SUNLIGHT REIT

Interim Results FY2014/15

(6 months to 31 Dec 2014)

Investor Presentation

Agenda

A. Who We Are

B. FY2014/15 Interim Results

C. Property Performance

D. Asset Enhancement

E. Capital Management

1

Sunlight Tower

Location: Wan Chai

Year of completion: 1998

Gross rentable area: 376,381 sq. ft.

2

Bonham Trade Centre

Location: Sheung Wan

Year of completion: 1998

Gross rentable area: 117,909 sq. ft.

3

Righteous Centre

Location: Mong Kok

Year of completion: 1996

Gross rentable area: 51,767 sq. ft.

4

Winsome House Property

Location: Central

Year of completion: 1999

Gross rentable area: 40,114 sq. ft.

5

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 Property
- 9 On Loong Commercial Building Property
- 10 Everglory Centre
- 11 Sun Fai Commercial Centre Property
- 12 Wai Ching Commercial Building Property

Retail properties

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

13

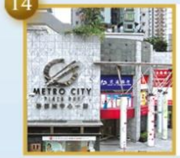
Sheung Shui Centre Shopping Arcade

Location: Sheung Shui

Year of completion: 1993

Gross rentable area: 122,339 sq. ft

14



Metro City Phase I Property

Location: Tseung Kwan O

Year of completion: 1996

Gross rentable area: 188,889 sq. ft.

15

Kwong Wah Plaza Property

Location: Yuen Long

Year of completion: 1998

Gross rentable area: 64,842 sq. ft.

Note: 248 Queen's Road East was renamed as Sunlight Tower with effect from 1 January 2015.

A. Who We Are

- Overview

1. Sponsored by Shau Kee Financial Enterprises and Henderson Land Development ("SKFE/HLD"), Sunlight REIT was listed on the Hong Kong Stock Exchange in December 2006.
2. Sunlight currently has a diversified portfolio of 12 offices and 7 retail properties in Hong Kong, with an appraised value of approximately HK$16,134.3 M as at 31 Dec 2014 and an aggregate GRA of 1,287,303 sq. ft..
3. The office properties are primarily located in core business areas, including Central, Wan Chai, Sheung Wan and Tsim Sha Tsui, as well as in decentralised business areas such as North Point, Mongkok / Yau Ma Tei and Aberdeen.
4. The retail properties are primarily located in regional transportation hubs and New Towns with high population density such as Tseung Kwan O, Sheung Shui and Yuen Long.
5. Strong Sponsors Support: SKFE/HLD collectively owns more than 36.0% of Sunlight REIT.

B. FY2014/15 Interim Results

Highlights

- Key property indicators for the period continued to show encouraging performance. Rental reversion for office and retail reached 20.1% and 23.7% respectively, while both the office and retail portfolio continued to exhibit close to full occupancy at 97.8% and 98.9% respectively.

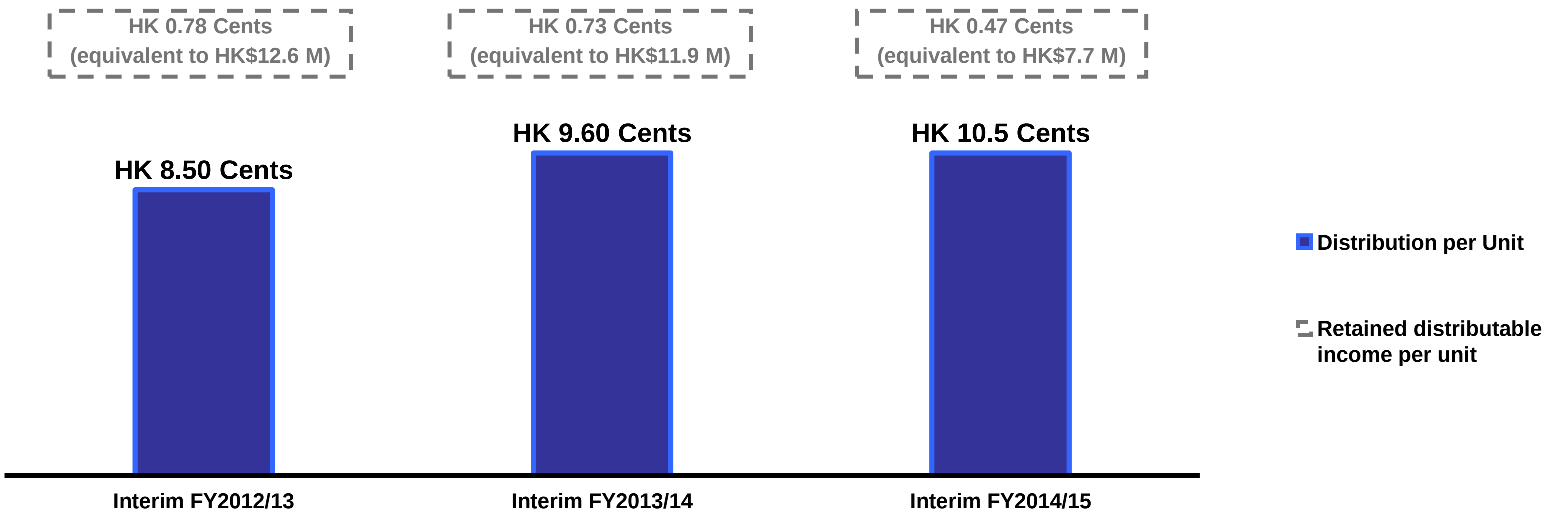
- Net property income increased 10.2% to HK$285.6 M while average cost-to-income ratio was 23.0%. Total distribution per unit ("DPU") for the period increase by 9.4% yoy to HK 10.5 cents, implying a payout ratio of 95.7%.

