



SUNLIGHT REIT

Interim Results FY2019/20

Six months ended 31 Dec 2019



Investor Presentation

11 Feb 2020

Agenda



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Results Highlights

Results Highlights



Six months ended 31 Dec 2019

Revenue	HK\$424.9M
HK\$437.1M	+2.9% YoY

Net Property Income	HK\$338.7M
HK\$345.7M	+2.1% YoY

Distribution Per Unit	HK 13.2 cents
HK 13.2 cents	No change YoY

31 Dec 2019

Property Valuation	HK\$20,003M
HK\$19,896M	-0.5% 30 Jun 2019

NAV Per Unit	HK\$9.68
HK\$9.56	-1.2% 30 Jun 2019

Gearing	20.4%
20.5%	20.4% 30 Jun 2019

Results Highlights (cont'd)



1. Slowdown in Office Decentralization Momentum

- ◆ Corporates more cautious on office expansion & major cost outlays.
- ◆ Office rents in Central and Admiralty clearly softening.
- ◆ Stable office demand in decentralized areas.



2. Sluggish Consumer Spending

- ◆ Healthy rental reversion reflected leases concluded prior to social unrest.
- ◆ Substantial decline in tourist arrivals and retail sales in 2H 2019.
- ◆ Longer rent void for vacant units at retail properties.



3. Timely Asset Enhancement Initiatives

- ◆ Completion of Strand 50's renovation improved its passing rent and capital value.
- ◆ Enhancement work of The Harvest achieved a return on investment of over 12%.



4. Proactive Capital Management

- ◆ Refinanced HK\$300 million bank loan in Jan 2020.
- ◆ Executed a series of interest rate swaps ("IRSs") to strengthen the fixed rate position.



Financial Highlights



Income Statement (HK\$'M)	Interim		Change
	FY2019/20	FY2018/19	
Revenue	437.1	424.9	+2.9%
Property Operating Expenses	91.4	86.2	+6.1%
Net Property Income ("NPI")	345.7	338.7	+2.1%
Distributable Income	233.5	231.6	+0.8%
DPU (HK cents)	13.2	13.2	No change

- ◆ Steady NPI growth was attributable to reasonable rental reversion.
- ◆ Distributable income was somewhat affected by increased finance costs due to higher HK\$ interbank rates.

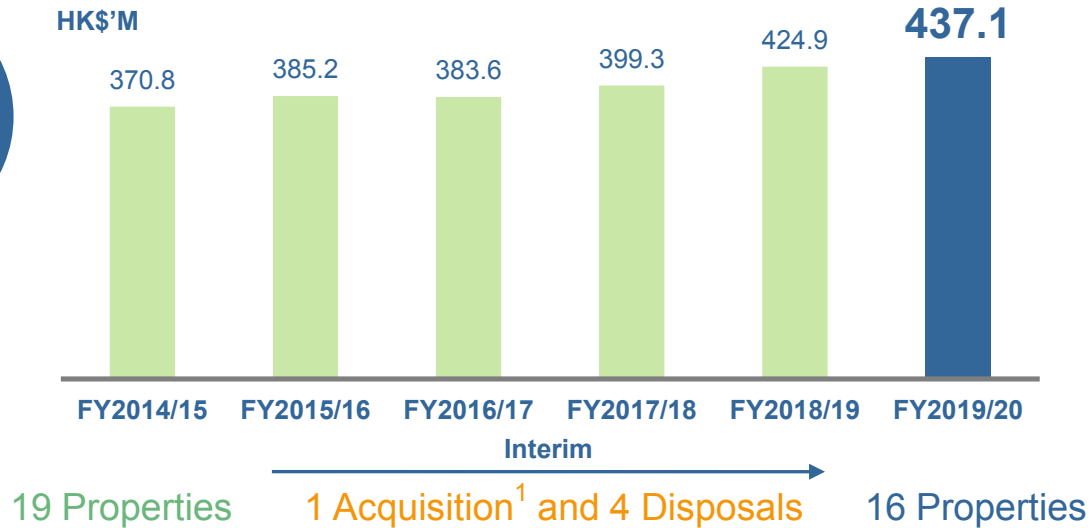
Financial Position (HK\$'M)	31 Dec 2019	30 Jun 2019	Change
Investment Properties	19,896.1	20,002.5	-0.5%
Bank Borrowings	4,240.2	4,237.3	+0.1%
Net Asset Value ("NAV")	15,839.1	15,991.9	-1.0%
NAV/unit (HK\$)	9.56	9.68	-1.2%

- ◆ The appraised value of Sunlight REIT's portfolio recorded a slight drop, reflecting the retail market situation.



