



SUNLIGHT REIT

FY2020/21 Interim Results

Investor Presentation



4 February 2021



01



Results Highlights



Results Summary

- The decline in revenue and net property income reflected the unfavourable operating environment attributable to the pandemic outbreak.
- Disciplined cost control helped alleviate the rental loss from lower occupancy rates.
- Refined the maturity profile and fixed rate position of borrowings through maiden issuances of sustainability-linked loan (“SLL”) and medium term notes (“MTN”).

Revenue

HK\$'M

399.5 (Interim FY2020/21)

437.1 (Interim FY2019/20)

▼ 8.6% YoY

Net Property Income (NPI)

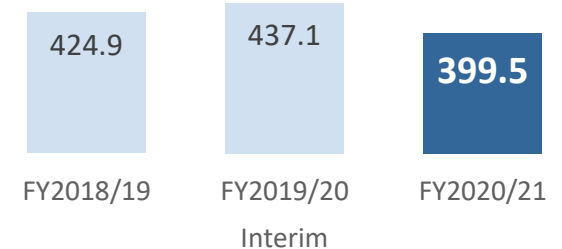
HK\$'M

319.5 (Interim FY2020/21)

345.7 (Interim FY2019/20)

▼ 7.6% YoY

Revenue (HK\$'M)

▼ 8.6%


Distribution Per Unit (DPU)

HK cents

12.5 (Interim FY2020/21)

13.2 (Interim FY2019/20)

▼ 5.3% YoY

Net Asset Value Per Unit (NAV)

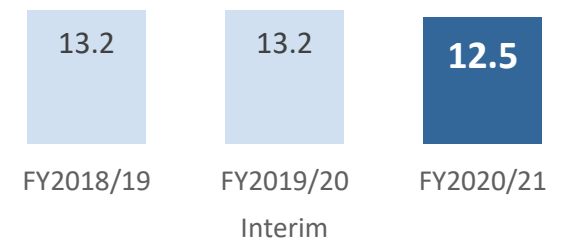
HK\$

8.61 (31 Dec 2020)

8.89 (30 Jun 2020)

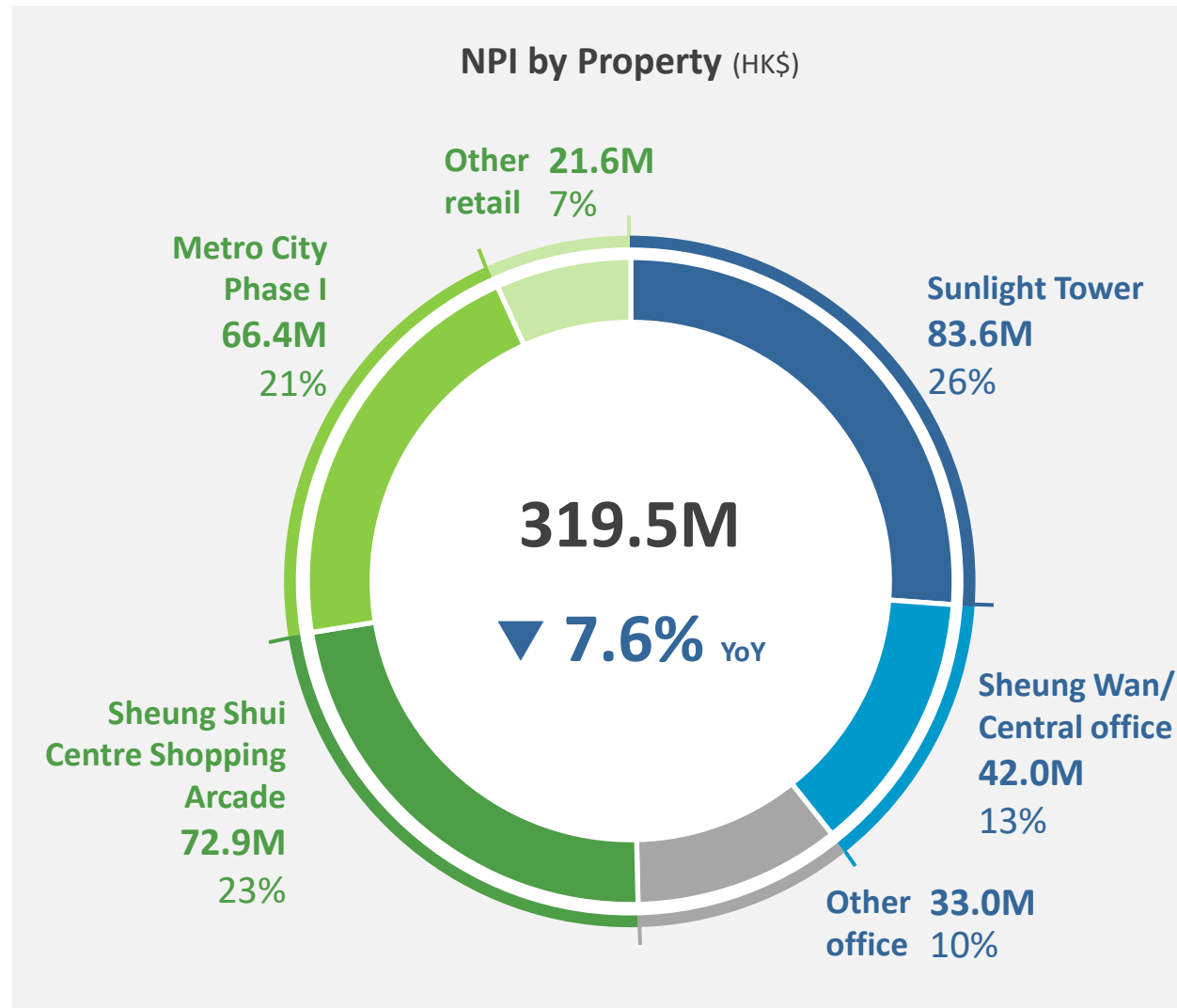
▼ 3.1% HoH

DPU (HK cents)

▼ 5.3%


NPI Derived from a Balanced and Diversified Portfolio

- Office and retail portfolios made **equal contributions** to NPI.
- Cost saving and downsizing plans were evident amongst multinational corporations, exerting pressure on the performances of Sunlight Tower and the Sheung Wan/Central portfolio.
- Amortized impact of rental concessions (HK\$7.8M)** and lower car park revenue also affected the revenue.



Financial Position

HK\$'M	31 Dec 2020
Non-current assets	18,719.6
Current assets	574.1
Gross assets	19,293.7
Current liabilities	1,272.0
Non-current liabilities	3,672.0
Gross liabilities	4,944.0
Net assets	14,349.7
Gearing ratio	22.4%
No. of units in issue	1,666.9M

Selected items (HK\$'M)	31 Dec 2020	HoH
Investment properties	18,548.6	-2.0%
<i>Office</i>	10,177.1	-0.1%
<i>Retail</i>	8,371.5	-4.2%
■ A mild decrease in valuation was mainly caused by the fall in market rents in particular to ground floor shops and retail assets.		
Borrowings	4,318.0	+1.6%
<i>Current</i>	900.0	-45.3%
<i>Non-current</i>	3,418.0	+31.2%
■ Completion of the first Japanese yen SLL and MTN with a total amount of approx. HK\$813M.		

DPU at a Glance

Distributable Income

HK\$'M

220.0 (Interim FY2020/21)

233.5 (Interim FY2019/20)

