)	36.4
Rental Reversion (%) ²	11.9
Net Property Income (HK\$' M) ²	167.4
Appraised Value (HK\$' M)	4,807

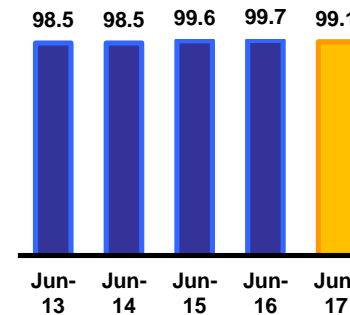
Expiry profile (at 30 June 2017)

	FY2017/18	FY2018/19
By GRA (%)	59.3	16.4
By Average Rent (HK\$/sq. ft.)	34.8	38.8

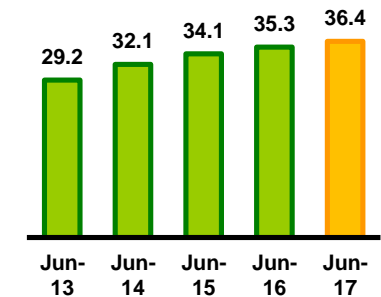


Location	Wan Chai
GRA	Office: 369,891 sq. ft. Retail: 6,490 sq. ft. Total: 376,381 sq. ft.

Occupancy (%)



Passing Rent (HK\$/sq. ft.)

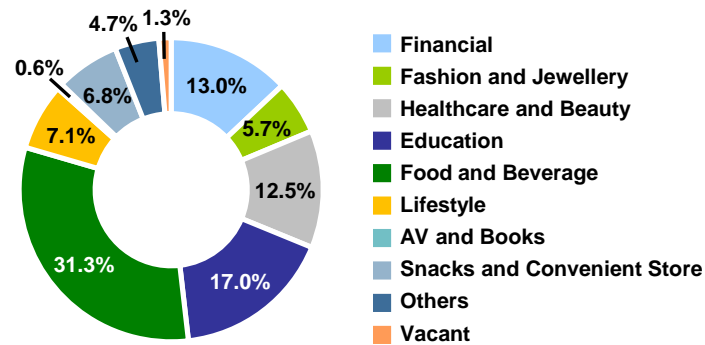


Notes: 1. At 30 Jun 2017 unless otherwise stated.
2. For FY2016/17.

Metro City Phase I Property



Tenant Mix at 30 Jun 2017



Location Tseung Kwan O

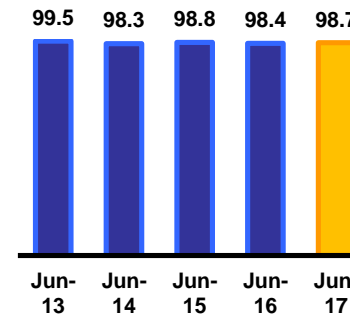
GRA 188,889 sq. ft.

Key Statistics ¹

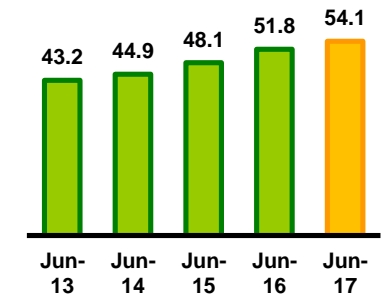
Occupancy (%)	98.7
Passing Rent (HK\$/sq. ft.)	54.1
Rental Reversion (%) ²	14.5
Net Property Income (HK\$' M) ²	121.7
Appraised Value (HK\$' M)	2,986

Expiry profile (at 30 June 2017)	FY2017/18	FY2018/19
By GRA (%)	26.6	26.9
By Average Rent (HK\$/sq. ft.)	62.7	58.1

Occupancy (%)



Passing Rent (HK\$/sq. ft.)

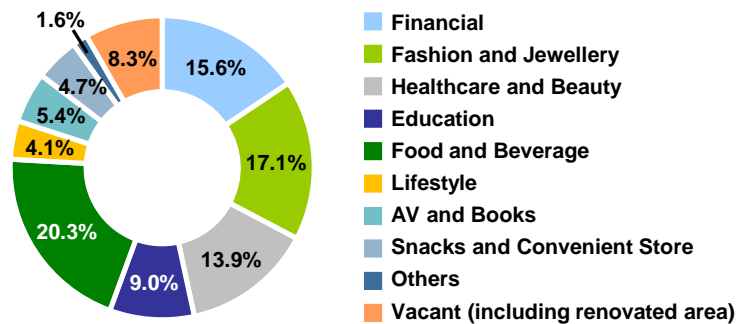


Notes: 1. At 30 Jun 2017 unless otherwise stated.
2. For FY2016/17.