- The capital structure has been strengthened with additional interest swap arrangements entered in Oct 2014 and Jan 2015 at favourable cost and terms, raising the proportion of debt hedged to fixed rates to approximately 77.7%.

- Revamp of lobby of Sunlight Tower and refurbishment works of Metro City Phase I Property have been completed.

Distribution

- The Board of Directors declared a distribution of HK 10.5 cents for the first half of FY2014/15 implying a payout ratio of 95.7%.
- The higher payout ration taken into account of the provision for the transaction which did not went ahead during the period.
- Distribution attributed to the underlying operation before taking into account the effect of management fee paid in units amounted to HK 9.33 cents.



		Interim FY2012/13	Interim FY2013/14	Interim FY2014/15
1.	Manager Fee in Units	50.0%	50.0%	50.0%
2.	Distribution Policy	91.6%	92.9%	95.7%

Financial Highlights – Profit and Loss Summary

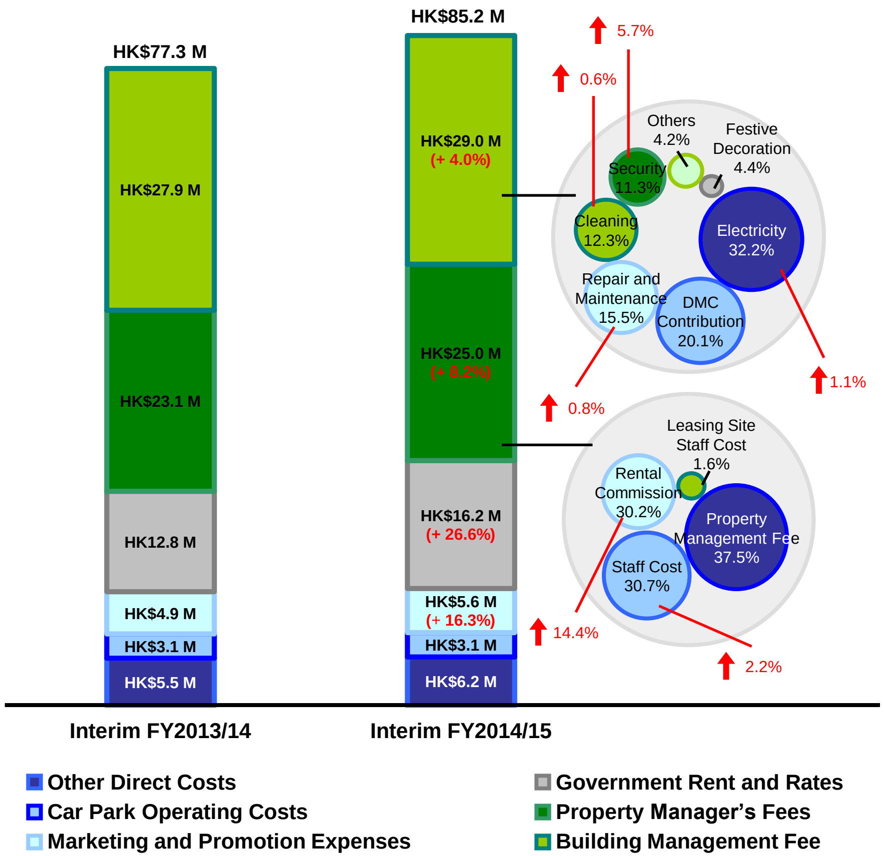
- Sunlight REIT's net property income grew by 10.2% yoy driven by primarily rental growth and disciplined cost control.
- Total distributable income grew only 7.0% due to inclusion of HK$8.3 M in expenses attributable to the transaction which did not proceed in the second half of FY2013/14 and the current period.

(HK$' M)	Interim FY2014/15	Interim FY2013/14	Variance
Turnover	370.8	336.5	10.2%
Property Operating Expenses	85.2	77.3	10.3%
Net Property Income	285.6	259.2	10.2%
Cost to Income Ratio (%)	23.0	23.0	N/A
Total Distributable Income	179.2	167.5	7.0%
DPU (HK cents)	10.5	9.6	9.4%
Payout Ratio (%)	95.7	92.9	N/A
Units in Issue ('000)	1,632,837		