▼ **5.8%** YoY

Distribution Yield¹

6.6%

31 Dec 2020

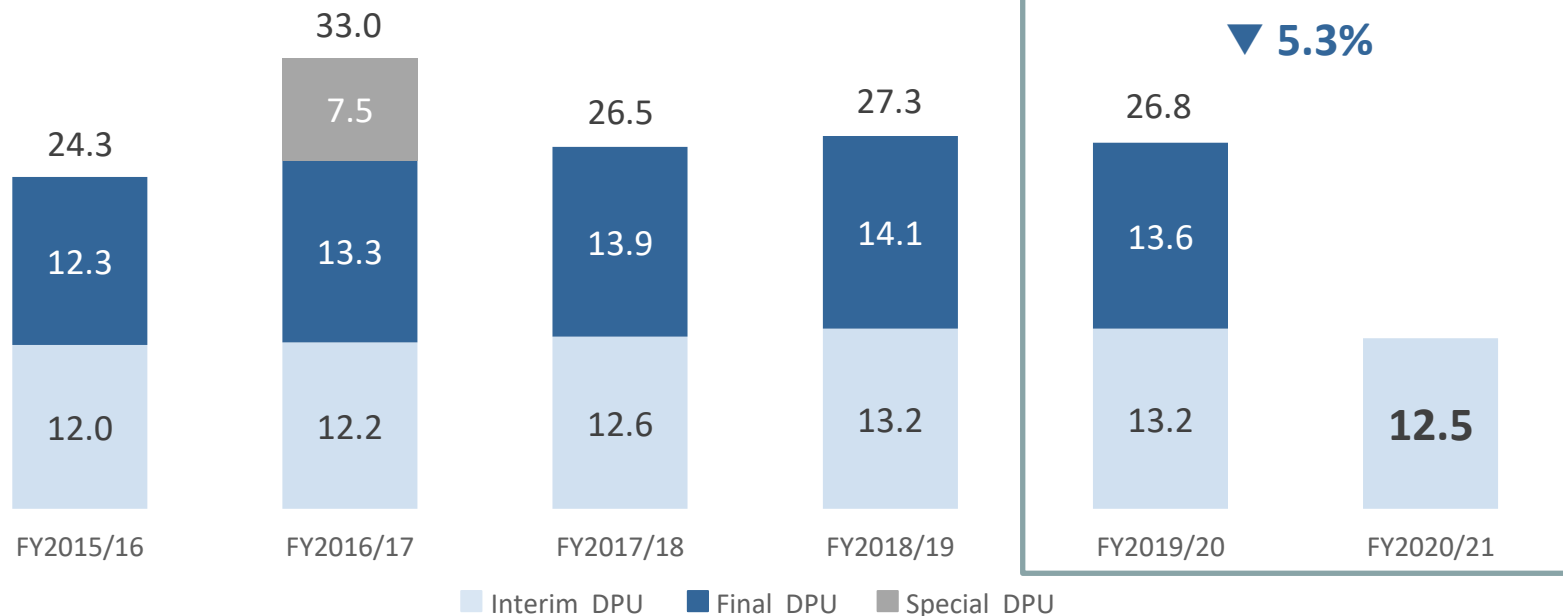
6.5%

04 Feb 2021

Payout Ratio

94.7%

HK cents



Note:

- Annualized distribution yield was based on the closing price of HK\$3.77 on the last trading day of Interim FY2020/21 or based on the closing price of HK\$3.82 on the results announcement date.



02

Portfolio Performance

Operating Performance

Occupancy Rate

31 Dec 2020

91.5%

95.7% (30 Jun 2020)

96.1% (31 Dec 2019)

Passing Rent (HK\$ psf.)

31 Dec 2020

48.7

48.6 (30 Jun 2020)

49.4 (31 Dec 2019)

Rental Reversion

Interim FY2020/21

-4.5%

-1.0% (2H FY2019/20)

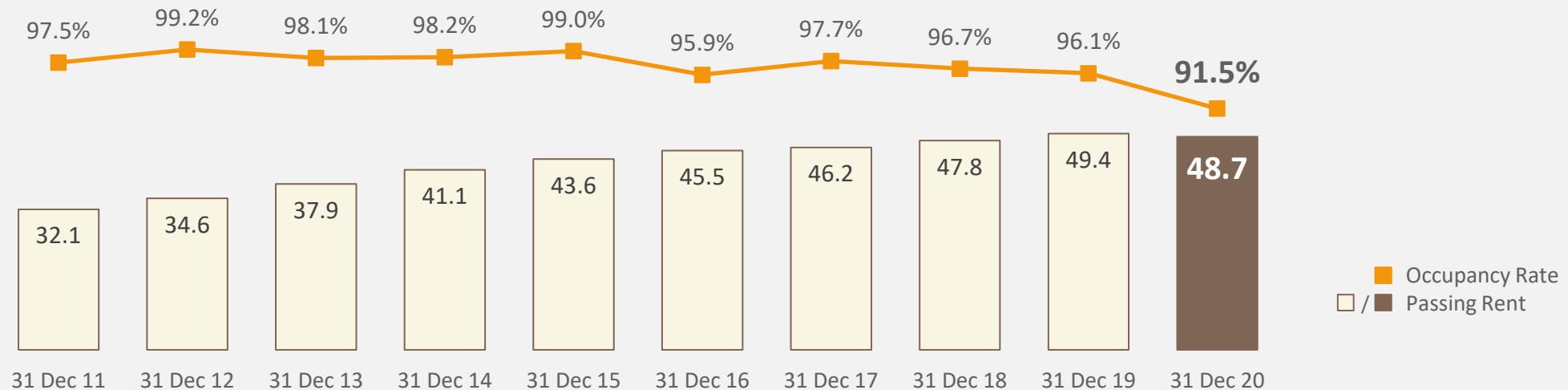
10.3% (1H FY2019/20)

No. of Leases

31 Dec 2020

795

Trends of Occupancy Rate¹ and Passing Rent¹ (HK\$ psf.)



Note:

1. All figures have been adjusted to exclude disposed properties.

Operating Performance of Office Portfolio

Rental Reversion

Interim FY2020/21

-2.4%

5.6% (2H FY2019/20)

12.3% (1H FY2019/20)

Expiry Profile

by GRA

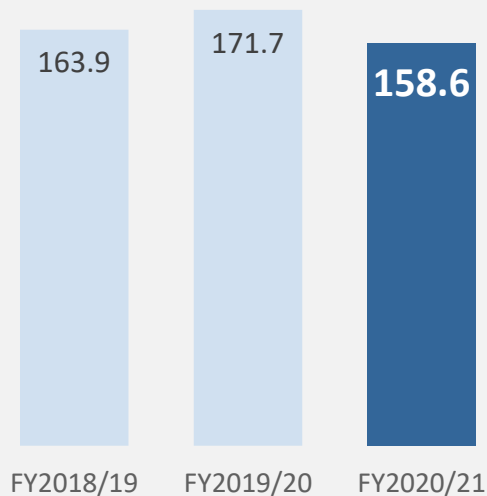
23.6% (2H FY2020/21)

27.5% (1H FY2020/21)

- Longer rent void when sourcing replacement tenants was the key reason for lower occupancy rate.
- Improved passing rent was mainly attributable to the meaningful contribution by a new major tenant at Sunlight Tower.

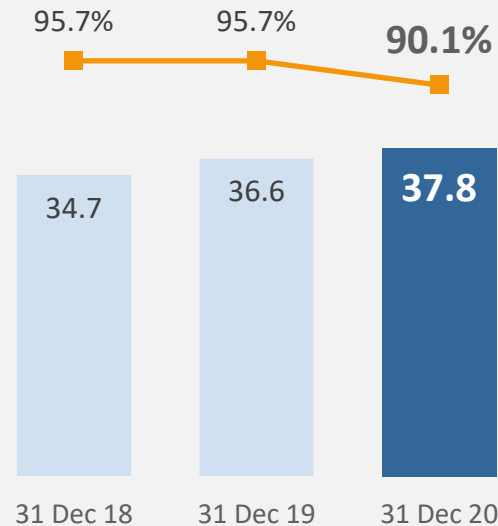
Interim NPI (HK\$'M)

▼ **7.6% YoY**



Occupancy Rate and Passing Rent

(HK\$ psf.)



Valuation (HK\$'M)	31 Dec 2020	30 Jun 2020	Change
<i>Sunlight Tower</i>	5,304.7	5,200.3	+2.0%
<i>Sheung Wan/Central office</i>	2,885.1	2,945.4	-2.0%
<i>Other office properties</i>	1,987.3	2,037.5	-2.5%
Sub-total	10,177.1	10,183.2	-0.1%

Operating Performance of Retail Portfolio

Rental Reversion

Interim FY2020/21

-5.9%

-4.6% (2H FY2019/20)

8.7% (1H FY2019/20)

Expiry Profile

by GRA

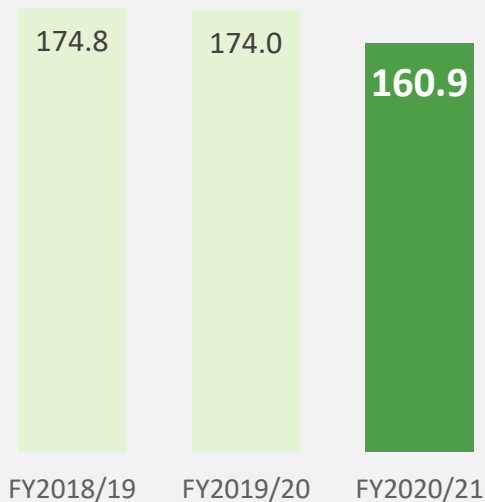
13.8% (2H FY2020/21)

19.5% (1H FY2020/21)

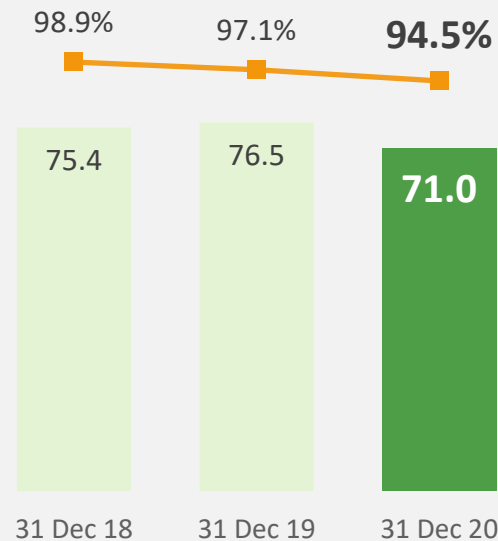
- Performance remained under pressure in terms of NPI and passing rent.
- Satisfactory occupancy rate demonstrated some early signs of stability in domestic consumption.

