



SUNLIGHT REIT

# FY2021/22 Interim Results

Investor Presentation

15 February 2022





01



# Results Highlights



# Results Summary

- Reflecting a higher average occupancy rate and a lower amortized rental concession, an increase in revenue was recorded.
- Net property income also rose mildly, showing a gradual pick-up in leasing momentum while stringent cost control was implemented.
- Maintains the sustainability pledge by increasing the proportion of sustainability-linked loans as well as green building certifications.

## Net Property Income (NPI)

HK\$'M

**323.4** (Interim FY2021/22)

319.5 (Interim FY2020/21)

**▲ 1.2%** YoY

## Distributable Income

HK\$'M

**217.2** (Interim FY2021/22)

220.0 (Interim FY2020/21)

**▼ 1.3%** YoY

## Distribution Per Unit (DPU)

HK cents

**12.2** (Interim FY2021/22)

12.5 (Interim FY2020/21)

**▼ 2.4%** YoY

## Net Asset Value Per Unit (NAV)

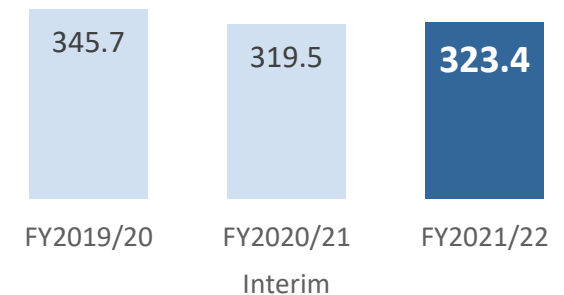
HK\$

**8.48** (31 Dec 2021)

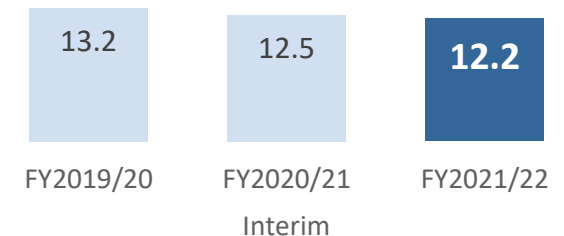
8.45 (30 Jun 2021)

**▲ 0.4%** HoH

## NPI (HK\$'M)

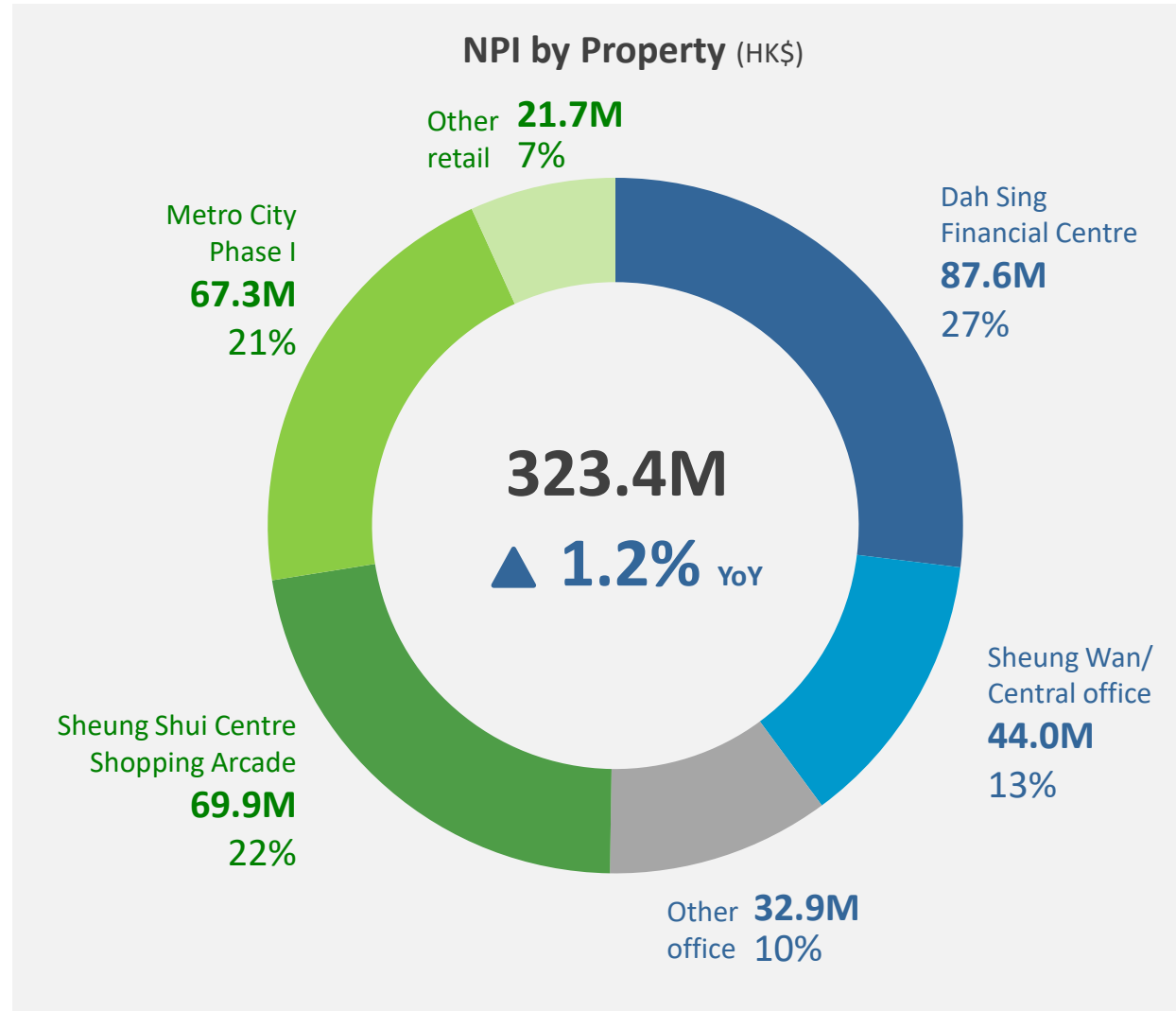
**▲ 1.2%**


## DPU (HK cents)

**▼ 2.4%**


# NPI Derived from a Balanced and Diversified Portfolio

- Office and retail portfolios made almost equal contributions to NPI.
- Cost-saving and downsizing plan remained a key motive of MNCs; new letting activities were mainly driven by local corporations.
- Increase in car park revenue was a bright spot during the reporting period.



# Financial Position

HK\$'M	31 Dec 2021	Selected items (HK\$'M)	31 Dec 2021	HoH
Non-current assets	18,538.1	<b>Investment properties</b>	<b>18,396.9</b>	+0.3%
Current assets	671.0	<i>Office</i>	10,014.9	-0.1%
<b>Gross assets</b>	<b>19,209.1</b>	<i>Retail</i>	8,382.0	+0.8%
Current liabilities	2,366.0	■ Property valuation was almost unchanged while improved retail valuation was partly offset by a slight decline in office valuation.		
Non-current liabilities	2,612.6	<b>Borrowings</b>	<b>4,418.0</b>	0.0%
<b>Gross liabilities</b>	<b>4,978.6</b>	<i>Current</i>	2,005	0.0%
<b>Net assets</b>	<b>14,230.5</b>	<i>Non-current</i>	2,413	0.0%
<b>Gearing ratio</b>	<b>23.0%</b>			
No. of units in issue	1,677.2M			

# DPU at a Glance

## Distributable Income

HK\$'M

**217.2** (Interim FY2021/22)

220.0 (Interim FY2020/21)