Revenue and NPI Trends

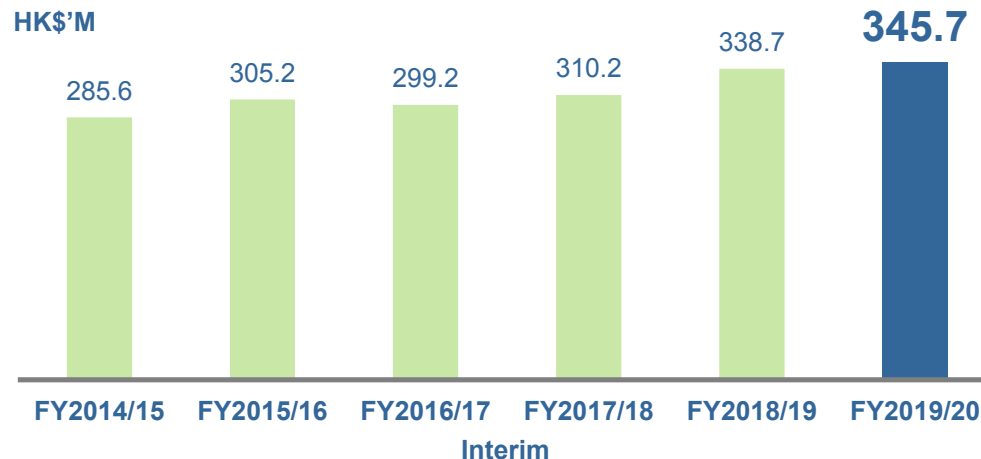
5-YR
CAGR
3.3%



Revenue

- ◆ Uninterrupted growth thanks to asset recycling and timely implementation of value-added asset enhancement initiatives (“AEI”).

5-YR
CAGR
3.9%



Net Property Income

- ◆ Cost-driven AEI and disciplined cost control helped maintain NPI growth.

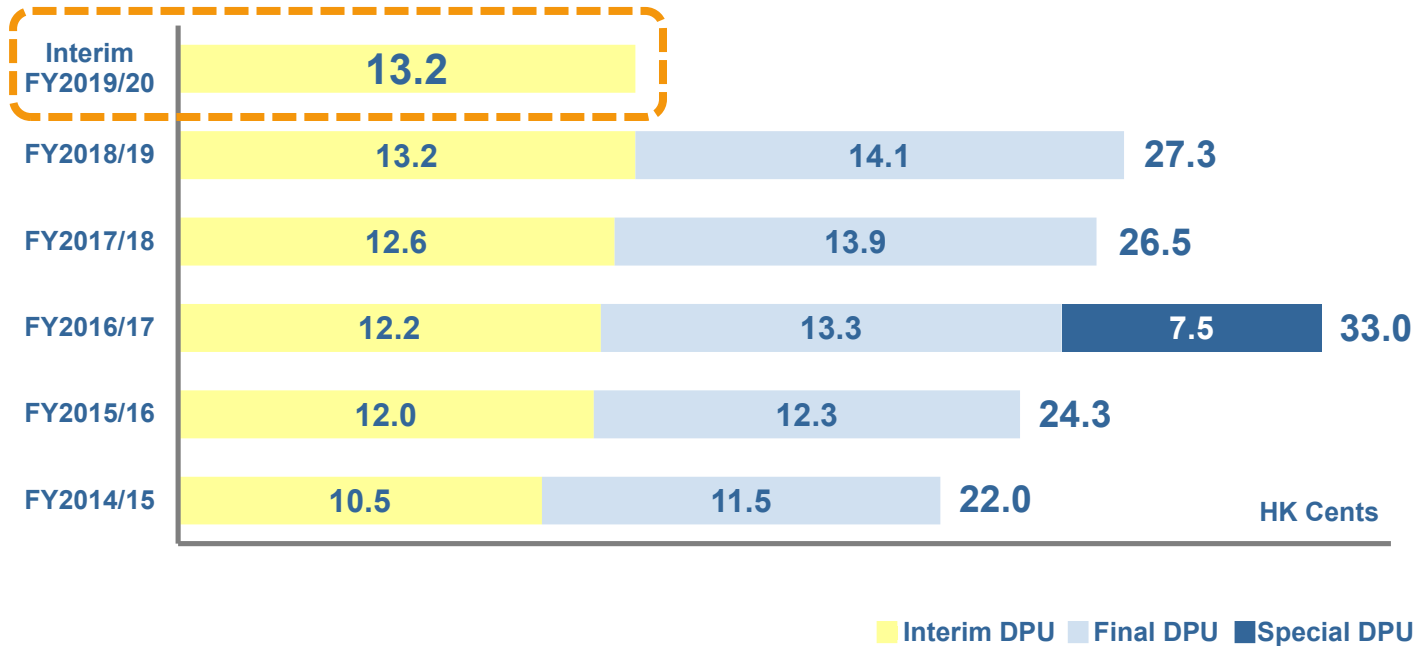
Note:

1. Excluding the unification of On Loong Commercial Building in FY2015/16.

DPU Trend



5-YR
CAGR
Interim
4.7%



DPU Growth
No change
YoY

Distribution Yield¹
5.2%

Payout Ratio
93.6%

Note:
1. Annualized distribution yield, based on the closing price of HK\$5.04 on 31 Dec 2019, the last trading day of the reporting period.