Interim NPI (HK\$'M)

▼ **7.5% YoY**



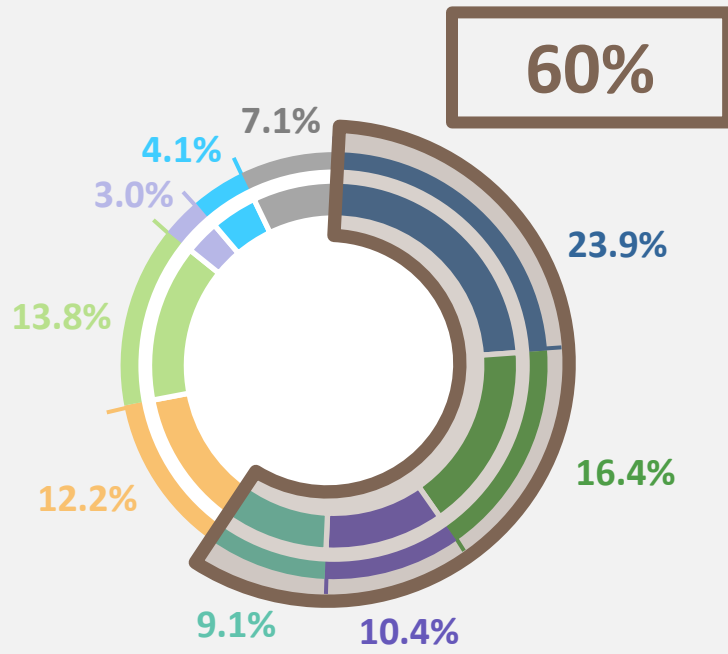
Occupancy Rate and Passing Rent (HK\$ psf.)



Valuation (HK\$'M)	31 Dec 2020	30 Jun 2020	Change
SSC	3,989.6	4,194.3	-4.9%
MCPI	3,073.2	3,184.5	-3.5%
Other retail properties	1,308.7	1,356.0	-3.5%
Sub-total	8,371.5	8,734.8	-4.2%

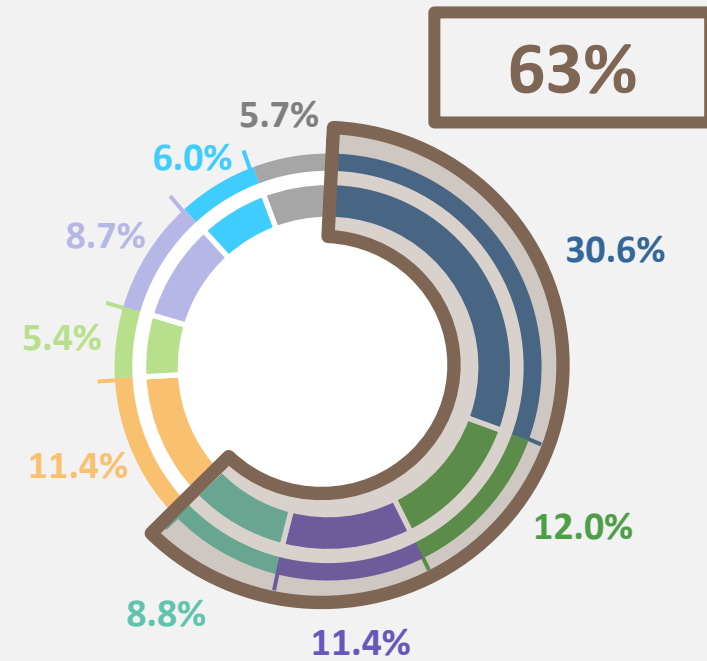
Retail Portfolio – Trade Mix Optimization

Tenant Composition (31 Dec 2020)



Sheung Shui Centre Shopping Arcade

Non-Discretionary Trades:
 Food & Beverage
 Financial
 Education
 Snacks & Convenience Store



Metro City Phase I

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

Promotional Campaigns to Drive Local Consumption



Marketing initiatives

- Promotional cash coupons to stimulate footfall and tenants' sales



New eShop

- An e-commerce platform was launched in Nov 2020

消費滿	消費滿
HK\$500 或以上	HK\$900 或以上
消費有賞 \$100	消費有賞 \$100
換領 1 張 商戶 \$100 現金券 (其中一張)	換領 2 張 商戶 \$100 現金券 (其中一張或兩張)

Hygienic and Proptech Enhancement amidst COVID-19

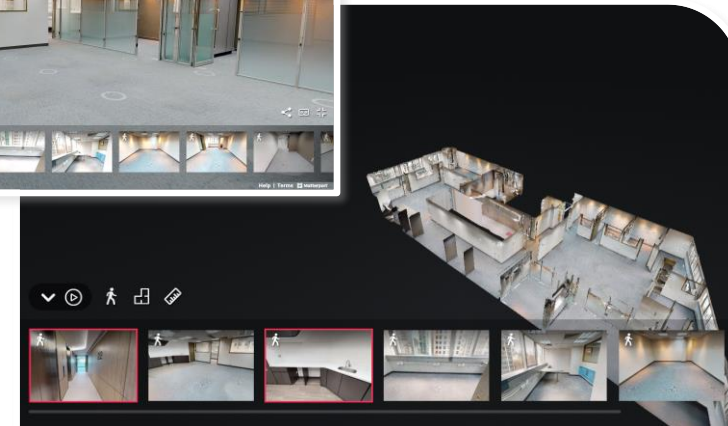
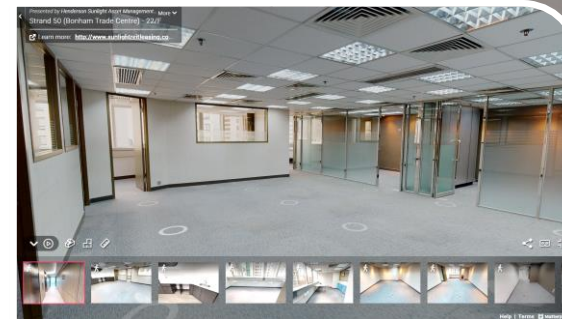
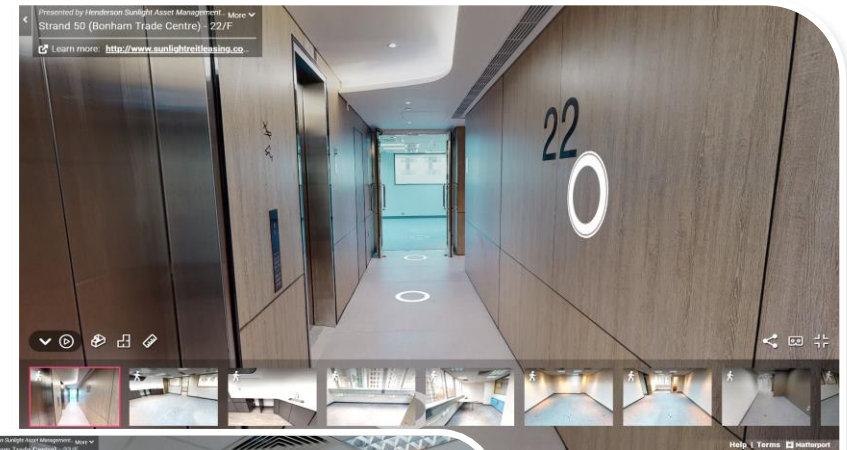
Precautionary Measures

- Setting up body temperature measurement devices and hand sanitizers at shopping malls
- More frequent cleaning of lift cars, elevators and air filters



