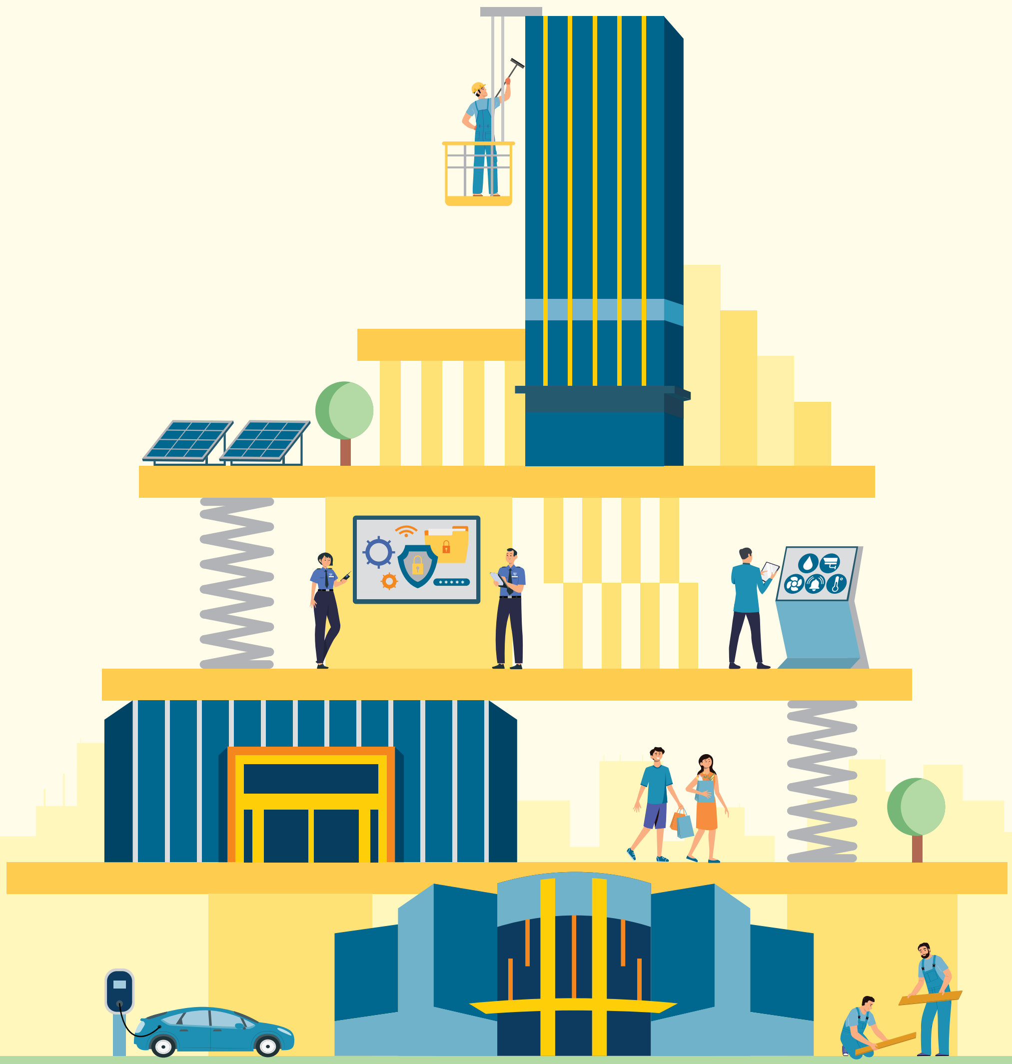
SUNLIGHT REIT

STOCK CODE : 435

BUILDING RESILIENCE

ANNUAL REPORT 2023/24



Highlights of the Reporting Period

- Sunlight REIT delivered a stable operating performance during this extended period under review, while distributable income continued to be affected by increases in both operating and interest expenses.
- Attainment of a 4-star rating in the GRESB assessment reflects the unwavering commitment to advancing sustainability.
- In light of persistent headwinds, the Manager will devote additional effort to shoring up the resilience of Sunlight REIT by adopting a disciplined and innovative asset management strategy, while deploying sufficient capital to enhance the quality of the portfolio.

Key Financial Highlights

18 months ended 31 December 2024	At 31 December 2024
Revenue HK$1,236.3 million	Appraised property value HK$17,933.6 million
Net property income HK$957.7 million	Net asset value per unit HK$7.53
Distribution per unit HK 27.4 cents	Gearing 27.0%

Contents

Forward-looking Statements

This annual report contains certain statements and terminologies that are forward-looking. These statements are made on the basis of the current beliefs, assumptions, expectations and projections of the board of directors (the "**Board**") and senior management of Henderson Sunlight Asset Management Limited (the "**Manager**"). They are subject to risks, uncertainties and other factors beyond the Manager's control, the emergence of which may cause actual results or performance to differ materially from those expressed or implied in such statements.

Who We Are : In Brief

Our Business

Sunlight Real Estate Investment Trust ("**Sunlight REIT**") is a real estate investment trust authorized by the Securities and Futures Commission (the "**SFC**") and constituted by the trust deed dated 26 May 2006 (as amended and restated) (the "**Trust Deed**"). The trustee of Sunlight REIT (the "**Trustee**") is HSBC Institutional Trust Services (Asia) Limited.

Listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 21 December 2006, the market capitalization of Sunlight REIT was approximately HK$3,212 million at 31 December 2024.

Sunlight REIT offers investors the opportunity to invest in a diversified portfolio of 11 office and six retail properties in Hong Kong with a total gross rentable area ("**GRA**") of approximately 1.3 million sq. ft. The office properties are primarily located in core business areas, including Wan Chai and Sheung Wan/Central, as well as in decentralized business areas such as Mong Kok and North Point. The retail properties are situated in regional transportation hubs and new towns including Sheung Shui, Tseung Kwan O and Yuen Long, as well as in urban areas with high population density such as Tai Kok Tsui. Sunlight REIT's portfolio was appraised by its principal valuer, Knight Frank Petty Limited (the "**Principal Valuer**"), at HK$17,933.6 million at 31 December 2024, with office and retail properties accounting for 50.5% and 49.5% respectively.

Our Management

The Manager's main responsibility is to manage Sunlight REIT and all of its assets in accordance with the Trust Deed in the sole interest of the unitholders of Sunlight REIT ("**Unitholders**"). It is also responsible for ensuring compliance with the Code on Real Estate Investment Trusts (the "**REIT Code**"), the Trust Deed, applicable provisions of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), as well as other relevant laws and regulations.

Henderson Sunlight Property Management Limited (the "**Property Manager**") has been delegated the responsibilities of providing property management, lease management and marketing services solely and exclusively for the properties of Sunlight REIT located in Hong Kong, subject to the overall management and supervision of the Manager.

The Manager and the Property Manager are both indirect wholly-owned subsidiaries of Henderson Land Development Company Limited ("**HLD**").

Our Strategy

The key objectives of the Manager are to provide Unitholders with regular and stable cash distributions, and the potential for sustainable growth of such distributions and long-term enhancement in capital value of the properties. The Manager has implemented the following strategies to ensure the accomplishment of these objectives:

Operational management and asset enhancement

The Manager works closely with the Property Manager to develop proactive leasing strategies, cost saving solutions and asset enhancement initiatives aimed at improving the rental income and unlocking the value of the properties.

Investment and acquisition growth

The Manager seeks to acquire income-producing investment properties which have the potential to provide attractive total returns to Unitholders through accretion in distribution yield, sustainable growth in distributions and/or long-term enhancement in capital value. The Manager also reviews and considers, from time to time, fine-tuning the portfolio through divestment of non-core assets for more attractive investment alternatives.

Capital and business management

In support of the operational and acquisition growth strategies of Sunlight REIT, the Manager has in place an efficient capital management strategy, through the appropriate use of equity and leverage. It has also established a solid business management framework which includes sound corporate governance practices, effective risk management and internal control systems, reliable management information systems as well as an experienced workforce.

Our Culture

The Manager is committed to maintaining and cultivating a supportive and engaging culture for Sunlight REIT. A good corporate culture is pivotal in developing employees with a deep sense of connection and attachment, motivating them to go the extra mile and exhibit discretionary effort even in most trying times.

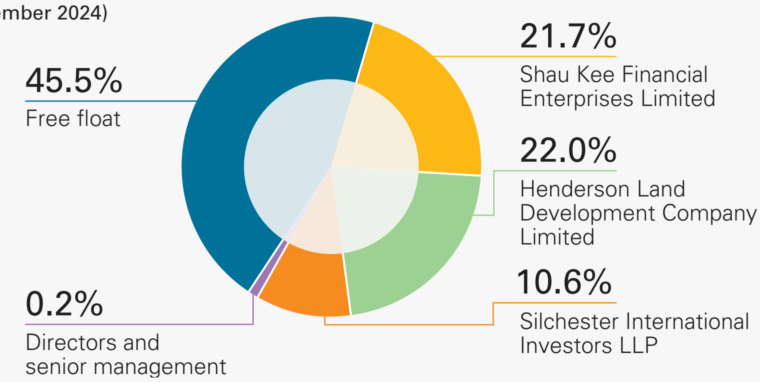
During the Reporting Period, the Board has reviewed and refined the four core values of Sunlight REIT's corporate culture as follows:

Care	Innovation	Integrity	Sustainability

Please refer to "Corporate Governance Report" on page 38 for further details.

Unitholding structure

(at 31 December 2024)



Chairman's Statement

> In light of persistent headwinds, the Manager will devote additional effort to shoring up the resilience of Sunlight REIT. We will stay on a steady footing by adopting a disciplined and innovative asset management strategy, while capitalizing on any opportunities to mitigate interest rate risks from time to time.

AU Siu Kee, Alexander
Chairman

On behalf of the Board, I have the pleasure of presenting the financial results of Sunlight REIT for the 18 months ended 31 December 2024 (the "**Reporting Period**"). This extended period under review is attributable to the change of financial year end date from 30 June to 31 December, the details of which were set out in the announcement of Sunlight REIT dated 5 December 2023.

Notwithstanding the sharp and synchronous monetary tightening around the world since 2022, the global economy has averted a recession, not least because major central banks pivoted to soften their stance at the turn of 2024 in view of easing inflationary pressure. Meanwhile, the Chinese and Hong Kong economies have stayed on the path of a post-pandemic recovery, but seemingly running out of steam to a varying extent over the course of the period under review. While a strong upturn in tourist arrivals and a buoyant labour market have remained the bright spots for Hong Kong, the momentum of private consumption was clearly waning, as demonstrated by the 7.3% year-on-year decline in retail sales in 2024.

For the Reporting Period, Sunlight REIT posted total revenue and net property income ("**NPI**") of HK$1,236.3 million and HK$957.7 million respectively, while distributable income was HK$499.7 million. Comparing the key performance indicators on a calendarized basis, total revenue for the 12 months ended 31 December 2024 was up 0.4% to HK$817.1 million, while distributable income was down 2.0% to HK$337.3 million, mainly reflecting the increase in both property operating expenses and finance costs.

Hong Kong retail sales 2024

(7.3)%

year on year

Source: Census and Statistics Department

in HK$' million (unaudited)	12 months ended 31 December 2024	12 months ended 31 December 2023
Revenue	**817.1**	814.0
Net property income	**634.5**	639.6
Distributable income	**337.3**	344.4

The Board has resolved to declare a final distribution of HK 9.3 cents per unit. Together with the first and second interim distributions of HK 9.0 cents and HK 9.1 cents per unit respectively, the total distribution per unit ("**DPU**") for the Reporting Period would amount to HK 27.4 cents, representing a payout ratio of 94.0% (FY2022/23: 97.9%). Based on the closing price of HK$1.86 per unit on 31 December 2024, the annualized distribution yield for the Reporting Period was 9.8%.

The portfolio of Sunlight REIT was appraised at HK$17,933.6 million at 31 December 2024, 3.1% lower as compared to 30 June 2023. Accordingly, its net asset value declined by 4.8% to HK$13,010.1 million, or HK$7.53 per unit.

Looking ahead, the global economic landscape is on the cusp of consequential shifts as the policies touted by the new US administration are poised to crystallize. In particular, the likelihood of an active fiscal policy in the form of new import tariffs and tax cuts may reignite trade wars and inflation fears, dashing the hope for a more benign interest rate environment. Meanwhile, moderating economic growth and low inflation are likely to remain twin features of the Chinese economy, which may curtail the pace of economic recovery for Hong Kong.

In light of persistent headwinds, the Manager will devote additional effort to shoring up the resilience of Sunlight REIT. We will stay on a steady footing by adopting a disciplined and innovative asset management strategy, while capitalizing on any opportunities to mitigate interest rate risks from time to time. Meanwhile, we reaffirm our steadfast commitment to sustainability, aspiring to contribute our part in developing a greener environment for the community.

I would like to take this opportunity to express my deepest gratitude to my fellow directors, the management team and the staff for their hard work and unwavering support throughout the period under review. Their contribution has been and will continue to be a crucial factor in sustaining the long-term development of Sunlight REIT.

AU Siu Kee, Alexander
Chairman
11 March 2025

CEO's Report

> Despite the persistent pressure on commercial leasing over the past five years, Sunlight REIT's portfolio has demonstrated its resilience in terms of rental performance and occupancy.

WU Shiu Kee, Keith
Chief Executive Officer

In the wake of a thankful dissipation of the pandemic woes in early 2023, Hong Kong had exhibited initial signs of economic vibrancy, buoyed by a significant return of tourists particularly from Mainland China. However, such vitality was seemingly pared by a myriad of hurdles that have since become sufficiently potent forces to derail the economic and corporate progress of the territory.

Structural Challenges

In addition to geopolitics, a key exogenous risk facing Hong Kong ties to the unyielding strength of the greenback to which its currency is pegged. As the US economy turned in another sterling performance in 2024, monetary easing has clearly become less of a priority for the US Federal Reserve, which certainly did not augur well for Hong Kong's domestic demand, tourism and trade competitiveness. Meanwhile, the pace of economic growth in China was positive, but a dearth of liquidity (particularly relating to the real estate sector) continued to be an inhibiting factor. For Hong Kong, there has been a clear change in consumption pattern, as online shopping and northbound spending have emerged to become prominent features, while a decline in per capita spending of incoming tourists as compared to pre-COVID levels is more than evident.

From the perspective of office leasing, the expansion motives of multinational and Mainland corporations have remained lacklustre. While we welcome the trend of positive net office absorption, the impetus was not sufficient to neutralize the new supply coming on stream, with the vacancy rate[Note] for Grade A offices staying at a high level of 15.0% at 31 December 2024.

Note: According to the statistics provided by the Principal Valuer.

Operating Profile

Despite the persistent pressure on commercial leasing over the past five years, Sunlight REIT's portfolio has demonstrated its resilience in terms of rental performance and occupancy. As compared to 30 June 2019, the office and retail passing rents of Sunlight REIT have retreated by 9.6% and 13.5% respectively, which outperformed the relevant rental indices[Note] by a substantial margin. Meanwhile, our average portfolio occupancy of 91.3% at 31 December 2024 also fared well in comparison with market average.

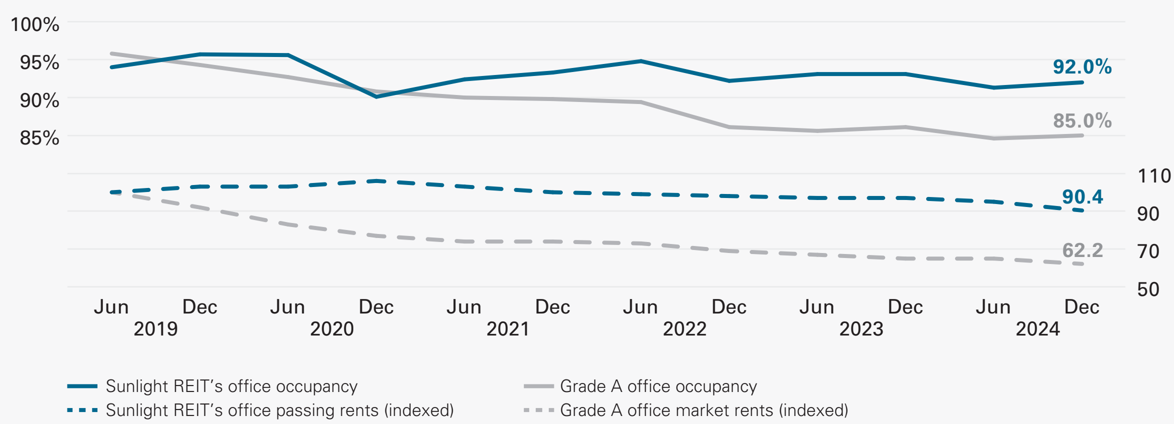
Asset Management

The Manager has continued to place asset enhancement and recycling in the forefront of its management agenda.