2

Capital Management



Bank Borrowings Profile

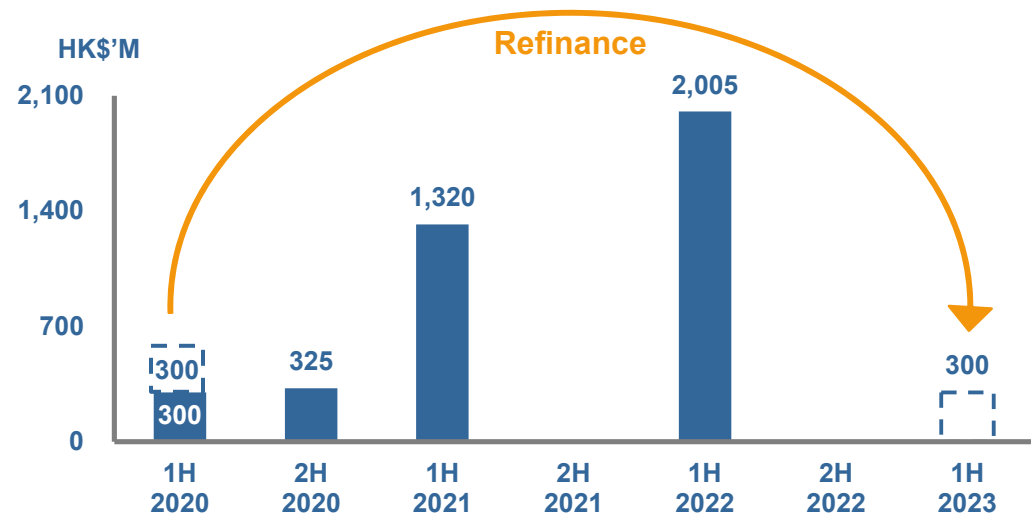
Weighted Maturity (Years)	1.8
	2.3 30 Jun 2019

Unsecured Debt	31.1%
	31.1% 30 Jun 2019

Undrawn Facility (HK\$)	600M
	600M 30 Jun 2019

HK\$'M	31 Dec 2019	30 Jun 2019	Change
Bank Borrowings	4,250.0	4,250.0	No Change
- Secured	2,930.0	2,930.0	No Change
- Unsecured	1,320.0	1,320.0	No Change

Facility Maturity Profile of Bank Borrowings



Financial Position



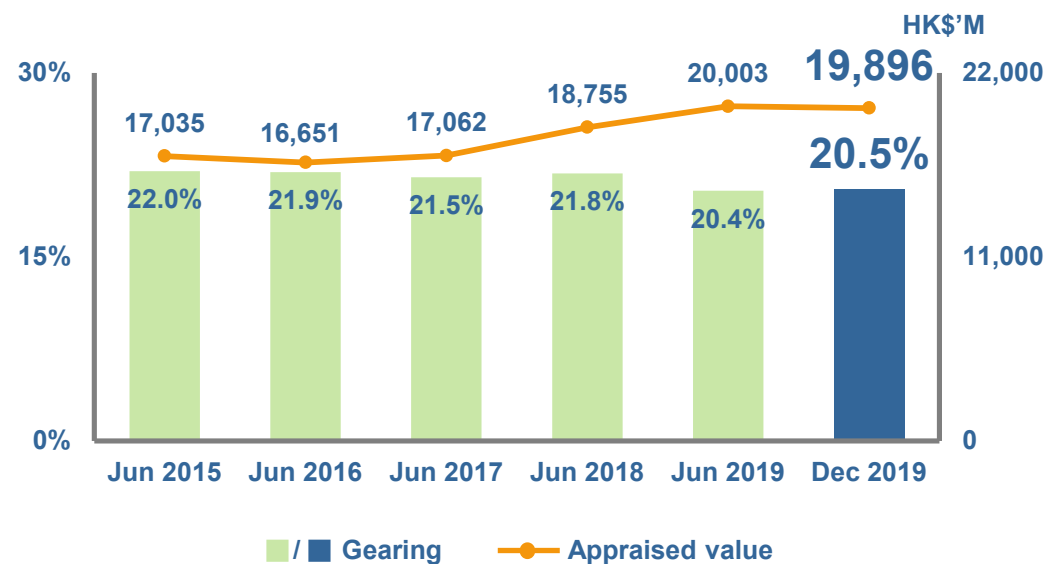
Gearing	20.5%
	20.4% 30 Jun 2019

Interest Coverage	5.3x
	6.1x Interim FY2018/19

Effective Interest Rate (Weighted Average)	2.60%
	2.20% Interim FY2018/19

HK\$'M	31 Dec 2019	30 Jun 2019	Change
Bank Borrowings	4,250.0	4,250.0	No Change
- Fixed	1,850.0	1,950.0	-5.1%
- Floating	2,400.0	2,300.0	+4.3%

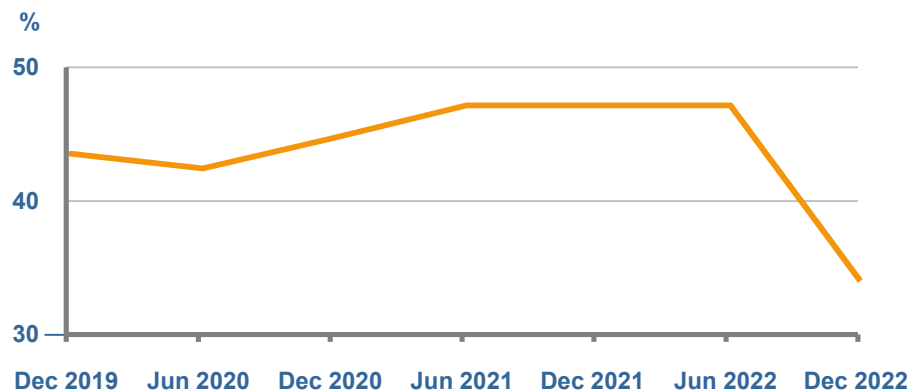
Gearing and Appraised Value Trends



Interest Rate Management



Hedging Level (at 31 Dec 2019)