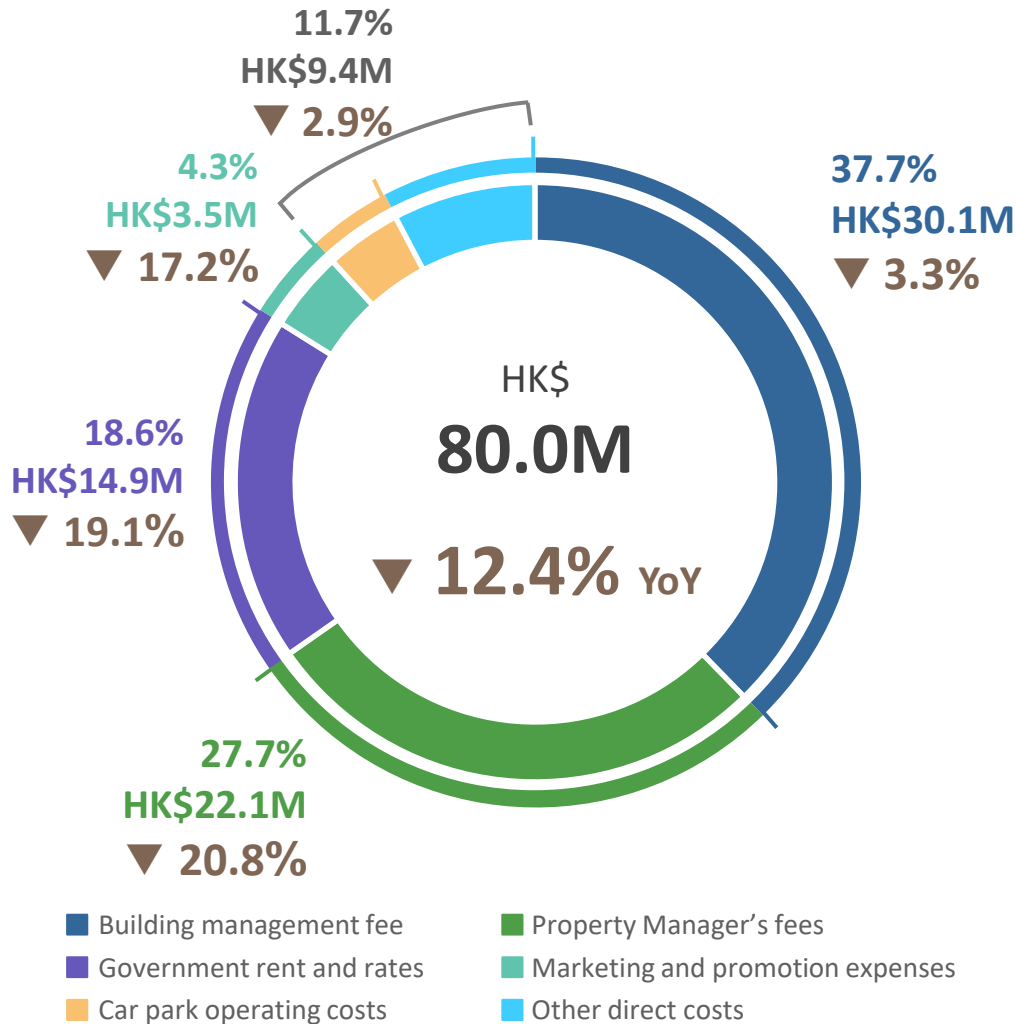
Online Leasing Platform

- Launched virtual tour for potential tenants under social distancing restrictions



Disciplined Cost Control

Property Operating Expenses (Interim FY2020/21)




Cost-to-income ratio

20.0% (Interim FY2020/21)

20.9% (Interim FY2019/20)


- Cost savings mainly in rental commissions, staff cost and electricity expenses.
- Higher rates concession was received.

Top Three Office Properties¹




Sunlight Tower 陽光中心		
	31 Dec 2020	30 Jun 2020
Occupancy Rate	88.8%	94.3%
Passing Rent (psf.)	44.9	40.8
Rental Reversion ²	7.3%	11.4%
Appraised Value (HK\$'M)	5,304.7	5,200.3
	2H FY20/21	1H FY20/21
Expiry by GRA	25.0%	33.5%

Wan Chai

Strand 50		
	31 Dec 2020	30 Jun 2020
Occupancy Rate	87.2%	95.5%
Passing Rent (psf.)	33.2	35.6
Rental Reversion ²	4.7%	9.2%
Appraised Value (HK\$'M)	1,333.4	1,339.8

Sheung Wan



The Harvest		
	31 Dec 2020	30 Jun 2020
Occupancy Rate	100.0%	100.0%
Passing Rent (psf.)	53.3	51.1
Appraised Value (HK\$'M)	652.4	660.4

Mong Kok

Notes:

1. Top 3 office properties are ranked by valuation at 31 Dec 2020.
2. Rental reversions are for the respective periods ended at the specified date.

Top Three Retail Properties¹



Sheung Shui Centre		
	31 Dec 2020	30 Jun 2020
Occupancy Rate	92.9%	96.8%
Passing Rent (psf.)	105.6	112.9
Rental Reversion ²	-7.3%	-10.0%
Appraised Value (HK\$'M)	3,989.6	4,194.3
	2H FY20/21	1H FY20/21
Expiry by GRA	14.1%	32.6%

Kwong Wah Plaza		
	31 Dec 2020	30 Jun 2020
Occupancy Rate	99.3%	99.3%
Passing Rent (psf.)	53.4	55.7
Rental Reversion ²	11.0%	5.0%
Appraised Value (HK\$'M)	1,152.6	1,191.9



Metro City Phase I		
	31 Dec 2020	30 Jun 2020
Occupancy Rate	94.3%	94.5%
Passing Rent (psf.)	57.3	58.4
Rental Reversion ²	-9.8%	-1.5%
Appraised Value (HK\$'M)	3,073.2	3,184.5
	2H FY20/21	1H FY20/21
Expiry by GRA	12.6%	9.2%

Notes:

1. Top three retail properties are ranked by valuation at 31 Dec 2020.
2. Rental reversions are for the respective periods ended at the specified date.

Chiller Plant Replacement at Strand 50

- Budgetted HK\$6M for the replacement which is targeted to complete on schedule in 2Q 2021.





03

Capital Management

Resilient Credit Profile

Gearing Ratio

22.4% (31 Dec 2020)

21.6% (30 Jun 2020)

Interest Coverage Ratio

6.5x (Interim FY2020/21)

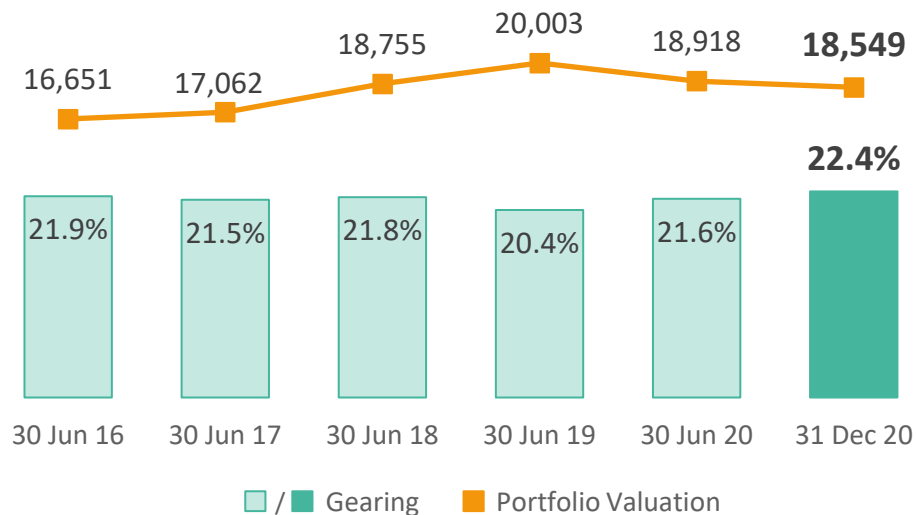
5.3x (Interim FY2019/20)

Effective Interest Rate

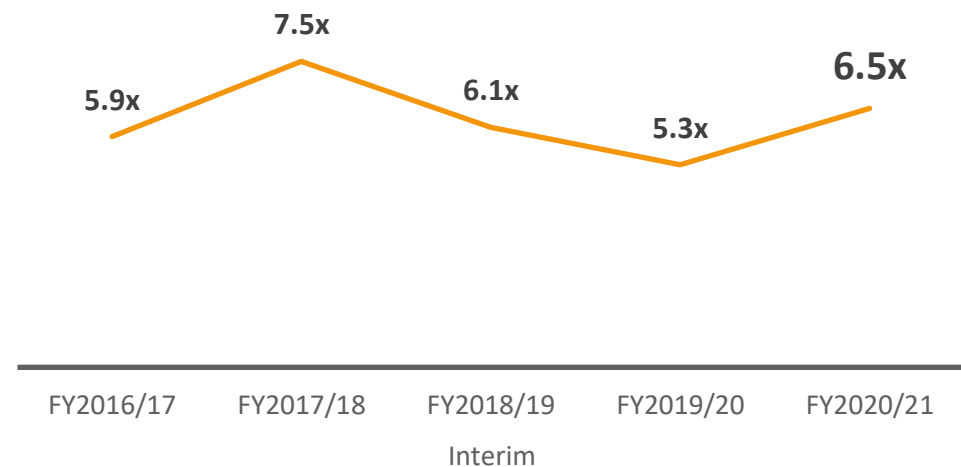
1.92% p.a. (Interim FY2020/21)

2.60% p.a. (Interim FY2019/20)

Trends of Gearing Ratio & Portfolio Valuation (HK\$'M)



Interest Coverage Ratio¹



Note:

1. Interest coverage ratio is calculated by dividing EBITDA by interest expenses incurred on total borrowings.

Healthy Borrowing Structure

Total Borrowings

HK\$'M

4,318 (31 Dec 2020)

4,250 (30 Jun 2020)

▲ **1.6%** HoH

Interest Margin

HIBOR + 0.72%

(31 Dec 2020)

HIBOR + 0.71% (30 Jun 2020)

- Slightly higher interest margin for new borrowings was compensated by lower HIBOR.
- On 2 Feb 2021, Sunlight REIT signed another HK\$500M unsecured SLL for a tenure of five years.