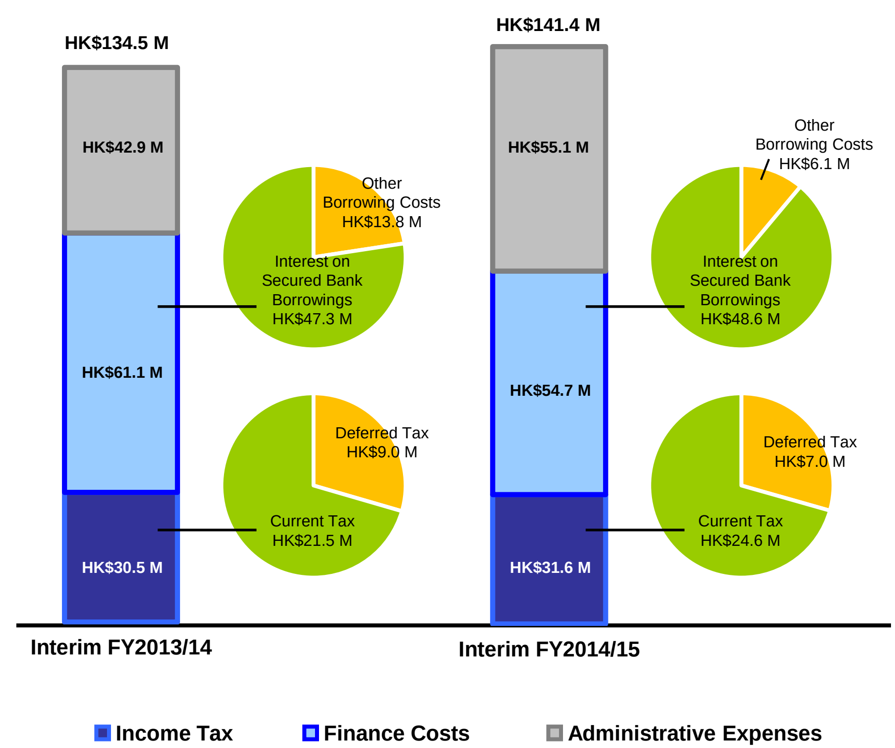
Expenses

- Satisfactory cost to income ratio of 23.0%, notwithstanding the impact of higher inflation which resulted in a 10.3% increase in property expenses.
- Effective interest rate and effective tax rate were 2.47% p.a. and 13.9% respectively.

Breakdown of Property Expenses



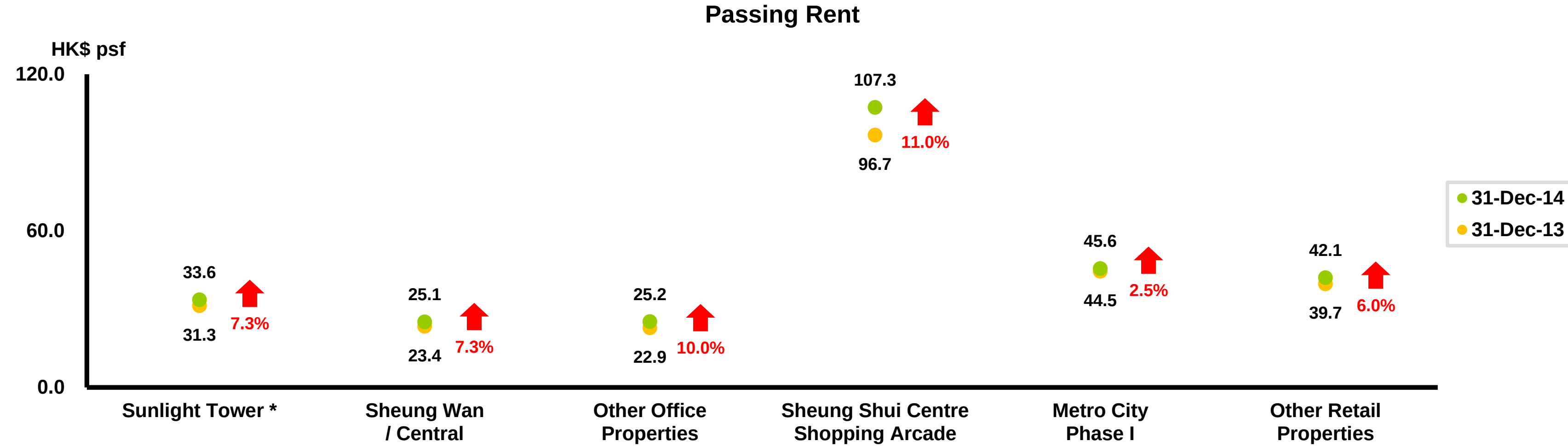
Breakdown of Other Expenses

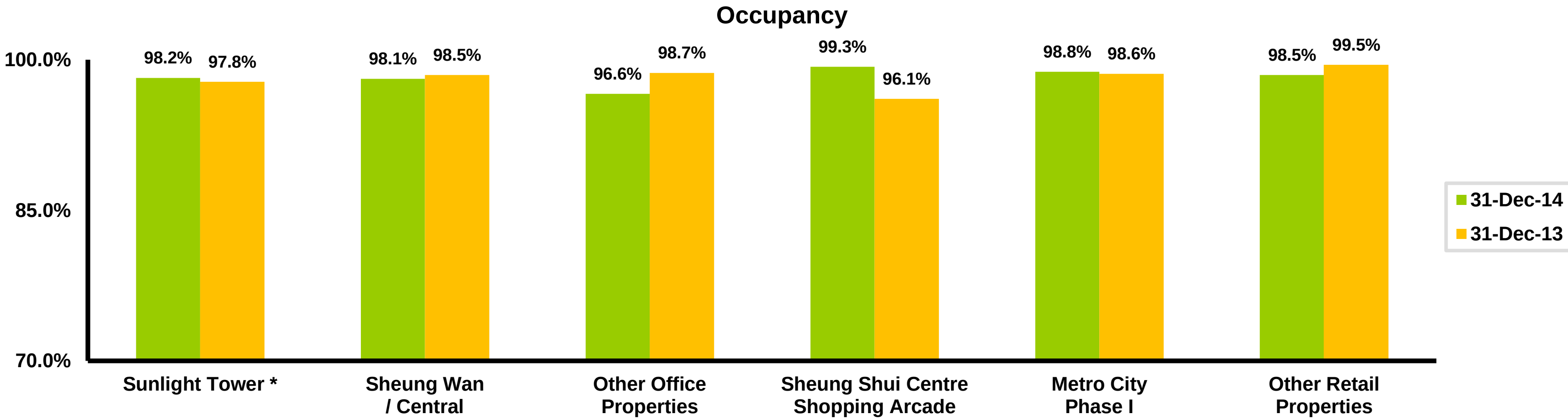


C. Property Performance

Passing Rent and Occupancy

- The rise in passing rent has been the main reason behind the 10.2% growth in turnover.
- Occupancy has remained stable in every segment.





