

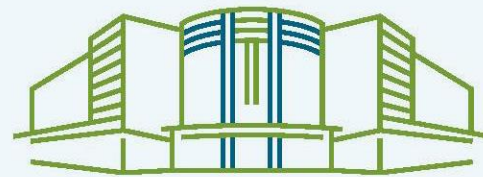


SUNLIGHT REIT

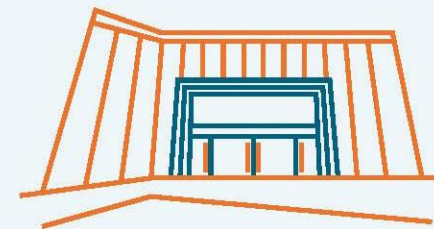
FY2023 ANNUAL RESULTS

INVESTOR PRESENTATION

RENOVATE



RECOVER



RECYCLE



6 September 2023

FY2023 Annual Results Summary

Revenue

HK\$' million

783.3

▼ 2.4% YoY



Net Property Income

HK\$' million

624.0

▼ 2.8% YoY



Distributable Income

HK\$' million

380.3

▼ 11.8% YoY



Net Asset Value Per Unit

HK\$

8.06

▼ 3.6% YoY



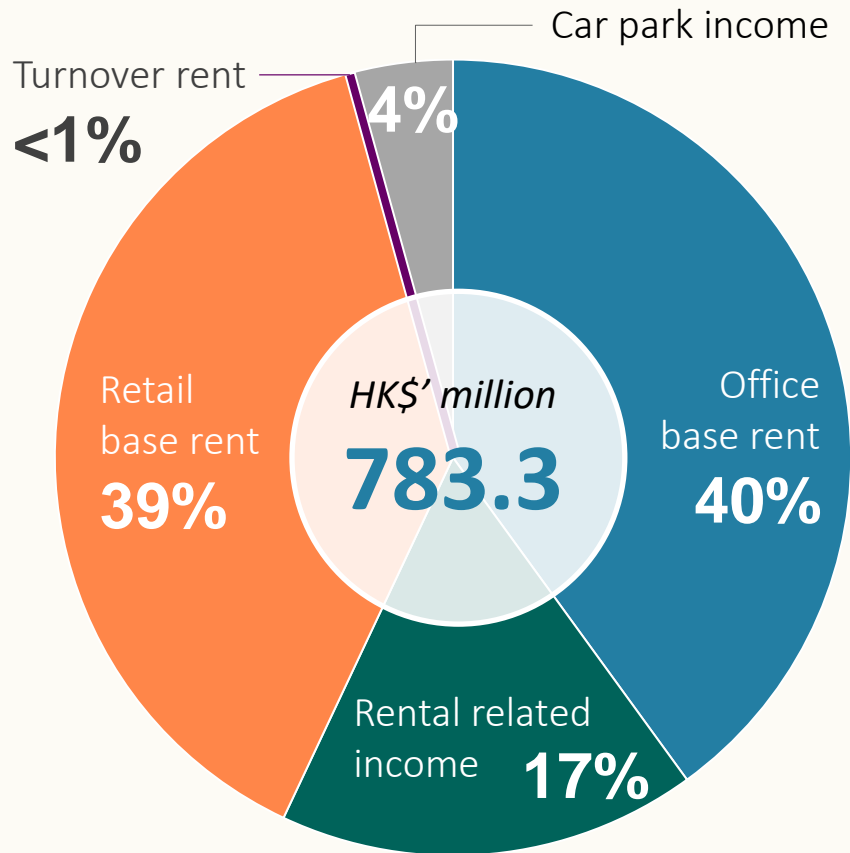
Performance Highlights:

- Net property income (“**NPI**”) saw a mild setback, while the downturn in distributable income was further affected by a sharp increase in interest expense.
- A gradual recovery in domestic consumption has been evident with the resumption of Hong Kong’s international travel and inbound tourism, which has given support to the retail portfolio of Sunlight REIT.
- The acquisition of West 9 Zone Kids (“**W9Z**”) has improved the geographical footprint of Sunlight REIT’s portfolio while helping to diversify its income base.

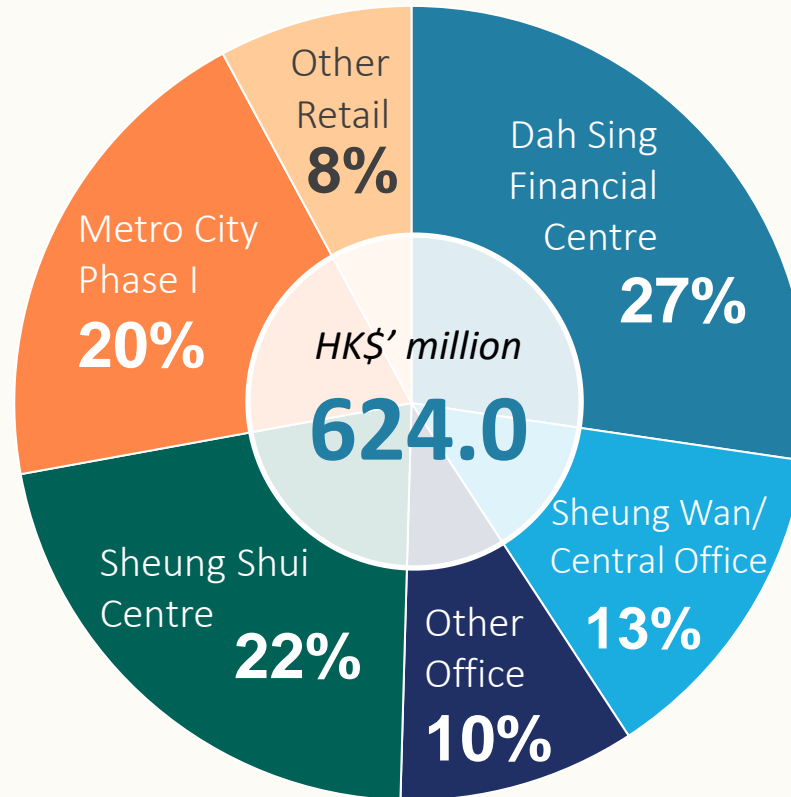
Diversified and Balanced Portfolio



Revenue by Income Type



NPI by Property



Lower NPI for office and retail portfolios

Maiden contribution from W9Z

Steady cost-to-income ratio

FY2023 Financial Position Summary

Portfolio Valuation

HK\$' million

18,512.2

▲ 2.3% YoY



Total Borrowings

HK\$' million

5,020.2

▲ 13.8% YoY



Gearing Ratio

26.1%



Key Updates:

- Higher appraised property value as a result of a maiden contribution from the acquisition of W9Z completed in April 2023.
- Additional borrowings of HK\$607 million incurred for the purpose of acquisition.
- Increased gearing ratio but at a manageable level.