Facility Profile (HK\$)

Undrawn uncommitted facilities
12.2%
600M

MTN
6.1%
300M

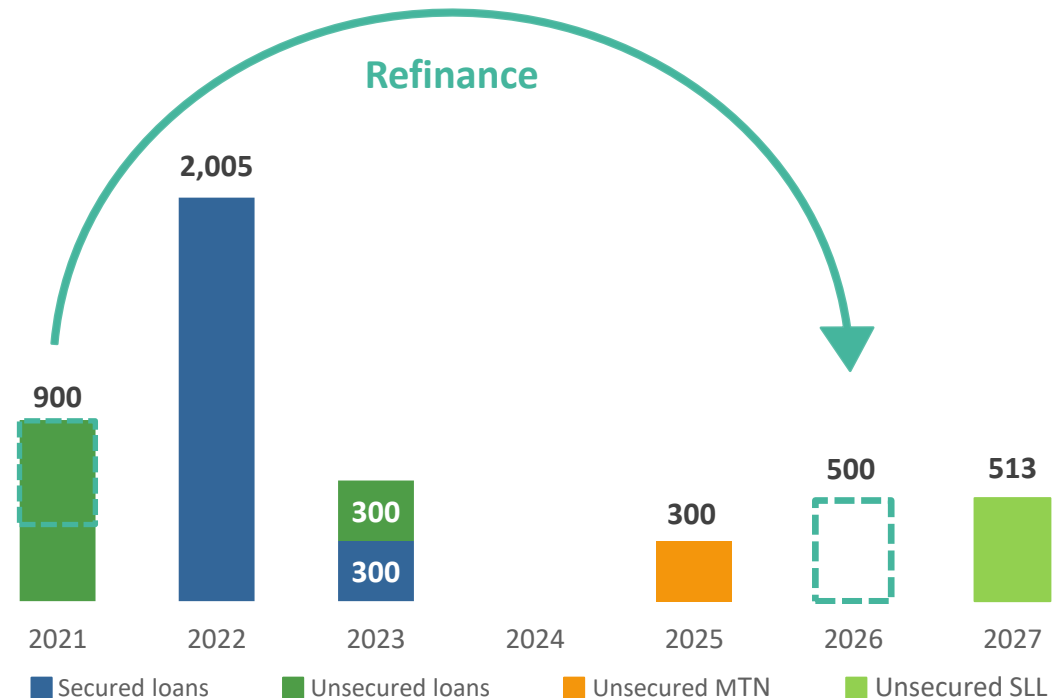
Unsecured loans
34.8%
1,713M

Secured loans
46.9%
2,305M

4,918M

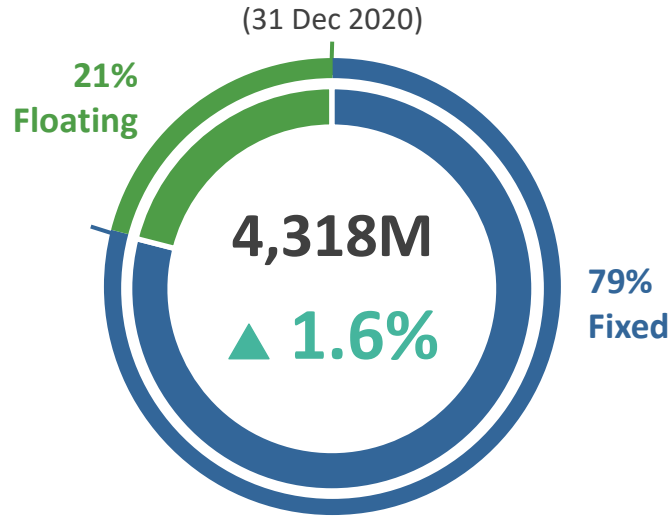
▲ **1.4%** HoH

Maturity Profile of Total Borrowings (HK\$'M)

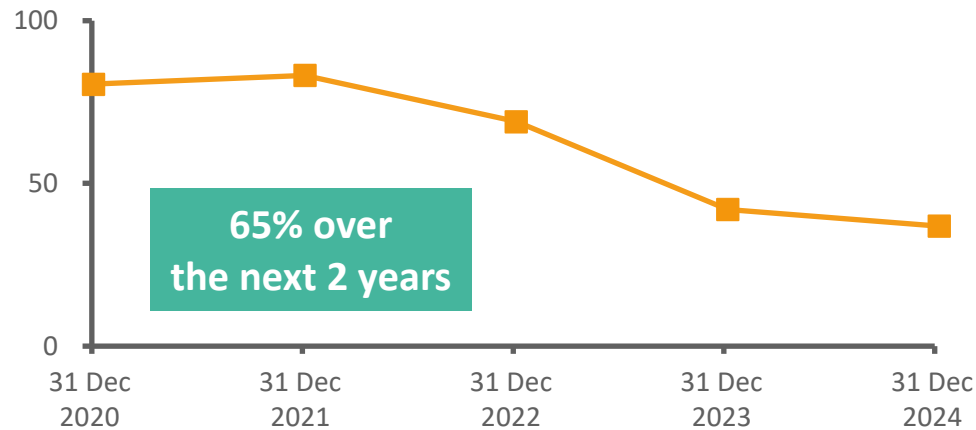


Interest Rate and Treasury Management

Fixed vs Floating Rate Borrowings Exposure



Trend of Fixed Rate Borrowings (%)



Bond Investments

HK\$'M

126.0 (31 Dec 2020)

115.7 (30 Jun 2020)