Note: 248 Queen's Road East was renamed as Sunlight Tower with effect from 1 January 2015.

Rental Reversion and Retention

- Sheung Shui Centre Shopping Arcade continued to be the best performer in terms of rental reversion.
- Increase in tenant retention at Sunlight Tower was achieved on the back of strong tenant loyalty and also reflected a higher relocation cost in general.

	Rental Reversion [1]		Retention [1]	
	Interim FY2014/15	Interim FY2013/14	Interim FY2014/15	Interim FY2013/14
Sunlight Tower [2]	20.4%	32.7%	92.6%	70.7%
Sheung Wan / Central	20.1%	17.2%	81.0%	68.1%
Other Office Properties	19.4%	16.9%	71.0%	69.2%
Sheung Shui Centre Shopping Arcade	31.7%	38.5%	73.4%	42.5%
Metro City Phase I	13.5%	17.5%	68.0%	79.0%
Other Retail Properties	24.5%	35.4%	74.3%	81.5%
Overall	21.4%	26.7%	81.3%	68.5%

Note:
1. For renewal of leases with turnover and base rent component, rental reversion refers to the changes in base rent component only.
2. 248 Queen's Road East was renamed as Sunlight Tower with effect from 1 January 2015.

Lease Expiry Table

- Leases that will expire in the rest of FY2015 remain below market rent and therefore should bode well for rental reversion going forward.

	Expiring GRA		Average Rent of Expiring Leases (HK$ psf)
	Remainder of FY2015	FY2016	Remainder of FY2015
Sunlight Tower [1]	16.5%	26.1%	32.8
Sheung Wan / Central	30.6%	40.3%	24.5
Other Office Properties	21.0%	43.7%	20.0
Sheung Shui Centre Shopping Arcade	14.1%	39.3%	106.2
Metro City Phase I	27.7%	33.2%	44.7
Other Retail Properties	17.8%	47.2%	37.8
Total	21.8%	36.1%	35.1

Note:
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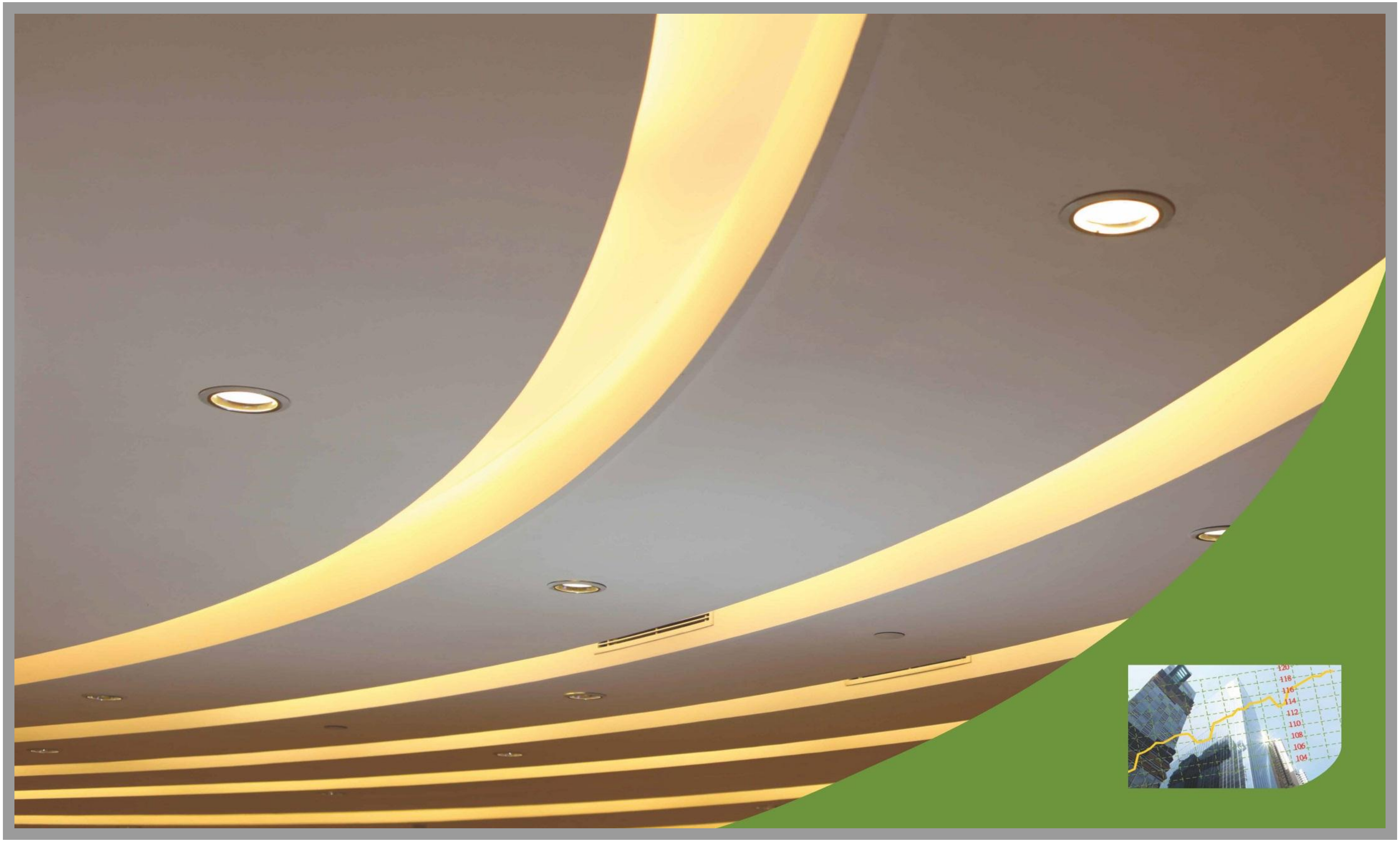
D. Asset Enhancement