The acquisition of West 9 Zone Kids ("**W9Z**") in April 2023 afforded Sunlight REIT a decent exposure to urban retail in the vicinity of Olympic station of MTR. As part of an overall revitalization of this shopping mall, the Manager has crafted a renovation scheme which aims to refresh the image and enhance the overall ambience of the property. With an estimated budget of about HK$6 million, completion is slated for the first half of 2025.

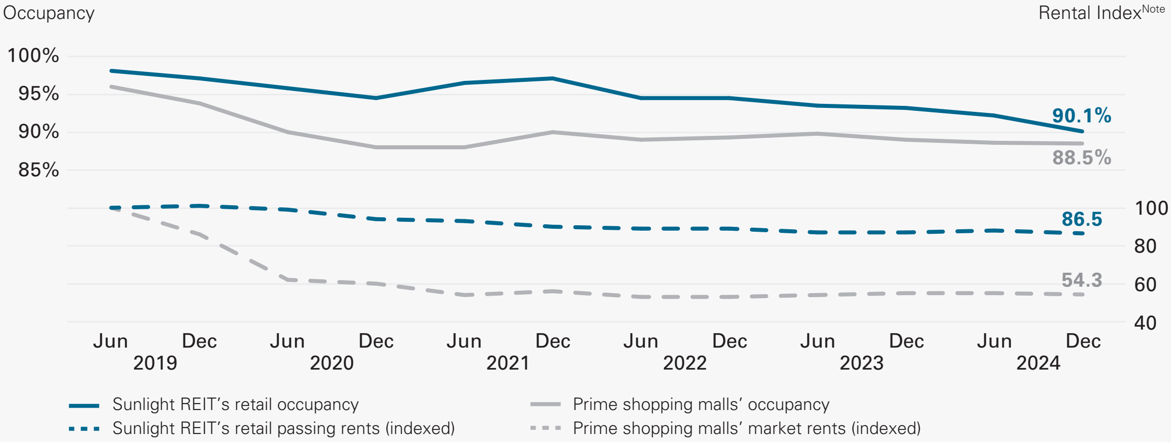
Meanwhile, we have installed 51 electric vehicle ("**EV**") charging facilities at our key properties during the Reporting Period, while managing to dispose of certain car park spaces at Metro City Phase I Property ("**MCPI**") at an average exit yield of 3.5%.

Office portfolio's occupancy and passing rent versus Hong Kong Grade A office market



Note: Rents indexed to 100 at 30 June 2019.
Source: Knight Frank Petty Limited

Retail portfolio's occupancy and passing rent versus Hong Kong prime shopping malls



Note: Rents indexed to 100 at 30 June 2019.
Source: Knight Frank Petty Limited

ESG Achievements

Our commitment to environment, social and governance ("**ESG**") initiatives during the Reporting Period was attested by achieving a four-star rating in the Global Real Estate Sustainability Benchmark (GRESB) assessment, a global ESG benchmark for the real estate sector. This recognition is a testament to our unwavering commitment and ability to advancing sustainability by integrating ESG values into the management and operations of Sunlight REIT. In the meantime, we are pleased to announce that our Sheung Wan-based office property, Strand 50, has attained a Gold rating under the Leadership in Energy and Environmental Design (LEED) v4.1 Operations and Maintenance: Existing Buildings, nicely complementing our green building accolades achieved under BEAM assessment.

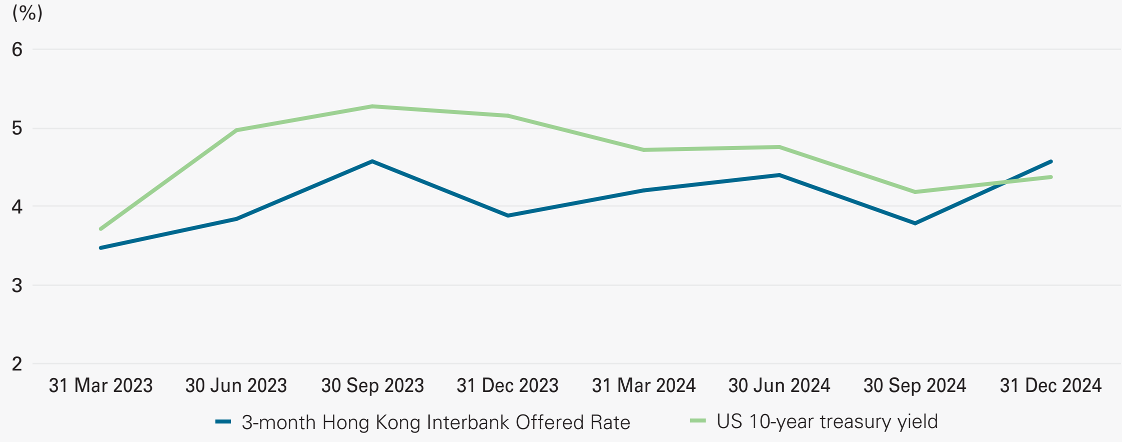
Echoing the corporate values of Sunlight REIT, we will ensure the allocation of sufficient resources to press on with our sustainability journey, while promoting a green, innovative and caring culture for our staff and our stakeholders.

Prospects

The risk spectrum of real estate investing is clearly broadening and deepening over the past few years. In addition to the structural challenges, we are facing risks associated with wage-push inflation, health and safety as well as the availability of credit. In view of these evolving trends, developing a culture of resilience and innovation is a priority of commercial asset management going forward.

The theme of this annual report, "***Building Resilience***", underscores our conviction to fortify our fundamentals, which include (but are not limited to) upkeeping our cost-to-income efficiency, exploring alternative leasing strategies and new collaboration opportunities, and deploying sufficient capital to upgrade the quality and provisions of our properties under management.

US treasury yield and Hong Kong Interbank Offered Rate



Source: Bloomberg

"… developing a culture of resilience and innovation is a priority of commercial asset management going forward."

It is currently envisaged that new letting demand for Grade A offices will remain lethargic, while the local retail landscape will continue to encounter cross-border competition, which in turn may constrain the expansion appetite of retail operators, particularly for eateries as well as healthcare and beauty sectors. As such, the duration of rent void has become and will remain a key swing factor governing the income performance of Sunlight REIT.

On the expenditure front, labour cost is on the ascent and may have an impact on operating margin. In this regard, we have accelerated the utilization of proptech and Internet of Things ("**IoT**") which would help to reduce reliance on labour-intensive procedures.

Amidst a tight credit environment, Sunlight REIT's strong financial position will continue to garner support from our banking partners. Barring unforeseen circumstances, we are optimistic about the refinancing of certain loan facilities due in 2025.

Given the current investment sentiment and uncertain interest rate trends, we will adopt a prudent and agile approach to gauging opportunities for acquisition and disposal. In particular, the disposal of certain car park spaces at MCPI, albeit immaterial, is consistent with our asset recycling strategy of unlocking the intrinsic value of assets as and when opportune.

To conclude, a post-pandemic pattern of life combined with a significant advancement in technology has established an unprecedented economic landscape, both globally and locally. Adapting to and thriving in this new normal culture requires nothing short of an enduring commitment to innovation. As the Manager of Sunlight REIT, we will ensure that the team will get prepared to navigate the ongoing challenges, while maintaining a strong aspiration to bring sustainable returns to our stakeholders.

WU Shiu Kee, Keith
Chief Executive Officer
11 March 2025

Portfolio at a Glance

Top three properties

1 Dah Sing Financial Centre

2 Sheung Shui Centre Shopping Arcade

3 Metro City Phase I Property

Sheung Wan/Central office properties

4 Strand 50

5 135 Bonham Strand Trade Centre Property

6 Winsome House Property

7 235 Wing Lok Street Trade Centre

Other office properties

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

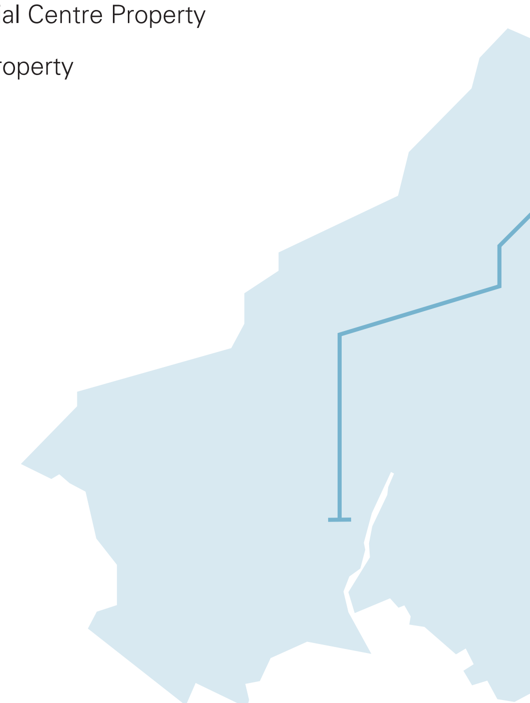
Other retail properties

14 Kwong Wah Plaza Property

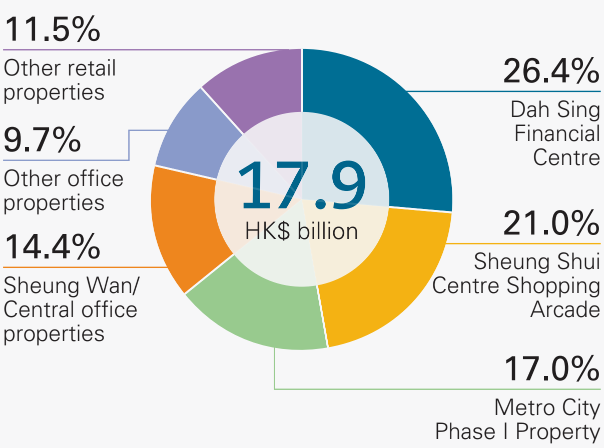
15 West 9 Zone Kids

16 Beverley Commercial Centre Property

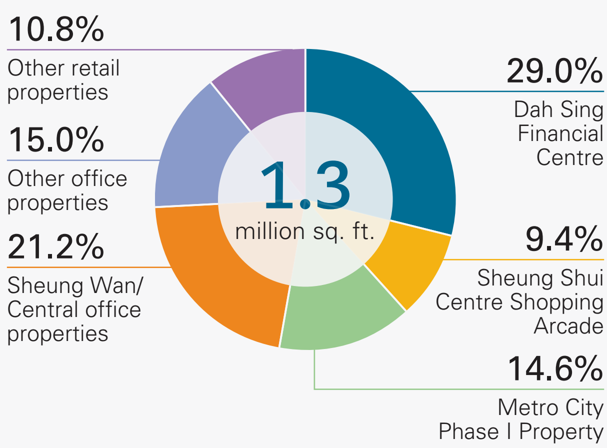
17 Supernova Stand Property

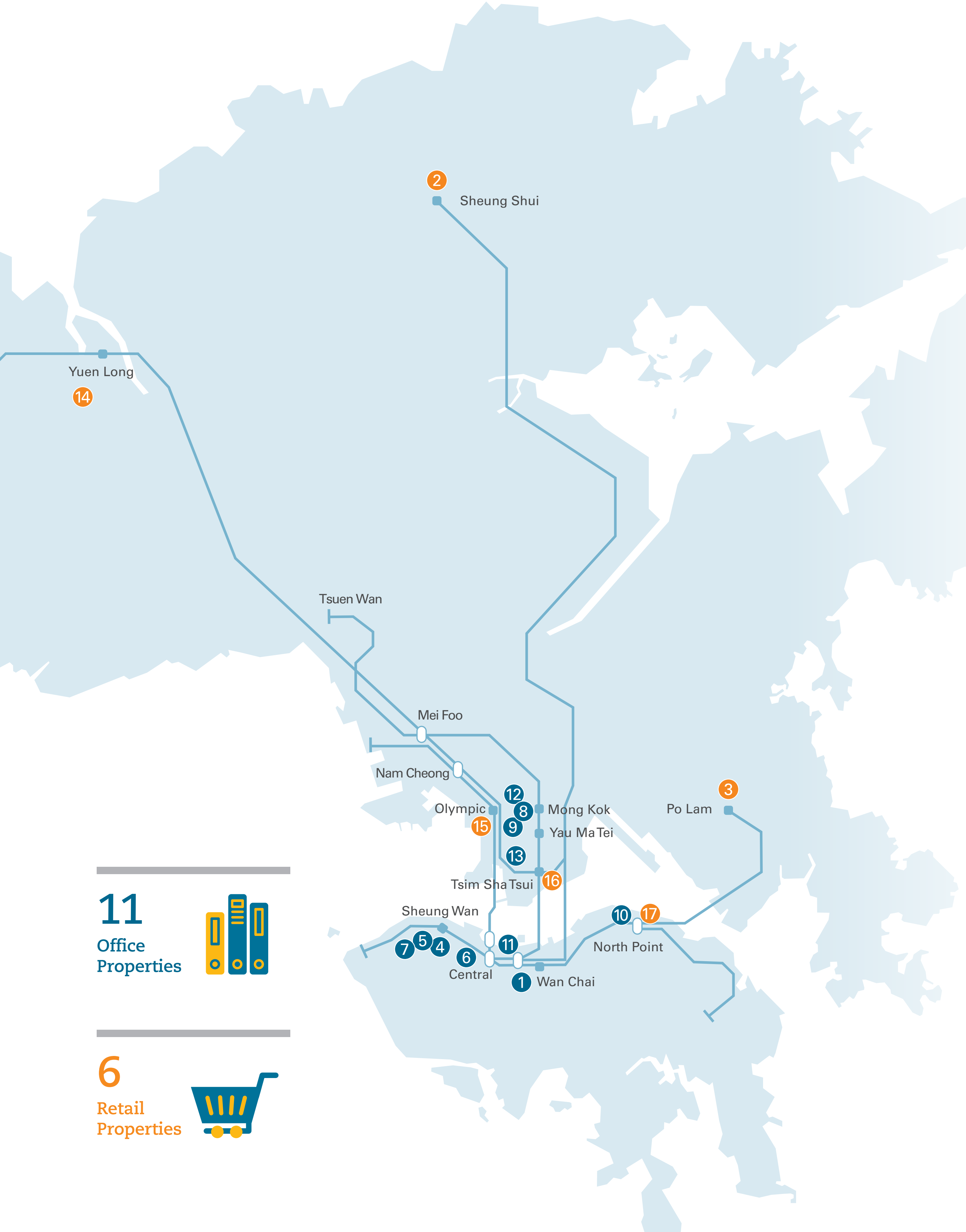


Valuation



Gross rentable area





11
Office Properties

6
Retail Properties

Portfolio Statistics

Property	Property details				
	Location	GRA (sq. ft.)			No. of car park spaces
		Office	Retail	Total	
Office					
Grade A					
Dah Sing Financial Centre	Wan Chai	369,891	6,490	376,381	46
Grade B					
Strand 50	Sheung Wan	108,506	9,403	117,909	0
135 Bonham Strand Trade Centre Property	Sheung Wan	60,844	3,071	63,915	0
Winsome House Property	Central	37,937	2,177	40,114	0
Righteous Centre	Mong Kok	41,004	10,763	51,767	0
The Harvest	Mong Kok	23,024	11,627	34,651	0
235 Wing Lok Street Trade Centre	Sheung Wan	47,481	4,804	52,285	0
Java Road 108 Commercial Centre	North Point	35,694	2,229	37,923	0
On Loong Commercial Building	Wan Chai	25,498	1,708	27,206	0
Sun Fai Commercial Centre Property	Mong Kok	23,817	2,334	26,151	0
Wai Ching Commercial Building Property	Yau Ma Tei	14,239	2,082	16,321	0
Sub-total / Average		**787,935**	**56,688**	**844,623**	**46**
Retail					
New Town					
Sheung Shui Centre Shopping Arcade	Sheung Shui	0	122,339	122,339	297
Metro City Phase I Property[3]	Tseung Kwan O	0	188,889	188,889	436
Kwong Wah Plaza Property	Yuen Long	42,670	25,741	68,411	0
Urban					
West 9 Zone Kids[4]	Tai Kok Tsui	0	58,836	58,836	17
Beverley Commercial Centre Property	Tsim Sha Tsui	0	7,934	7,934	0
Supernova Stand Property	North Point	0	4,226	4,226	0
Sub-total / Average		**42,670**	**407,965**	**450,635**	**750**
Total / Average		**830,605**	**464,653**	**1,295,258**	**796**

Notes:

1. Passing rent is calculated on the basis of average rent per sq. ft. for occupied GRA on the relevant date.
2. Please refer to "Valuation Report" on pages 70 to 87 for further details.
3. Certain car park spaces of the property were disposed of on 31 October 2024 at approximately HK$20 million.
4. Acquisition of the property was completed on 13 April 2023.
5. Rental reversion is calculated on the basis of change in effective rent of the leases renewed and commenced during the relevant Reporting Period or year.