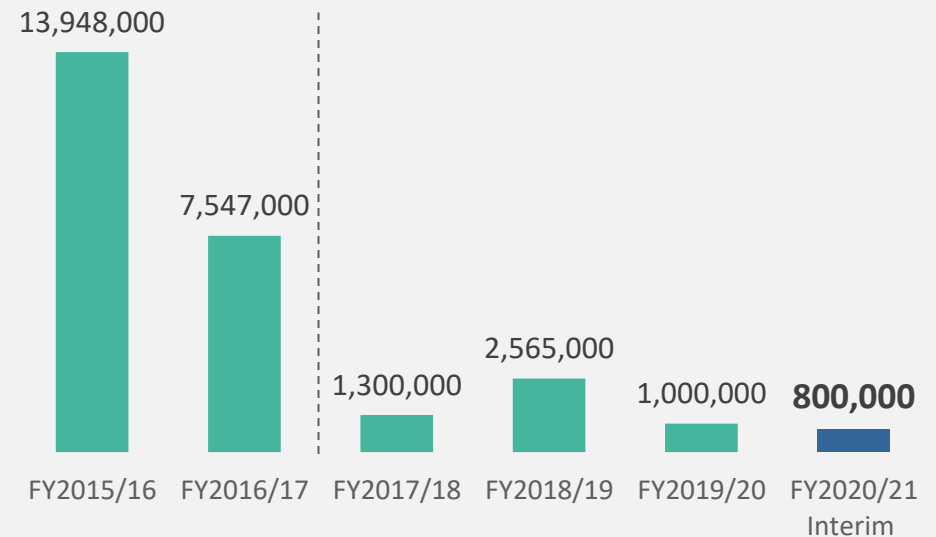
Yield to Maturity

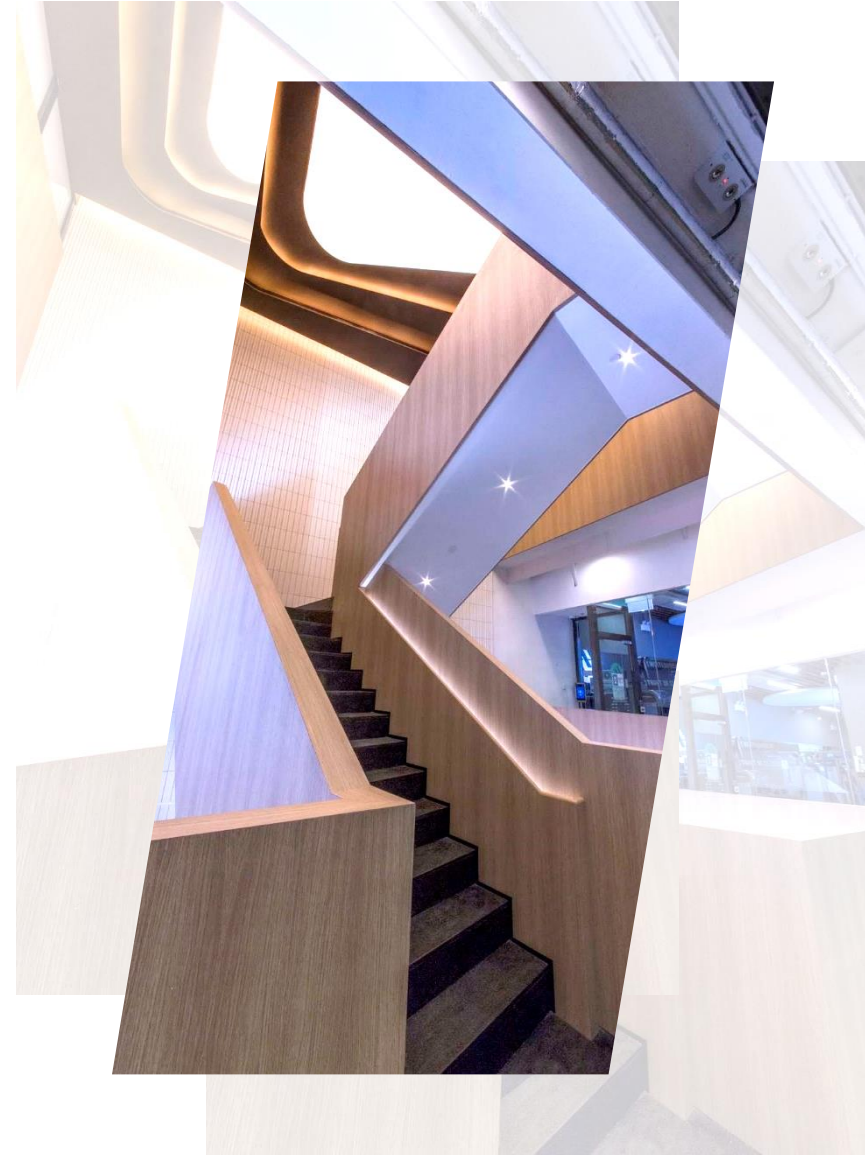
Weighted Average

4.4% (31 Dec 2020)

4.5% (30 Jun 2020)

No. of Units Repurchased





04

Outlook & Updates

Outlook & Updates



Economic Risks

- Hong Kong should echo global developments and be on course for a gradual economic recovery.
- The still unstable epidemic situation may inflict further business closures and a higher level of unemployment.



Sector Outlook



The persistent theme of downsizing and cost savings will continue to dampen the demand for office spaces.

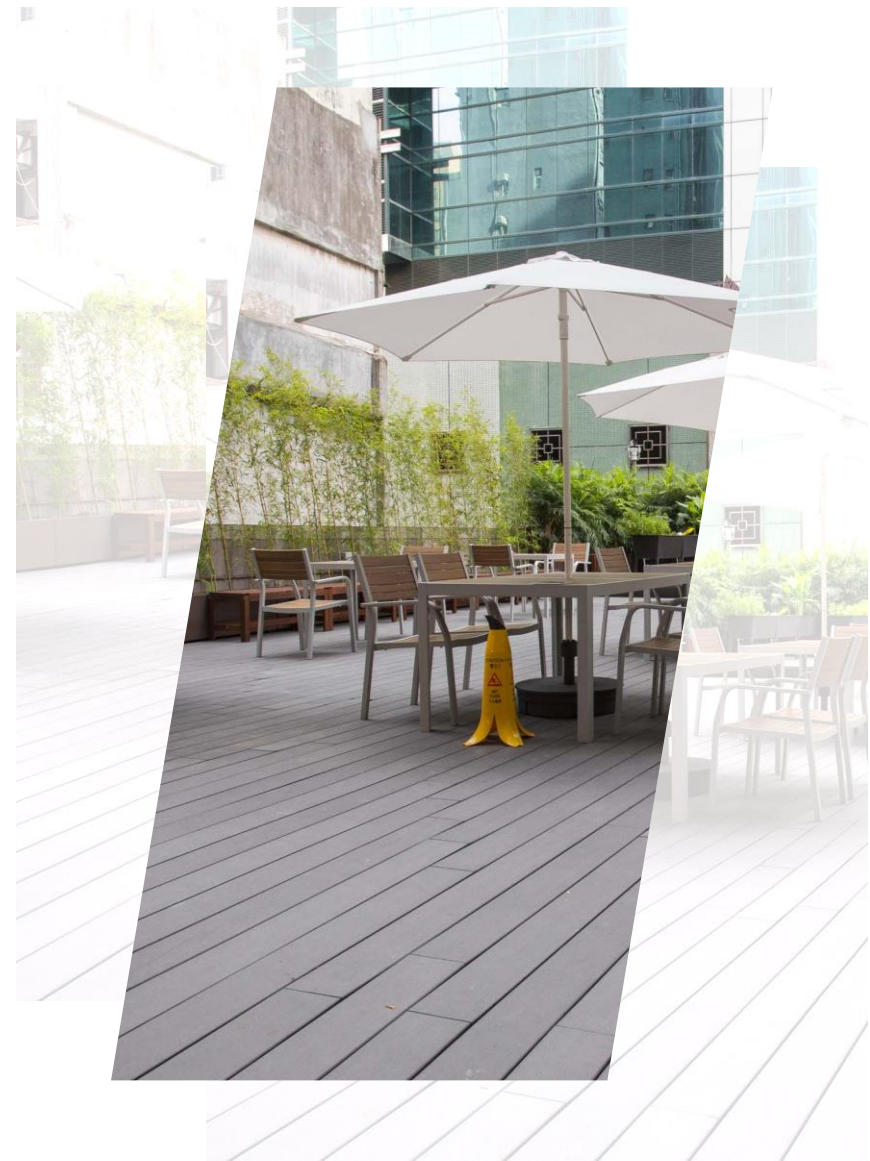


Envisaged to fare better given the steady non-discretionary consumption, but on a subdued upward momentum.



Prospects for Sunlight REIT

- Lower occupancy rates, negative rental reversions and the amortized impact of rental concessions are set to stay, but their adverse effects should be less pronounced, barring unforeseen circumstances.
- Benefits derived from:
 - ✓ contributions from new tenants
 - ✓ stringent cost containment measures
 - ✓ proactive financing initiatives
- The recent amendments to the REIT Code is a welcome move and should prove beneficial to the long term development of Sunlight REIT.



05

Appendix

Sunlight REIT at a Glance

Market Capitalization

HK\$'M

6,284.1

31 Dec 2020

Discount to NAV

56.2%

31 Dec 2020

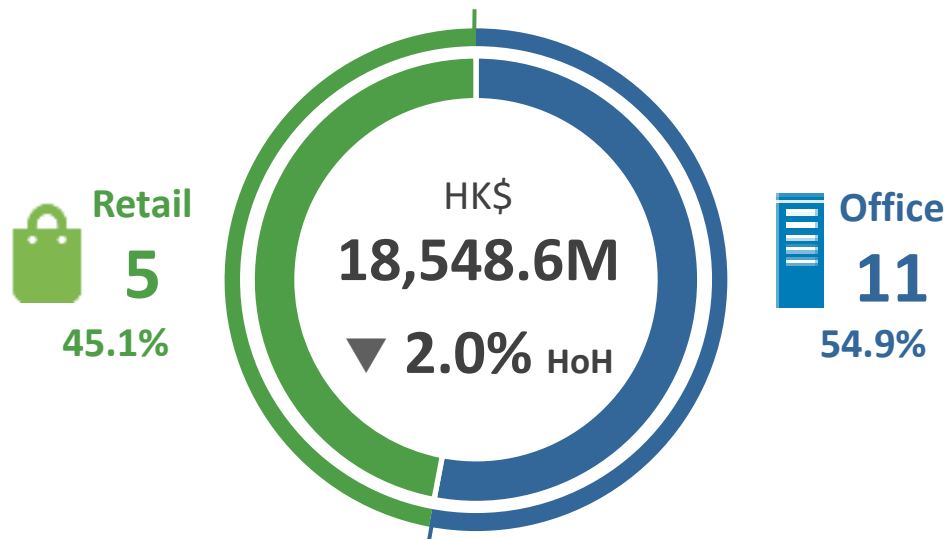
Annualized Total Return

Since listing

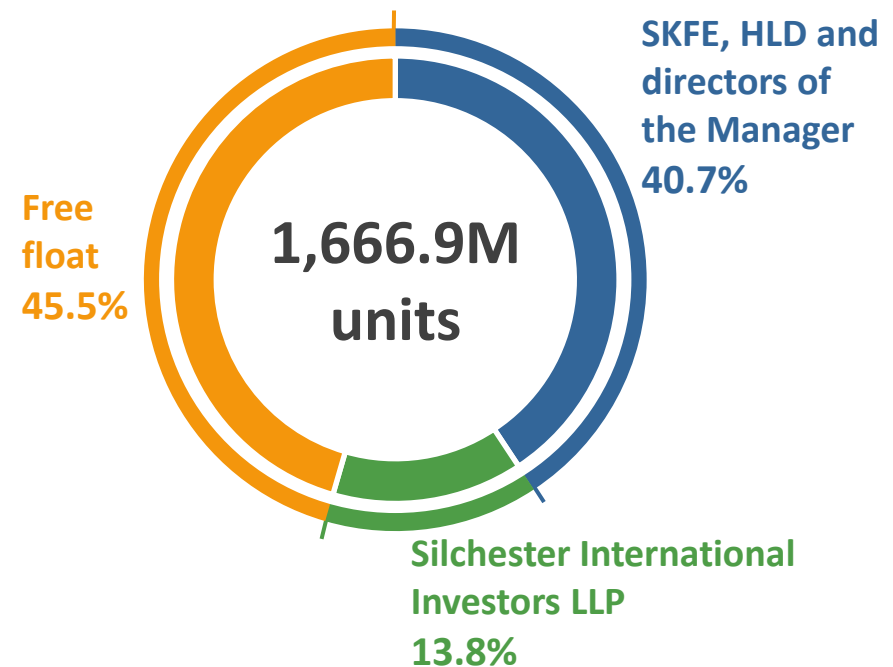
10.3%

31 Dec 2020

Valuation (31 Dec 2020)