Sunlight Tower

- Revamp of office lobby

- Since the replacement of one of the three chillers at Sunlight Tower from air-cooled to water-cooler, electricity usage has decreased notably. Replacement of a second chiller is now under feasibility study.

	Interim FY2014/15	Interim FY2013/14	Variance
Total electricity usage	2.12 M kWh	2.36 M kWh	0.24 M kWh (↓10.3%)
Avg. Temperature	26.4℃	25.9 ℃	↑0.5℃ (↑2.0%)
Relative Humidity	75.0%	72.2%	↑2.8ppt (↑3.9%)
Remark	Electricity tariff remains unchanged w.e.f.1/1/2014		

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Sheung Shui Shopping Centre Arcade

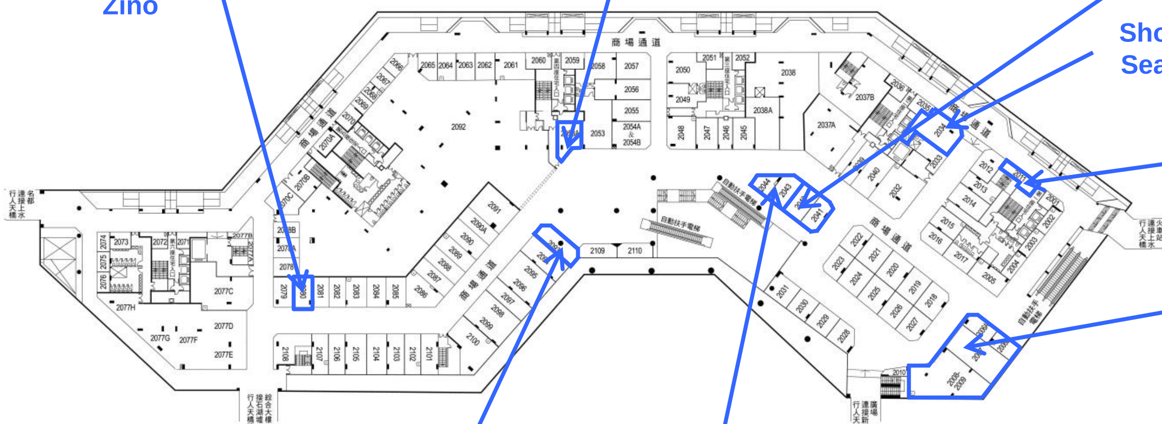
Shop 2080
Zino

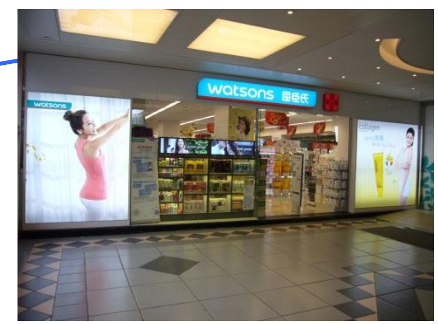
Shop 2053A
Yat Yuen Tong

Shop 2041-2042
Noble Diamond Jewellery

Shop 2034
Sea Horse

Shop 2011
Arome



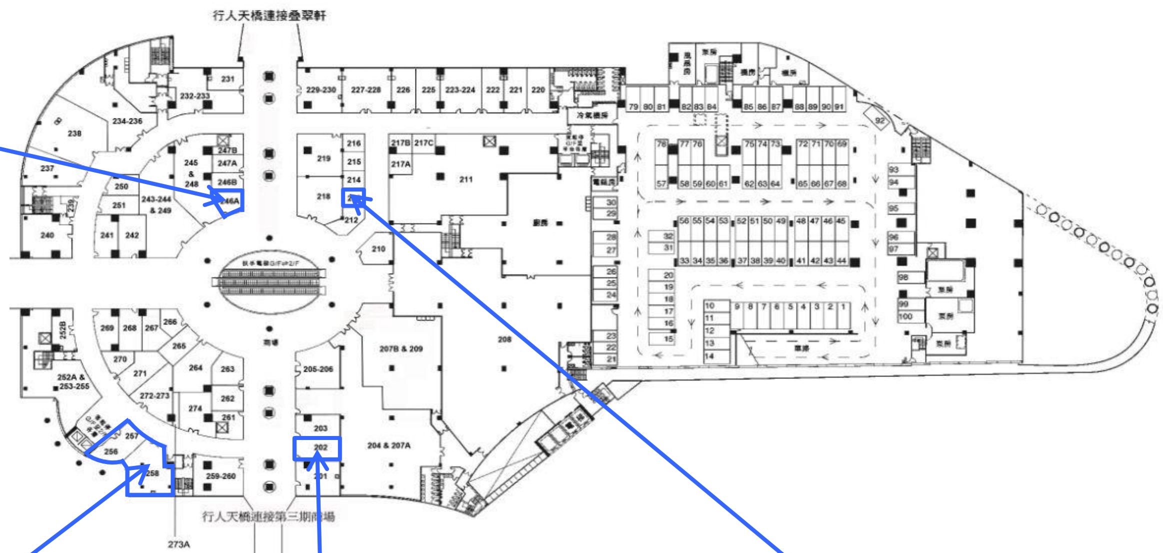


Shop 2006A-2009
Watsons

Shop 2093
香港珠寶聯盟店

Shop 2043-2044
Delifrance

Metro City Phase I – New look



Shop 246A
手作之店

Shop 256-258