▼ **1.3%** YoY

## Distribution Yield<sup>1</sup>

**5.6%**

31 Dec 2021

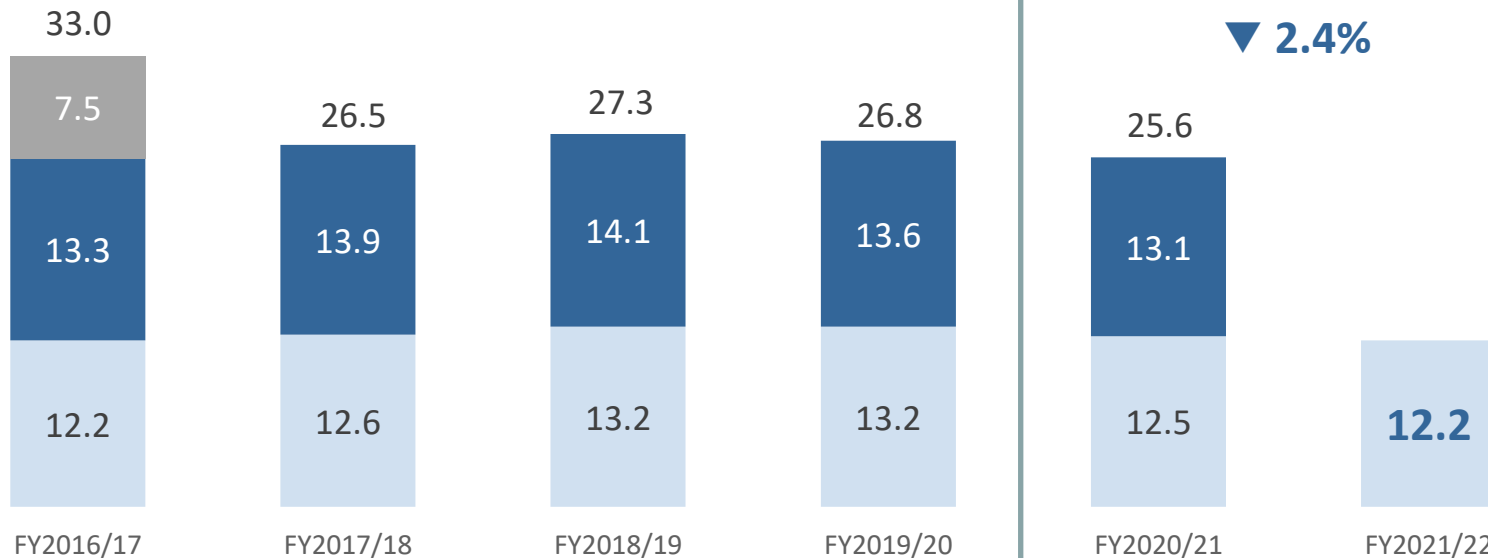
**5.6%**

15 Feb 2022

## Payout Ratio

**94.2%**

HK cents



■ Interim DPU ■ Final DPU ■ Special DPU

Note:

- Annualized distribution yield was based on the closing price of HK\$4.34 on the last trading day of Interim FY2021/22 or based on the closing price of HK\$4.33 on the results announcement date.



02

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## Portfolio Performance

# Operating Performance

## Occupancy Rate

31 Dec 2021

**94.5%**

93.7% (30 Jun 2021)

91.5% (31 Dec 2020)

## Passing Rent (HK\$ psf.)

31 Dec 2021

**46.1**

47.7 (30 Jun 2021)

48.7 (31 Dec 2020)

## Rental Reversion

Interim FY2021/22

**-4.7%**

-8.3% (2H FY2020/21)

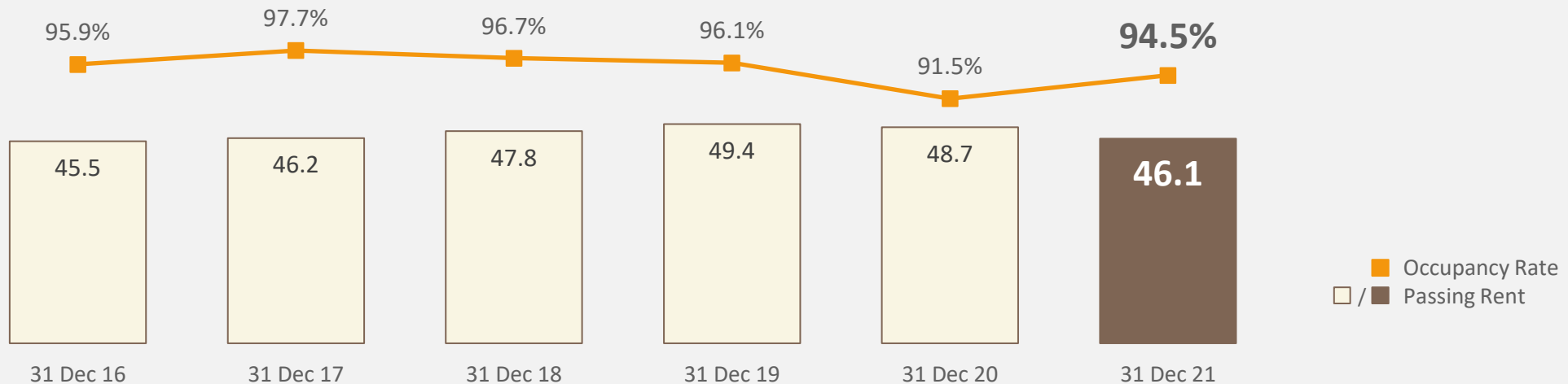
-4.5% (1H FY2020/21)

## No. of Leases

31 Dec 2021

**827**

## Trends of Occupancy Rate<sup>1</sup> and Passing Rent<sup>1</sup> (HK\$ psf.)



Note:

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

# Operating Performance of Office Portfolio

## Rental Reversion

Interim FY2021/22

**-4.5%**

-7.3% (2H FY2020/21)

-2.4% (1H FY2020/21)

## Expiry Profile

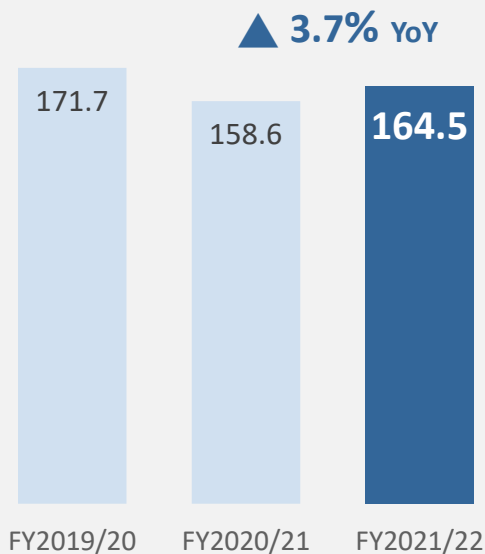
by GRA

**18.0%** (2H FY2021/22)

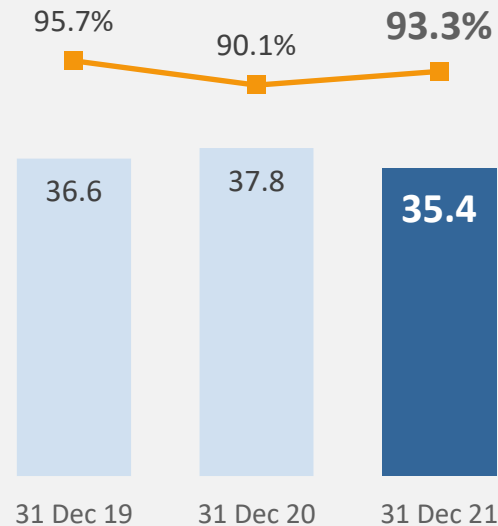
**13.5%** (1H FY2021/22)

- NPI growth was mainly driven by a higher occupancy rate.
- Improved occupancy rate was largely attributable to lower vacancy at Dah Sing Financial Centre, though to some extent offset by a transitory occupancy dip at The Harvest.

## Interim NPI (HK\$'M)



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



Valuation (HK\$'M)	31 Dec 2021	30 Jun 2021	Change
Dah Sing Financial Centre	5,235.0	5,236.9	0.0%
Sheung Wan/Central office	2,836.8	2,836.9	0.0%
Other office properties	1,943.1	1,948.4	-0.3%
<b>Sub-total</b>	<b>10,014.9</b>	<b>10,022.2</b>	<b>-0.1%</b>

# Operating Performance of Retail Portfolio

## Rental Reversion

Interim FY2021/22

**-4.9%**

-10.0% (2H FY2020/21)

-5.9% (1H FY2020/21)

## Expiry Profile

by GRA

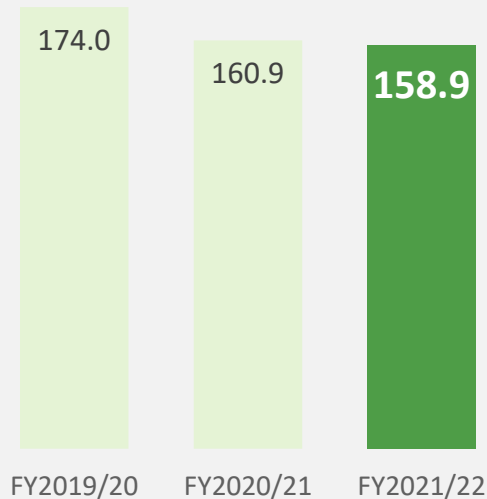
**16.6%** (2H FY2021/22)

**19.2%** (1H FY2021/22)

- A decrease in passing rent of SSC was registered, reflecting a diminished presence of high-margin trades.
- MCPI recorded a high occupancy rate thanks to a relatively stable local consumption sentiment.