Unitholding Structure (31 Dec 2020)



Portfolio at a Glance

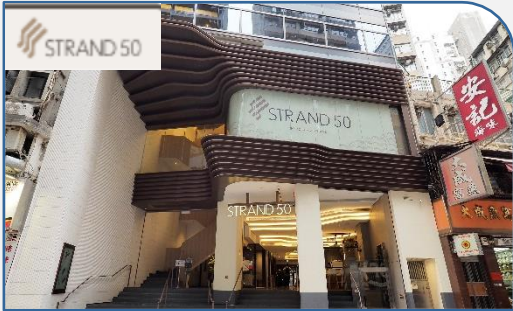
Sunlight Tower
陽光中心



SSC
上水中心
Sheung Shui



Sheung Wan/Central Office Properties (GRA: 274,223 sq. ft.)

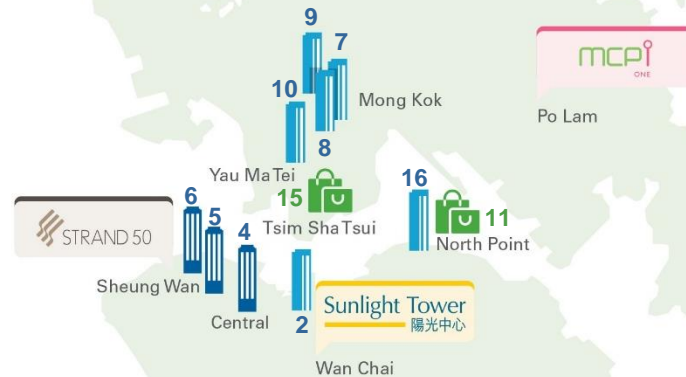


- 4. Winsome House Property
- 5. 135 Bonham Strand Trade Centre Property
- 6. 235 Wing Lok Street Trade Centre

Other Office Properties (GRA: 194,019 sq. ft.)

- 2. On Loong Commercial Building
- 7. The Harvest
- 8. Righteous Centre
- 9. Sun Fai Commercial Centre Property
- 10. Wai Ching Commercial Building Property
- 16. Java Road 108 Commercial Centre

14
Yuen Long



**Gross Rentable Area:
1,235,900 sq. ft.**



Other Retail Properties (GRA: 80,049 sq. ft.)

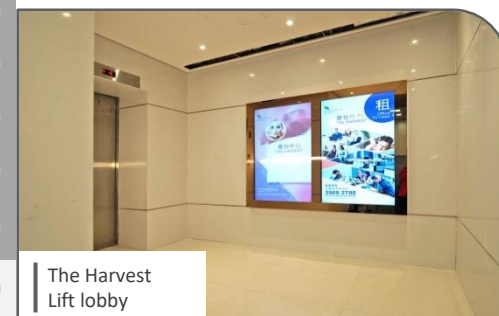
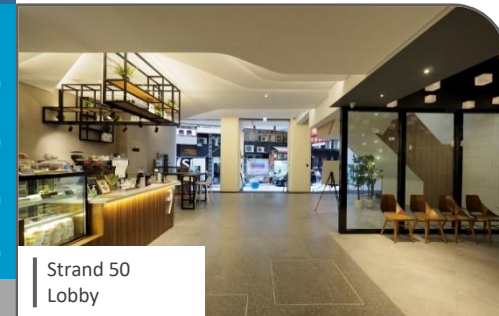
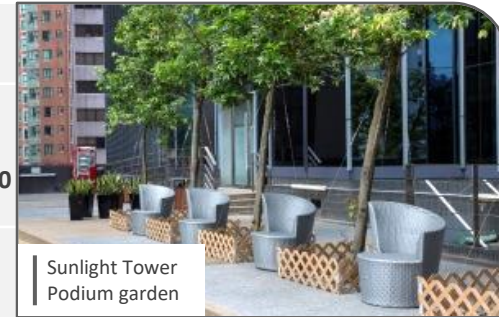
- 11. Supernova Stand Property
- 14. Kwong Wah Plaza Property
- 15. Beverley Commercial Centre Property

Consolidated Statement of Profit or Loss

HK\$'M	Interim		
	FY2020/21	FY2019/20	YoY
Revenue	399.5	437.1	-8.6%
Property operating expenses	(80.0)	(91.4)	-12.4%
Net property income	319.5	345.7	-7.6%
Other income	4.8	9.5	-49.7%
Administrative expenses	(54.1)	(57.6)	-6.1%
(Decrease) / increase in fair value of investment properties	(380.2)	(162.5)	133.9%
(Loss)/ profit from operations	(110.1)	135.1	n/a
Finance costs on interest bearing liabilities	(45.6)	(64.1)	-28.8%
Income tax	(38.4)	(40.3)	-4.6%
(Loss)/ profit after taxation	(194.1)	30.7	n/a

Key Office Portfolio Statistics

Property	Operational statistics						Property financials		
	Occupancy rate (%)		Passing rent (HK\$ psf.)		Rental reversion (%)		Capitalization rate at 31 Dec 2020 (%)		Appraised value at 31 Dec 2020 (HK\$'000)
	at 31 Dec 2020	at 30 Jun 2020	at 31 Dec 2020	at 30 Jun 2020	six months ended 31 Dec 2020	six months ended 30 Jun 2020	Office	Retail	
Sunlight Tower	88.8	94.3	44.9	40.8	7.3	11.4	3.75	3.65	5,304,700
<u>Sheung Wan/Central Office Properties</u>									
Strand 50	87.2	95.5	33.2	35.6	4.7	9.2	3.45	3.80	1,333,400
135 Bonham Strand Trade Centre Property	87.3	94.5	29.3	30.1	-5.9	0.3	3.55	3.80	593,400
Winsome House Property	85.8	96.1	45.5	44.8	-9.8	9.8	3.55	3.60	580,600
235 Wing Lok Street Trade Centre	86.8	94.3	21.3	22.3	-11.6	-3.0	3.55	3.80	377,700
<u>Other Office Properties</u>									
The Harvest	100.0	100.0	53.3	51.1	N/A	N/A	3.30	3.10	652,400
Righteous Centre	99.3	99.3	34.4	35.2	-7.0	-2.9	3.75	3.50	541,600
Java Road 108 Commercial Centre	96.1	100.0	25.4	26.4	-11.0	1.7	3.75	4.00	281,700
On Loong Commercial Building	96.0	94.1	32.0	32.9	-8.9	-6.6	3.65	3.70	257,800
Sun Fai Commercial Centre Property	93.1	100.0	23.0	23.1	-7.1	-1.0	3.80	4.05	172,700
Wai Ching Commercial Building Property	94.5	100.0	17.6	17.8	2.2	11.6	3.55	3.90	81,100
Sub-total/Average	90.1	95.6	37.8	36.5	-2.4	5.6			10,177,100



Key Retail Portfolio Statistics

Property	Operational statistics						Property financials		
	Occupancy rate (%)		Passing rent (HK\$ psf.)		Rental reversion (%)		Capitalization rate at 31 Dec 2020 (%)		Appraised value at 31 Dec 2020 (HK\$'000)
	at 31 Dec 2020	at 30 Jun 2020	at 31 Dec 2020	at 30 Jun 2020	six months ended 31 Dec 2020	six months ended 30 Jun 2020	Office	Retail	
Sheung Shui Centre Shopping Arcade	92.9	96.8	105.6	112.9	-7.3	-10.0	N/A	4.30	3,989,600
Metro City Phase I Property	94.3	94.5	57.3	58.4	-9.8	-1.5	N/A	4.40	3,073,200
Other Retail Properties									
Kwong Wah Plaza Property	99.3	99.3	53.4	55.7	11.0	5.0	3.60	3.60	1,152,600
Beverly Commercial Centre Property	80.3	77.4	34.5	39.6	-32.8	-15.0	N/A	4.10	84,000
Supernova Stand Property	100.0	100.0	54.5	54.5	N/A	4.7	N/A	3.80	72,100
Sub-total/Average	94.5	95.8	71.0	74.8	-5.9	-4.6			8,371,500