Yummy Ya

Shop 202
Violet

Shop 213
Fotomax

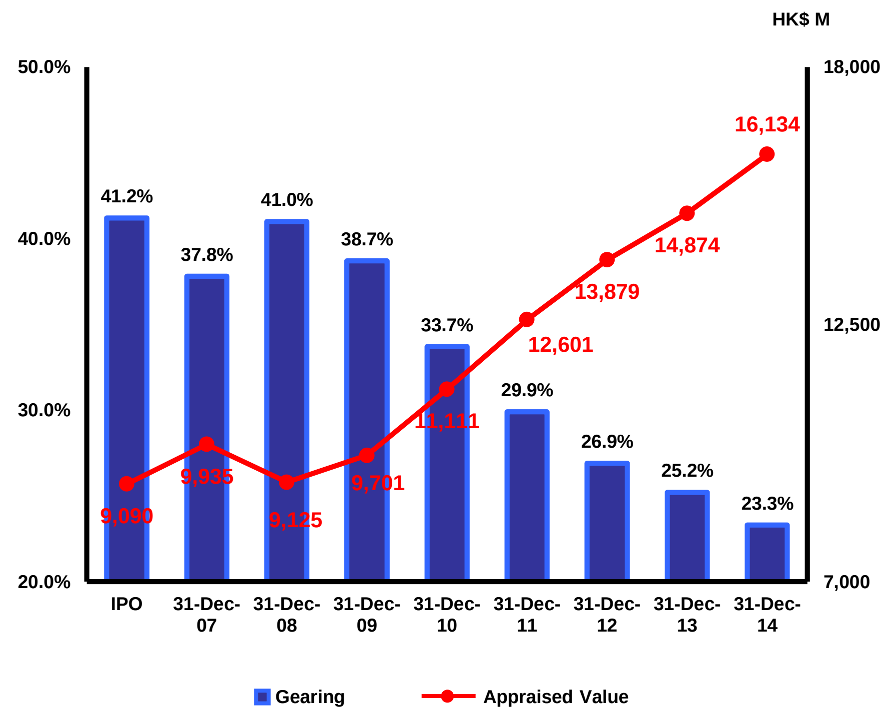
E. Capital Management

Financial Highlights – Balance Sheet

- Appraised value of investment properties increased by 8.5% yoy and 4.8% compared to 31 Dec 2013 and 30 Jun 2014 respectively, supported by growth in achieved rents. Cap rates remained largely unchanged at 4.1% (Jun 2014: 4.1%, Dec 2013: 4.1%).

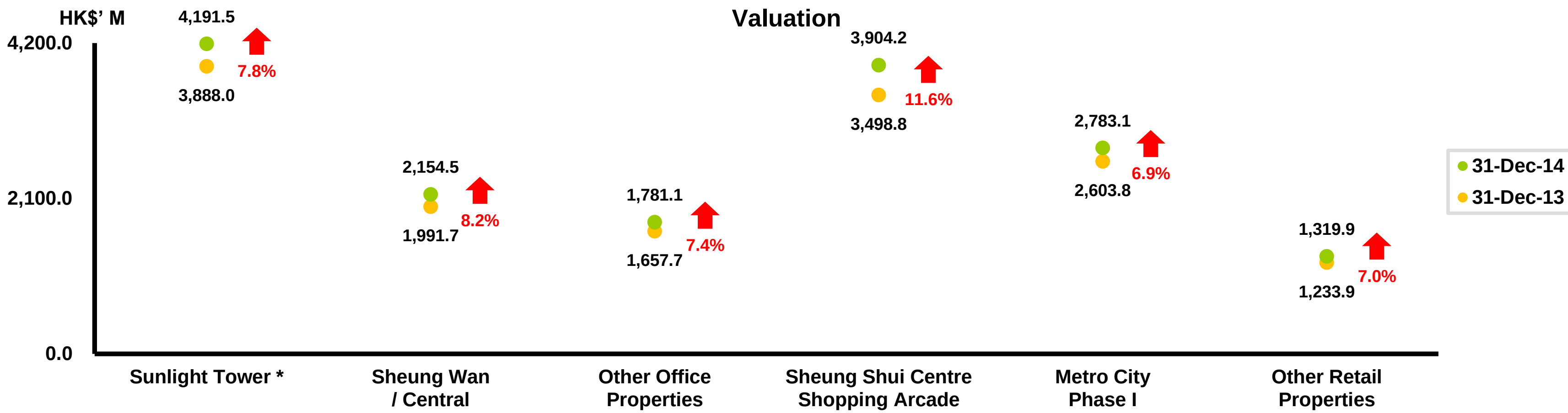
HK$' M	31 Dec 14	31 Dec 13	Change
Investment Properties	16,134.3	14,873.9	8.5%
Other Assets	399.3	412.5	-3.2%
Cash & Cash Equivalents	320.6	301.0	6.5%
Total Assets	16,854.2	15,587.4	8.1%
Interest Bearing Borrowings	3,878.2	3,866.4	0.3%
Deferred Tax Liabilities	288.0	275.5	4.5%
Financial Derivatives Liabilities	39.5	55.5	-28.9%
Other Liabilities	442.0	410.5	7.7%
Total Liabilities	4,647.7	4,607.9	0.9%

Gearing (Total Borrowings / Total Assets)



Valuation

- Rental growth remained the driver behind the increase in appraised value.