Weighted Average Interest Rate Including Loan Interest Margin (Fixed Rate Portion)	2.49% p.a.
	2.20% p.a. 30 Jun 2019
Fixed Rate Borrowings / Total Borrowings	44%
	46% 30 Jun 2019

Fixed Income Portfolio

Bond Investments	116.4M
	136.4M 30 Jun 2019

Years to Maturity	1.5
	1.8 30 Jun 2019

Yield to Maturity (Weighted Average)	4.5%
	4.4% 30 Jun 2019

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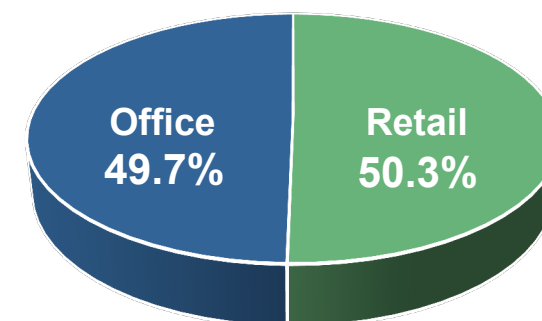
Operating Performance

Performance Highlights



	Office	Retail	Overall	
Occupancy Rate	31 Dec 2019	95.7%	97.1%	96.1%
	30 Jun 2019	94.0%	98.1%	95.3%
Passing Rent¹ (HK\$ / sq. ft.)	31 Dec 2019	36.6	76.5	49.4
	30 Jun 2019	35.5	75.8	48.6
Rental Reversion²	Six months ended 31 Dec 2019	12.3%	8.7%	10.3%
	Six months ended 30 Jun 2019	13.0%	11.1%	12.2%

NPI by Type



FY2019/20 Expiry Profile by GRA
(at 31 Dec 2019)

	1H	2H
Sunlight Tower	19.7%	2.7%
Sheung Shui Centre	29.6%	16.8%
Metro City Phase I	17.2%	18.1%
Office	20.5%	12.1%
Retail	20.6%	18.9%

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.