Operational statistics				Property financials		
Occupancy rate (%)		Passing rent[1] (HK$/sq. ft.)		Rental and car park income (HK$ '000)		Appraised value[2] (HK$ '000)
at 31 Dec 2024	at 30 Jun 2023	at 31 Dec 2024	at 30 Jun 2023	18 months ended 31 Dec 2024	Year ended 30 Jun 2023	at 31 Dec 2024
92.2	90.4	36.9	41.8	238,797	168,222	4,731,000
89.2	94.4	29.6	31.0	56,258	39,622	1,189,000
92.8	100.0	26.7	26.6	28,247	19,721	533,000
94.3	83.0	36.9	38.8	24,883	16,255	530,000
94.8	97.4	34.2	35.2	32,457	21,159	525,000
83.4	95.7	40.2	41.2	21,786	14,773	502,000
88.4	96.7	19.7	19.7	17,094	11,642	335,000
98.1	100.0	23.8	24.7	15,837	10,904	254,000
98.0	100.0	25.5	27.9	11,875	8,886	225,000
96.7	91.0	21.8	22.0	9,787	6,452	163,000
87.5	91.7	16.8	16.9	4,436	3,107	78,000
92.0	**93.1**	**32.1**	**34.6**	**461,457**	**320,743**	**9,065,000**
91.4	97.6	103.9	96.0	228,303	148,829	3,763,000
91.7	92.2	52.2	53.8	199,681	129,903	3,048,600
97.3	95.4	51.6	54.6	63,506	40,851	1,101,000
73.4	85.7	48.2	55.7	47,241	6,809	806,000
91.2	100.0	31.7	29.8	4,245	2,688	75,000
100.0	100.0	58.8	57.3	4,435	2,892	75,000
90.1	**93.5**	**65.6**	**65.6**	**547,411**	**331,972**	**8,868,600**
91.3	**93.3**	**43.7**	**45.4**	**1,008,868**	**652,715**	**17,933,600**

	No. of leases		Rental reversion[5] (%)		Capitalization rate (%)
	at 31 Dec 2024	at 30 Jun 2023	18 months ended 31 Dec 2024	Year ended 30 Jun 2023	at 31 Dec 2024
Office	512	530	(4.6)	(2.1)	3.65 - 3.95
Retail	339	345	(0.6)	(2.5)	3.40 - 4.35
Total / Average	**851**	**875**	**(2.6)**	**(2.3)**	

Dah Sing Financial Centre

- Encouraging new letting activities lifted the occupancy rate of this flagship office property to over 92% at 31 December 2024.
- A decline in passing rent was mainly attributable to a rent review for a key tenant.

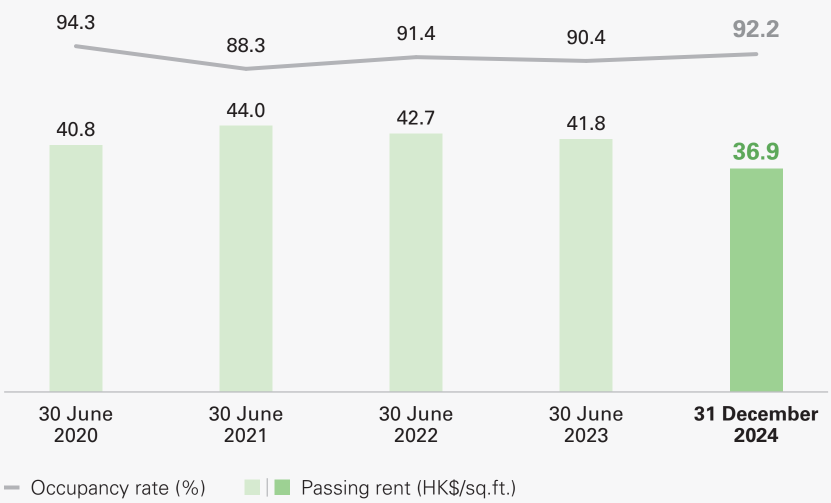
Rental reversion

(8.2)%

Retention rate

52%

Occupancy rate and passing rent



During the Reporting Period, the Grade A office leasing market was clouded by a glut of new supply and prudent corporate expansion plans, with demand primarily underpinned by relocation and cost saving initiatives of multinational and local corporations. Meanwhile, the Grade A office market's vacancy rate continued to stay at a high level, exerting pressure on market rents despite positive net absorptions recorded in the past couple of years. Rental and car park income of Dah Sing Financial Centre ("**DSFC**") for the Reporting Period came in at HK$238.8 million, or HK$156.7 million for the 12 months ended 31 December 2024 (12 months ended 31 December 2023: HK$164.1 million).

At 31 December 2024, the occupancy rate of DSFC improved to 92.2% (30 June 2023: 90.4%). However, the property recorded a negative rental reversion of 8.2% which included a rent review for a key tenant, while its passing rent experienced an 11.7% decline from HK$41.8 per sq. ft. at 30 June 2023 to HK$36.9 per sq. ft. The tenant retention rate for the Reporting Period was 52%.

Despite a challenging operating environment, the Manager is pleased to bring in certain new whole floor tenants during the Reporting Period, resulting in a diversified tenant base comprising financial institutions, government-related organizations and multinational corporations from various sectors. At 31 December 2024, the number of leases was 70 (30 June 2023: 67).

Expiry profile (31 December 2024)

By GRA (%)

25.2
FY2025

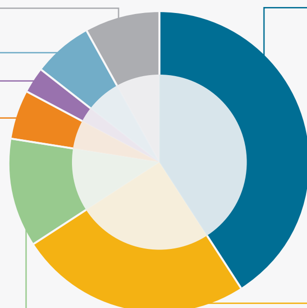
8.9
FY2026

By average rent (HK$/sq. ft.)

38.9
FY2025

34.3
FY2026

Tenant mix*



* Tenant mix charts on pages 15 to 19 are expressed as a percentage of total GRA of the relevant property at 31 December 2024.

Sheung Shui Centre Shopping Arcade

- A high retention rate accompanied by a positive rental reversion during the Reporting Period testified to the resilience of this retail property.
- A lower occupancy rate was principally due to the space vacated by the kindergarten tenant.

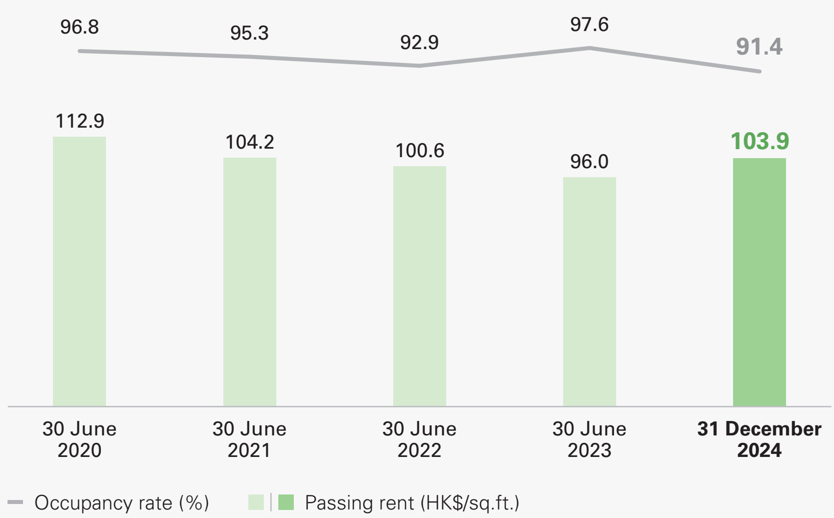
Rental reversion

4.2%

Retention rate

77%

Occupancy rate and passing rent



Sheung Shui Centre Shopping Arcade ("**SSC**") regained its leasing momentum on the back of a steady footfall, with rental reversion turning to positive territory. While this promising trend was somewhat disrupted by the growing popularity of northbound consumption, SSC continued to serve competitively as a decent shopping destination in the Northern district.

For the Reporting Period, SSC recorded rental and car park income of HK$228.3 million, or HK$151.8 million for the 12 months ended 31 December 2024 (12 months ended 31 December 2023: HK$151.5 million).

SSC achieved a positive rental reversion of 4.2% for the Reporting Period with a satisfactory retention rate of 77%. At 31 December 2024, its passing rent made reasonable headway to HK$103.9 per sq. ft. (30 June 2023: HK$96.0 per sq. ft.), but its occupancy rate of 91.4% was lower than the 97.6% recorded at 30 June 2023, principally due to the space vacated by the kindergarten tenant which accounted for 7.5% of its GRA.

Expiry profile (31 December 2024)

By GRA (%)

37.8
FY2025

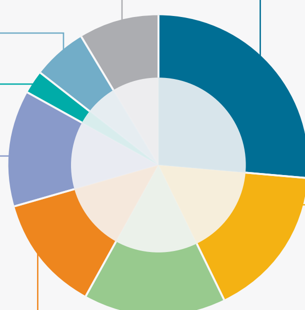
40.2
FY2026

By average rent (HK$/sq. ft.)

95.6
FY2025

113.9
FY2026

Tenant mix*



Metro City Phase I Property

- A high retention rate with steady occupancy provided strong support to the performance of MCPI.
- The disposal of certain car park spaces formed part of our asset recycling plan and exhibited the intrinsic value of the non-core assets of Sunlight REIT.

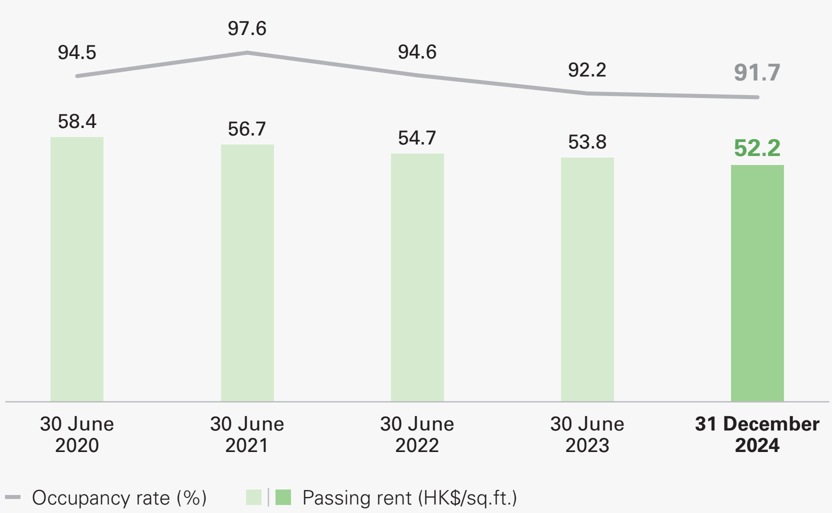
Rental reversion

(0.9)%

Retention rate

82%

Occupancy rate and passing rent



Benefitting from the completion of MCPI's asset enhancement in July 2023, the Manager successfully signed up certain reputable food and beverage operators and service-trade tenants, contributing to a decent rebound in footfall in the second half of 2023. Rental and car park income for the Reporting Period was HK$199.7 million, or HK$132.9 million for the 12 months ended 31 December 2024 (12 months ended 31 December 2023: HK$131.6 million).

The occupancy rate of MCPI declined marginally to 91.7% at 31 December 2024 (30 June 2023: 92.2%) while the property maintained a high retention rate of 82% for the Reporting Period. The rental reversion came in at negative 0.9%, while its passing rent was down 3.0% to HK$52.2 per sq. ft. at 31 December 2024 (30 June 2023: HK$53.8 per sq. ft.).

During the Reporting Period, the Manager disposed of certain car park spaces for approximately HK$20 million, realizing the intrinsic value of non-core assets. Looking ahead, the Manager will explore the merit of space reconfiguration on the ground floor of the shopping mall, as well as the viability of further disposal of car park spaces.

Expiry profile (31 December 2024)

By GRA (%)

27.0
FY2025

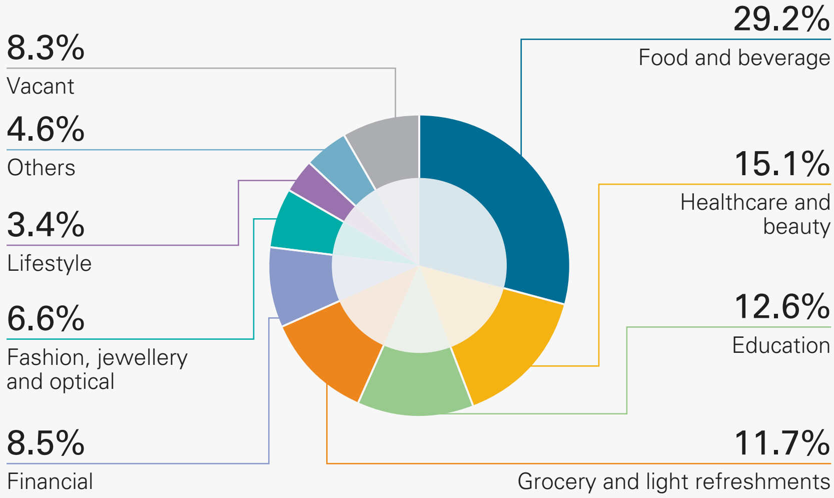
46.7
FY2026

By average rent (HK$/sq. ft.)

51.9
FY2025

46.9
FY2026

Tenant mix*



Sheung Wan/Central office properties

Winsome House Property

Strand 50

Rental reversion

(0.9)%

Retention rate

73%

The Sheung Wan/Central portfolio of Sunlight REIT comprises four properties with a combined GRA of over 250,000 sq. ft. Despite the subdued leasing sentiment, it is gratifying that the occupancy rate of this sub-portfolio exceeded 90% at 31 December 2024.

Located near Tai Kwun and leveraging its cultural and shopping ambience, Winsome House Property successfully attracted certain new service-trade tenants during the Reporting Period. Despite a mild decline in passing rent to HK$36.9 per sq. ft., its occupancy rate has noticeably improved to 94.3% as compared to 83.0% at 30 June 2023. Meanwhile, reflecting weak expansion demand from local small-to-medium sized enterprises, the occupancy rate of Strand 50 declined to 89.2% (30 June 2023: 94.4%), while its passing rent was down 4.5% to HK$29.6 per sq. ft. versus HK$31.0 per sq. ft. at 30 June 2023.

Other office properties

Righteous Centre (left)
The Harvest (right)

This category of office properties includes six smaller Grade B office buildings mainly located in decentralized areas such as Mong Kok and North Point, contributing approximately 10% of Sunlight REIT's rental income for the Reporting Period. Tenants of these properties are generally location-driven and engaged in various service-related businesses, such as healthcare and beauty, education and professional services. Performance of these properties was largely satisfactory, providing a steady and sustainable income stream to Sunlight REIT. However, the occupancy rate of The Harvest declined to 83.4% at 31 December 2024, mainly due to a more conservative business approach from healthcare and beauty tenants.