Timeline of Major Asset Recycling and Enhancement



ASSET ENHANCEMENT



ASSET RECYCLING

On Loong Commercial Building (ownership unification)

Acquisition amount: HK\$24M



The Harvest (previously known as Fung Shun Commercial Building)

Acquisition amount: HK\$658M



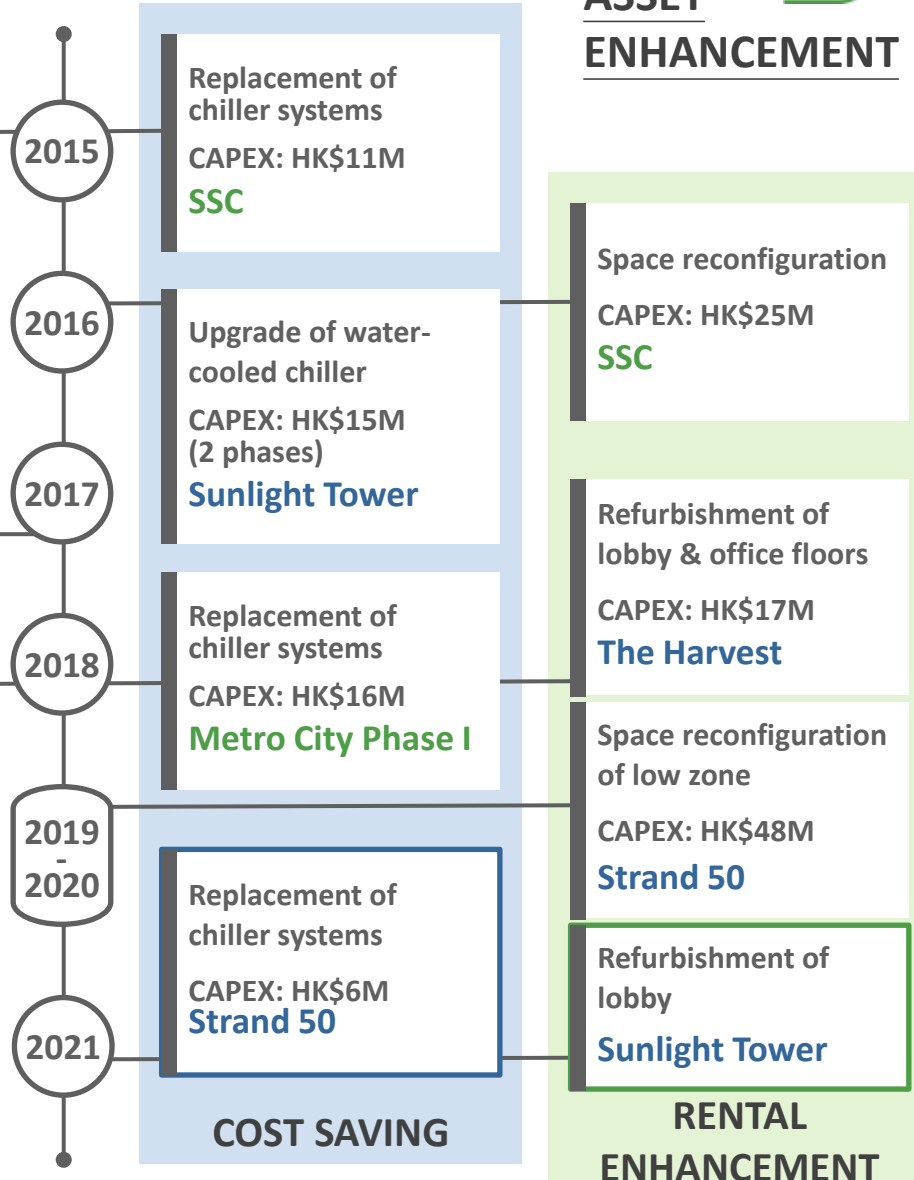
Everglory Centre
Yue Fai Commercial Centre
Royal Terrace Property

Disposal proceeds: HK\$920M



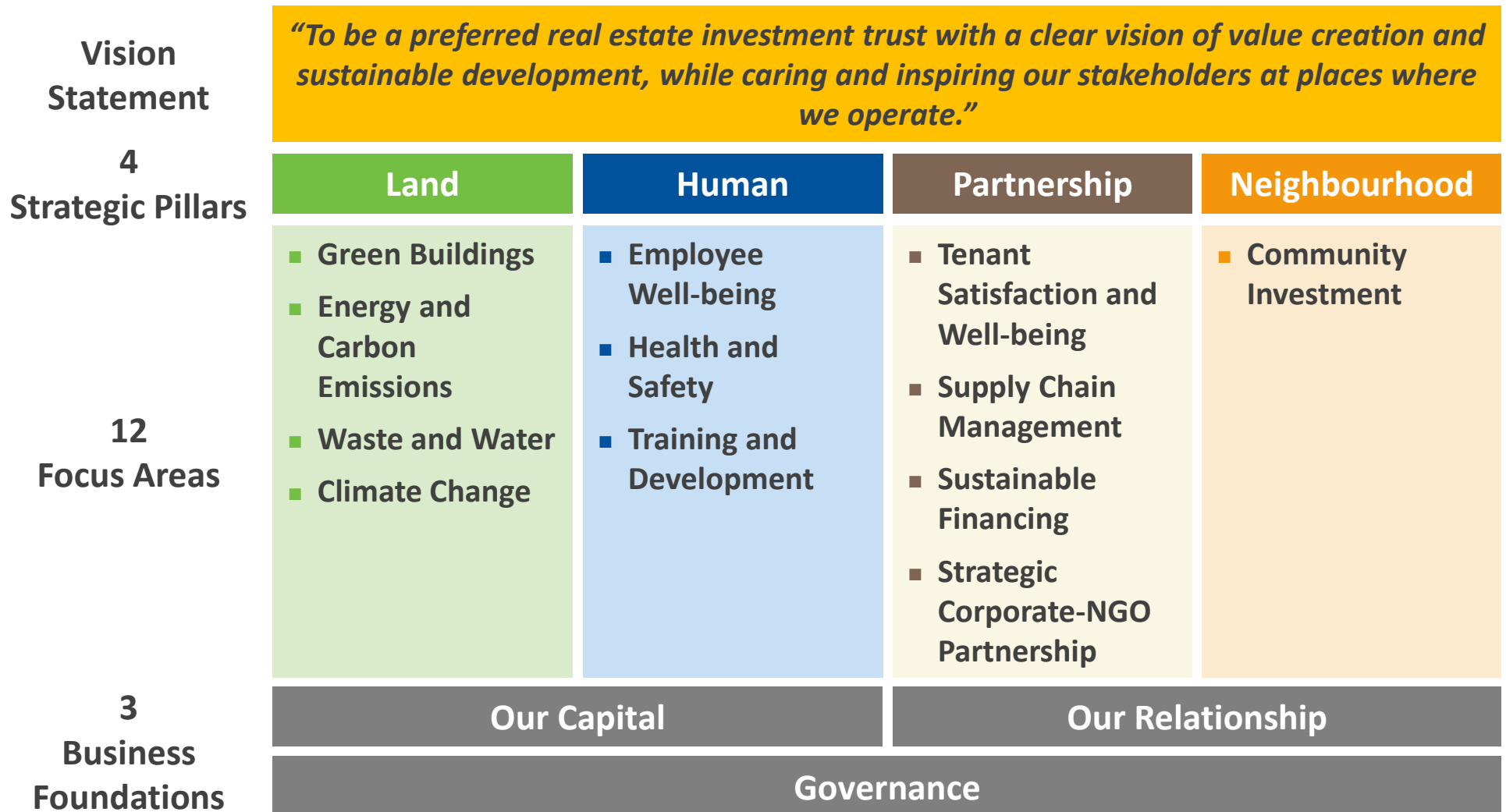
Palatial Stand Property

Disposal proceeds: HK\$101M



Environmental, Social and Governance

- An ESG committee has been established to devise a holistic sustainability strategy framework.
- Going on a three-phase sustainability journey to include strategy formulation, target setting and progress tracking.



“Extending Care” to the Community and Staff

Community Investment

- Online courses for children to make DIY toys and learn more efficiently at home
- Provision of goodies bags to the elderly



Goodies bags

Healthy Working Environment

- Flexible working hours with split offices and work-from-home arrangements
- Sterilization of office area and adoption of virtual meetings
- Provision of masks to staff



Sterilization in Sunlight Tower

Contact Us

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