FY2023 Distributions Summary

Distribution Per Unit

HK cents

22.0

▼ 12.0% YoY



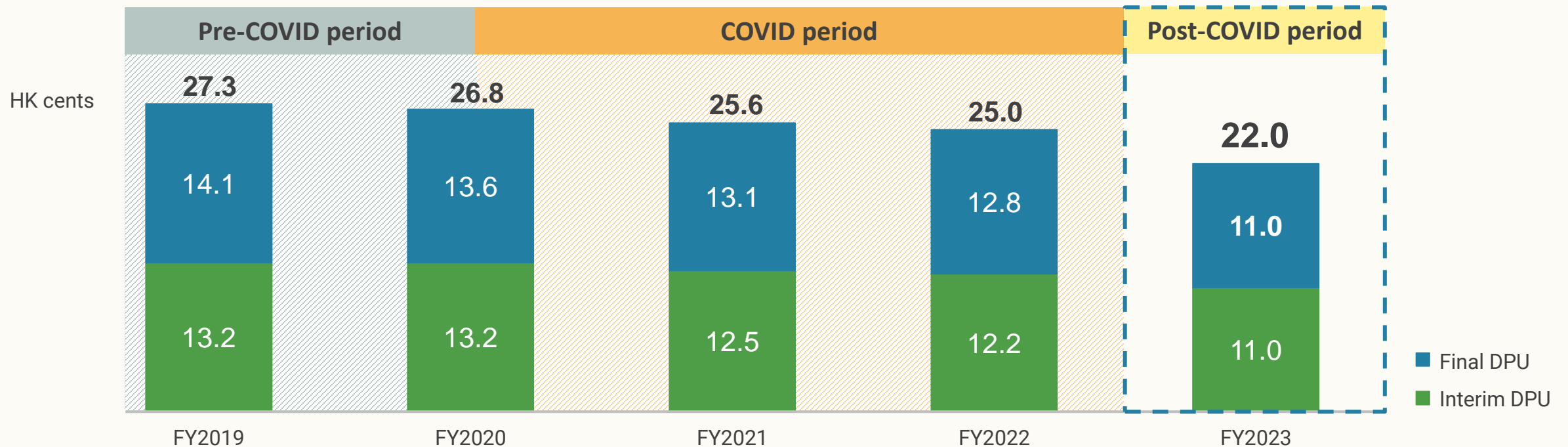
Payout Ratio

97.9%



Distribution Yield¹

7.6%



Note 1: Based on the closing price of HK\$2.88 on the last trading day of FY2023.

Portfolio Performance



Portfolio Operating Performance Summary

Occupancy Rate

93.3%

(30 Jun 2023)



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

45.4

(30 Jun 2023)



Rental Reversion

-2.3%

(FY2023)



No. of Leases

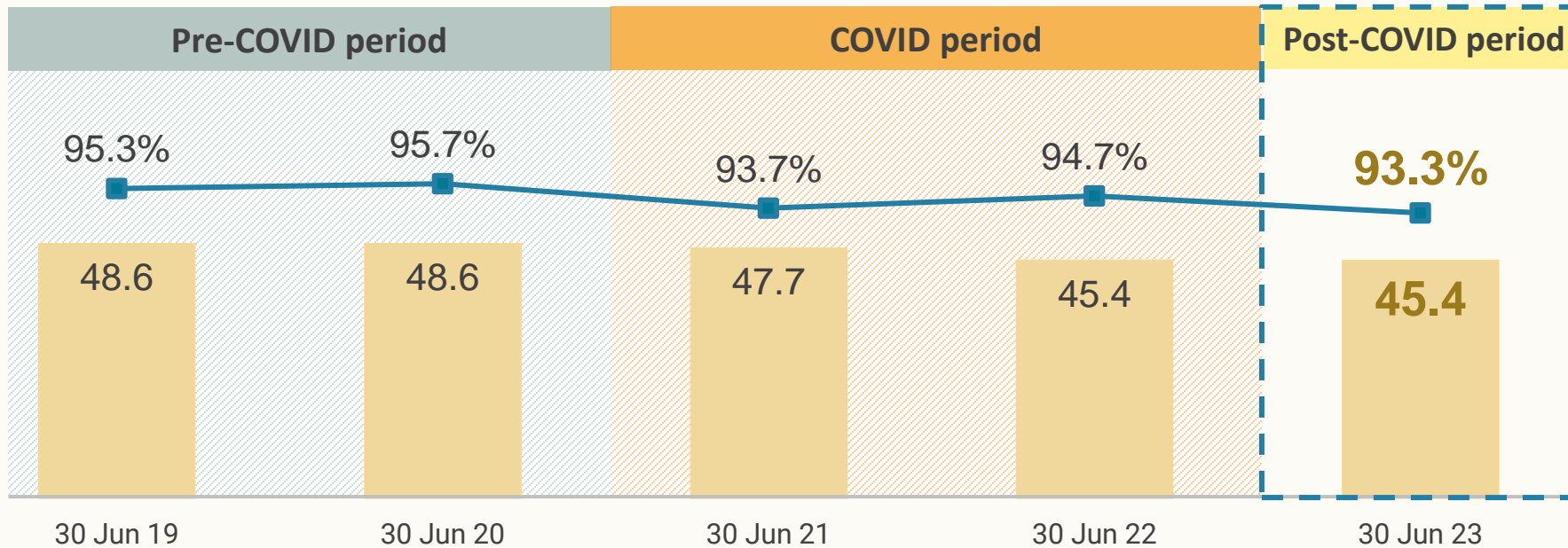
875

(30 Jun 2023)

Average Lease Length

3.1 years

Occupancy Rate and Passing Rent (HK\$/sq. ft.)



■ Occupancy Rate
■ Passing Rent

Operating Performance of Office Portfolio

NPI (HK\$' million)

314.8

▼ 3.4% YoY



Occupancy Rate

93.1%

94.8% (30 Jun 2022)



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

34.6

35.1 (30 Jun 2022)



Rental Reversion

-2.1%

-5.5% (FY2022)



Retention Rate

74%

82% (FY2022)



Lease Expiry in FY2024

35.6% Office GRA

38.1% (FY2023)



Operating Performance of Retail Portfolio

NPI (HK\$' million)

309.2

▼ 2.2% YoY



Occupancy Rate

93.5%

94.5% (30 Jun 2022)



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

65.6

67.6 (30 Jun 2022)



Rental Reversion

-2.5%

-5.0% (FY2022)



Retention Rate

79%

77% (FY2022)



Lease Expiry in FY2024

31.0% Retail GRA

44.2% (FY2023)



Property Valuation Summary



Portfolio Valuation

HK\$' million

18,512.2 ▲ 2.3%



NAV Per Unit

HK\$

8.06 ▼ 3.6%



Office Valuation

HK\$' million

9,556.3 ▼ 3.4%



Retail Valuation

HK\$' million

8,955.9 ▲ 9.2%

	At 30 Jun 2023 HK\$' million	Cap Rate	
		Office	Retail
Office			
<i>Dah Sing Financial Centre</i>	5,023.0	3.80%	3.70%
<i>Sheung Wan/Central</i>	2,716.2	3.55% - 3.65%	3.65% - 3.85%
<i>Other Office</i>	1,817.1	3.55% - 3.90%	3.40% - 4.10%
Retail			
<i>Sheung Shui Centre</i>	3,760.0	N/A	4.35%
<i>Metro City Phase I</i>	3,050.0	N/A	4.35%
<i>Other Retail</i>	2,145.9	3.70%	3.65% - 4.25%

Dah Sing Financial Centre

NPI

HK\$' million

170.5



Rental Reversion

-7.4%



Occupancy Rate

90.4%



Retention Rate

72%



Passing Rent

HK\$/sq. ft.