Rental reversion

1.1%

Retention rate

68%

Other retail properties

Kwong Wah Plaza Property

On top of SSC and MCPI, the retail portfolio of Sunlight REIT consists of four additional assets, mainly represented by Kwong Wah Plaza Property ("**KWP**") and W9Z. They collectively constituted approximately 12% of Sunlight REIT's rental and car park income for the Reporting Period.

Located in Yuen Long, KWP continued to deliver a solid and relatively stable operating performance, supported by a high occupancy rate of 97.3% at 31 December 2024 and an impressive retention rate of 94%. A mild negative rental reversion of 2.0% was recorded during the Reporting Period, with a 5.5% decline in passing rent to HK$51.6 per sq. ft.

Regarding W9Z, the rental guarantee provided by the vendor lapsed on 30 June 2024. Given the growing caution of retail operators in response to a notable change in local spending pattern, the new letting progress of this property was below expectation, as reflected by a further decline in its occupancy rate to 73.4% at 31 December 2024, while passing rent also dropped to HK$48.2 per sq. ft. However, with the launch of an ongoing renovation (as elaborated in the next page), we are guardedly optimistic that the occupancy and the footfall traffic at W9Z will gradually improve from current levels.

Rental reversion

(6.4)%

Retention rate

77%

West 9 Zone Kids: An Asset Revitalization Initiative

W9Z is a welcoming asset of Sunlight REIT, enriching the property portfolio with a decent exposure to urban retail in the West Kowloon district. Since completion of the acquisition in April 2023, the Manager has devoted resources to upgrading facilities and operations with sustainable building standards, while launching marketing activities to stimulate footfall.

Improvement works and activities conducted:

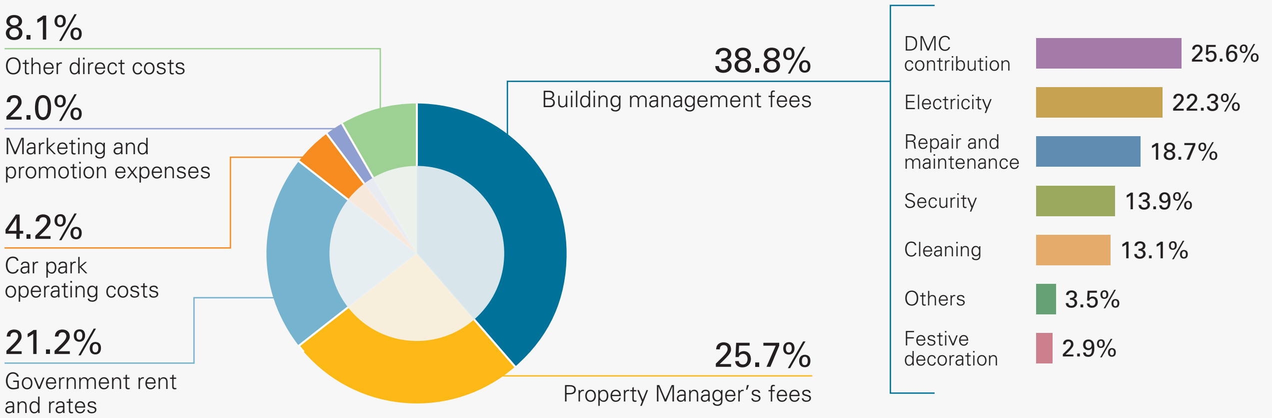
- Improved the indoor environment by refurbishing the concierge, providing seating facilities with upcycled materials, and upgrading washrooms with kids-friendly designs.
- Obtained indoor air quality certification and the Very Good grade in Site Aspects of BEAM Plus EB V2.1 Selective Scheme.
- Launched festive performances and kids workshops to foster a closer community engagement.

Design themes and features:

- **A Cherry symbol**: Inspired by the street name where the property is located, while symbolizing cherished moments of learning and social gathering, the cherry theme is intended to promote engagement with the neighbourhood, creating a vibrant sense of connectivity.
- **A Communal hub**: The scope of renovation will encompass the crafting of a delightful entrance, serving as a focal point and a welcoming portal to embrace customers and the community. A new hub featuring pocket spaces with themed décor and upcycled furniture will be created to infuse a pleasant ambience.
- **A Convertible concept**: Usage flexibility will be incorporated into the design, allowing for smooth reconfiguration if needed, while sustainability elements will be embedded in the scheme, ensuring a positive impact to the environment.

Artist's impression

Components of property operating expenses



Operational statistics

At 31 December 2024, the occupancy rate of Sunlight REIT's overall portfolio was 91.3% (30 June 2023: 93.3%), while the corresponding figures of the office and retail portfolios were 92.0% and 90.1% (30 June 2023: 93.1% and 93.5%) respectively. The office portfolio registered a retention rate of 65% (FY2022/23: 74%), while the corresponding figure of the retail portfolio was 79% (FY2022/23: 79%).

The average passing rent of the office portfolio was HK$32.1 per sq. ft. at 31 December 2024, down 7.2% as compared to the level at 30 June 2023, while that of the retail portfolio was unchanged at HK$65.6 per sq. ft. Negative rental reversions of 4.6% and 0.6% were recorded for the office and retail portfolios respectively, resulting in an average rental reversion of negative 2.6% for the overall portfolio.

The weighted average lease length in terms of GRA of the overall portfolio was 3.1 years at 31 December 2024. Leases expiring in FY2025 account for 36.6% of office GRA and 31.9% of retail GRA. Average rents for the expiring office and retail leases are HK$31.6 per sq. ft. and HK$66.3 per sq. ft. respectively.

Tenancy base

Sunlight REIT continued to maintain a diverse tenancy base with 851 tenancies at 31 December 2024. The largest tenant accounted for 7.5% of total revenue for the Reporting Period and occupied 7.3% of total GRA at 31 December 2024, while the corresponding figures for the top five tenants were 16.8% and 14.2%.

Car park income

Sunlight REIT has a total of 796 car park spaces at four properties, namely DSFC, SSC, MCPI and W9Z, contributing HK$57.5 million to the revenue of the Reporting Period.

Cost control and capital expenditure

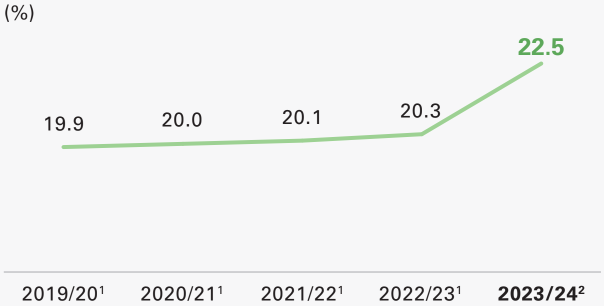
The cost-to-income ratio for the Reporting Period was up from 20.3% in FY2022/23 to 22.5%, mainly driven by increased property operating expenses for W9Z, a rise in rental commission and escalated labour costs due to manpower shortage and a revised statutory minimum wage since May 2023. Given the unabated cost pressure resulting from wage-push inflation, the Manager will maintain a high level of discipline in cost control, while implementing proptech to minimize daily operating expenses.

Excluding the costs for property acquisition, capital expenditure ("**CAPEX**") for the Reporting Period amounted to HK$19.3 million (FY2022/23: HK$19.6 million), while contracted capital commitments at 31 December 2024 were HK$8.2 million.

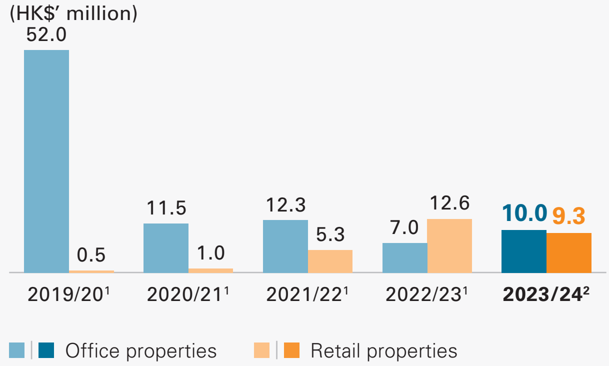
Environmental, Social and Governance

Guided by the 2030 Sustainability Vision, and by implementing policies, practices and measures based on the refined sustainability strategic framework and the second three-year sustainability roadmap, the Manager continued to manage the portfolio with a more holistic

Cost-to-income ratio



Capital expenditure[3]



Notes:
1. For the financial year ended 30 June
2. For the 18-month financial year ended 31 December 2024
3. Excluding the costs for property acquisition

and environmentally responsible approach. Throughout the Reporting Period, Sunlight REIT and the Manager complied with all applicable laws and regulations concerning ESG and our key ESG initiatives are depicted as follows:

GRESB assessment

We have achieved a four-star rating in the GRESB assessment, a recognition that highlights our unwavering commitment and ability to advancing sustainability by integrating ESG values into the management and operations of Sunlight REIT.

Green building certifications

Following the acquisition of W9Z in April 2023, a series of green-focused enhancements were swiftly implemented, resulting in the property obtaining green building certifications in BEAM Plus EB V2.1 Selective Scheme and Indoor Air Quality Certification Scheme. We have further demonstrated our commitment to sustainability by successfully making our initial foray into LEED v4.1 Operations and Maintenance: Existing Buildings, securing a Gold rating at Strand 50 in December 2024. Together, these achievements highlight our proactive approach to advancing sustainability across our portfolio.

Green retrofitting and proptech

The renovation of MCPI, completed in July 2023, embodies the theme of "*Care and Conserve*" through the integration of sustainable and inclusive design principles. The upgrades include the addition of kids-friendly lavatory facilities, EV charging facilities and an enhanced recycling corner. Additionally, the use of certified eco-friendly tiles and recycled materials for seating areas and art installations underscore our dedication to sustainability.

We continue to leverage proptech to enhance sustainability performance during the Reporting Period. All wholly-owned office properties have been equipped with smart energy analyzers powered by IoT technology.

Green finance

We were committed to putting sustainability principles into practice in our financing activities and the Manager has continued to support funding needs by sustainability-linked loans ("**SLLs**"), which represented approximately 84% of total borrowings at 31 December 2024.

Stakeholder relations

We are committed to maintaining a supportive and engaging culture for our employees, fostering a deep sense of connection and motivation through employee training and wellbeing programs, team-building activities, and corporate social responsibility activities. We also hope to improve our tenants and customers' experience and satisfaction from our leasing strategies and asset enhancement initiatives. We prioritize sustainability and innovation when engaging and managing our suppliers, through our green procurement system.

For detailed information about ESG, please refer to our standalone sustainability report, which is published in electronic format only and available at our corporate website at http://www.sunlightreit.com/en-us/sustainability/sustainabilityreport.

Financial Review

Financial highlights

(in HK$' million, unless otherwise specified)	18 months ended 31 December 2024	Year ended 30 June			
		2023	2022	2021	2020
Revenue	**1,236.3**	783.3	802.9	799.3	854.6
Property operating expenses	**278.6**	159.3	161.0	159.6	169.9
NPI	**957.7**	624.0	641.9	639.7	684.7
Cost-to-income ratio (%)	**22.5**	20.3	20.1	20.0	19.9
(Loss) / profit after taxation	**(173.0)**	(28.4)	102.9	(233.7)	(751.4)
Distributable income	**499.7**	380.3	431.1	438.3	467.0
DPU (HK cents)	**27.4**	22.0	25.0	25.6	26.8
Payout ratio (%)	**94.0**	97.9	97.4	97.5	95.2

		At 30 June			
	At 31 December 2024	2023	2022	2021	2020
Portfolio valuation	**17,933.6**	18,512.2	18,095.2	18,341.7	18,918.0
Total assets	**18,515.8**	19,217.9	18,960.4	19,199.7	19,674.1
Total liabilities	**5,505.7**	5,548.7	4,909.0	5,075.4	4,902.9
Net asset value	**13,010.1**	13,669.2	14,051.4	14,124.3	14,771.2
Net asset value per unit (HK$)	**7.53**	8.06	8.36	8.45	8.89
Gearing ratio (%)	**27.0**	26.1	23.3	23.0	21.6

Operating results

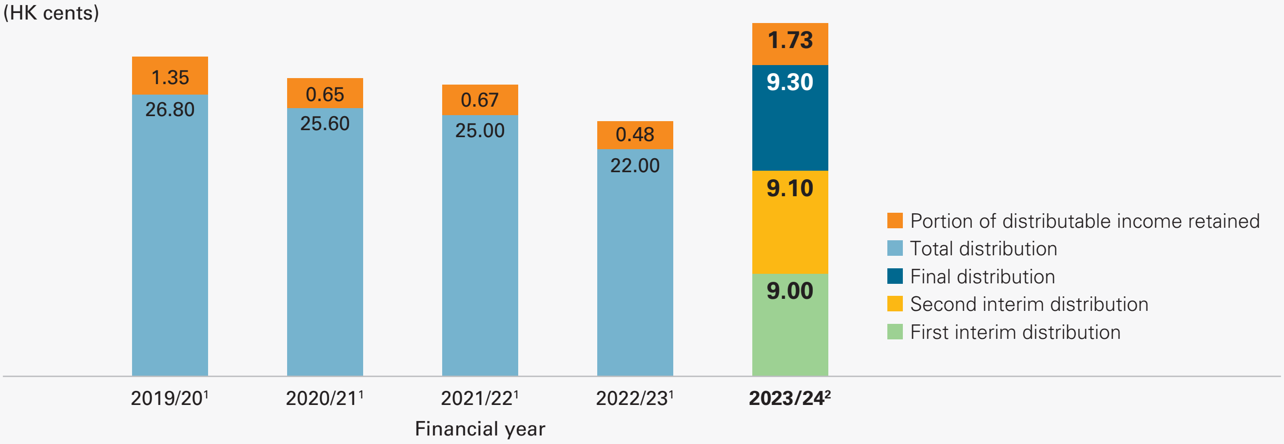
Sunlight REIT recorded a revenue of HK$1,236.3 million for the Reporting Period. Property operating expenses and NPI came in at HK$278.6 million and HK$957.7 million respectively, implying a cost-to-income ratio of 22.5%.

Reflecting a persistently high interest rate environment, cash interest expense was HK$319.2 million. Taking into account a decrease in fair value of investment properties of HK$592.9 million, there was a loss after taxation of HK$173.0 million for the Reporting Period.

Distribution

Total distributions for the Reporting Period were HK$469.8 million, which translated into a DPU of HK 27.4 cents and represented an annualized distribution yield of 9.8% based on the closing price of HK$1.86 per unit on the last trading day of the Reporting Period.

Distribution per unit at a glance



Financial position

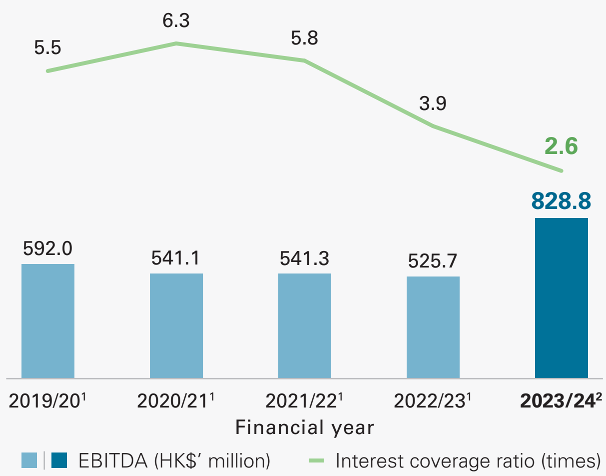
At 31 December 2024, the appraised value of Sunlight REIT's portfolio was HK$17,933.6 million, a mild decrease from HK$18,512.2 million recorded at 30 June 2023. Gross assets and net assets of Sunlight REIT stood at HK$18,515.8 million and HK$13,010.1 million respectively, and the net asset value per unit was HK$7.53.

The gearing ratio of Sunlight REIT (defined as total borrowings as a percentage of gross assets) was 27.0%, and the percentage of gross liabilities to gross assets was 29.7%.

The EBITDA[3] of Sunlight REIT was HK$828.8 million. The interest coverage ratio for the Reporting Period was 2.6 times versus 3.9 times recorded in the previous financial year.