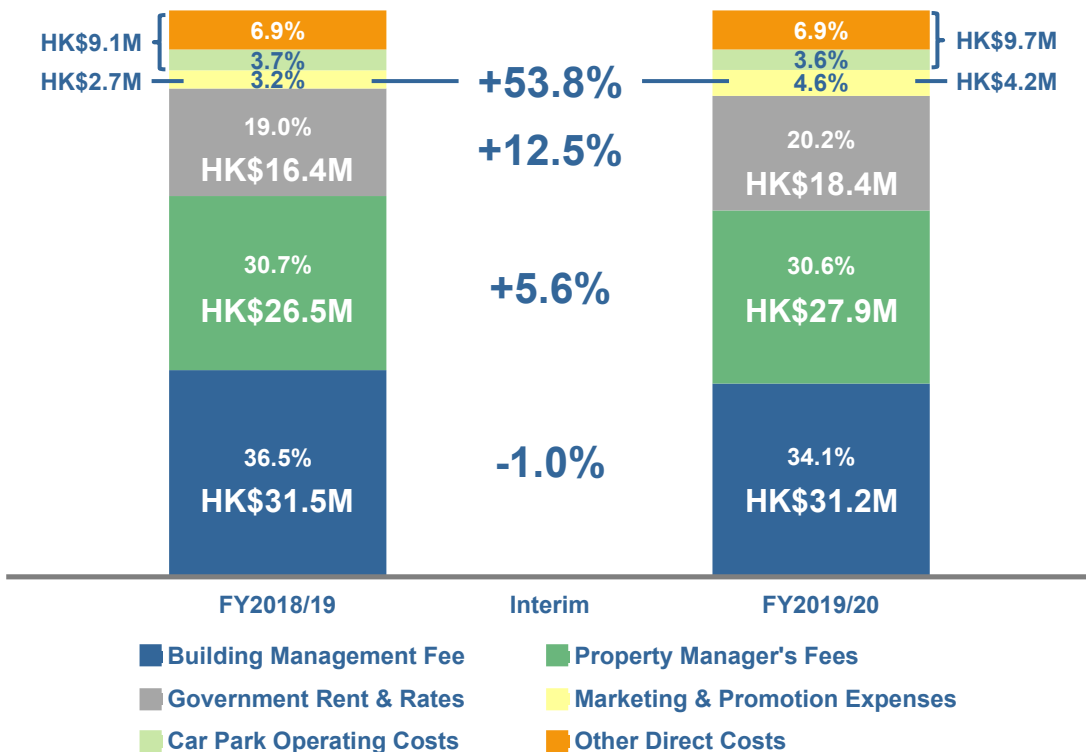
Cost-to-Income Ratio



Property Operating Expenses	HK\$86.2M
HK\$91.4M	+6.1% YoY

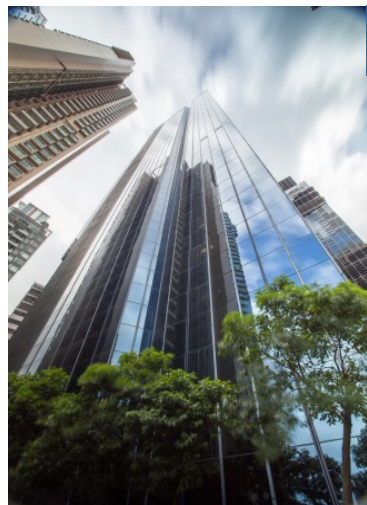
Cost-to-Income-Ratio	20.3% Interim FY2018/19
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Breakdown of Property Operating Expenses



- ◆ Reduced rates concession during the reporting period.
- ◆ Increase in rental commission due to more leasing activities.
- ◆ Promotional campaign at Sheung Shui Centre and Metro City Phase I launched in 4Q19 also attributed to the increase in operating expenses.

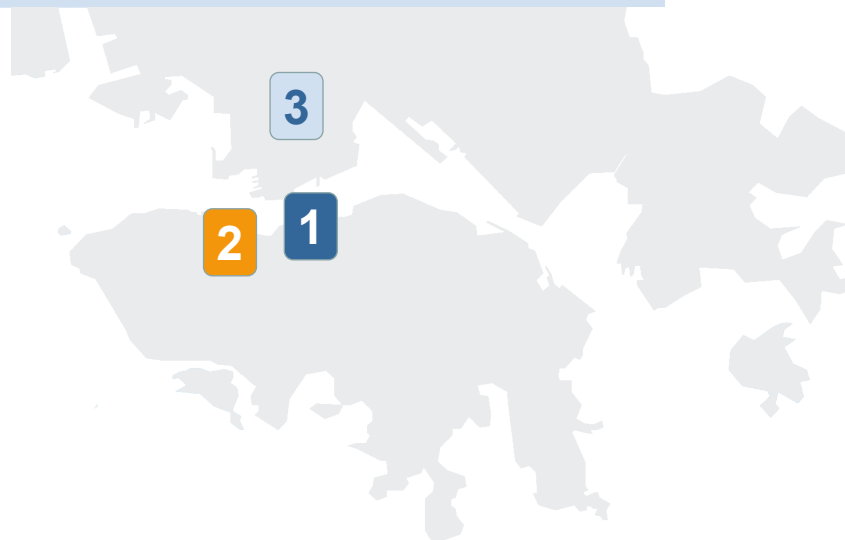
Top 3 Office Properties¹



1. Sunlight Tower		
	31 Dec 2019	30 Jun 2019
Occupancy Rate	96.4%	98.2%
Passing Rent HK\$ / sq. ft.	40.6	39.6
Rental Reversion ⁴	14.4%	14.5%
	2H FY19/20	
Expiry by GRA	2.7%	



2. Strand 50 ²		
	31 Dec 2019	30 Jun 2019
Occupancy Rate	90.9%	68.4% ³
Passing Rent HK\$ / sq. ft.	35.6	31.8
Rental Reversion ⁴	13.9%	16.1%