41.8



Expiry Profile

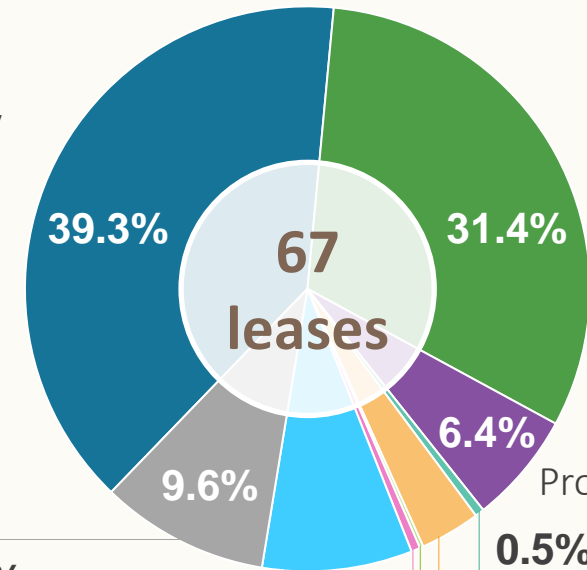
29.9% Office GRA (FY2024)

24.0% Office GRA (FY2025)

- High vacancy rate and negative rental reversion remained given the uninspiring leasing demand for Grade A offices.

Tenant Mix

Advertising, consultancy & financial services



Gov't & related organizations

Vacant

Others **8.6%**

Shipping & logistics **0.5%**

Healthcare **0.2%**

Professional services
0.5% Fashion & design

3.5% I.T. & telecommunications services

Sheung Shui Centre Shopping Arcade

NPI

HK\$' million

135.4



Rental Reversion

-4.3%



Occupancy Rate

97.6%



Retention Rate

91%



Passing Rent

HK\$/sq. ft.

96.0



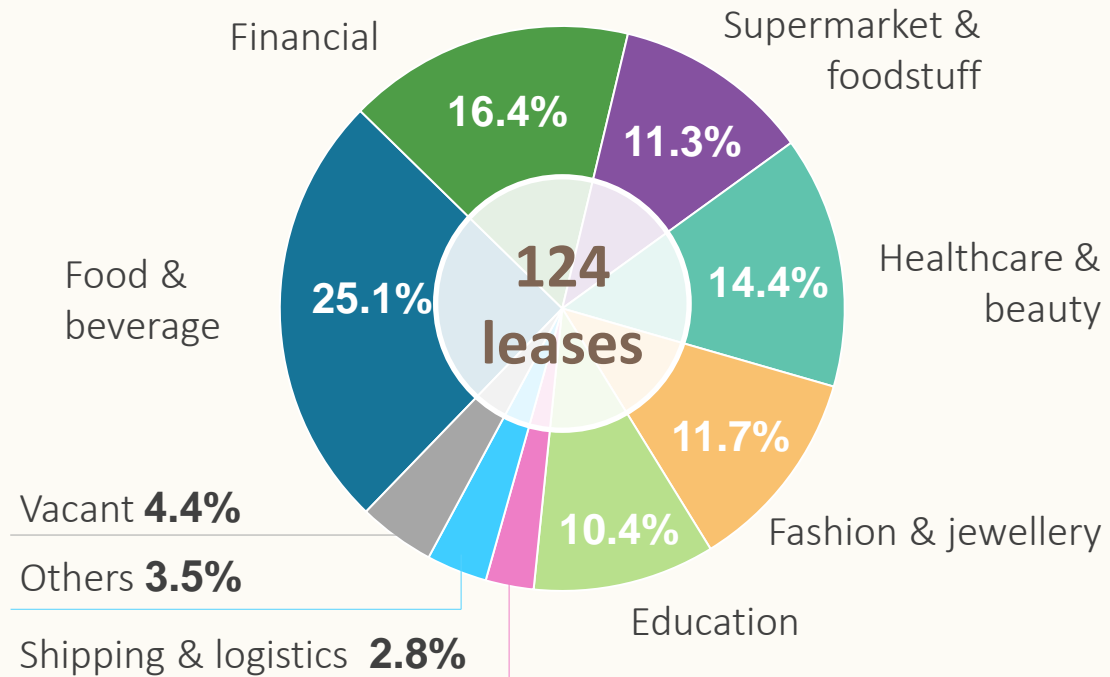
Expiry Profile

29.4% Retail GRA (FY2024)

27.0% Retail GRA (FY2025)

- Occupancy rate rebounded to a higher level thanks to new commitments from quality tenants.

Tenant Mix



Metro City Phase I

NPI

HK\$' million

124.7



Rental Reversion

-0.4%



Occupancy Rate

92.2%



Retention Rate

79%



Passing Rent

HK\$/sq. ft.

53.8



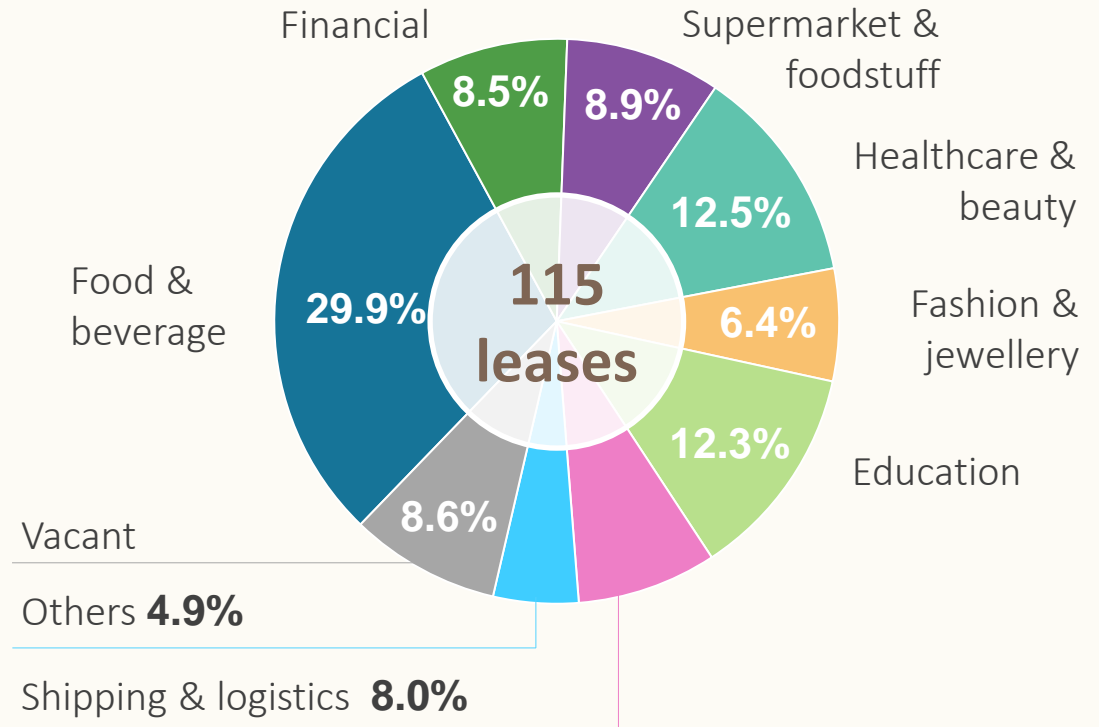
Expiry Profile

29.8% Retail GRA (FY2024)

29.4% Retail GRA (FY2025)

- Performance was disrupted by an unforeseen renovation delay and the departure of certain bank tenants.