Gearing ratio and gross liabilities to gross assets

EBITDA and interest coverage ratio



Notes:
1. For the financial year ended 30 June
2. For the 18-month financial year ended 31 December 2024
3. EBITDA represents net earnings before change in fair value of investment properties, interest expenses, taxation, depreciation and amortization
4. At 30 June
5. At 31 December

Interest margin of bank borrowings

0.81%

per annum (over HIBOR)

Weighted average interest rate for fixed rate borrowings

3.17%

(including interest margin, if applicable)

Weighted average funding cost

4.2%

(FY2022/23 : 2.9%)

Capital and interest rate management

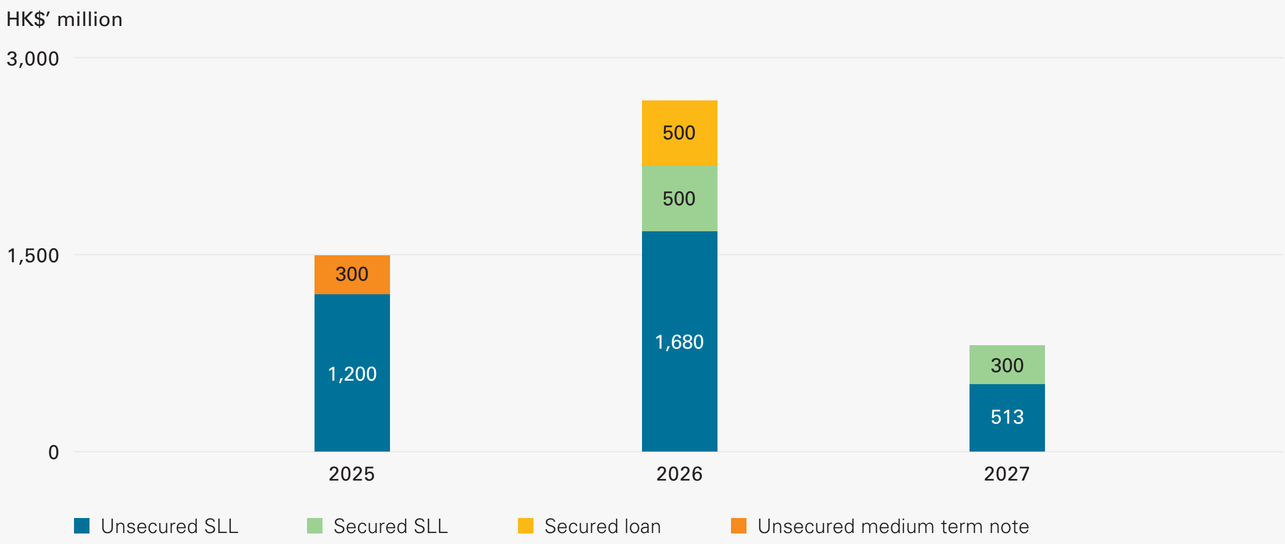
During the Reporting Period, the Manager applied the sales proceeds of HK$20 million from the disposal of certain car park spaces at MCPI towards partial prepayment of a term loan. Consequently, Sunlight REIT had total borrowings of HK$4,993 million at 31 December 2024, comprising secured loans of HK$1,300 million and unsecured borrowings of HK$3,693 million, with a weighted debt maturity period of 1.4 years. The percentage of SLLs to total borrowings was about 84%.

Capitalizing on the volatility of interest rate swap ("**IRS**") pricing during the period under review, the Manager executed a spate of IRSs with an aggregate notional amount of HK$1,100 million, elevating the fixed rate exposure of Sunlight REIT to 50.3% at 31 December 2024. Subsequent to the end of the Reporting Period, an additional IRS with a notional amount of HK$100 million was entered into for a tenure of 3 years.

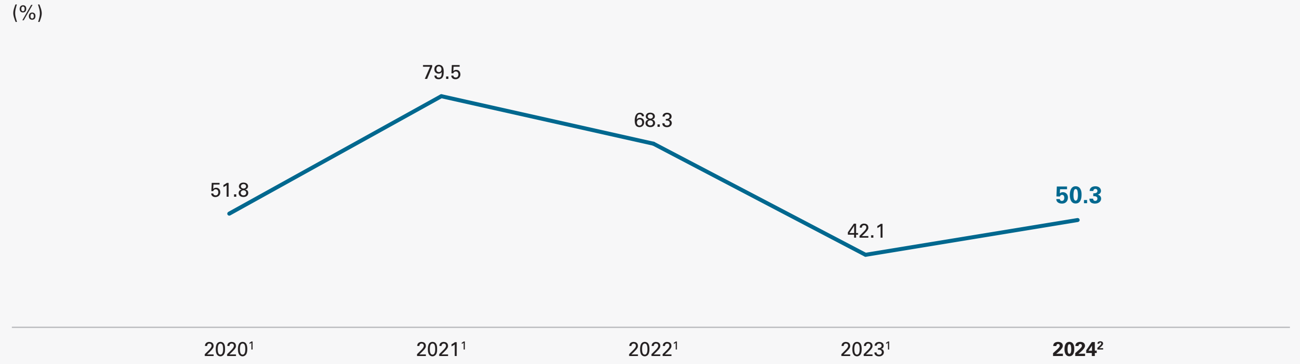
The weighted average interest rate for the fixed rate borrowings was 3.17% per annum, while the floating rate portion carried a blended interest margin of 0.81% per annum over Hong Kong Interbank Offered Rate ("**HIBOR**"). The weighted average funding cost for the Reporting Period was 4.2%, compared to 2.9% recorded in the preceding financial year.

Maturity profile of total borrowings

(at 31 December 2024)



Fixed rate borrowings as a % of total borrowings



Liquidity management and currency exposure

The Manager is permitted to place funds as bank deposits and to invest in Relevant Investments[3], with an overall maturity profile compatible with projected funding requirements. At 31 December 2024, Sunlight REIT had total cash and bank balances of HK$407.3 million and maintained a portfolio of Relevant Investments with an aggregate book value of HK$73.6 million. It also had revolving credit facilities of HK$300 million, which remained undrawn at the end of the Reporting Period. Taking into consideration the recurrent income generated from its operations, the current cash position, the sources of funding available, and the liquidity risk associated with the Relevant Investments, the Manager is of the view that Sunlight REIT has sufficient financial resources to meet its working capital, distribution payment and CAPEX requirements.

Sunlight REIT has exposure to US dollars through its portfolio of Relevant Investments, while its exposure to Japanese yen (in relation to the 7,000 million Japanese yen loan) has been fully hedged.

Notes:
1. At 30 June
2. At 31 December
3. As defined in paragraph 7.2B of the Code on Real Estate Investment Trusts

Board of Directors and Senior Management

Board of Directors

Mr. AU Siu Kee, Alexander

OBE, FCA, FCCA, FCPA, FCIB, FHKIB

Chairman and Non-Executive Director

Mr. Au, aged 78, has been the Chairman and Non-Executive Director of the Manager since 2010. Mr. Au was an executive director and the Chief Financial Officer of HLD from December 2005 to June 2011. In July 2011, he stepped down from the position of Chief Financial Officer and was re-designated as a non-executive director of HLD. He was further re-designated in December 2012 as an independent non-executive director of HLD until his retirement in June 2015. In December 2018, Mr. Au rejoined HLD as an independent non-executive director. Currently, Mr. Au is also an independent non-executive director of Henderson Investment Limited, Miramar Hotel and Investment Company, Limited and Wharf Real Estate Investment Company Limited, and a non-executive director of Hong Kong Ferry (Holdings) Company Limited, the shares of all of which are listed on the Main Board of the Stock Exchange.

A banker by profession, Mr. Au was the Chief Executive Officer of Hang Seng Bank Limited from October 1993 to March 1998 and of Oversea-Chinese Banking Corporation Limited in Singapore from September 1998 to April 2002. Mr. Au previously served as a non-executive director of a number of leading companies including The Hongkong and Shanghai Banking Corporation Limited, MTR Corporation Limited and Hang Lung Group Limited. An accountant by training, Mr. Au is a fellow of the Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. As a professional accountant, he is a staunch advocate as well as a practitioner of enterprise risk management, with extensive experience particularly in financial risk management in both the financial services sector and the property sector.

Mr. WU Shiu Kee, Keith

BS, MS, FHKIoD

Chief Executive Officer and Executive Director

Mr. Wu, aged 61, has been the Chief Executive Officer, Executive Director and a responsible officer of the Manager since 2006. He has over 35 years of experience encompassing the fields of property investment, corporate finance, asset management and investment research.

From 1997 to 2005, Mr. Wu was an executive director of a listed company engaged in property development and investment. Prior to this appointment, he worked in the banking industry and held senior research and asset management positions with several international financial institutions in Hong Kong.

Mr. Wu holds a Master of Science degree in Engineering-Economic Systems (since renamed Management Science and Engineering) from Stanford University in the United States and a Bachelor of Science degree in Economics and Statistics (High Distinction) from the University of Toronto in Canada. He is a fellow of The Hong Kong Institute of Directors.

Mr. KWOK Ping Ho

B.Sc., M.Sc., Post-graduate Diploma in Surveying, FRICS, ACIB

Non-Executive Director

Mr. Kwok, aged 72, has been a Non-Executive Director of the Manager since 2006. He has also been an executive director of HLD, a company listed on the Main Board of the Stock Exchange, since December 1993.

Mr. Kwok holds a Bachelor of Science (Engineering) (Civil Engineering Group) Honours degree from the University of London, a Master of Science degree in Administrative Sciences from Cass Business School, City, University of London as well as a Post-graduate Diploma in Surveying (Real Estate Development) from The University of Hong Kong. He is a Fellow of the Royal Institution of Chartered Surveyors as well as an Associate of The Chartered Institute of Bankers of the United Kingdom. He had previously been a Part-time Lecturer for the MBA programme of The University of Hong Kong and presently serves as an Adjunct Professor of the Department of Real Estate and Construction, Faculty of Architecture of The University of Hong Kong.

Mr. Kwok has over 40 years of experience in the finance and business management areas which include responsibilities in the corporate investment, finance and treasury as well as project management activities of the HLD group of companies since 1987, including group re-organization, privatization proposals and corporate acquisitions.

Mr. KWAN Kai Cheong

BAcc, FCA (Aust.), FCPA, FHKIoD

Independent Non-Executive Director

Mr. Kwan, aged 75, has been an Independent Non-Executive Director of the Manager since 2006. He previously worked for Merrill Lynch & Co., Inc. and was the president for its Asia Pacific region. He is presently the Managing Director of Morrison & Company Limited, a business consultancy firm.

Mr. Kwan is an independent non-executive director of Win Hanverky Holdings Limited, Greenland Hong Kong Holdings Limited, CK Life Sciences Int'l., (Holdings) Inc. and HK Electric Investments Manager Limited (the trustee-manager of HK Electric Investments) and HK Electric Investments Limited, all of which are companies/trust listed on the Main Board of the Stock Exchange. Mr. Kwan was previously a non-executive director of China Properties Group Limited (which was delisted from the Stock Exchange) and an independent non-executive director of Beijing Energy International Holding Co., Ltd. (a listed company on the Stock Exchange).

Mr. Kwan holds a Bachelor of Accountancy (Honours) degree from the University of Singapore (since renamed National University of Singapore). He is also a fellow of the Institute of Chartered Accountants in Australia, the Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Directors. He completed the Stanford Executive Program in 1992.

Dr. TSE Kwok Sang

BSc, MBA, MSc, PhD, ASA, MHKIoD, JP
Independent Non-Executive Director

Dr. Tse, aged 68, has been an Independent Non-Executive Director of the Manager since 2006. He is currently a Principal Lecturer and Programme Director, Faculty of Business and Economics of The University of Hong Kong.

Dr. Tse has published widely on the subject of real estate finance and economics, financial regulations and capital markets and investments. He is a director of HKU School of Professional and Continuing Education and a member of the CFP Examination Committee. Dr. Tse is also an Ex Officio member of the Executive Committee of the New Territories Heung Yee Kuk and a Justice of the Peace.

Dr. Tse was an independent non-executive director of GTI Holdings Limited (which was delisted from the Stock Exchange). He was also previously an independent non-executive director of China Bozza Development Holdings Limited and Wing Lee Property Investments Limited, both of which are listed companies on the Main Board of the Stock Exchange.

Dr. Tse holds a Ph.D. in Finance from Michigan State University in the United States. He is an associate of the Society of Actuaries and a member of The Hong Kong Institute of Directors.

Mr. KWOK Tun Ho, Chester

BA, FHKIoD
Independent Non-Executive Director

Mr. Kwok, aged 61, has been an Independent Non-Executive Director of the Manager since 2016. Mr. Kwok holds a Bachelor of Arts degree from the University of Cambridge. He had been working in the banking industry since 1989 and has over 30 years of experience in corporate finance and investment and commercial banking in Hong Kong and in Asia. Prior to his retirement from the banking business in October 2015, he had held senior positions in a number of international financial institutions, including Credit Suisse and Standard Chartered Bank.

Mr. Kwok is an independent non-executive director of Yixin Group Limited, Greenland Hong Kong Holdings Limited and SF REIT Asset Management Limited, the manager of SF Real Estate Investment Trust, which are companies/real estate investment trust listed on the Main Board of the Stock Exchange respectively. He is a fellow of The Hong Kong Institute of Directors.

Ms. Helen ZEE

BSc, JD

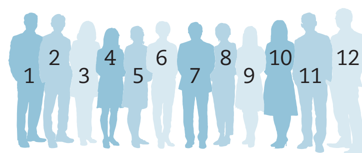
Independent Non-Executive Director

Ms. Zee, aged 57, has been an Independent Non-Executive Director of the Manager since 2022. She has almost 20 years of experience in investment banking and corporate finance, and held various senior positions including Deputy Chief Executive Officer and Managing Director of Haitong International Capital Limited from 2013 to 2019. Ms. Zee is an independent non-executive director of China South City Holdings Limited and Hans Group Holdings Limited, both of which are listed companies on the Main Board of the Stock Exchange. Ms. Zee currently holds various positions in public service, including a member of Mandatory Provident Fund Schemes Advisory Committee, University Grants Committee, Innovation and Technology Venture Fund Advisory Committee and the Chinese Medicine Council of Hong Kong. She was previously a member of as well as chairperson of the investment committee of the Hong Kong Deposit Protection Board and a member of each of Cyberport Advisory Panel, Police Children's Education Trust Investment Advisory Board and Police Education and Welfare Trust Investment Advisory Board.

Ms. Zee holds a Bachelor of Science, Business Administration degree from University of California, Berkeley, and a Juris Doctor degree from The Chinese University of Hong Kong.

Senior Management

1. Mr. HAH Yick Yat, Kelvin
2. Mr. POON Hung Tak
3. Ms. CHUNG Siu Wah
4. Ms. HO Kuk Fong
5. Ms. YIP May Ling, Vivian
6. Ms. LO Yuk Fong, Phyllis
7. Mr. WU Shiu Kee, Keith
8. Ms. SHUM Chung Wah, Yulanda
9. Ms. FUNG Wing Yan
10. Ms. YU Hoi Zin
11. Mr. LEE Kiu Ming
12. Mr. WONG Chi Ming



Mr. WU Shiu Kee, Keith
Chief Executive Officer and Executive Director

Mr. Wu is responsible for the implementation of the strategy and objectives as set by the Board, ensuring that Sunlight REIT is operating in accordance with the stated strategies, policies and regulations. In addition, he takes charge of the day-to-day management and operations of the Manager.

Details of his experience are set out in "Board of Directors" on page 30.

Ms. LO Yuk Fong, Phyllis
Chief Financial Officer

Ms. Lo, aged 59, is principally responsible for supervising the overall financial management of Sunlight REIT, including but not limited to financial reporting, taxation and cash flow management, monitoring of capital expenditure, reviewing of and making recommendation on financing matters and budget preparation. She is also a director of certain special purpose vehicles of Sunlight REIT.

Ms. Lo has over 30 years of experience in financial management and company secretarial functions. Prior to joining the Manager, Ms. Lo was the Chief Financial Officer of a media company previously listed in Singapore.