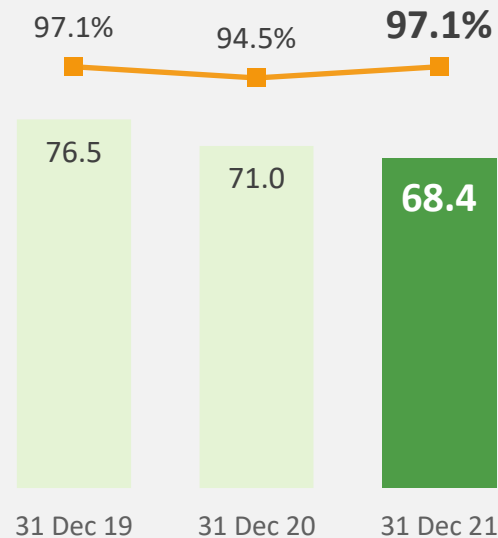
## Interim NPI (HK\$'M)

▼ **1.2% YoY**



## Occupancy Rate and Passing Rent

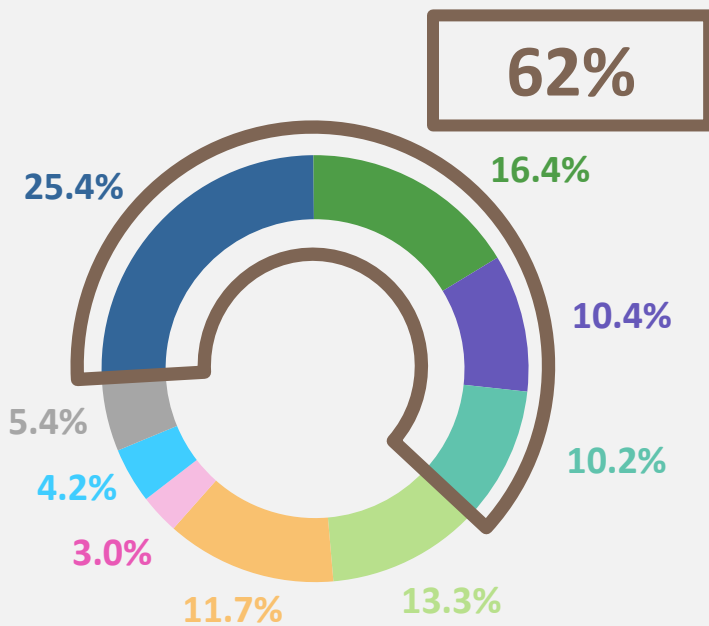
(HK\$ psf.)



Valuation (HK\$'M)	31 Dec 2021	30 Jun 2021	Change
SSC	<b>3,861.0</b>	3,892.6	-0.8%
MCPI	<b>3,189.0</b>	3,097.4	3.0%
Other retail properties	<b>1,332.0</b>	1,329.5	0.2%
<b>Sub-total</b>	<b>8,382.0</b>	<b>8,319.5</b>	<b>0.8%</b>

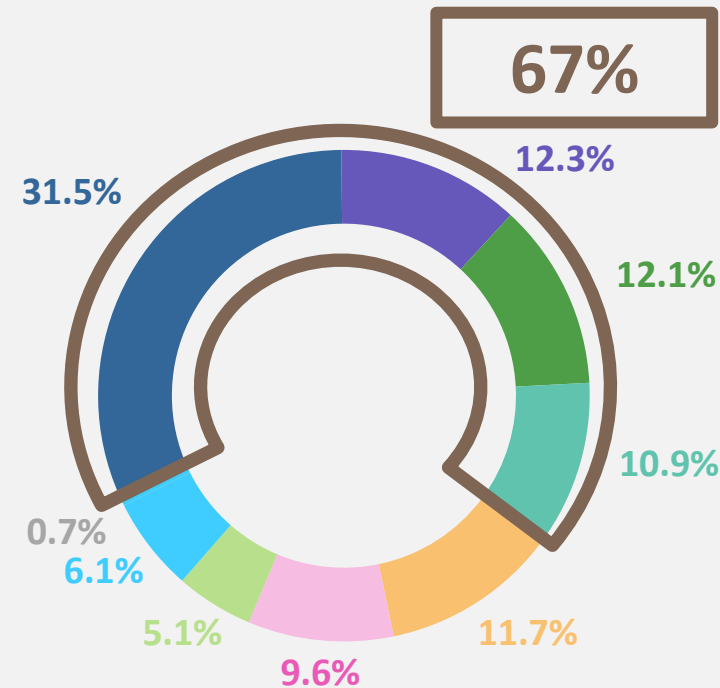
# Retail Portfolio – Tenant Mix Optimization

Tenant Mix (at 31 Dec 2021)



Sheung Shui Centre Shopping Arcade

**Non-Discretionary Trades:**  
 Food and beverage  
 Financial  
 Education  
 Supermarket and foodstuff



Metro City Phase I

- Food and beverage
- Fashion and jewellery
- Financial
- Lifestyle
- Education
- Others
- Supermarket and foodstuff
- Vacant
- Healthcare and beauty

# Promotional Campaigns to Drive Local Consumption

## Marketing initiatives

- Seasonal promotional campaigns were launched to stimulate footfall and spending.



## eShop@Sunlight

- Offered discounted cash coupons through the e-shopping platform to boost sales.



# Achievements in Green Building Certifications

## Dah Sing Financial Centre

- Successful renewal as a BEAM Plus platinum-rated building (Comprehensive Scheme).



**HKGBC**  
香港綠色建築議會

hereby certifies that 特此證明

**Dah Sing Financial Centre**  
大新金融中心  
248 Queen's Road East, Wan Chai, Hong Kong  
香港灣仔皇后大道東248號

has achieved **Final Platinum** rating under BEAM Plus EB V2.0 Comprehensive Scheme  
獲得綠建築評既有建築(2.0版)綜合評估計劃最終鉑金級

Percentage of Achieved Credits to Each Aspect	Percentage of Credits	Overall Score
Site	100%	83
Materials and Waste	87%	
Energy Use	91%	
Water Use	76%	
Indoor Environmental Quality	83%	
Materials and Waste	82%	
Indoor Environmental Quality	82%	

**PLATINUM**  
鉑金級 EB 既有建築  
V2.0 2021  
HKGBC BEAM Plus 綠建築評

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鉑金級 EB 既有建築  
V2.0 2021  
HKGBC BEAM Plus 綠建築評

29 September 2021  
二零二一年九月二十九日

## Strand 50

- Recently been awarded Excellent grade under BEAM Plus V2.0 (Selective Scheme) – Materials and Waste, and Indoor Environmental Quality aspects.



**HKGBC**  
香港綠色建築議會

hereby certifies that 特此證明

**Strand 50**  
50 Bonham Strand, Sheung Wan, Hong Kong  
香港上環文咸東街50號

has achieved the Excellent grade in Materials and Waste aspect of BEAM Plus EB V2.0 Selective Scheme  
獲得綠建築評既有建築(2.0版)自選評估計劃用材及廢物管理範疇卓越評級