Tenant Mix



Acquisition of West 9 Zone Kids



Acquisition Amount¹

HK\$' million

748



NPI

HK\$' million

5.7



Benefits to the portfolio:



Retail presence in a growing residential hub of Kowloon



Fresh impetus to revenue growth



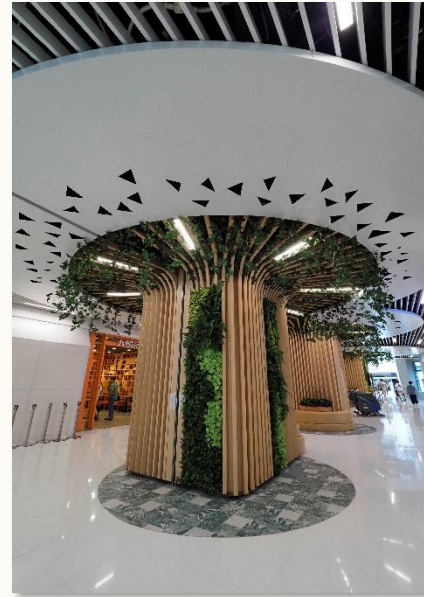
Diversification of rental income from major properties



Enhance leasing synergy with existing retail portfolio

Note 1: before adjustments.

Asset Enhancement Initiatives Update at MCPI - *“Care and Conserve”*



CAPEX

Approx.

HK\$17m

Completion

Jul 2023

- Tenant mix enrichment with new retail operators and eateries
- Provision of new kids-friendly lavatory facilities, an upgraded recycle corner as well as utilization of certified eco-friendly tiles and recycled materials
- Construction of a new corridor to improve footfall circulation

Marketing Campaigns to Drive Consumer Spending

Promotional activities



Coupons in e-Shop

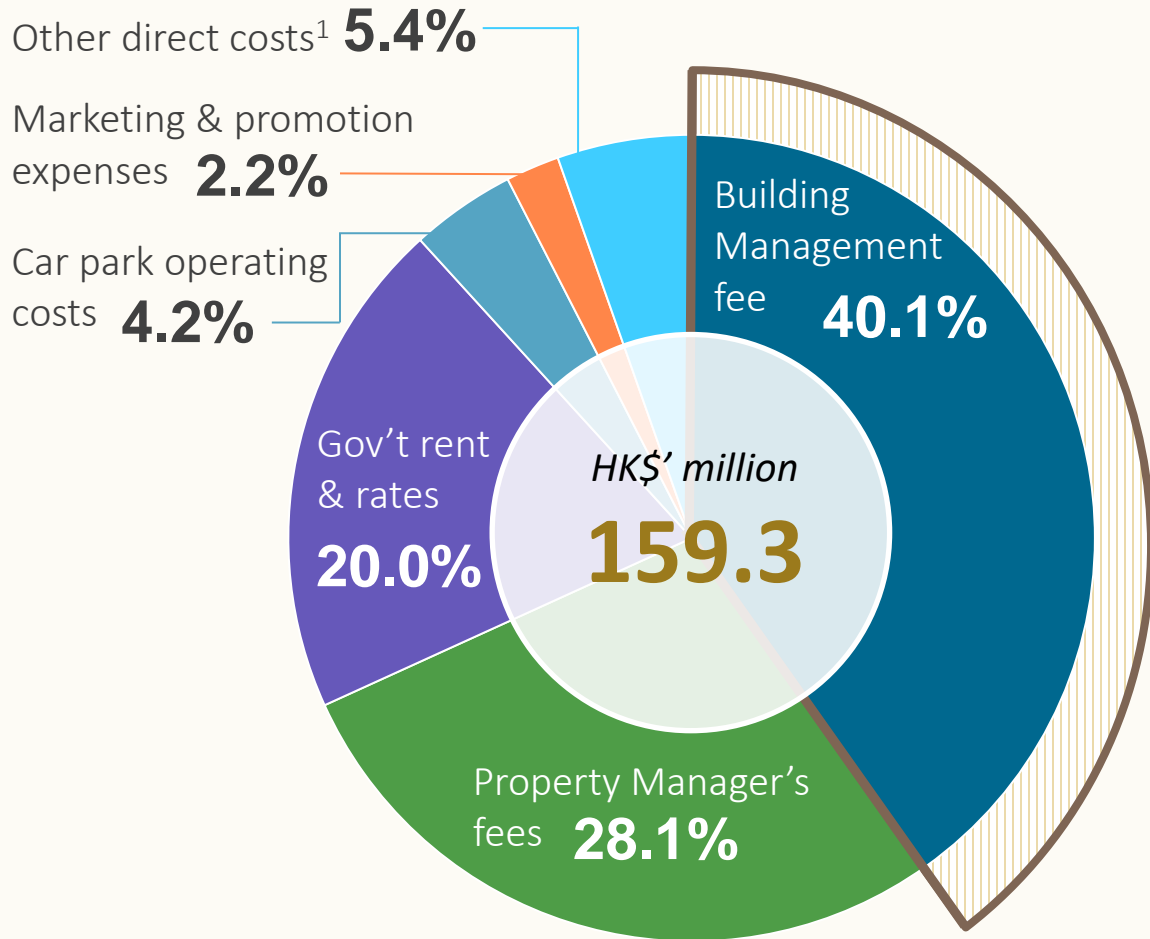


Limited quantity, while stocks last. Terms and conditions apply.