	At 31 Dec 14		At 31 Dec 13	
	Office	Retail	Office	Retail
Sunlight Tower *	3.85%	3.75%	3.85%	3.75%
Bonham Trade Centre	3.85%	4.20%	3.85%	4.20%
Righteous Centre	3.95%	3.60%	3.95%	3.60%
Sheung Shui Centre Shopping Arcade	N/A	4.40%	N/A	4.40%
Metro City Phase I	N/A	4.50%	N/A	4.50%
Kwong Wah Plaza	3.85%	3.80%	3.85%	3.80%

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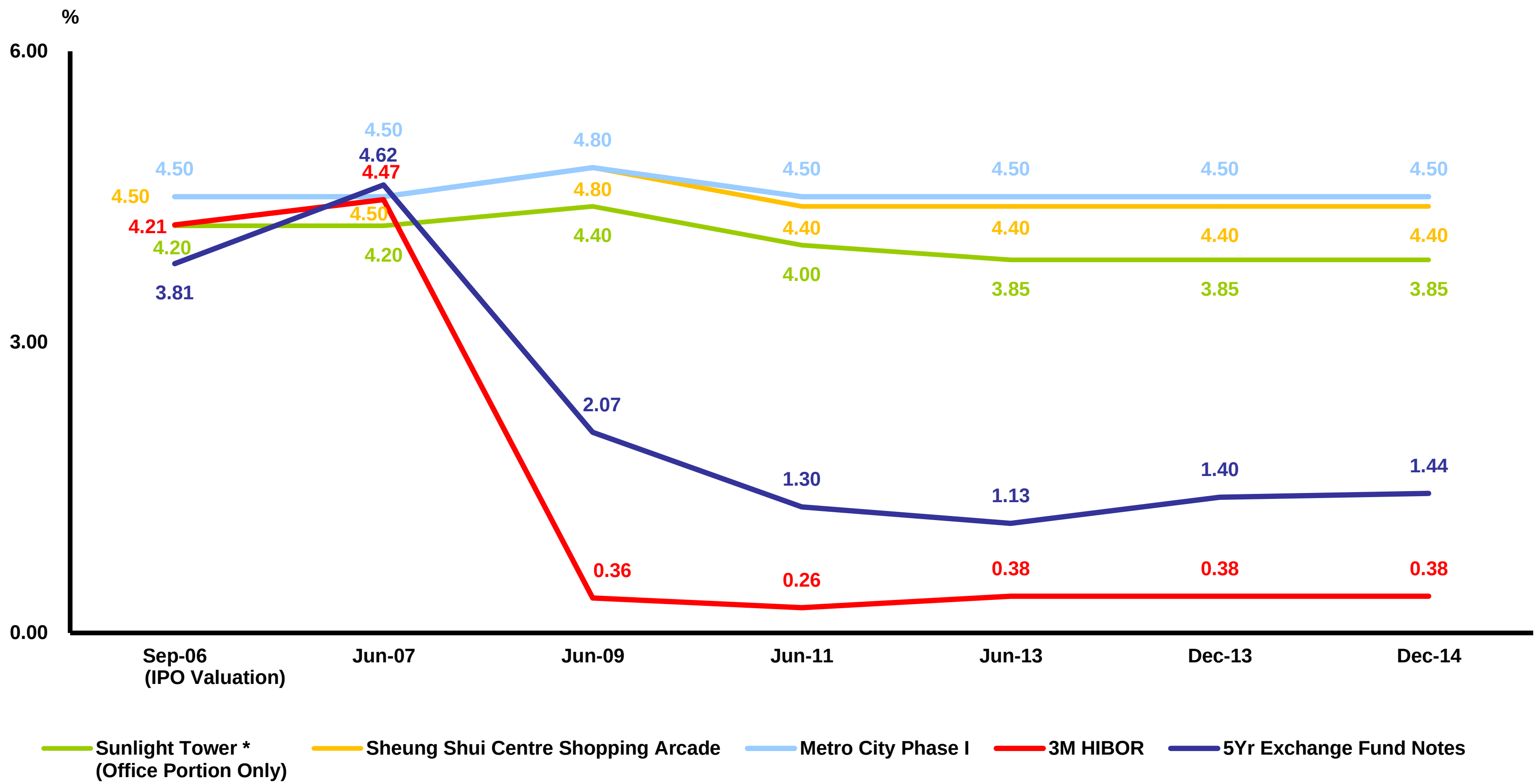
Cap Rate and HIBOR

- 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.