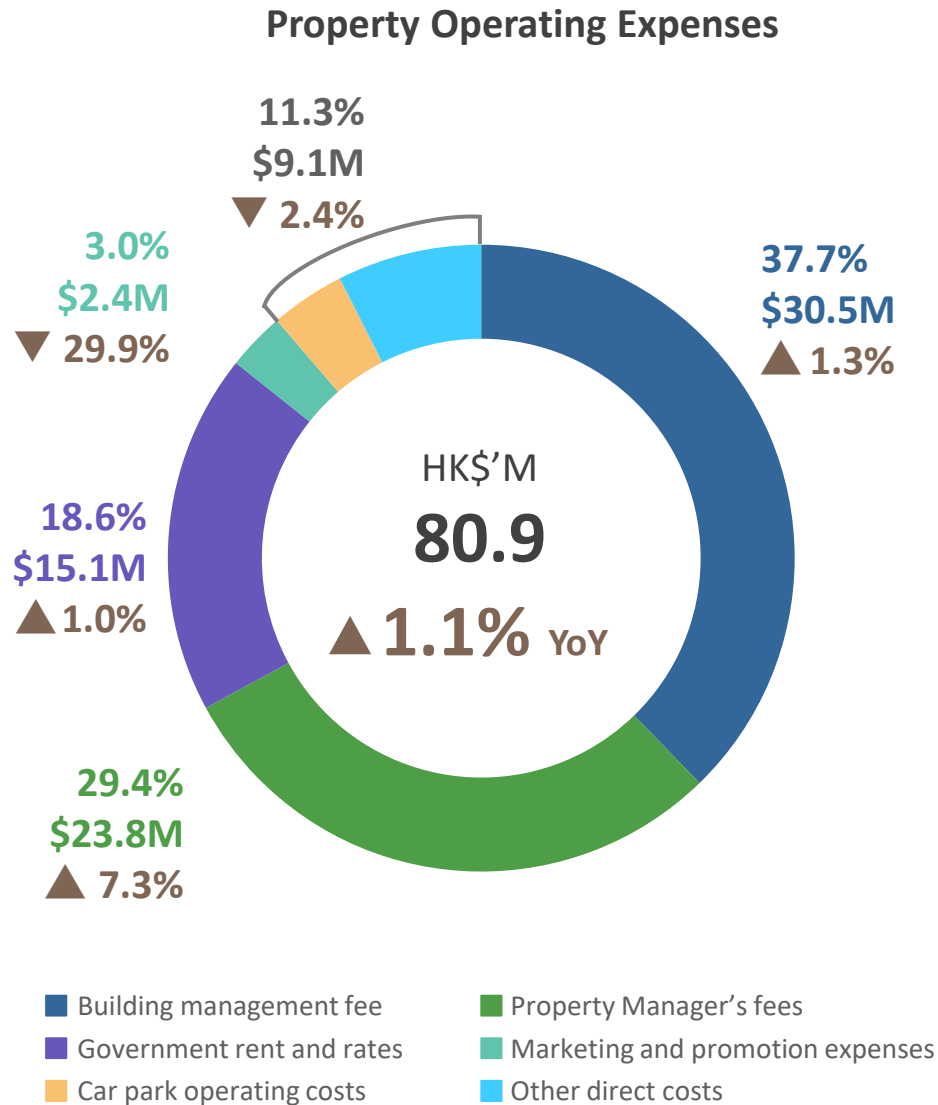
has achieved the Excellent grade in Indoor Environmental Quality aspect of BEAM Plus EB V2.0 Selective Scheme  
獲得綠建築評既有建築(2.0版)自選評估計劃室內環境質素範疇卓越評級

**PLATINUM**  
鉑金級 EB 既有建築  
V2.0 2021  
HKGBC BEAM Plus 綠建築評

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鉑金級 EB 既有建築  
V2.0 2021  
HKGBC BEAM Plus 綠建築評

29 September 2021  
二零二一年九月二十九日

# Disciplined Cost Control



## Cost-to-income ratio

**20.0%** (Interim FY2021/22)

20.0% (Interim FY2020/21)

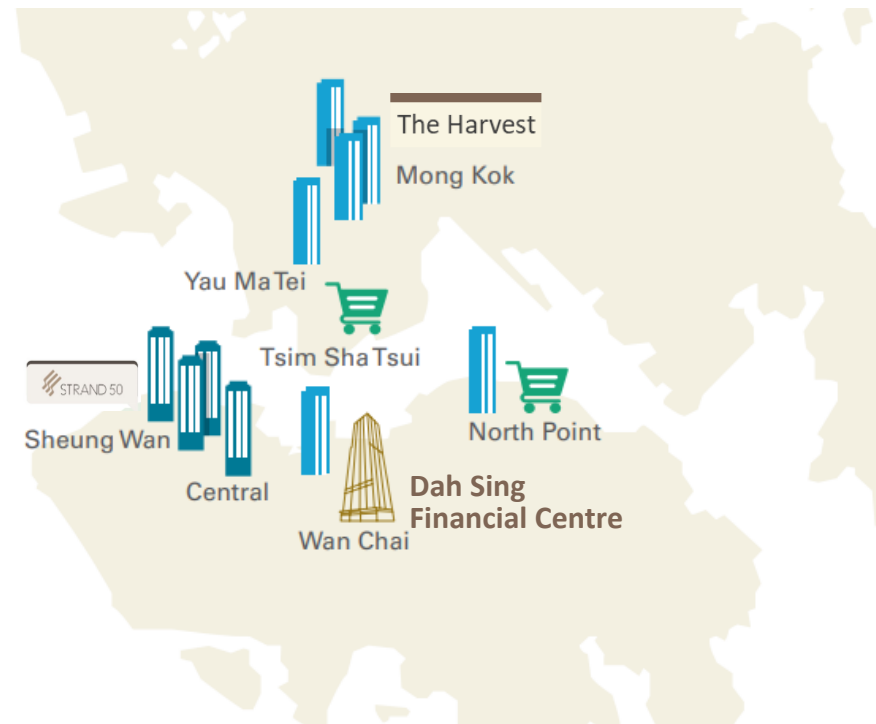
- Cost-to-income ratio stayed unchanged despite the absence of subsidies from the Employment Support Scheme, reflecting the Manager's discipline in cost control.

# Top Three Office Properties

## Dah Sing Financial Centre

	31 Dec 2021	30 Jun 2021
Occupancy Rate	91.6%	88.3%
Passing Rent (HK\$ psf.)	43.0	44.0
Rental Reversion <sup>1</sup>	-5.0%	-5.0%
	2H FY21/22	1H FY21/22
Expiry by GRA	8.9%	7.1%

Wan Chai



## Strand 50

	31 Dec 2021	30 Jun 2021
Occupancy Rate	94.1%	95.8%
Passing Rent (HK\$ psf.)	32.2	32.1
Rental Reversion <sup>1</sup>	0.4%	-13.5%
Appraised Value (HK\$'M)	1,317.5	1,315.8

Sheung Wan

## The Harvest

	31 Dec 2021	30 Jun 2021
Occupancy Rate	66.4%	100.0%
Passing Rent (HK\$ psf.)	36.3	53.2
Rental Reversion <sup>1</sup>	-4.4%	-10.7%
Appraised Value (HK\$'M)	614.0	627.2

Mong Kok

Notes:

- Rental reversions are for the respective periods ended at the specified date.
- Top three office properties are ranked by valuation at 31 Dec 2021.

# Top Three Retail Properties



Sheung Shui Centre		
	31 Dec 2021	30 Jun 2021
Occupancy Rate	<b>94.6%</b>	95.3%
Passing Rent (HK\$ psf.)	<b>100.8</b>	104.2
Rental Reversion <sup>1</sup>	<b>-5.3%</b>	-12.5%
	<b>2H FY21/22</b>	1H FY21/22
Expiry by GRA	<b>11.5%</b>	<b>15.1%</b>



Metro City Phase I		
	31 Dec 2021	30 Jun 2021
Occupancy Rate	<b>99.3%</b>	97.6%
Passing Rent (HK\$ psf.)	<b>55.2</b>	56.7
Rental Reversion <sup>1</sup>	<b>-5.1%</b>	-8.2%
	<b>2H FY21/22</b>	1H FY21/22
Expiry by GRA	<b>14.2%</b>	<b>22.6%</b>

Kwong Wah Plaza		
	31 Dec 2021	30 Jun 2021
Occupancy Rate	<b>97.0%</b>	97.7%
Passing Rent (HK\$ psf.)	<b>53.6</b>	53.5
Rental Reversion <sup>1</sup>	<b>-1.1%</b>	-6.8%
Appraised Value (HK\$'M)	<b>1,180.0</b>	1,177.7



## Notes:

1. Rental reversions are for the respective periods ended at the specified date.
2. Top three retail properties are ranked by valuation at 31 Dec 2021.

03

# Capital Management



# Healthy Debt Structure

## Total Borrowings

HK\$'M

**4,418** (31 Dec 2021)

4,418 (30 Jun 2021)