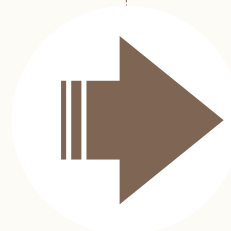


Disciplined Cost Control

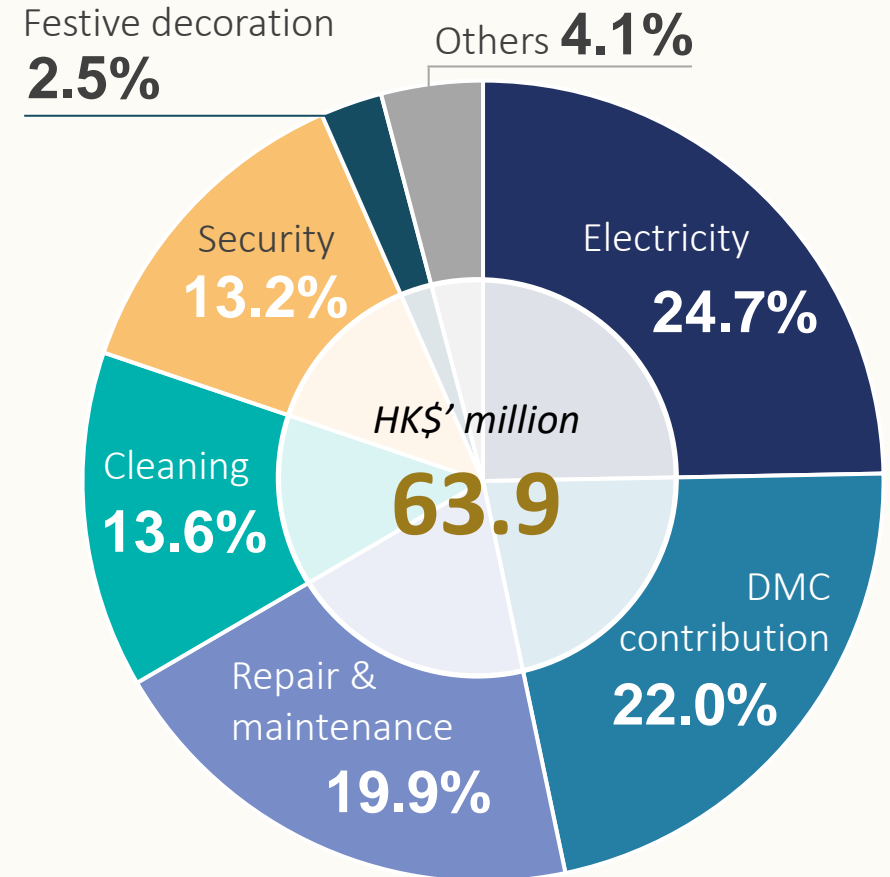
Property Operating Expenses



Note 1: Including reversal of provision for credit losses on rental receivables.



Building Management Fee



Capital Management



Interest Rate Management

Finance Costs

HK\$' million

132.3

▲ 34.5% YoY



Effective Interest Rate

2.9% p.a.

2.1% p.a. (FY2022)

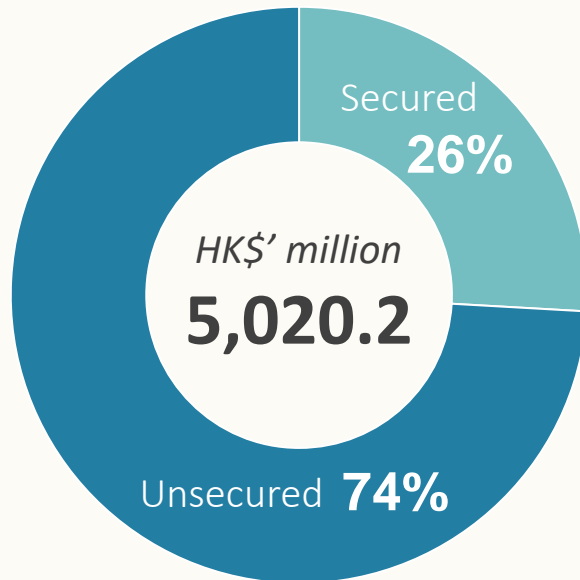


Interest Margin

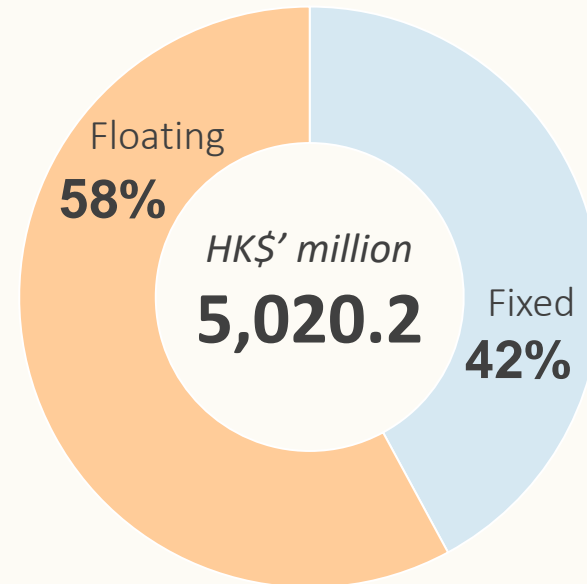
HIBOR + 0.79%

HIBOR + 0.79% (30 Jun 2022)

Total Borrowings Composition



Fixed vs Floating Rate Exposure



- A total of HK\$1,307 million in bank borrowings had been raised, of which HK\$700 million were sustainability-linked loans.
- With the natural expiry of certain interest rate swaps and additional borrowings, the proportion of fixed rate borrowings came down to 42%.

Debt Profile

Total Borrowings

HK\$' million

5,020.2

▲ 13.8% YoY



Interest Coverage Ratio

3.9x

5.8x (FY2022)



Weighted Debt Maturity Period

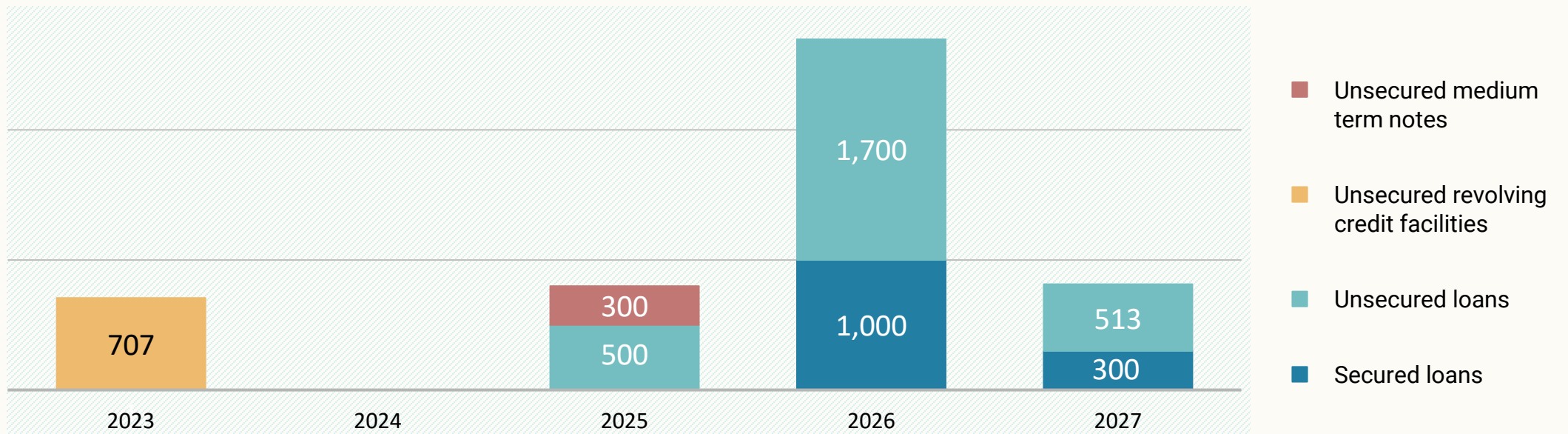
2.6 years

2.9 years (30 Jun 2022)



Maturity Profile of Total Borrowings

HK\$' million



Outlook & Strategy



Outlook



Key Strategic Risks: Interest Rates and Market Liquidity

- Overall interest outlay is expected to rise further in FY2024.



Office Outlook

- It is difficult to foresee a noticeable upswing for the Grade A office market, with double-digit vacancies poised to become a “new normal”.
- The Grade B portfolio is expected to perform reasonably well given the resilience of semi-retail trades.



Retail Outlook

- The completion of phase-one of the renovation works at MCPI will enable the asset to deliver a more respectable rental performance.
- SSC is a notable beneficiary of the return of Mainland Chinese visitors.
- The timely acquisition of W9Z will give impetus to NPI growth by making a full-year contribution.