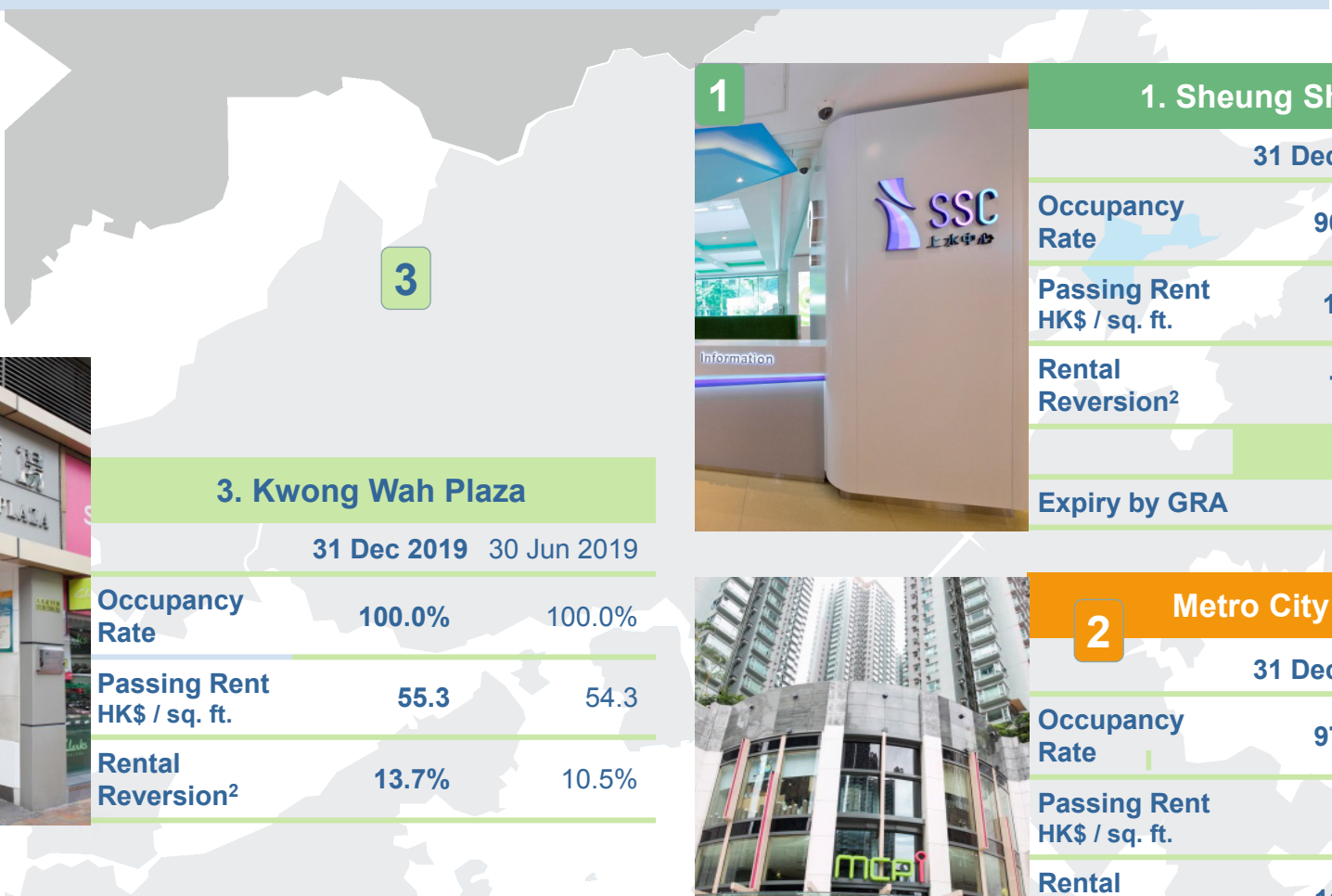


3. The Harvest		
	31 Dec 2019	30 Jun 2019
Occupancy Rate	100.0%	96.4%
Passing Rent HK\$ / sq. ft.	51.4	51.2

Notes:

1. Top 3 office properties are ranked by valuation at 31 Dec 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 period ended at the specified date.

Top 3 Retail Properties¹



3. Kwong Wah Plaza

	31 Dec 2019	30 Jun 2019
Occupancy Rate	100.0%	100.0%
Passing Rent HK\$ / sq. ft.	55.3	54.3
Rental Reversion²	13.7%	10.5%



1. Sheung Shui Centre

	31 Dec 2019	30 Jun 2019
Occupancy Rate	96.4%	98.1%
Passing Rent HK\$ / sq. ft.	118.6	118.4
Rental Reversion²	7.2%	19.2%
	2H FY19/20	
Expiry by GRA	16.8%	



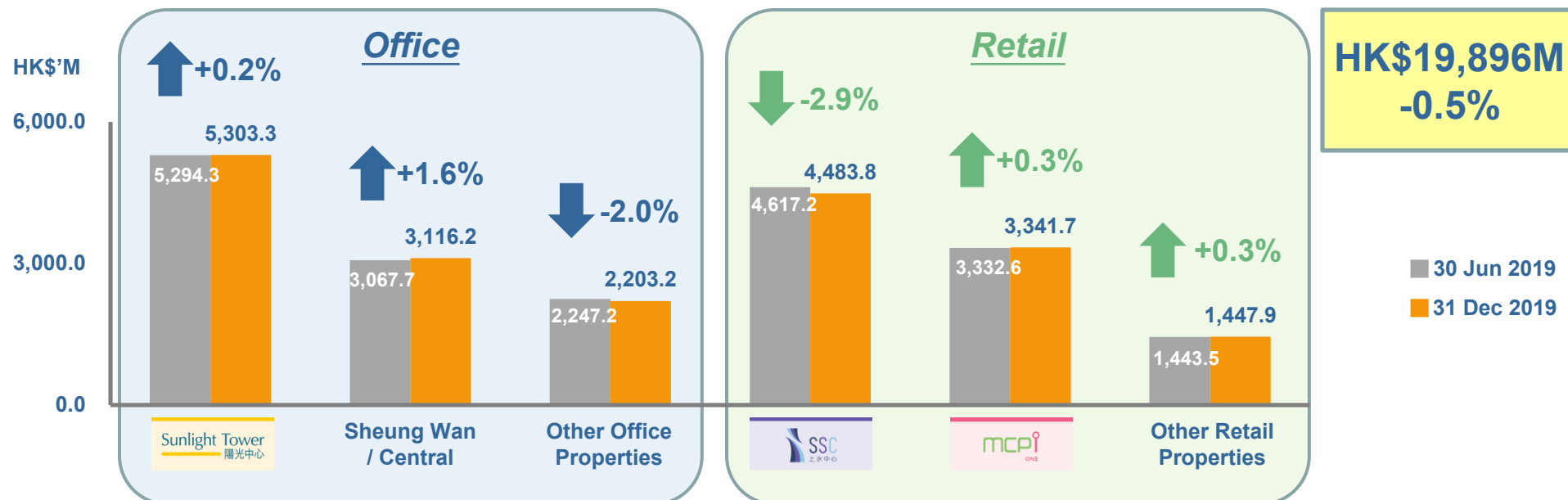
2. Metro City Phase I

	31 Dec 2019	30 Jun 2019
Occupancy Rate	97.2%	98.9%
Passing Rent HK\$ / sq. ft.	58.9	57.5
Rental Reversion²	11.5%	6.9%
	2H FY19/20	
Expiry by GRA	18.1%	