## Interest Margin

**HIBOR + 0.74%**

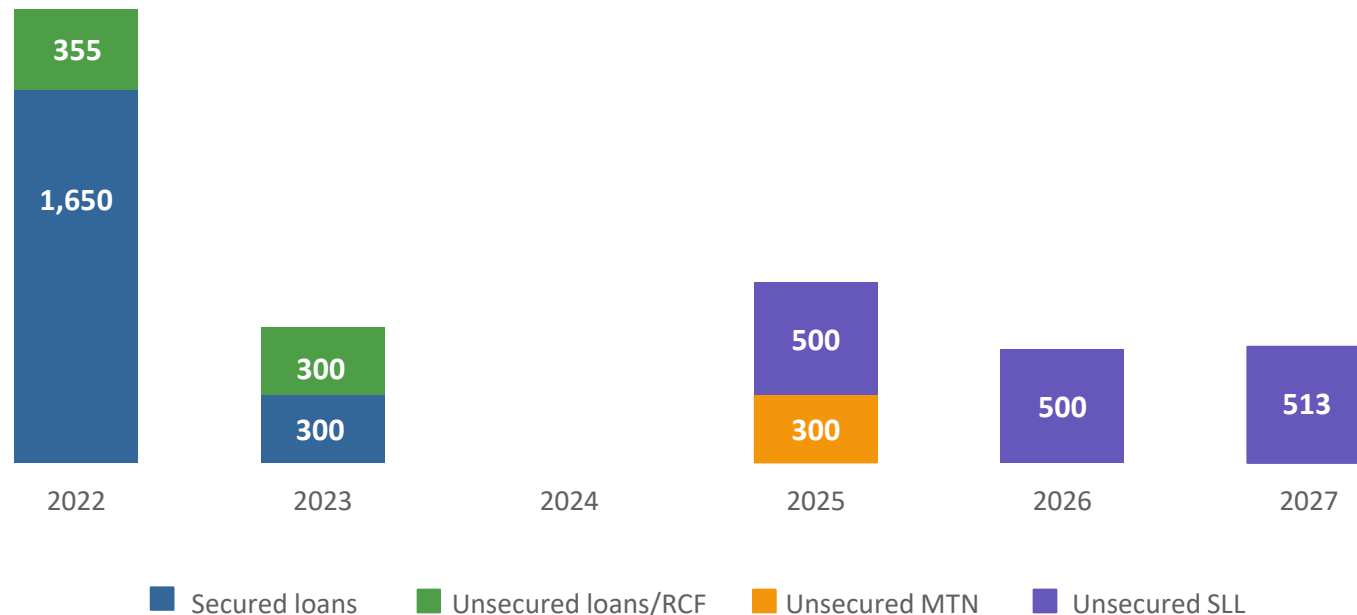
(31 Dec 2021)

HIBOR + 0.74% (30 Jun 2021)

- A secured sustainability-linked loan of HK\$500 million has been entered with a tenure of 4.5 years.
- Revolving credit facilities (“RCF”) of HK\$845 million remained undrawn at the end of the reporting period.

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

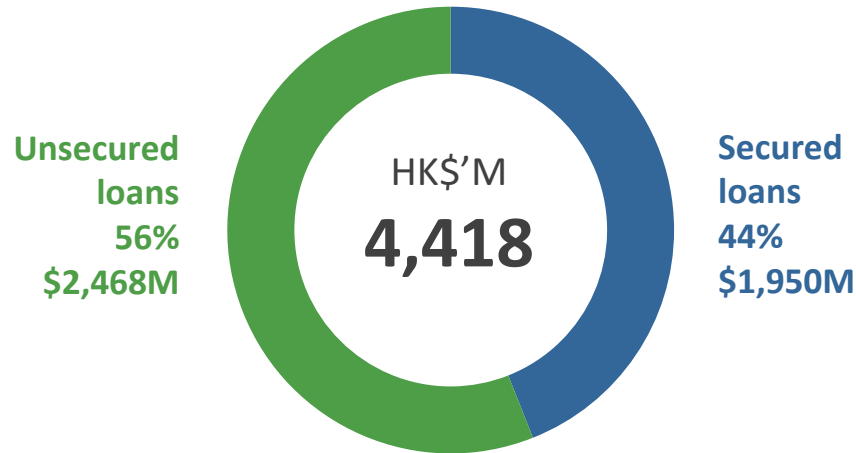
(at 31 Dec 2021)



# Interest Rate Management

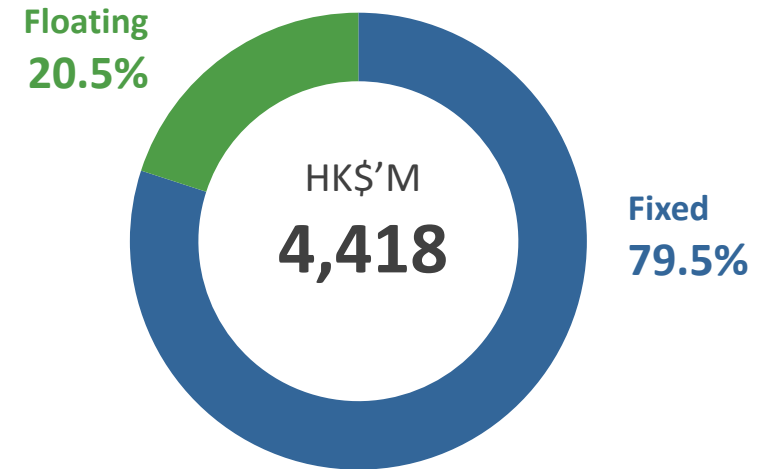
## Total Borrowings Composition

(at 31 Dec 2021)

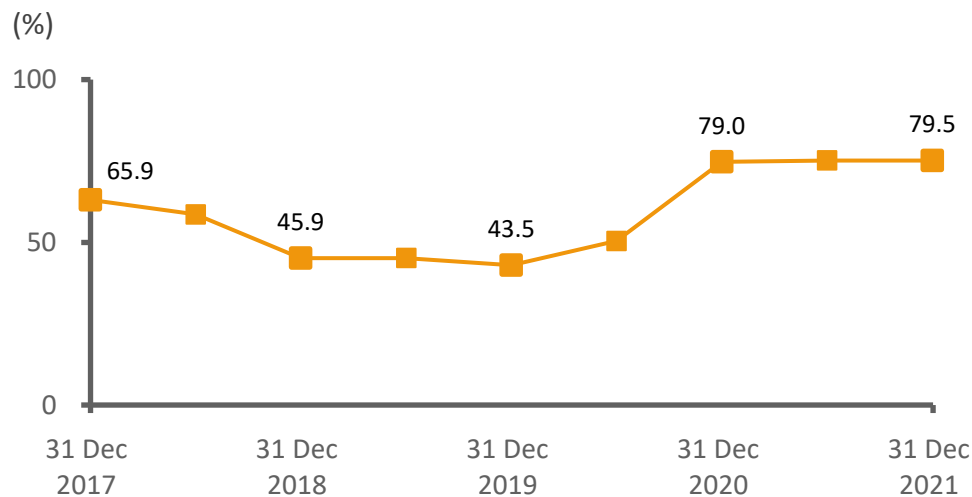


## Fixed vs Floating Rate Exposure

(at 31 Dec 2021)



## Fixed Rate Borrowings as a % of Total Borrowings



- Increased finance costs was mainly due to higher funding costs and increased borrowings.

# Resilient Credit Profile

## Gearing Ratio

**23.0%** (31 Dec 2021)

23.0% (30 Jun 2021)

## Interest Coverage Ratio

**5.8x** (Interim FY2021/22)

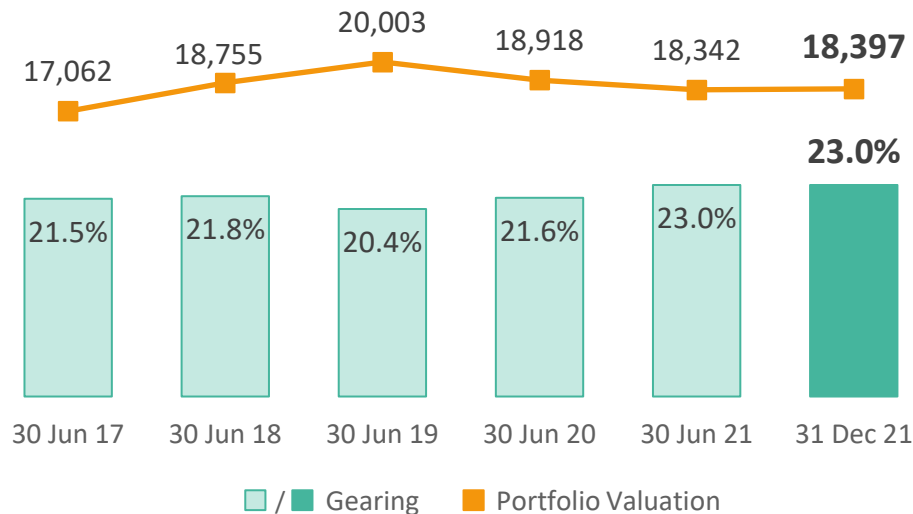
6.5x (Interim FY2020/21)