Strategy



Operation & Asset Recycling

- Reasonable adjustments to management fees to partly cushion the impact of a rising cost base.
- Review individual asset performance and may consider the disposal of selected non-core assets.



Capital Management

- No refinancing exercise will take place until the middle of 2025.



Sustainability

- A new chapter unveils under the second “*Three-year Sustainability Roadmap*”, with a particular focus on enhancing sustainability disclosures, climate risk assessment and developing a sustainable finance framework.

Sustainability



Major Sustainability Achievements



2022 GRESB Assessment

- A two-star rating for the maiden participation
- Dedicated commitment to integrating sustainability criteria into the business



Green Buildings

- **80%** of properties have been awarded green building certifications
- **62%** of properties obtained good class or above IAQ certifications



Energy & Carbon Emissions

- Obtained ISO 14064 certification – Greenhouse gases
- Solar panels at Sheung Shui Centre and Kwong Wah Plaza



Waste & Water

- Obtained ISO 14046 certification: Environment management – water footprint
- **75%** of properties have been installed recycling bins



Sustainable Finance

- About **70%** of total borrowings were sustainability-linked loans
- Full satisfaction of predetermined performance targets¹

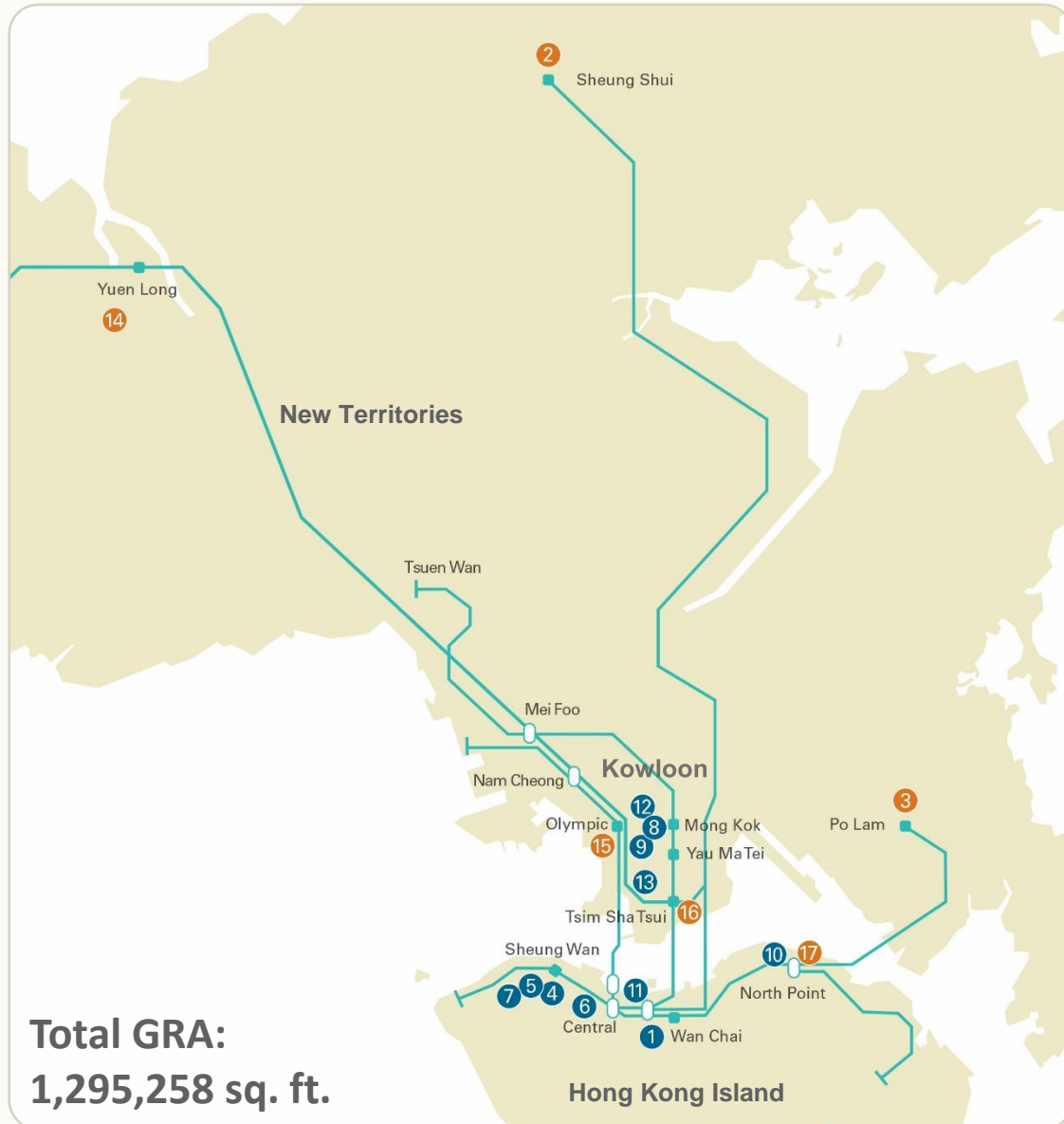
Three-year Sustainability Roadmap

	Year 1 FY2023	Year 2 FY2024	Year 3 FY2025
Sustainability standards & disclosure	<ul style="list-style-type: none"> Align ESG disclosures with international standards and third-party assurance 		
Climate change	<ul style="list-style-type: none"> Climate risk assessment 	<ul style="list-style-type: none"> Climate scenario analysis 	<ul style="list-style-type: none"> Carbon neutrality roadmap
Employee well-being and training & development	<ul style="list-style-type: none"> Conducted annual employee well-being survey 	<ul style="list-style-type: none"> Increase training hours per employee 	<ul style="list-style-type: none"> Evaluate occupational health & safety training needs and devise employee learning development plan
Sustainable finance	<ul style="list-style-type: none"> Maintained over 50% of total borrowings as SLLs 	<ul style="list-style-type: none"> Develop a sustainable finance framework 	
Community investment	<ul style="list-style-type: none"> Increase volunteering hours 		<ul style="list-style-type: none"> Increase CSR budget

Appendix



Portfolio at a Glance



Top three properties

- 1 Dah Sing Financial Centre

GRA: 376,381 sq. ft.



- 2 Sheung Shui Centre Shopping Arcade

GRA: 122,339 sq. ft.



- 3 Metro City Phase I Property

GRA: 188,889 sq. ft.



Sheung Wan/Central office properties

GRA: 274,223 sq. ft.

- 4 Strand 50
- 5 135 Bonham Strand Trade Centre Property
- 6 Winsome House Property
- 7 235 Wing Lok Street Trade Centre

Other office properties

GRA: 194,019 sq. ft.