Ms. Lo holds a Bachelor of Business Administration degree from The Chinese University of Hong Kong. She is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. WONG Chi Ming
General Manager – Asset Management

Mr. Wong, aged 60, is responsible for, among other matters, driving the performance of Sunlight REIT's property portfolio, planning and implementing asset enhancement initiatives and identifying potential asset recycling opportunities for Sunlight REIT. He is also a director of certain special purpose vehicles of Sunlight REIT.

Mr. Wong has over 30 years of experience in the leasing and property management fields. Between 2006 and April 2010, Mr. Wong was the Chief Leasing Administration Manager of the Property Manager. Prior to that, Mr. Wong held leasing and property management positions with HLD and Hang Lung Properties Limited.

Mr. Wong holds a Bachelor of Engineering degree from The University of Hong Kong and a Master of Corporate Governance degree from The Open University of Hong Kong (since renamed Hong Kong Metropolitan University). He is a holder of Estate Agent's Licence (Individual).

Ms. SHUM Chung Wah, Yulanda
Chief Strategy Officer and Co-head, Asset Management*

Ms. Shum, aged 47, is responsible for, among other matters, formulating the business strategy of Sunlight REIT, ensuring the efficient execution of strategic initiatives and key operational processes. She also leads the Asset Management Department jointly with the General Manager – Asset Management.

Ms. Shum has over 20 years of experience in the real estate industry. Prior to joining the Manager, she held various leasing and business development positions with listed property companies and consulting firms.

Ms. Shum holds a Bachelor of Planning and Design degree and a Bachelor of Architecture degree from The University of Melbourne in Australia, and a Postgraduate Diploma in Real Estate Investment Finance from Oxford Brookes University in the United Kingdom. She is a professional member of the Royal Institution of Chartered Surveyors and a BEAM Professional.

* with effect from 1 January 2025

Ms. YIP May Ling, Vivian
General Manager – Investment and Investor Relations

Ms. Yip, aged 43, is responsible for, among other matters, formulating and implementing the Manager's investment plans, strategy and policy for Sunlight REIT, identifying and evaluating potential acquisition or divestment opportunities consistent with the investment strategy of Sunlight REIT. She is also responsible for communication with Unitholders, investors and other key stakeholders.

Ms. Yip has over 20 years of experience in corporate finance, investment and audit. Prior to joining the Manager, she was the Finance Director and Deputy Investment Director of Henderson (China) Investment Co. Ltd., a wholly-owned subsidiary of HLD. Between 2010 and 2014, she was an Investment Director of China Everbright Limited.

Ms. Yip holds a Master of Science (Investment Management) degree from The Hong Kong University of Science and Technology and a Bachelor of Business Administration degree from The Chinese University of Hong Kong. She is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. HAH Yick Yat, Kelvin
Assistant General Manager – Human Resources and Operations

Mr. Hah, aged 48, is responsible for, among other matters, human resources management, procurement and office administration, supporting the Manager's core management functions through the provision of ancillary back-office services and ensuring the optimal efficiency and operation of the information technology systems.

Mr. Hah has over 20 years of experience in finance and administration. Prior to joining the Manager, he served as the Finance and Administration Officer for a subsidiary of HLD between 2000 and 2003.

Mr. Hah holds a Master of Science degree in Financial Management from the University of London, a Professional Diploma in Marketing from the University of California, Berkeley, in the United States and a Bachelor of Arts degree in Economics from The University of British Columbia in Canada.

Ms. FUNG Wing Yan
Internal Auditor

Ms. Fung, aged 46, is responsible for, among other matters, planning and conducting audits on compliance, operational control and risk management and facilitating design and operation of the internal control system.

Ms. Fung has over 20 years of experience in financial statement audit and internal audit. Prior to joining the Manager, she was an internal audit manager of CK Hutchison Holdings Limited between 2008 and 2022. Ms. Fung holds a Bachelor of Business Administration degree in Accountancy and Law from the City University of Hong Kong. She is a fellow of the Association of Chartered Certified Accountants and an affiliate of The Society of Chinese Accountants and Auditors.

Ms. YU Hoi Zin
Compliance Manager

Ms. Yu, aged 42, is responsible for, among other matters, the design and implementation of adequate internal control and systems, so as to ensure that both Sunlight REIT and the Manager are in compliance with all relevant laws, rules and regulations.

Ms. Yu has over 15 years of experience in compliance, company secretarial, finance and auditing. Prior to joining the Manager, she was the Compliance Manager and Company Secretary of the manager of a real estate investment trust previously listed in Hong Kong. Ms. Yu holds a Bachelor of Business Administration degree in Global Business and Accounting from The Hong Kong University of Science and Technology. She is a member of the Hong Kong Institute of Certified Public Accountants, a Chartered Financial Analyst and an associate of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.

Ms. CHUNG Siu Wah
Company Secretary

Ms. Chung, aged 58, joined the Manager in 2008 and served as the Company Secretary since November 2011. Ms. Chung has over 30 years of experience in the company secretarial field. Prior to joining the Manager, she was the Assistant Company Secretary of a company previously listed on the Main Board of the Stock Exchange.

Ms. Chung holds a Bachelor of Arts degree in Accountancy from the City University of Hong Kong. She is an associate of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.

Mr. LEE Kiu Ming
General Manager

Mr. Lee, aged 59, is responsible for formulating and implementing business plans and strategies and business development of the Property Manager. Mr. Lee has over 30 years of marketing, leasing and property management experience in the property field in Hong Kong. Prior to joining the Property Manager, he was a leasing manager in the Portfolio Leasing Department of HLD.

Mr. Lee holds a Bachelor of Social Science degree from The Chinese University of Hong Kong and a Bachelor of Science degree (Estate Management) from the University of Reading in the United Kingdom. He is a holder of Estate Agent's Licence (Individual).

Mr. POON Hung Tak
Deputy General Manager – Property Management

Mr. Poon, aged 60, works with the General Manager to oversee the building operations of the Property Manager.

Mr. Poon has over 30 years of experience in property management. Prior to joining the Property Manager, he was employed as Estate Manager in the Portfolio Leasing Department of HLD.

Mr. Poon holds a Master of Business Administration in Construction and Real Estate degree from the University of Reading in the United Kingdom, a Bachelor of Arts degree from The University of Hong Kong and a Professional Diploma in Real Estate Administration from the School of Professional and Continuing Education of The University of Hong Kong. He is a professional member of the Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors. He is also a holder of Estate Agent's Licence (Individual) and Property Management Practitioner (Tier 1) Licence.

Ms. HO Kuk Fong
Deputy General Manager – Leasing

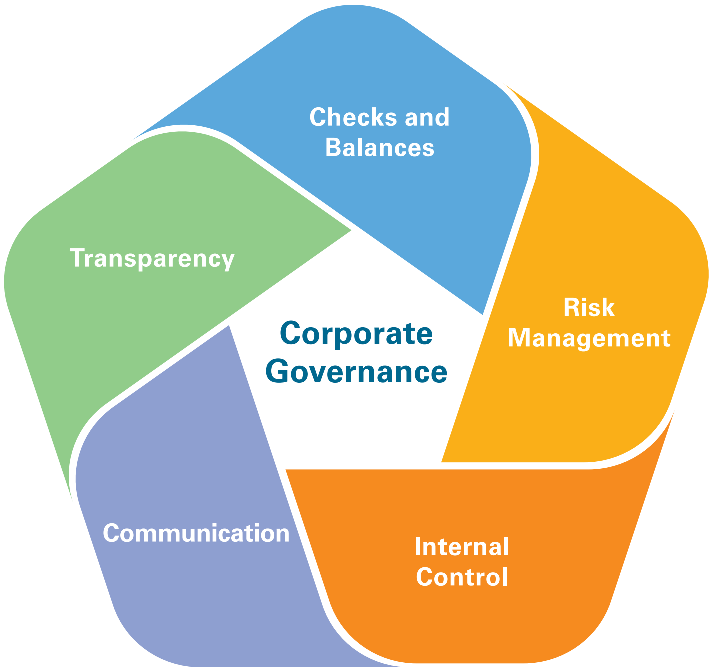
Ms. Ho, aged 57, works with the General Manager to oversee the marketing and leasing administration of the Property Manager.

Ms. Ho has over 25 years of experience in property leasing. Prior to joining the Property Manager, she was the Senior Leasing Manager of Sun Hung Kai Real Estate Agency Limited.

Ms. Ho holds a Master of Science degree in Real Estate from The University of Hong Kong, a Postgraduate Diploma in Surveying (Real Estate Development) from The University of Hong Kong and a Diploma in Property Development from the School of Professional and Continuing Education of The University of Hong Kong. She is a holder of Estate Agent's Licence (Individual).

Corporate Governance Report

The Manager is committed to upholding a high standard of corporate governance. To ensure compliance with all relevant laws and regulations, it has established a robust corporate governance framework supported by five key elements, namely **checks and balances, risk management, internal control, communication and transparency.**



Checks and Balances

The Trustee and the Manager

Sunlight REIT

Trustee

The Trustee has the fiduciary duty to hold the assets of Sunlight REIT in trust for the benefit of Unitholders and to oversee the activities of the Manager to ensure compliance with the Trust Deed and regulatory requirements applicable to Sunlight REIT.

It is registered as a trust company under Section 77 of the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong), and is licensed by the SFC to conduct the regulated activity of providing depository services for SFC-authorized collective investment schemes.

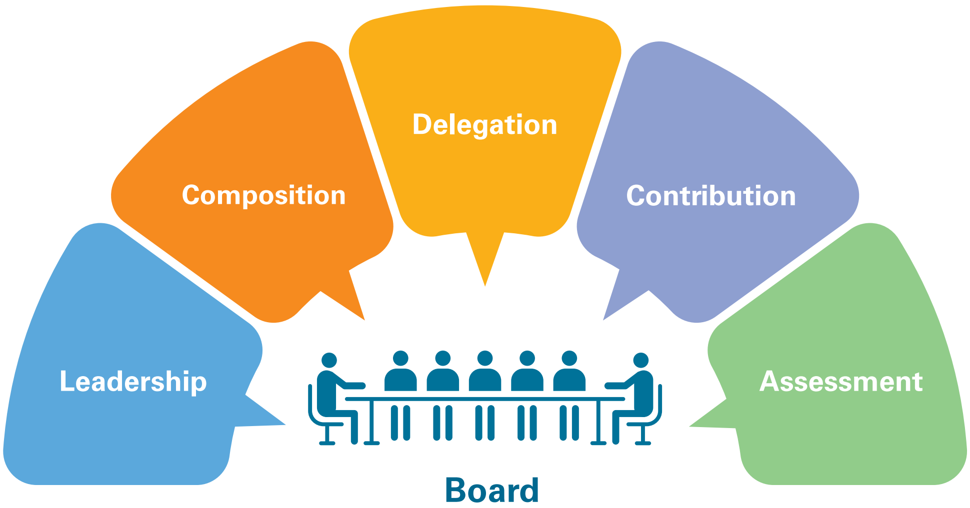
Manager

The Manager is responsible for the management and operation of Sunlight REIT, ensuring that the financial and economic aspects of Sunlight REIT's assets are professionally managed in the sole interest of Unitholders.

The Manager is licensed under Part V of the SFO and approved by the SFC to manage Sunlight REIT.

The Board of the Manager

The Board is responsible for the overall management and corporate governance of the Manager, and the following core elements are embedded to ensure Board effectiveness:



Leadership

- The Board plays a leading role in setting out the corporate strategies and direction of Sunlight REIT. It oversees the day-to-day management functions and corporate governance of the Manager.
- The chairman of the Board (the "**Chairman**") provides leadership and ensures that the Board performs its responsibilities and that all key issues are discussed in a timely manner. A culture of openness is promoted to facilitate effective contributions from and communications among directors of the Manager (the "**Directors**").
- The Board together with relevant designated board committees oversees the corporate governance policies of the Manager, which include:

  (i) reviewing and monitoring the policies and practices on compliance with legal and regulatory requirements, the Compliance Manual and the Code of Conduct of the Manager;

  (ii) reviewing and monitoring Sunlight REIT's compliance with the corporate governance code in Appendix C1 of the Listing Rules (the "**Corporate Governance Code**") and disclosure in the Corporate Governance Report;

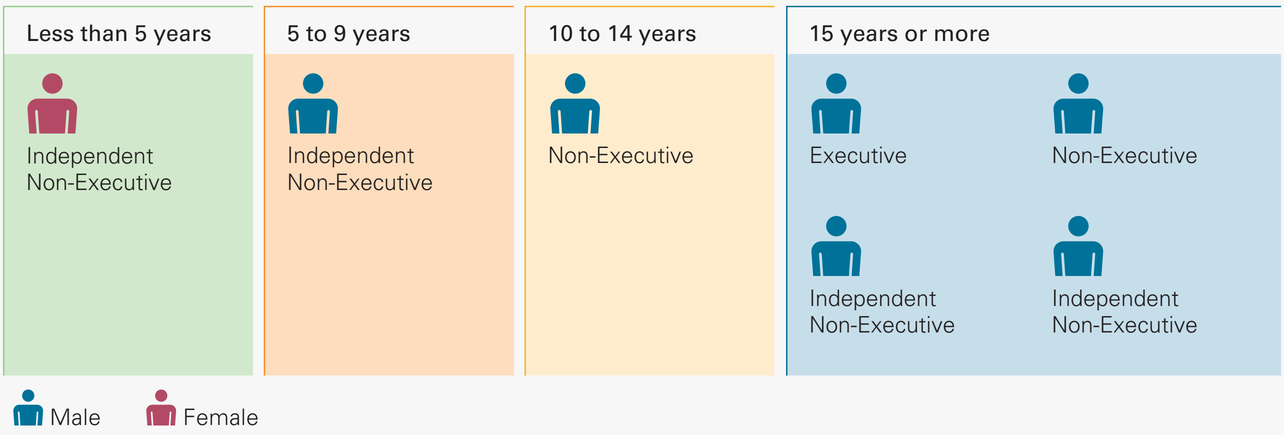
  (iii) developing and reviewing the policies and practices on corporate governance; and

  (iv) reviewing and monitoring the training and continuous professional development of Directors and senior management.

Composition

- The Board currently has seven Directors, including one Executive Director ("**ED**") (who is also the Chief Executive Officer (the "**CEO**")), two Non-Executive Directors ("**NEDs"**) (including the Chairman) and four Independent Non-Executive Directors ("**INEDs**").

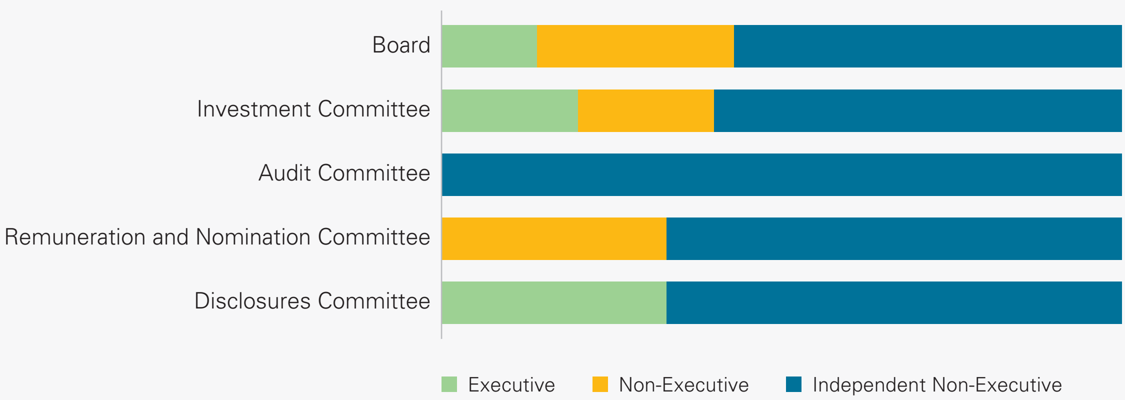
Designation and years of service of Directors



Board Committees

- The Board has established four committees of the Board (the "**Board Committees**"), namely the investment committee (the "**Investment Committee**"), the audit committee (the "**Audit Committee**"), the remuneration and nomination committee (the "**Remuneration and Nomination Committee**") and the disclosures committee (the "**Disclosures Committee**"). Each Board Committee has clear terms of reference and is formed to assist the Board in supervising specific issues and functions of Sunlight REIT and the Manager, and to report back to the Board their findings, decisions and recommendations.