Notes:

1. Top 3 retail properties are ranked by valuation at 31 Dec 2019.
2. For rental reversion which are for the respective period ended at the specified date.

Valuation



Capitalization Rate	31 Dec 2019		30 Jun 2019	
	Office	Retail	Office	Retail
Sunlight Tower	3.75%	3.65%	3.75%	3.65%
Bonham Trade Centre	3.45%	3.80%	3.45%	3.80%
The Harvest	3.10%	2.90%	3.10%	2.90%
Sheung Shui Centre	N/A	4.30%	N/A	4.30%
Metro City Phase I	N/A	4.40%	N/A	4.40%
Kwong Wah Plaza	3.60%	3.60%	3.60%	3.60%

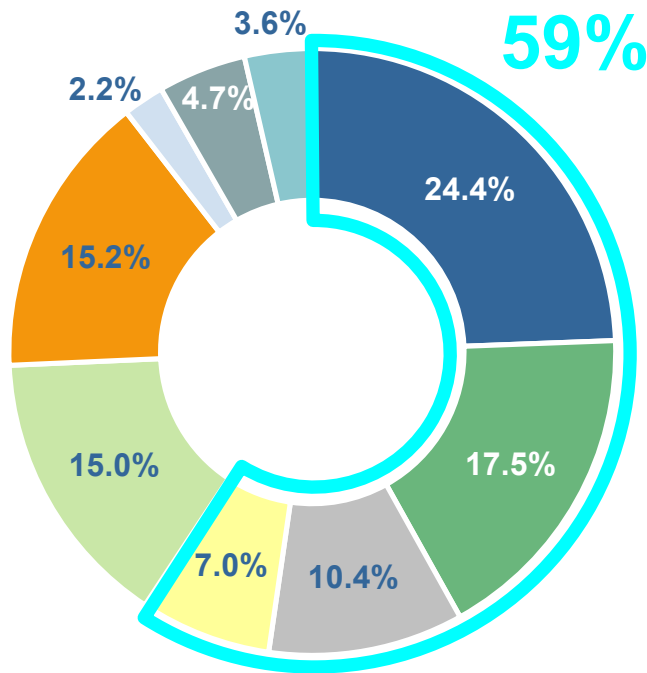
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Asset Management

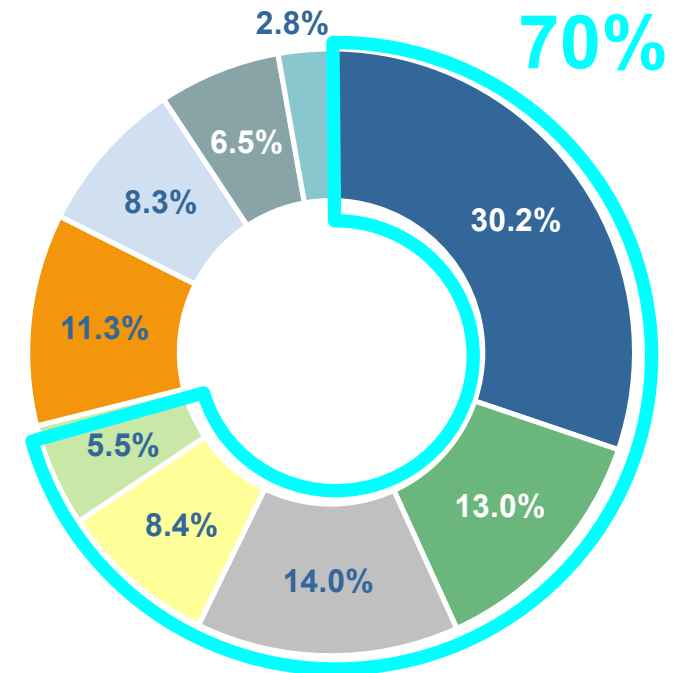
Retail Portfolio – Trade Mix Optimization



Tenant Composition (at 31 Dec 2019)