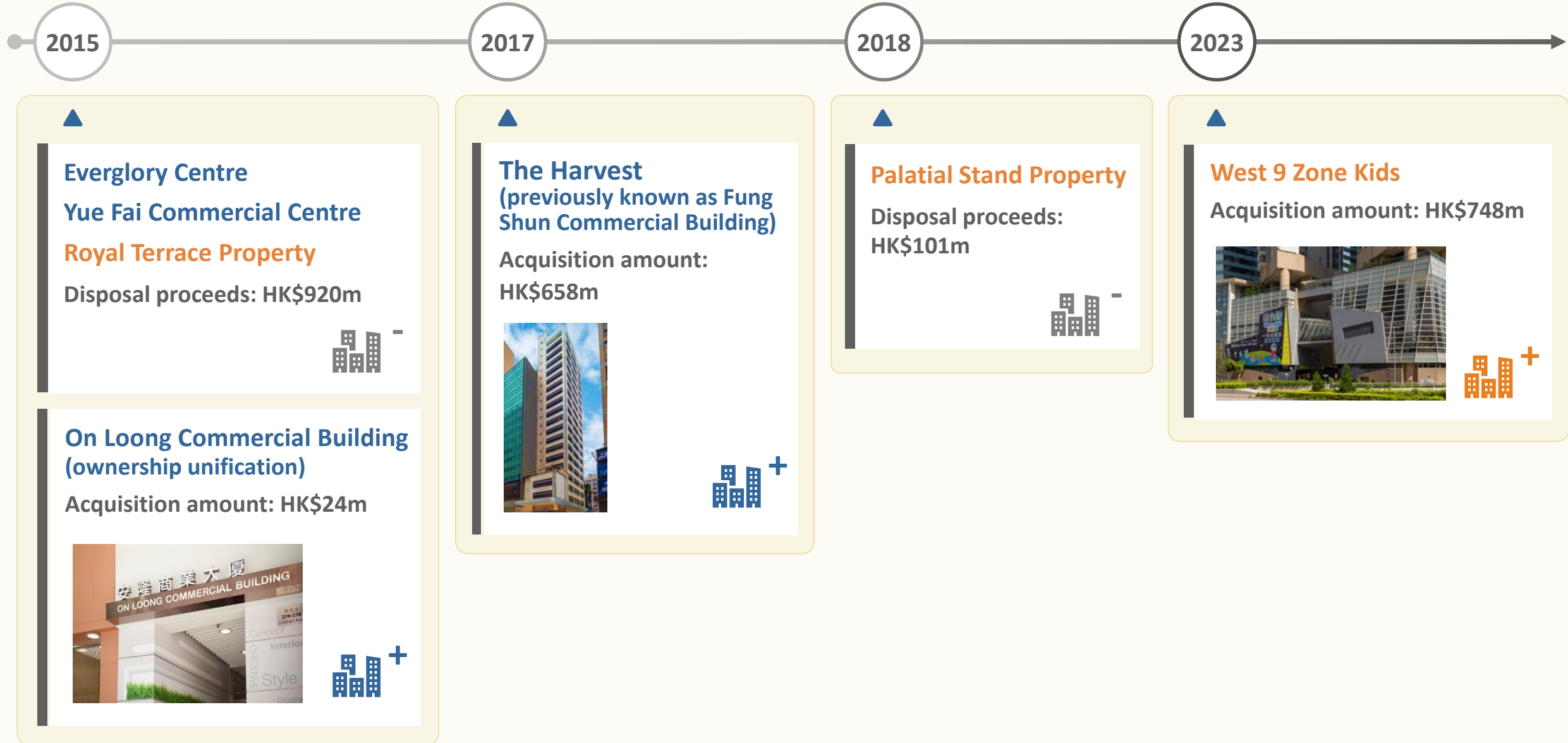
- 8 The Harvest
- 9 Righteous Centre
- 10 Java Road 108 Commercial Centre
- 11 On Loong Commercial Building
- 12 Sun Fai Commercial Centre Property
- 13 Wai Ching Commercial Building Property

Other retail properties

GRA: 139,407 sq. ft.

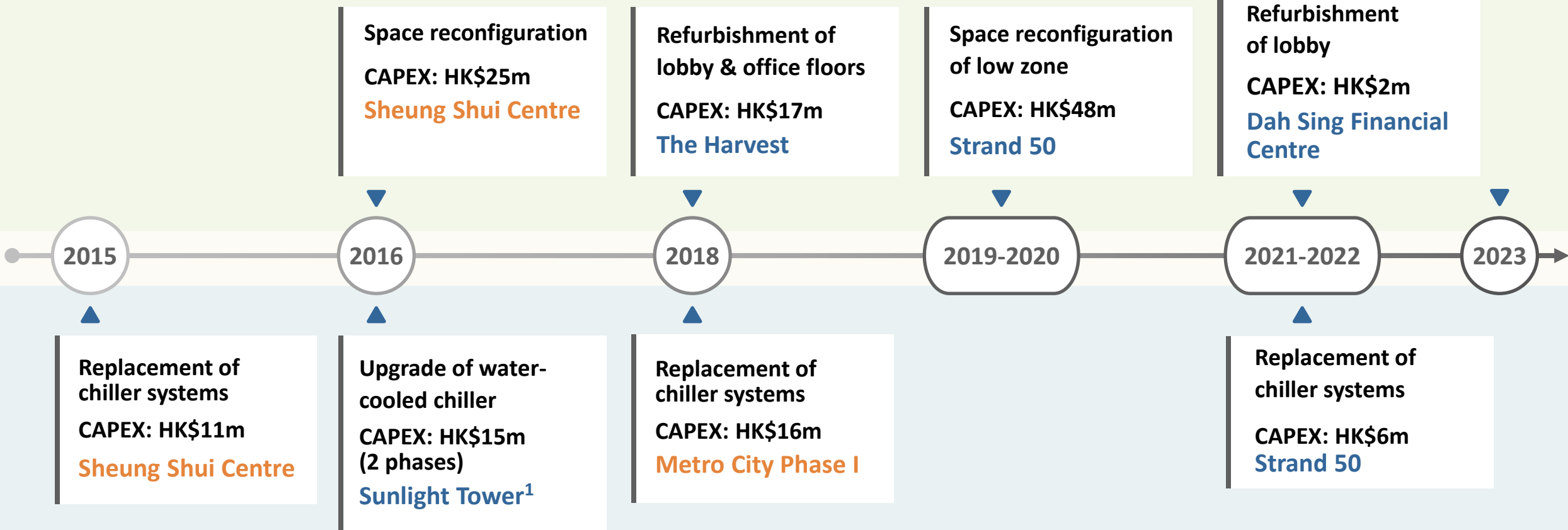
- 14 Kwong Wah Plaza Property
- 15 West 9 Zone Kids
- 16 Beverley Commercial Centre Property
- 17 Supernova Stand Property

Timeline of Major Asset Recycling



Timeline of Major Asset Enhancement

Rental Enhancement



Cost Saving

Note 1: The property has been renamed as Dah Sing Financial Centre since 8 March 2021.