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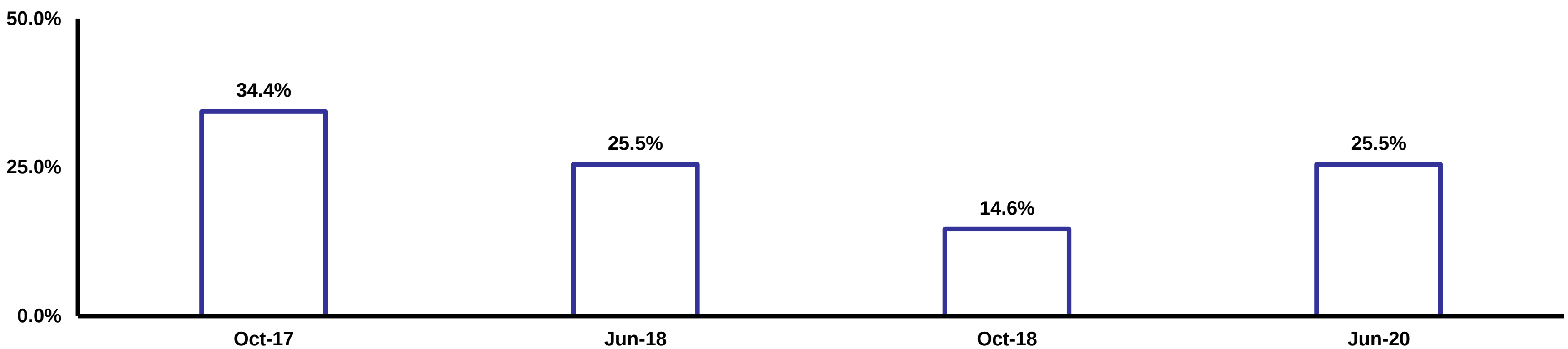
Debt Profile

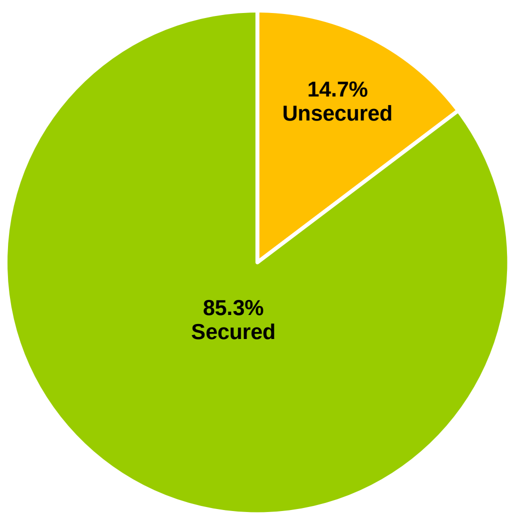
- With the draw down that took place in Oct 2013, Sunlight REIT has a debt maturity profile that is a well diversified.
- Weighted average interest cost is 124bps above Hibor until the next refinancing.



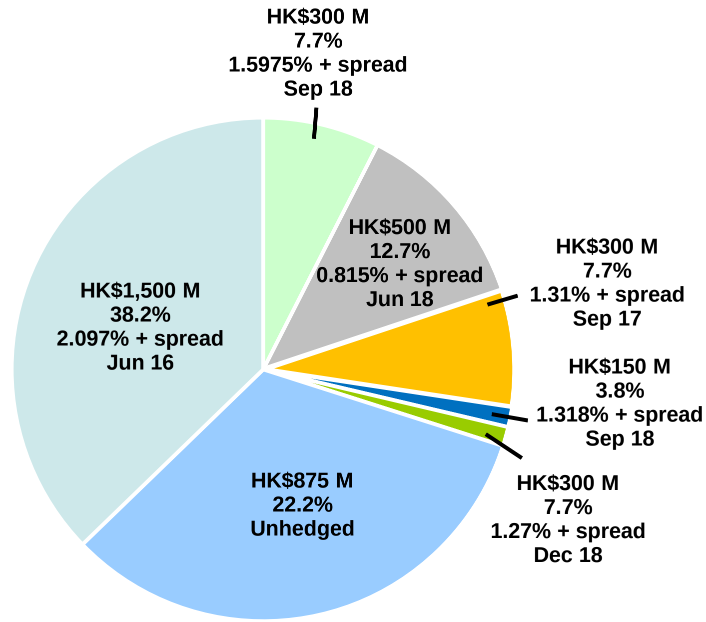
Type:	Bilateral	Bilateral	Bilateral	Bilateral
Drawn Down:	Oct 13	Jun 13	Oct 13	Jun 13
Amount:	HK$1,350 M	HK$1,000 M	HK$575 M	HK$1,000 M

Debt Management

- The facilities share on a pari passu a mortgage over certain properties, with an appraised value of HK$2,373.7 M constituting unencumbered real estate assets of Sunlight REIT.
- On 16 Jan 2015, the Manager further entered into an interest rate swap of HK$300.0 M, altogether, approximately 77.7% of the total debt exposure have been hedged, with a weighted average swap rate of 1.64% p.a. (before spread).



Proportion of Secured and Unencumbered Assets



Hedging Profile

Financial Highlights – Key Data

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

	31 Dec 14	31 Dec 13	Change
Net Assets Attributable to Unitholders (HK$' M)	12,206.5	10,979.5	11.2%
Net Asset Value (NAV) per Unit (HK$)	7.48	6.77	10.5%

	Interim FY2015	Interim FY2014
Gearing	23.3%	25.2%
Net Debt / EBITDA (Times)	7.81	8.39
Interest Coverage (Times)	4.77	4.60
Average Cost of Debt	2.47%	2.39%

	31 Dec 14	31 Dec 13
Unencumbered properties as % of Total Properties	14.7%	14.9%
Average Term to Maturity (Years)	3.8	4.8
Repayment Tranches	4.0	4.0
Average Spread	1.24%	1.24%
Unused Facility	HK$300 M	HK$300 M

Unit Repurchase

- The Manager began on-market repurchase of units on behalf of Sunlight REIT since Jun 2012 recongnising 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

- 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