## Effective Interest Rate

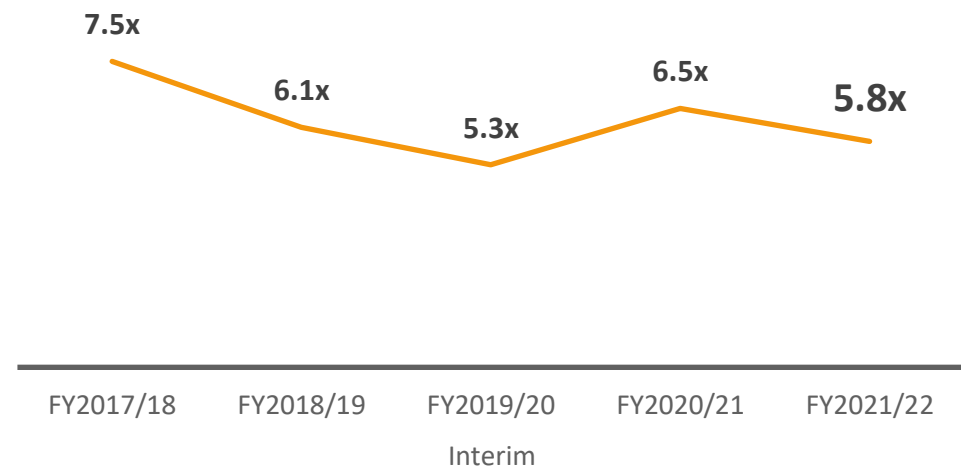
**2.09%** p.a. (Interim FY2021/22)

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

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

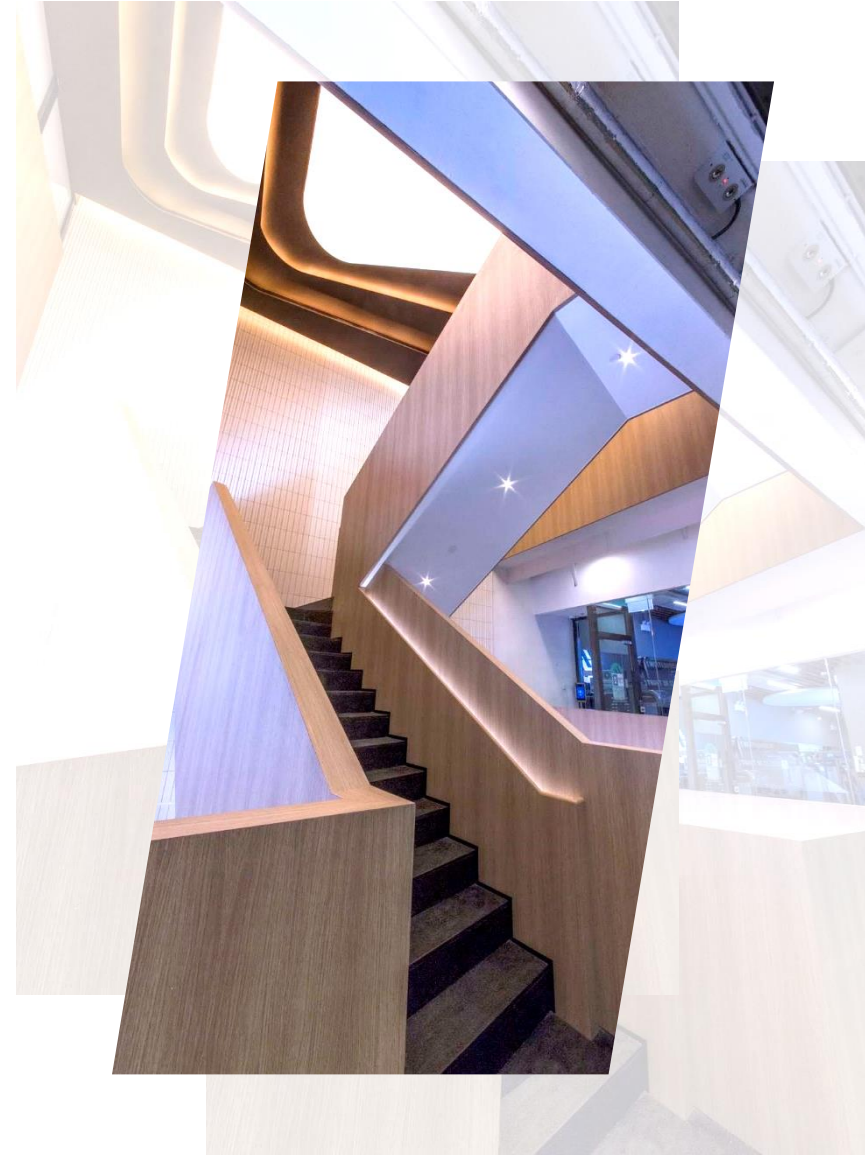


### Interest Coverage Ratio<sup>1</sup>



Note:

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



04

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## Outlook & Updates

# Outlook & Updates



## Economic Risks

- Fast emergence of Omicron implies that the reopening of Hong Kong's travel gateway will be prudent and gradual.
- A potential economic slowdown in China is also cause for concern.



## Prospects for Sunlight REIT

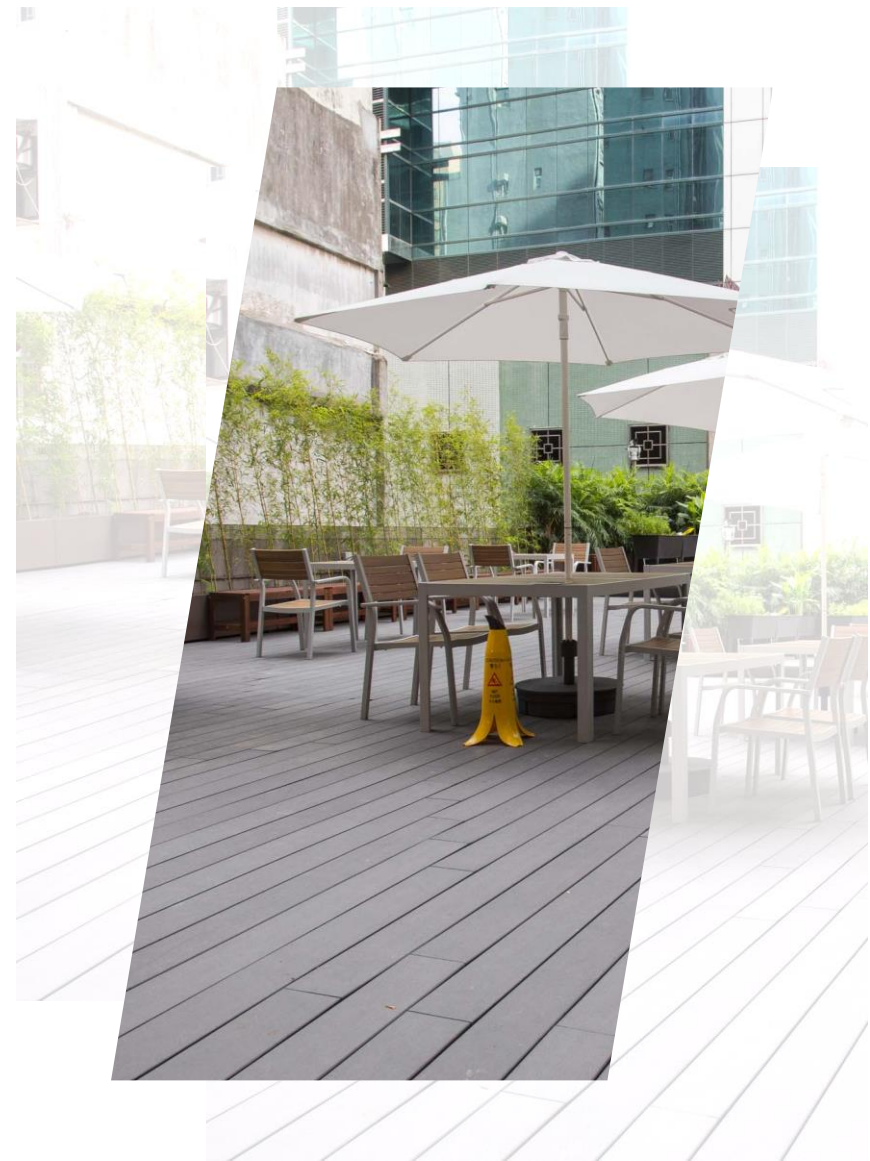
- Barring unforeseen circumstances, the Manager believes that the prospects for Sunlight REIT remain solid.

### Operational

- The likelihood of a high tenant retention rate should help mitigate the risk of negative rental reversion.
- An extensive overhaul at MCPI is in the planning stage, targeting to commence in the third quarter of 2022.

### Capital Management

- The refinancing exercise for the loans due by June 2022 will be favourably concluded.