Sheung Shui Centre Shopping Arcade



Tenant Mix at 30 Jun 2017



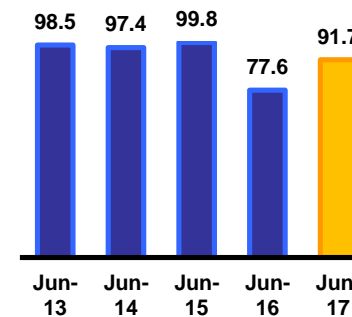
Location	Sheung Shui
GRA	122,339 sq. ft.

Key Statistics ¹

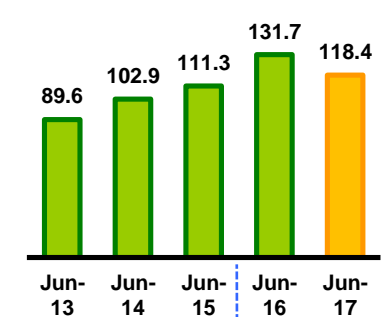
Occupancy (%)	91.7
Passing Rent (HK\$/sq. ft.)	118.4
Rental Reversion (%) ²	3.9
Net Property Income (HK\$' M) ²	163.1
Appraised Value (HK\$' M)	4,020

Expiry profile (at 30 June 2017)	FY2017/18	FY2018/19
By GRA (%)	39.6	16.1
By Average Rent (HK\$/sq. ft.)	122.7	144.2

Occupancy (%)



Passing Rent (HK\$/sq. ft.)



Notes: 1. At 30 Jun 2017 unless otherwise stated.
2. For FY2016/17.

Figure not comparable as area vacated for AEI was excluded from the calculation. The current passing rent represents a return to the "normalized" level.

Bonham Trade Centre / Kwong Wah Plaza Property



Bonham Trade Centre

Location	Sheung Wan
GRA	Office: 108,506 sq. ft. Retail: 9,403 sq. ft. Total: 117,909 sq. ft.

Key Statistics ¹

Occupancy (%)	96.1
Passing rent (HK\$/sq. ft.)	28.9
Rental reversion (%) ²	11.5
Net Property Income (HK\$' M) ²	36.7
Appraised value (HK\$' M)	1,141

Kwong Wah Plaza Property

Location	Yuen Long
GRA	Office: 39,101 sq. ft. Retail: 25,741 sq. ft. Total: 64,842 sq. ft.

Key Statistics ¹

Occupancy (%)	100.0
Passing rent (HK\$/sq. ft.)	49.6
Rental reversion (%) ²	(3.7)
Net Property Income (HK\$' M) ²	33.7
Appraised value (HK\$' M)	1,008

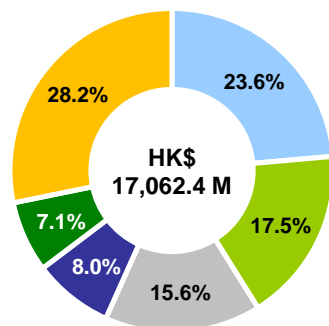
Notes:

1. At 30 Jun 2017 unless otherwise stated.
2. For FY2016/17.

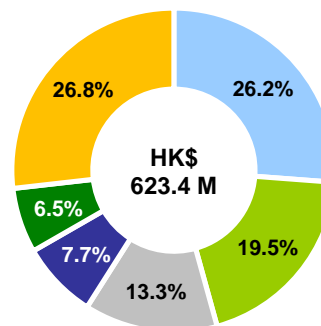


Sunlight REIT Portfolio Breakdown

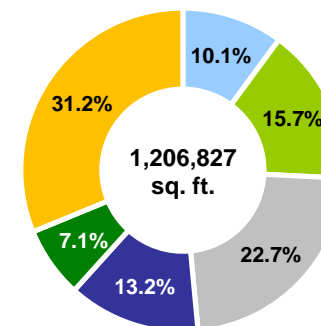
Valuation



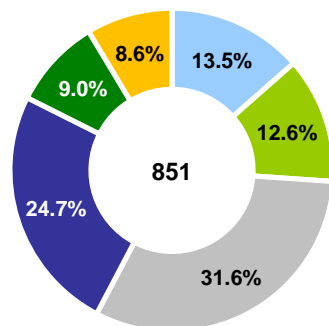
Net Property Income



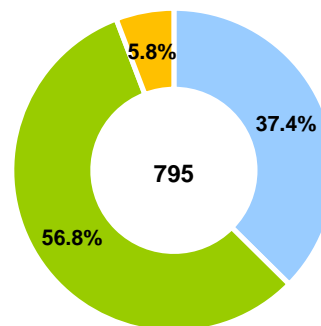
GRA



No. of Leases



No. of Car Park Spaces



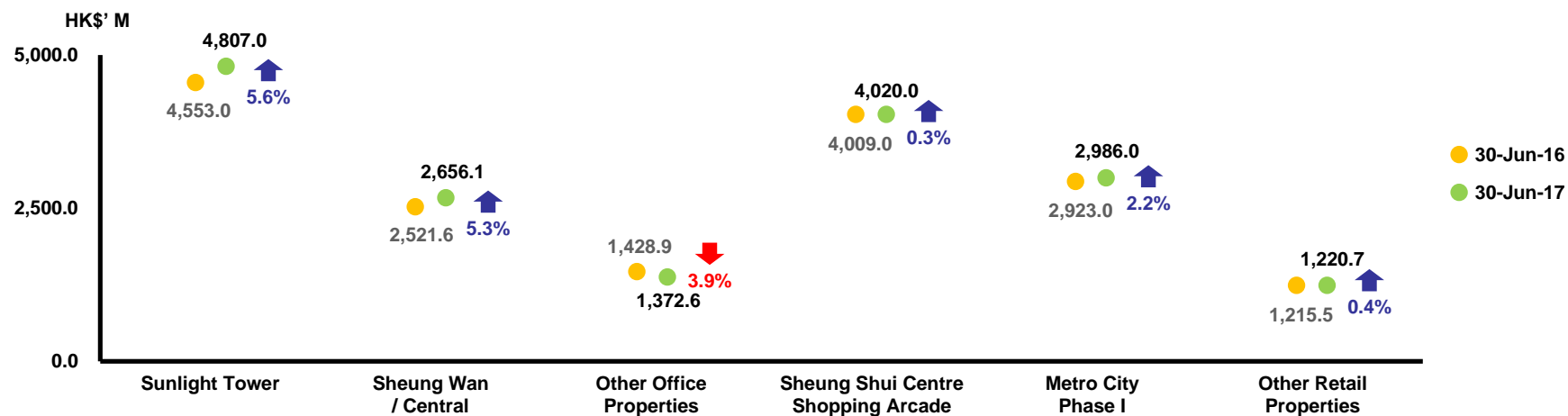
- Sunlight Tower
- Sheung Shui Centre Shopping Arcade
- Metro City Phase I Property
- Sheung Wan / Central
- Other Office Properties
- Other Retail Properties

Note:
Based on information at 30 Jun 2017.

Valuation



Valuation



Capitalization Rate ¹	At 30 Jun 17		At 30 Jun 16		At 30 Jun 15	
	Office	Retail	Office	Retail	Office	Retail
Sunlight Tower ²	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 ³	N/A	4.40%	N/A	4.40%	N/A	4.40%
Metro City Phase I ³	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%

Notes:

- Overall cap rate unchanged since June 2015.
- Sunlight Tower's cap rates at 3.85% and 3.75% for office and retail portions respectively since December 2012.
- SSC and MCPI's cap rates at 4.4% and 4.5% respectively since June 2010.

Disclaimer



This presentation contains certain statements and terminologies that are forward-looking. These statements are made on the basis of the current beliefs, assumptions, expectations and projections of the board of directors and senior management of the Manager regarding the industry and sectors in which Sunlight REIT operates. They are subject to risks, uncertainties and other factors beyond the Manager's control, the emergence of which may cause actual results or performance to differ materially from those expressed or implied in such statements.