Key Financial Information

Consolidated Statement of Profit or Loss

HK\$' million	FY2023	FY2022	YoY
Revenue	783.3	802.9	(2.4%)
Property operating expenses	(159.3)	(161.0)	(1.1%)
Net property income	624.0	641.9	(2.8%)
Other income	7.5	5.3	41.2%
Administrative expenses	(106.0)	(105.8)	0.2%
(Decrease) / increase in fair value of investment properties	(354.4)	(263.9)	34.3%
(Loss)/ profit from operations	171.1	277.5	(38.4%)
Finance costs on interest bearing liabilities	(132.3)	(98.4)	34.5%
Income tax	(67.2)	(76.2)	(11.8%)
Profit/ (loss) after taxation	(28.4)	102.9	n/a

Financial Position

HK\$' million	30 Jun 2023	30 Jun 2022
Non-current assets	18,653.6	18,253.3
Current assets	564.3	707.1
Gross assets	19,217.9	18,960.4
Current liabilities	1,072.0	1,654.2
Non-current liabilities	4,476.7	3,254.8
Gross liabilities	5,548.7	4,909.0
Net assets	13,669.2	14,051.4
No. of units in issue	1,695.0m	1,681.7m

Key Office Portfolio Statistics

Property	Operational statistics				Property financials		
	Occupancy rate (%)	Passing rent (HK\$ / sq. ft.)	Rental reversion (%)	NPI (HK\$'000)	Capitalization rate (%)		Appraised value (HK\$'000)
	30 Jun 2023	30 Jun 2023	FY2023	FY2023	Office 30 Jun 2023	Retail 30 Jun 2023	30 Jun 2023
Dah Sing Financial Centre	90.4	41.8	(7.4)	170,465	3.80	3.70	5,023,000
Sheung Wan/Central Office Properties							
Strand 50	94.4	31.0	2.2	39,878	3.55	3.85	1,266,700
135 Bonham Strand Trade Centre Property	100.0	26.6	(1.6)	18,414	3.65	3.85	558,200
Winsome House Property	83.0	38.8	0.4	14,657	3.65	3.65	536,200
235 Wing Lok Street Trade Centre	96.7	19.7	(2.4)	11,145	3.65	3.85	355,100
Other Office Properties							
Righteous Centre	97.4	35.2	5.1	20,252	3.75	3.50	535,000
The Harvest	95.7	41.2	(0.2)	13,629	3.55	3.40	534,000
Java Road 108 Commercial Centre	100.0	24.7	(0.8)	10,156	3.85	4.05	268,400
On Loong Commercial Building	100.0	27.9	(2.0)	8,372	3.75	3.75	238,700
Sun Fai Commercial Centre Property	91.0	22.0	(0.1)	5,509	3.90	4.10	163,200
Wai Ching Commercial Building Property	91.7	16.9	(0.3)	2,287	3.65	3.95	77,800
Average	93.1	34.6	(2.1)	314,764			9,556,300

Key Retail Portfolio Statistics

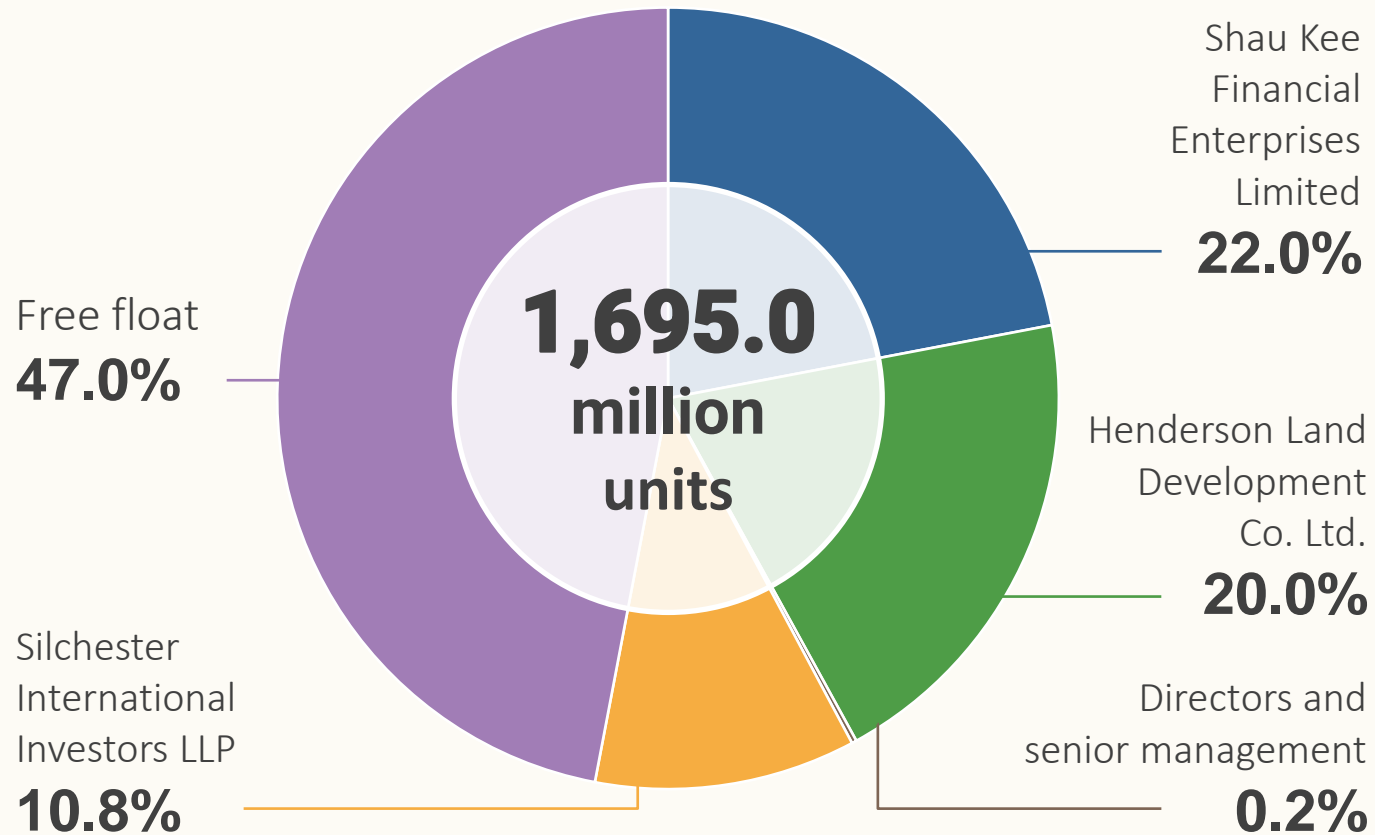
Property	Operational statistics				Property financials		
	Occupancy rate (%)	Passing rent (HK\$ / sq. ft.)	Rental reversion (%)	NPI (HK\$'000)	Capitalization rate (%)		Appraised value (HK\$'000)
	30 Jun 2023	30 Jun 2023	FY2023	FY2023	Office	Retail	30 June 2023
Sheung Shui Centre Shopping Arcade	97.6	96.0	(4.3)	135,362	N/A	4.35%	3,760,000
Metro City Phase I Property	92.2	53.8	(0.4)	124,671	N/A	4.35%	3,050,000
Other Retail Properties							
Kwong Wah Plaza Property	95.4	54.6	(1.4)	38,335	3.70%	3.65%	1,152,000
West 9 Zone Kids	85.7	55.7	14.5	5,724	N/A	4.25%	845,000
Supernova Stand Property	100.0	57.3	4.0	2,677	N/A	3.80%	75,000
Beverley Commercial Centre Property	100.0	29.8	2.3	2,443	N/A	4.15%	73,900
Average	93.5	65.6	(2.5)	309,212			8,955,900



Sunlight REIT at a Glance

Unitholding Structure

(30 Jun 2023)



Discount to NAV

30 Jun 2023

64.3%

Market Capitalization

HK\$' million

4,882

Annualized Total Return Since listing

30 Jun 2023

8.0%

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