05

Appendix

# Sunlight REIT at a Glance

## Market Capitalization

HK\$'M

**7,278.9**

31 Dec 2021

## Discount to NAV

**48.8%**

31 Dec 2021

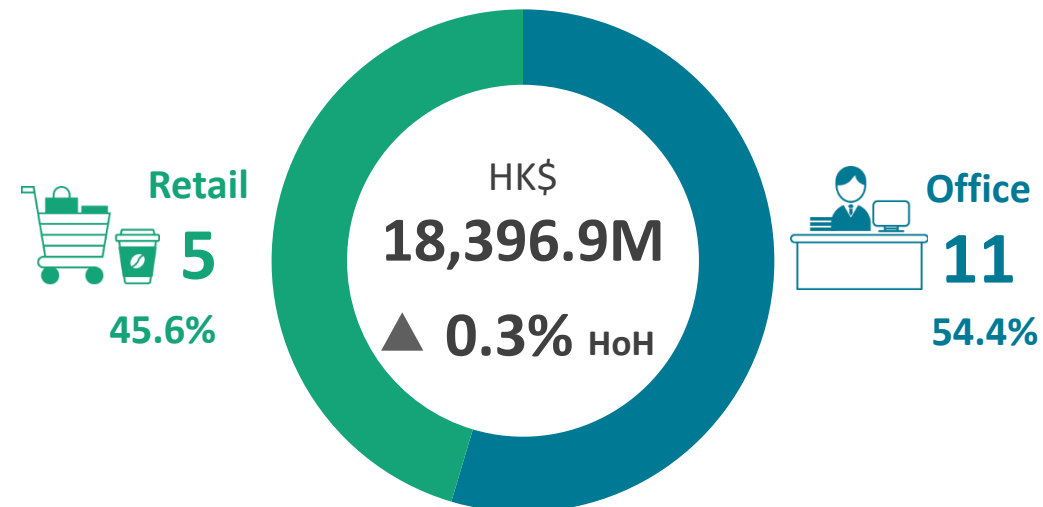
## Annualized Total Return

Since listing

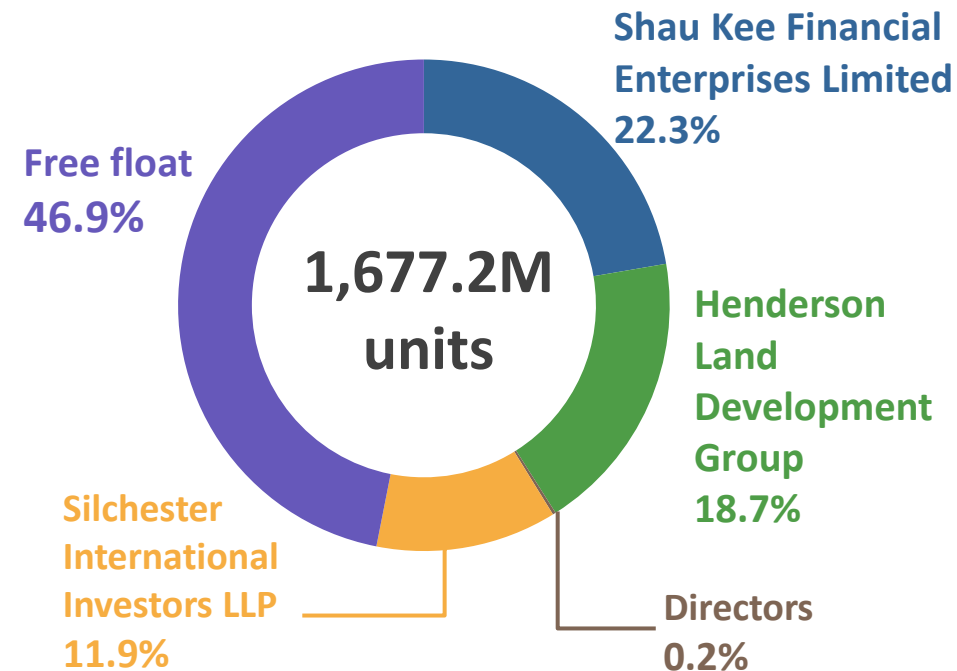
**11.1%**

31 Dec 2021

## Valuation (at 31 Dec 2021)



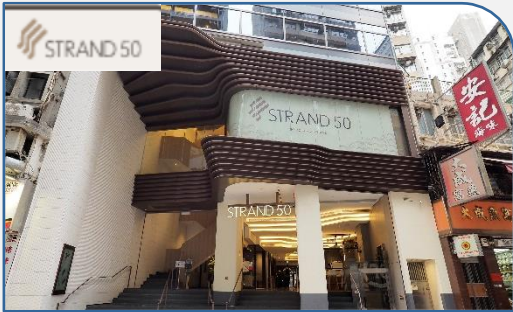
## Unitholding Structure (at 31 Dec 2021)



# Portfolio at a Glance



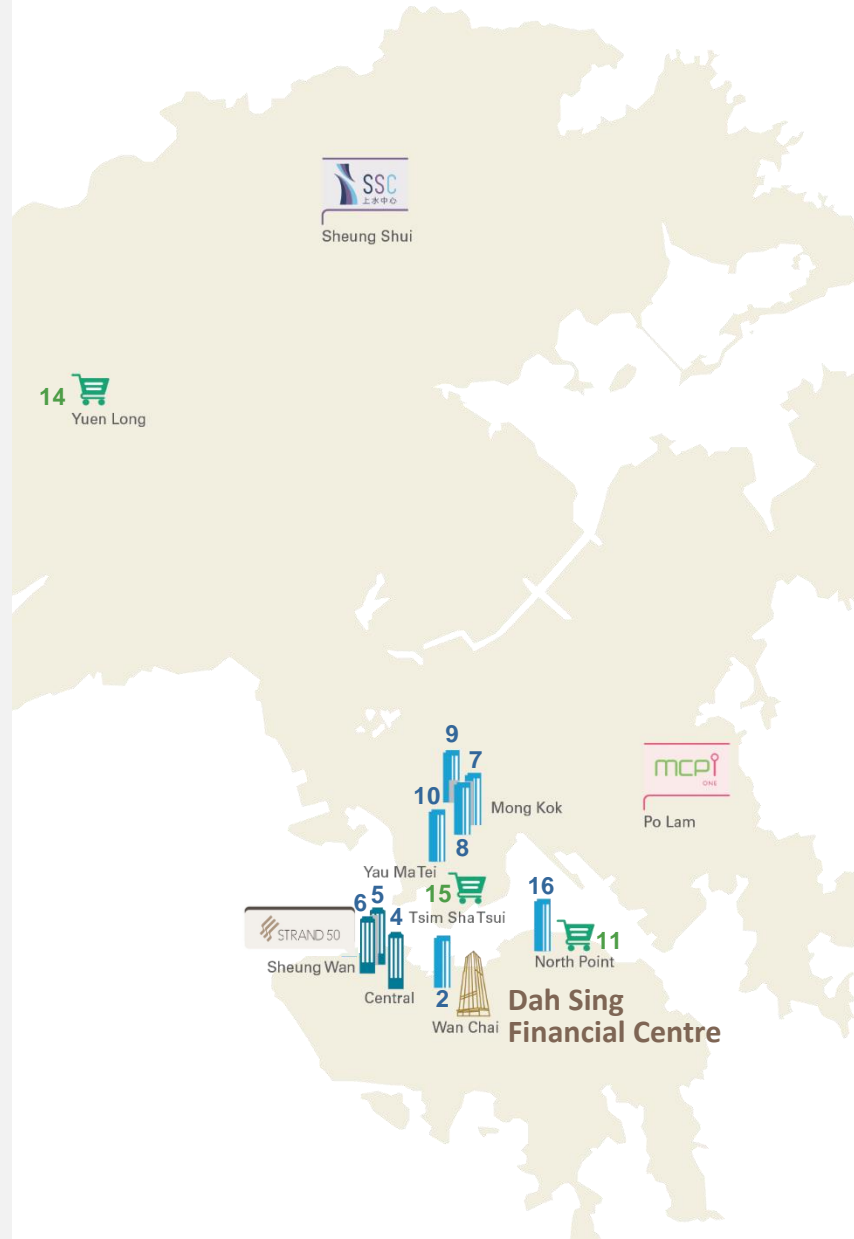
## Sheung Wan/Central Office Properties (GRA: 274,223 sq. ft.)