Sheung Shui Centre



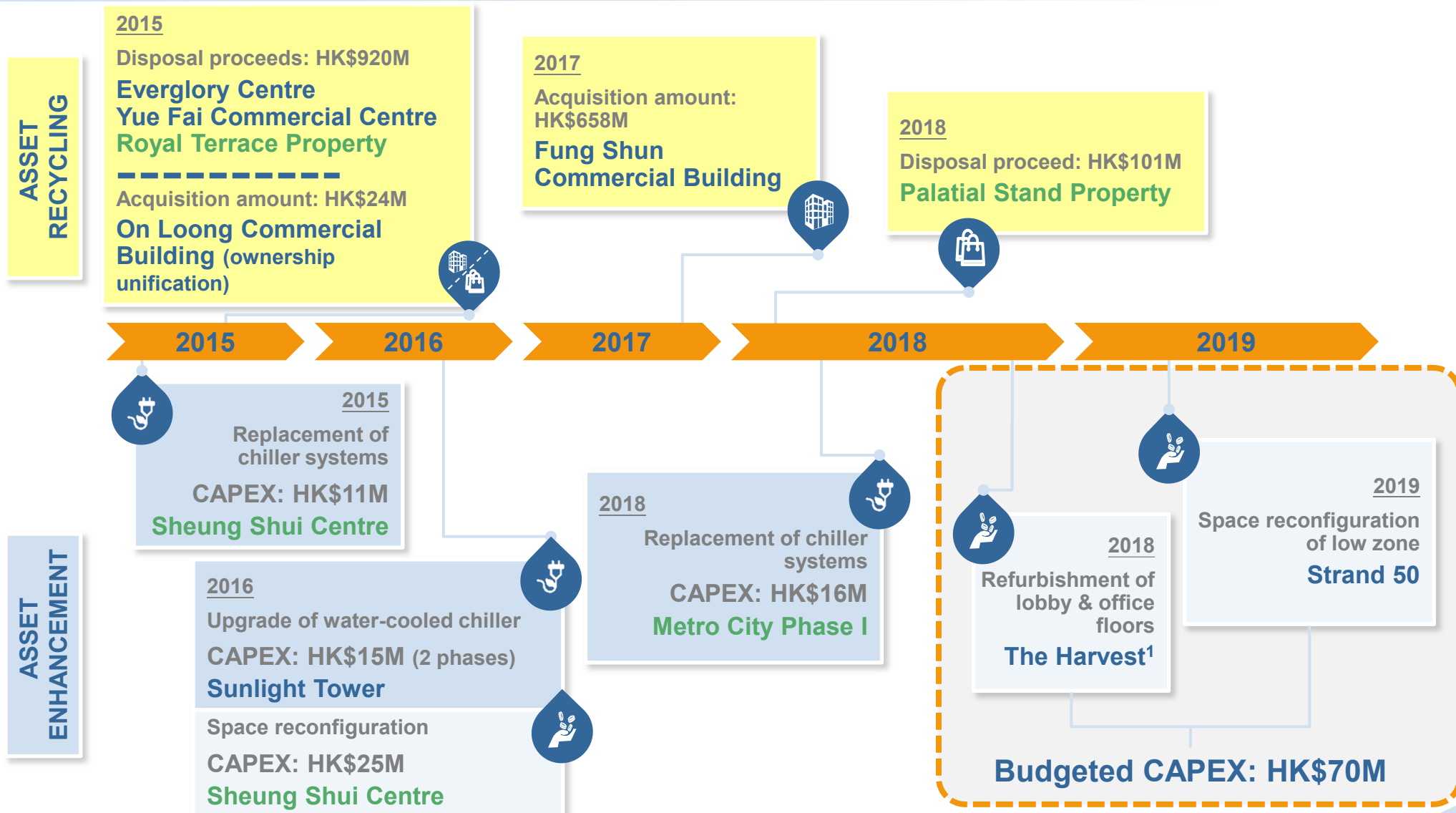
Metro City Phase I

Non-Discretionary trades:
 Food & Beverage
 Financial
 Education
 Snacks & convenience store

- Food and Beverage
- Financial
- Education
- Snacks and Convenience Store
- Fashion and Jewellery
- Healthcare and Beauty
- Lifestyle
- Others
- Vacant



Timeline of Major Asset Recycling and Enhancement



Note:

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

Revitalization of Strand 50



After



Before



G/F Lobby & Coffee Shop



5

Outlook & Strategy



Key Strategic Risks

- ◆ Social unrest have clearly imposed a devastating impact on economic growth.
- ◆ The likelihood of higher unemployment rates and a dearth of tourist arrivals, particularly in light of the novel coronavirus outbreak, does not bode well for consumer spending.
- ◆ Hong Kong dollar funding cost may stay at a premium to its US counterpart given the prevailing liquidity environment and credit risk perception.

Sector Outlook

- ◆ Retail sector remains highly uncertain as sluggish retail sales will unavoidably translate into higher vacancies and lower (or negative) rental reversion.
- ◆ Office leasing market is expected to fare better, although the expansion motives of corporates have seemingly waned in light of the changing economic landscape.



Leasing and Asset Management

- ◆ Proactive leasing strategy to enhance income sustainability.
- ◆ Planning to infuse more sustainability elements into Strand 50, with a view to generating both income and environmental benefits.
- ◆ The defensive nature of Sunlight REIT's shopping destinations is expected to help alleviate the adverse impact arising from prevailing uncertainties.

Asset Recycling and Capital Management

- ◆ Consider acquisition opportunities in a prudent manner.
- ◆ Manage interest rate profile proactively.
- ◆ Refinancing of bank loans due before June 2020 has been progressing well, which again illustrates the strong credit metrics of Sunlight REIT.

Contact Us



Thank You



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Disclaimer



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