Independence weighting of the Board and Board Committees



Balance of power and authority

- The roles of the Chairman and the CEO are separate and performed by two different individuals.
- There are no financial, business, family or other material/relevant relationships among the Directors and in particular, between the Chairman and the CEO.

Board diversity

- The Board Diversity Policy of the Manager sets out the approach to achieve diversity on the Board. Selection of candidates is based on a number of factors, including but not limited to age, cultural and educational background, gender, knowledge, length of service and professional experience or skills. The ultimate decision will be based on merit and contribution that the selected candidate(s) will bring to the Board. The Remuneration and Nomination Committee monitors the implementation of this policy and reviews the policy on an annual basis, and where appropriate, makes recommendations to the Board on changes in the composition to ensure that the Board maintains a balanced and diverse profile.
- Sunlight REIT has complied with the Listing Rules requirement for gender diversity. Meanwhile, the Board also places a strong emphasis on skillset diversity. The diagram below provides a snapshot of the skills and experience of the Board members:

Nomination and appointment of Directors

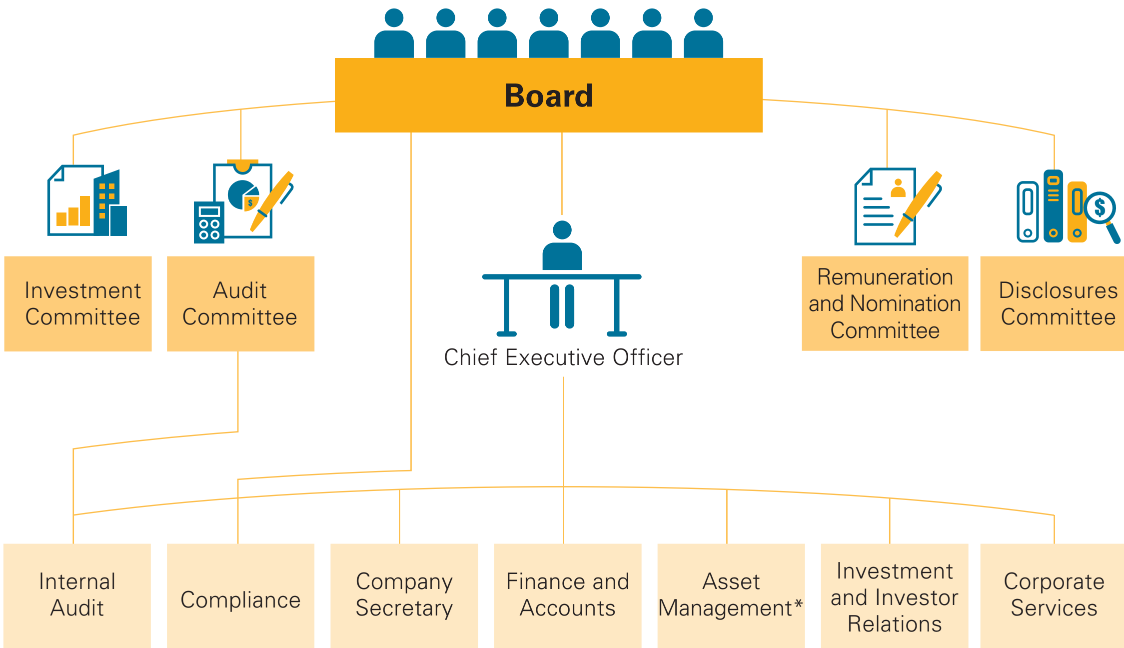
- The Nomination Policy of the Manager lists out the criteria in evaluating and selecting candidates for appointment and re-appointment as a Director, including but not limited to (i) relevant qualifications and experiences; (ii) ability to carry out duties competently, honestly and fairly; (iii) reputation, character, reliability and integrity; (iv) commitment as to whether sufficient time will be devoted to the Board; and (v) potential contributions and other attributes that the candidates can bring to the Board. The Remuneration and Nomination Committee may engage external consultants to assist the recruitment process as it deems necessary.
- Both NEDs and the INED appointed in 2022 do not have a specific term of appointment, while the other INEDs have a current term of appointment of three years.
- All Directors shall retire from office at every annual general meeting of the Manager, but shall be eligible for re-election in accordance with its articles of association. Further appointment of an INED who has served for more than nine years is subject to a separate ordinary resolution to be approved by Unitholders.

Delegation

- Except for reserved matters as stated in the Compliance Manual which must first be considered by the full Board, the day-to-day management of the Manager is delegated to the management team.

Management

- The strategies and objectives set by the Board are implemented by the management team under the leadership of the CEO.
- Management functions of the Manager are delegated to seven departments, with a clear organizational structure formulated for delegation of key duties and functions as shown below. Apart from day-to-day communications among departments, management meetings are held regularly to oversee business operations and facilitate implementation of strategies.



* With effect from 1 January 2025, Ms. Shum Chung Wah, Yulanda has been appointed as the Manager's Chief Strategy Officer and Co-head, Asset Management.

Corporate Culture

The Board is responsible for setting the corporate culture of Sunlight REIT and plays a pivotal role in monitoring and evaluating such culture. A corporate culture committee (the "**CC Committee**") has been established to conduct corporate culture reviews, ensuring alignment with the business strategy and organizational structure of Sunlight REIT. In addition, the CC Committee is responsible for formulating action plans to promote corporate values, provide training and organize employee engagement events.

Based on an employee survey on corporate culture conducted in October 2024, the CC Committee has recommended to and obtained approval from the Board to refine the four core values of Sunlight REIT as follows:

Integrity

- We aspire to be a responsible and trustworthy asset manager/landlord and are committed to upholding a high level of integrity in our endeavours, operating our business in an honest, fair and transparent manner.
- We have established an organizational structure with proper segregation of duties to ensure effective control and compliance.
- We promote teamwork and collaboration to foster trust and accountability.
- We have established policies and guidelines to deal with matters relating to ethical and professional conduct.

Care

- We care for the community particularly at places where we operate.
- We provide a safe, supportive and connecting environment for our employees, nurturing a strong sense of belonging and identity.
- We aspire to create a positive impact on the society through involvement in various community projects and initiatives.
- We encourage regular communication with our stakeholders for feedback and suggestions, with a view to strengthening our commitment to care and collaboration.

Innovation

- We embrace innovation to drive growth and stay competitive in the ever-evolving market landscape.
- We place creativity at the forefront of our strategic agenda by stimulating our employees to think critically and to propose alternative solutions for our business.
- We support our employees to engage in professional training and to share their experience with peers, thereby fortifying our adaptability and agility in responding to market changes and volatilities.

Sustainability

- We review and refine our investment portfolio and business strategy from time to time, with a view to providing long-term sustainable benefits for our stakeholders.
- We have established a risk management framework supported by a robust internal control system and a detailed contingency plan, which collectively ensures that our business is well-prepared to cope with unforeseen disruptions and to maintain operational continuity.
- Through conserving resources and integrating eco-friendly practices into our daily operations, we aspire to improve our environmental footprint and contribute positively to the society.
- We are committed to mentoring, coaching and developing key talents to become our future leaders.

Contribution

- Board meetings are held at least four times in each financial year at approximately quarterly intervals.
- At least 14 days' notice in writing is given to Directors for regular Board meetings. Board consents are adopted by way of majority votes at Board meetings, or by written resolutions signed by all Directors.
- The Chairman may, at the written request of any two Directors or the Company Secretary, convene a Board meeting.
- Board members are encouraged to make active contributions to the Board's affairs, to exercise independent and professional judgment on matters that require decision making, and to act in the best interests of Sunlight REIT and Unitholders.
- Board members are encouraged to communicate their views and provide input to the Board and senior management. A Policy of Mechanisms ensuring Independent Views available to the Board is in place to ensure independent views and input are available to the Board through, among other things, independence assessment of INEDs and annual meetings between the Chairman and INEDs.
- The major responsibilities and key work performed by the Board and Board Committees during the Reporting Period are set out below:

The Board

Responsibilities:

- Lead and guide the corporate strategy and direction of Sunlight REIT
- Oversee the management of Sunlight REIT and corporate governance of the Manager

Work performed:

- Approved financial results, distributions, business plans and budget, and CAPEX proposals of Sunlight REIT
- Considered and recommended to Unitholders the re-appointment of INEDs
- Considered and approved the arranging of credit facilities for Sunlight REIT
- Reviewed the internal control system of Sunlight REIT
- Approved amendments to the Compliance Manual
- Considered and recommended to the Trustee the engagement of a new principal valuer of Sunlight REIT
- Considered and approved the change of financial year end date of Sunlight REIT from 30 June to 31 December ("**Change of Financial Year End Date**") and the consequential amendments to the Trust Deed
- Reviewed and considered certain continuing connected party transactions and their respective cap amounts for the six months ended 31 December 2024 and for the two financial years ending 31 December 2026 and provided its view on such transactions and (where applicable) its recommendation to Unitholders on approving such transactions
- Considered and approved the proposed disposal
- Reviewed the investor relations activities of Sunlight REIT
- Approved the proposed changes to the Contingency Plan
- Approved the adoption of policies and guidelines

Investment Committee

Responsibilities:

- Oversee investment and financial matters of Sunlight REIT
- Review investment strategies and proposals, as well as internal controls for investment and financial matters
- Review mitigation measures for investment and financial related risks
- Formulate treasury management and capital management policies

Work performed:

- Reviewed and considered financial results, key operational statistics, business plans and budget of Sunlight REIT; recommended to the Board proposals on distributions, budget and CAPEX
- Reviewed the investment strategy of Sunlight REIT
- Reviewed and assessed investment and financial related risks of Sunlight REIT
- Reviewed and evaluated the proposed disposal and made recommendations to the Board

Audit Committee

Responsibilities:

- Ensure the quality and integrity of risk management and internal controls
- Recommend appointment of external auditor and review their performance
- Review completeness, accuracy, clarity and fairness of the financial statements
- Ensure compliance with applicable legal and regulatory requirements

Work performed:

- Reviewed internal audit activities reports and the effectiveness of the internal audit function
- Reviewed interim and final results of Sunlight REIT
- Considered and recommended to the Board re-appointment of external auditor and their audit fees
- Reviewed and recommended to the Board amendments to relevant policies and guidelines
- Reviewed and recommended to the Board changes to the Contingency Plan
- Reviewed and considered the effectiveness of risk management and internal control systems
- Reviewed connected party transactions entered into by Sunlight REIT to ensure compliance with the requirements of the REIT Code, the Listing Rules and waivers granted by the SFC
- Reviewed adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting and financial reporting and internal audit functions

Remuneration and Nomination Committee

Responsibilities:

- Oversee and establish the overall human resources strategy and policies of the Manager, including succession planning, compensation and employment terms and conditions of Directors and senior management
- Review the structure, size and composition of the Board and Board Committees
- Evaluate performance of the Board and Board Committees and review the independence qualification of INEDs

Work performed:

- Reviewed the structure and diversity of the Board and evaluated performance of the Board, Board Committees and their members
- Reviewed and appraised overall staff performance
- Reviewed and approved employee benefits policies
- Considered and approved salary and bonus proposals (including remuneration packages of the ED and senior management)
- Considered and recommended to the Board on the re-appointments of INEDs
- Considered and approved the budget for training programmes for staff development
- Considered and approved the budget for executive training programmes
- Considered and recommended to the Board relevant policies and guidelines

Disclosures Committee

Responsibilities:

- Review matters relating to disclosure of information of Sunlight REIT in corporate communications to Unitholders
- Ensure compliance with applicable legal requirements, and accurate and complete disclosure of information to the public and regulators
- Review matters relating to the ESG performance of Sunlight REIT

Work performed:

- Reviewed announcements, press releases, interim and annual reports of Sunlight REIT and other corporate communications to Unitholders or investors
- Reviewed public regulatory filings to applicable regulatory authorities
- Reviewed implication of amendments in rules and regulations to Sunlight REIT and its special purpose vehicles
- Reviewed the sustainability performance of Sunlight REIT (including the sustainability report) and made recommendations to the Board
- Reviewed adequacy of resources, staff qualifications and experience, training programmes and budget of function relating to ESG performance and reporting of Sunlight REIT

Assessment

- The Board's performance and effectiveness are regularly reviewed via the assistance of the Remuneration and Nomination Committee and the hiring of external consultants (as appropriate).

- All Directors shall participate in continuous professional training to develop and refresh their knowledge and skills, ensuring that their contribution to the Board remains informed and relevant. Membership of the Board and Board Committees, attendance record of Directors to the meetings and Directors' training and professional development activities held during the Reporting Period were as follows:

Type of meetings / Director (Designation)	Number of meetings attended/eligible to attend							Training and professional development activities
	Board of Directors	Investment Committee	Audit Committee	Remuneration and Nomination Committee	Disclosures Committee	Annual General Meeting	Extraordinary General Meeting	
Mr. Au Siu Kee, Alexander (Chairman & NED)	8/8	6/6		4/4		2/2	1/1	✓
Mr. Wu Shiu Kee, Keith (CEO & ED)	8/8	6/6			3/3	2/2	1/1	✓
Mr. Kwok Ping Ho (NED)	8/8					2/2	1/1	✓
Mr. Kwan Kai Cheong (INED)	8/8		6/6	4/4	3/3	2/2	1/1	✓
Dr. Tse Kwok Sang (INED)	8/8	6/6	6/6		3/3	2/2	1/1	✓
Mr. Kwok Tun Ho, Chester (INED)	8/8	6/6	6/6	4/4		2/2	1/1	✓
Ms. Helen Zee (INED)	8/8	6/6	6/6			2/2	1/1	✓

Chairman/chairman of the Board Committee/chairman of the general meetings

N/A

Risk Management

Background

Risk management forms an integral part of Sunlight REIT's operating processes and is fundamental to the achievement of its vision, mission and core values.

The risk management framework of Sunlight REIT is established on the basis of achieving the following value propositions:

- Establish a risk savvy culture so that strategic and operational decisions are consciously weighted against the associated risks to support the achievement of strategic and operational objectives.
- Maintain a robust governance framework under which all key risks are identified, assessed and accounted for, while ensuring that such risks are managed to an acceptable level with reference to Sunlight REIT's overall goals and objectives.
- Enhance operational control and effectiveness through regular process reviews.
- Protect assets, reputation and values of Sunlight REIT and the Manager.
- Identify key risk indicators to provide early warning signals on emerging risks and/or escalating risk levels, either of which may potentially prevent Sunlight REIT from achieving its strategic goals and objectives.

Approach and responsibilities

In enabling a consistent and holistic view of risk management, the Manager adopts a blended approach whereby application of the risk management framework encompasses day-to-day business activities to strategic planning processes at the Board level. The risk process involves collating and appraising bottom-up input from risk owners, with refinements and adjustments through top-down input by the CEO, as well as Appointed Risk Leads ("**ARLs**") comprising of heads of departments and/or operating units (excluding the Internal Auditor). The Risk Taskforce[Note] meets at approximately quarterly intervals to review the key risks of Sunlight REIT and to determine whether the proposed risk controls are adequate and sufficient. On top of that, at the annual Risk Taskforce meeting with all ARLs, strategic risks, fraud risks and ESG risks are discussed.

The ultimate responsibility for the management of risks is assumed by the Board, which shall ensure that appropriate and rigorous systems to manage and mitigate risks are in place. The Audit Committee, the Investment Committee and the Disclosures Committee are designated to assist the Board in risk governance by monitoring the risk assessment process and timely communicating to the Board on key risks where necessary, while the internal audit function is tasked with the responsibility of independently appraising Sunlight REIT's risk management framework and reporting the results annually to the Audit Committee.

The risk management framework of Sunlight REIT is summarized and illustrated by the 'Three Lines of Defence' model on page 49.

Note: The Risk Taskforce comprises the CEO, the Chief Financial Officer, the Assistant General Manager – Human Resources and Operations and the Risk Manager (the role of which is assumed by the Compliance Manager) as core members and three rotational members from different departments and/or operating units.