- 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



**Total Gross Rentable Area:  
1,236,422 sq. ft.**



## Other Retail Properties (GRA: 80,571 sq. ft.)

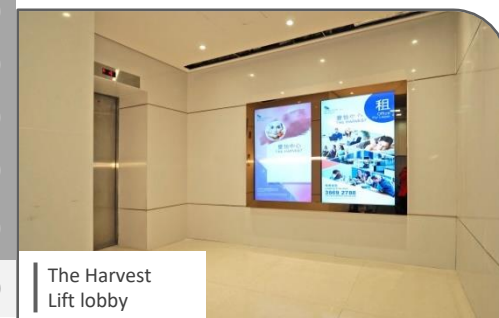
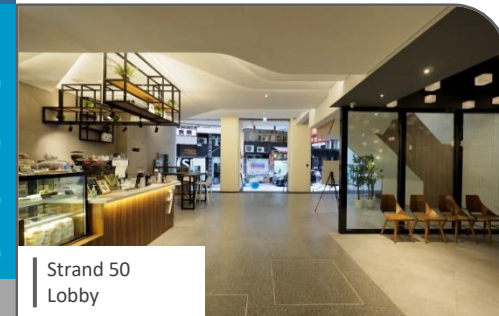
- 11. Supernova Stand Property
- 14. Kwong Wah Plaza Property
- 15. Beverley Commercial Centre Property

# Consolidated Statement of Profit or Loss

HK\$'M	Interim		
	FY2021/22	FY2020/21	YoY
Revenue	404.3	399.5	1.2%
Property operating expenses	(80.9)	(80.0)	1.1%
Net property income	323.4	319.5	1.2%
Other income	3.9	4.8	-19.1%
Administrative expenses	(54.3)	(54.1)	0.3%
Net increase / (decrease) in fair value of investment properties	49.7	(380.2)	n/a
<b>Profit / (loss) from operations</b>	<b>322.7</b>	<b>(110.1)</b>	<b>n/a</b>
Finance costs on interest bearing liabilities	(50.1)	(45.6)	9.9%
Income tax	(38.3)	(38.4)	-0.4%
<b>Profit / (loss) after taxation</b>	<b>234.2</b>	<b>(194.1)</b>	<b>n/a</b>

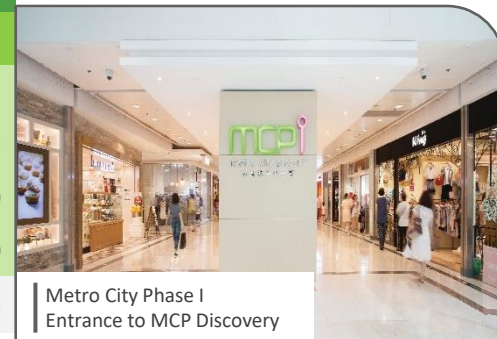
# Key Office Portfolio Statistics

Property	Operational statistics						Property financials		
	Occupancy rate (%)		Passing rent (HK\$ psf.)		Rental reversion (%)		Capitalization rate at 31 Dec 2021 (%)		Appraised value at 31 Dec 2021 (HK\$'000)
	at 31 Dec 2021	at 30 Jun 2021	at 31 Dec 2021	at 30 Jun 2021	six months ended 31 Dec 2021	six months ended 30 Jun 2021	Office	Retail	
Dah Sing Financial Centre	91.6	88.3	43.0	44.0	-5.0	-5.0	3.75	3.65	5,235,000
<u>Sheung Wan/Central Office Properties</u>									
Strand 50	94.1	95.8	32.2	32.1	0.4	-13.5	3.45	3.80	1,317,500
135 Bonham Strand Trade Centre Property	94.7	93.1	27.5	27.9	-7.8	-13.0	3.55	3.80	584,300
Winsome House Property	100.0	94.3	39.5	42.7	-4.3	-11.4	3.55	3.60	565,400
235 Wing Lok Street Trade Centre	95.6	88.6	20.2	20.9	-6.5	-10.8	3.55	3.80	369,600
<u>Other Office Properties</u>									
The Harvest	66.4	100.0	36.3	53.2	-4.4	-10.7	3.30	3.10	614,000
Righteous Centre	100.0	100.0	34.2	33.9	-1.8	-5.0	3.75	3.50	548,000
Java Road 108 Commercial Centre	100.0	96.1	25.1	24.9	1.9	-6.1	3.75	4.00	278,800
On Loong Commercial Building	100.0	100.0	30.3	31.2	-10.6	-12.2	3.65	3.70	254,300
Sun Fai Commercial Centre Property	100.0	100.0	21.4	21.7	-10.7	-11.3	3.80	4.05	166,900
Wai Ching Commercial Building Property	97.2	91.7	17.3	17.4	-7.8	-4.1	3.55	3.90	81,100
<b>Sub-total/Average</b>	<b>93.3</b>	<b>92.4</b>	<b>35.4</b>	<b>36.7</b>	<b>-4.5</b>	<b>-7.3</b>			<b>10,014,900</b>



# Key Retail Portfolio Statistics

Property	Operational statistics						Property financials		
	Occupancy rate (%)		Passing rent (HK\$ psf.)		Rental reversion (%)		Capitalization rate at 31 Dec 2021 (%)		Appraised value at 31 Dec 2021 (HK\$'000)
	at	at	at	at	six months ended	six months ended	Office	Retail	
	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021			
Sheung Shui Centre Shopping Arcade	94.6	95.3	100.8	104.2	-5.3	-12.5	N/A	4.30	3,861,000
Metro City Phase I Property	99.3	97.6	55.2	56.7	-5.1	-8.2	N/A	4.30	3,189,000
<b>Other Retail Properties</b>									
Kwong Wah Plaza Property	97.0	97.7	53.6	53.5	-1.1	-6.8	3.60	3.60	1,180,000
Beverly Commercial Centre Property	82.5	77.5	30.8	32.8	-16.7	-31.8	N/A	4.10	77,000
Supernova Stand Property	100.0	100.0	57.2	57.2	N/A	-10.7	N/A	3.80	75,000
Sub-total/Average	97.1	96.5	68.4	70.4	-4.9	-10.0			8,382,000



# Timeline of Major Asset Recycling and 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



2015

2016

2017

2018

2019

2020

2021

Replacement of chiller systems  
CAPEX: HK\$11M  
**SSC**

Upgrade of water-cooled chiller  
CAPEX: HK\$15M (2 phases)  
**Sunlight Tower<sup>1</sup>**

Replacement of chiller systems  
CAPEX: HK\$16M  
**Metro City Phase I**

Replacement of chiller systems  
CAPEX: HK\$6M  
**Strand 50**

**COST SAVING**

## ASSET ENHANCEMENT



Space reconfiguration  
CAPEX: HK\$25M  
**SSC**

Refurbishment of lobby & office floors  
CAPEX: HK\$17M  
**The Harvest**

Space reconfiguration of low zone  
CAPEX: HK\$48M  
**Strand 50**

Refurbishment of lobby  
**Dah Sing Financial Centre**

**RENTAL ENHANCEMENT**

Note:

1. The property has been renamed as Dah Sing Financial Centre.

# Sustainability Targets

## Land



### Green buildings

- Obtain green building certifications for four properties (Dah Sing Financial Centre, SSC, MCPI and Strand 50) by FY2025/26
- Obtain good class or above indoor air quality certificates for 50% of properties (in terms of total GRA) by FY2025/26
- Adopt one building innovation and/or ESG-related proptech annually



### Waste and water

- Divert 25% waste from landfill by FY2030/31
- Reduce 25% water consumption by FY2030/31
- Develop policy and system to record quantity of certain recyclables for selected wholly-owned properties by FY2021/22
- Conduct water risk assessment by FY2021/22



### Energy and carbon emissions

- Reduce 25% energy consumption and carbon emissions by FY2030/31
- Conduct carbon audit by FY2025/26



### Climate change

- Adopt Task Force on Climate-related Financial Disclosures (TCFD) framework for climate-related disclosure by FY2025/26

Note: The sustainability targets cover the wholly-owned properties. The baseline year for energy consumption and carbon emissions as well as water consumption is FY2015/16.

# Sustainability Targets (cont'd)

## Human



### Employee Well-being

- Conduct annual employee well-being survey by FY2022/23



### Health and Safety

- Evaluate occupational health and safety training needs of employees by FY2025/26



### Training and Development

- Increase 30% training hours per employee by FY2030/31
- Develop employee learning and development plan by FY2025/26

## Neighbourhood



### Community Investment

- Increase 50% volunteering hours by FY2030/31
- Increase 100% CSR budget by FY2030/31

## Partnership



### Tenant Satisfaction and Well-being

- Establish a green lease programme by FY2025/26



### Supply Chain Management

- Develop supply chain risks assessment system by FY2025/26
- Develop and implement green procurement system by FY2025/26



### Sustainable Financing

- Develop sustainable finance framework by FY2025/26



### Strategic Partnership with NGOs

- Conduct impact measurement for major corporate social responsibility ("CSR") initiatives by FY2030/31

Note: The sustainability targets cover the wholly-owned properties. The baseline year for training hours per employee, volunteering hours and CSR budget is FY2017/18.

# Contact Us

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# Disclaimer

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