Risk governance structure and process

Board of Directors

Investment Committee | **Disclosures Committee** | **Audit Committee**

1st line of defence

Risk ownership

Operational management

Each department and/or operating unit will identify and submit their top risks to the Risk Manager on a quarterly basis.

2nd line of defence

Risk control

Risk management and compliance

The Risk Manager will prepare a consolidated risk register of Sunlight REIT quarterly to the Risk Taskforce for review.

The ESG Committee will review and monitor ESG risks (including climate-related risks) and make recommendations to the Risk Taskforce.

The top risks of Sunlight REIT are determined by the Risk Taskforce after (i) reviewing, evaluating and prioritizing various risks relating to the operations of Sunlight REIT as consolidated by the Risk Manager; and (ii) assessing the risks to see if they are within the risk tolerance level of Sunlight REIT.

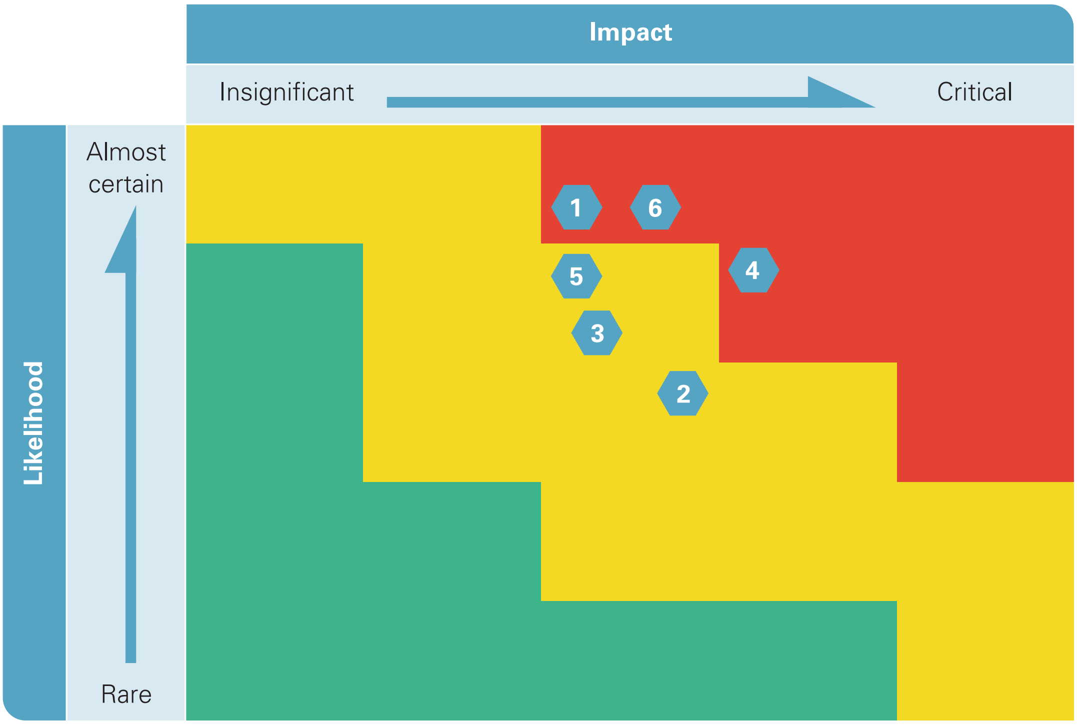
3rd line of defence

Risk assurance

Internal audit

The Internal Audit Department will appraise the risk management system of Sunlight REIT and report the results to the Audit Committee annually.

Risk heat map at 31 December 2024



The risk heat map above provides an illustration of the top risks of Sunlight REIT at 31 December 2024 in terms of their likelihood and impact. The risk tolerance level and the risk appetite statement of Sunlight REIT were reviewed and endorsed by the Board.

As recommended by the ESG Committee, the Risk Taskforce has reviewed the relevance and materiality of climate-related risks during the Reporting Period and considered that climate-related risks were relevant but not material to Sunlight REIT.

Summary of the top risks of Sunlight REIT at 31 December 2024

Based on the recommendation from the Risk Taskforce, the Board has approved the top risks of Sunlight REIT at 31 December 2024, details of which are depicted below.

Risk no.	Description	Nature	Major controls
1	High vacancy rates and rental pressure on the Hong Kong Grade A office market	Financial and operational	• Provide flexible leasing terms to tenants and offer competitive rental commission to leasing agents when necessary • Conduct early negotiations with existing tenants • Enhance landlord provisions and introduce more proptech initiatives to attract prospective tenants
2	Cyber security and other IT risks	Operational	• Implement effective system protective measures and backup mechanisms to ensure data integrity and security • Conduct regular training sessions and periodic security exercises to enhance staff awareness and preparedness against cyber threats • Maintain a comprehensive IT disaster recovery plan to ensure business continuity in the event of unforeseen discruptions
3	Aging property facilities/systems	Operational	• Conduct regular inspection and strengthen preventive maintenance for property facilities • Devote more resources to aging properties to reduce the rate of facilities breakdown • Explore the use of proptech for more effective and efficient property management
4	High interest rate causing negative impact on DPU and interest coverage	Financial and investment	• Perform sensitivity analysis on interest rate fluctuations • Explore opportunities for alternative credit facilities at lower interest margins • Maintain an appropriate level of hedging for borrowings • Reduce the level of borrowings if surplus funds are available
5	Ascending labour and maintenance costs	Operational	• Implementation of energy saving measures and increase the use of proptech • Adopt centralized or bulk purchasing arrangement to save costs
6 NEW	Retail market suffering from a structural change in local consumption pattern	Financial and operational	• Provide flexible leasing terms to tenants • Offer pop-up shop opportunities to prospective tenants to enhance the diversity and appeal of shopping malls

Internal control

Internal control framework

The Audit Committee assists the Board in overseeing the effectiveness of Sunlight REIT's risk management and internal control systems. The Internal Audit Department ("**IAD**") conducts independent reviews to ensure the adequacy, effectiveness and efficiency of operational processes and internal controls. Based on the three-year strategic audit plan approved by the Audit Committee, the IAD conducts financial, operations and compliance reviews, recurring and follow-up audits, and process efficiency reviews. The IAD also carries out ad-hoc audits and fraud investigation (if any) when needed.

A summary report with key findings, improvement recommendations and implementation status is provided to the Audit Committee on a quarterly basis.

Internal control system

The risk management and internal control systems of Sunlight REIT are designed to manage rather than to eliminate the risk of failure in achieving business objectives, and thus can only provide reasonable but not absolute assurance against material misstatements or losses. The key control components of the systems include:

Control environment	• A clear organizational structure is established with defined lines of responsibility and limits of delegated authority to facilitate segregation of duties and controls.
	• A Code of Conduct, Anti-fraud Policy and Whistleblowing Policy are adopted to emphasize the ethical standards and integrity of employees in all aspects of operations, and mechanisms are established for reporting misconduct.
Risk assessment	• A risk management framework is in place to identify, assess and manage various types of risks that may have an impact on the achievement of business objectives. Please refer to "Risk Management" on pages 48 to 51 for more details.
	• A fraud risk register is established to identify specific fraud schemes and risks, and to assess their significance with relevant controls for ongoing monitoring.
	• ESG risks are integrated into the existing risk management framework and are monitored regularly by the ARLs, the ESG Committee, the Risk Taskforce and the Disclosures Committee.
Control activities	• A series of key policies and procedures is established to ensure that relevant management directives are carried out, and actions, including verifications and approvals, reviews and safeguarding of assets, are taken to address risks.
Information and communication	• Processes and systems are in place to capture and report operational, financial and compliance related information to enable effective communication within the organization and with external stakeholders.
	• An Inside Information Policy is adopted to ensure that inside information is handled and disseminated to the public in an equal and timely manner in accordance with applicable laws and regulations. Procedures have been set up in respect of preservation and handling of inside information. Directors and employees of the Manager are prohibited from (i) making any unauthorized disclosure of confidential information, or (ii) making any use of such information for their own advantage or which may constitute conflicts of interest with the public and/or Sunlight REIT.
Monitoring activities	• Regular reviews of key risk areas are performed by the IAD to ascertain whether the controls are in place and functioning, and to ensure compliance with internal policies and regulatory requirements. Internal control deficiencies are timely communicated to responsible parties for taking corrective actions.

Results of review of risk management and internal control systems for the Reporting Period

For the Reporting Period, the Audit Committee reviewed the effectiveness of Sunlight REIT's risk management and internal control systems, covering all material controls including financial, operational and compliance. The IAD assisted the Audit Committee in the review process by conducting regular reviews and providing appraisal of the risk management system, as well as reviewing the self-assessment of internal control and assurance on systems effectiveness submitted by different operational functions. Based on the recommendation of the Audit Committee, the Board confirmed that Sunlight REIT's risk management and internal control systems were effective and adequate with no significant areas of concern identified.

The Board, through the Audit Committee, also reviewed the adequacy of resources, staff qualifications and experience, training and budgets of the Manager's accounting, financial reporting and internal audit functions, and considered that they were in order during the Reporting Period.

Conflicts of interest and business competition

To ensure that conflicts of interest relating to Sunlight REIT are properly managed, the Manager has adopted various control measures, including but not limited to the following:

1. the Manager will not manage any real estate investment trust other than Sunlight REIT nor manage any other real estate assets other than those owned by Sunlight REIT;

2. the Manager has functional units and systems which operate independently of its shareholder(s);

3. the Manager has established internal control systems to ensure that Sunlight REIT's connected party transactions are monitored and undertaken in compliance with the REIT Code, the Listing Rules and waivers granted by the SFC;

4. the Manager has a Conflicts of Interest Policy in place to ensure fairness and good corporate governance. Any situations of actual, potential or perceived conflicts of interest of employees are reported and monitored;

5. Director(s) with potential conflicts of interest shall disclose his/her interest to the Board and abstain from voting on the relevant matter, as well as not to be counted in the quorum for that resolution; and

6. registers of other directorships and senior positions held by the Directors are maintained and updated from time to time.

The Manager and the Property Manager are both indirect wholly-owned subsidiaries of HLD. Both NEDs of the Manager (including the Chairman) are directors of HLD and some of its subsidiaries, associates and/or related companies, which are/may be engaged in, among other things, the development, investment and management of retail, office and other properties in and outside Hong Kong.

Accordingly, the Manager may experience conflicts of interest with HLD when acquiring and disposing of investments, or in connection with transactions between Sunlight REIT and HLD. The Manager and the Property Manager may also experience conflicts of interest with HLD when identifying and competing for potential tenants.

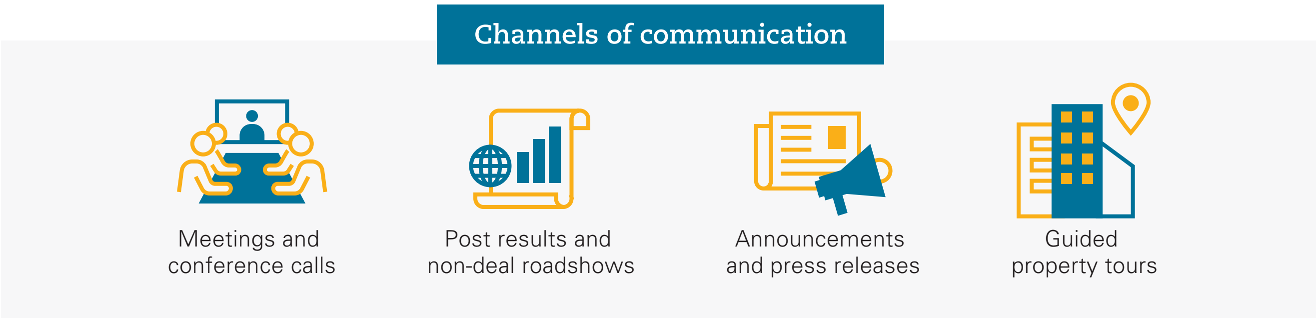
The Manager is of the view that the various control measures in place are sufficient to manage the conflicts of interest with HLD as mentioned above and assures that it is capable of performing, and shall continue to perform, its duties for Sunlight REIT in the best interests of Sunlight REIT and Unitholders.

The Manager confirms that there were no transactions, arrangements or contracts of significance subsisting with Sunlight REIT during the Reporting Period in which a Director or an entity connected with the Director was materially interested.

Communication

Investor relations

The Manager is committed to providing an open and effective communication platform, and believes that feedback from the investment community is crucial in assisting the Board to formulate the strategic direction of Sunlight REIT. The Manager has in place an Investor Relations Policy* (the "**IR Policy**") which provides guidelines on how information in relation to Sunlight REIT is being disseminated and communicated to the investment community, while the investor relations team engages and maintains dialogues with Unitholders, investors and analysts through a range of interactive means. The Head of Investor Relations keeps the Board abreast of investors' feedback on a regular basis.



The investment community is encouraged to direct any enquiries to the Manager by email or by post. Please refer to "Corporate Information" on page 145 for contact details.

The Manager conducted a review of the implementation and effectiveness of the IR Policy during the Reporting Period. Based on the communication channels in place, the Manager considered the policy proper and effective.

General meetings

General meetings provide communication channels for Unitholders to obtain a better understanding of the business and operating performance of Sunlight REIT.

During the Reporting Period, two annual general meetings of Sunlight REIT were held on 14 November 2023 (the "**2023 AGM**") and 29 May 2024 (the "**2024 AGM**") respectively. Ordinary resolutions were passed at each of the 2023 AGM and 2024 AGM to approve the grant of a general mandate to the Manager to buy back units (on-market) on behalf of Sunlight REIT. At the 2024 AGM, separate resolutions to approve the re-appointments of Mr. Kwan Kai Cheong, Dr. Tse Kwok Sang and Mr. Kwok Tun Ho, Chester as INEDs were passed. In addition, an extraordinary general meeting of Sunlight REIT was held on 29 May 2024 (after conclusion of the 2024 AGM), at which an ordinary resolution in relation to certain continuing connected party transactions and their respective cap amounts for the two and a half financial years ending 31 December 2026 was approved by Unitholders.

* Previously named "Unitholders Communication Policy"

Unitholders' rights

In accordance with the Trust Deed, at least 10 business days' notice of every meeting shall be given to Unitholders, except that at least 21 days' notice of the meeting shall be given to Unitholders where a special resolution is proposed for consideration at such meeting; and not less than 20 business days' notice shall be given to Unitholders for an annual general meeting. The place, date and time of the meeting, details of the electronic facilities for attendance and participation (in the case of hybrid meeting) and details of any resolution proposed will be specified in the meeting notice.

As required by the Trust Deed, any resolution put to the meeting shall be decided on a poll, except where the chairman of the meeting may, in good faith, exercise his/her discretion to allow a resolution which relates purely to a procedural or administrative matter to be decided on a show of hands. The voting results of the meeting shall be published by way of an announcement and will be posted on the websites of Sunlight REIT and the Stock Exchange.

Pursuant to the Trust Deed, not less than two Unitholders registered as holding together not less than 10% of the outstanding units in issue for the time being are entitled to request the Manager in writing to convene a meeting of Unitholders. Unitholders who wish to direct any such request to the Manager may refer to "Corporate Information" on page 145 for contact details of the Manager. The Trustee or the Manager may at any time convene a meeting of Unitholders.

Matters decided by Unitholders by special resolutions

In accordance with the Trust Deed, matters including but not limited to the following require specific approval of Unitholders by way of special resolutions:

- modification, variation, alteration or addition to the Trust Deed;
- removal of the Trustee;
- disposal of a real estate within two years from the date of its acquisition (except for disposal of a Non-qualified Minority-owned Property (the term as defined in the REIT Code));
- termination or merger of Sunlight REIT;
- changes in the investment policy and objective of Sunlight REIT; and
- increase in the maximum remuneration (other than any additional fee as allowed under the Trust Deed) or changes to the structure of the remuneration of the Trustee or the Manager.

Transparency

Annual and interim reports

Financial statements of Sunlight REIT are prepared in accordance with accounting principles generally accepted in Hong Kong. Pursuant to the REIT Code, annual reports of Sunlight REIT are published and distributed to Unitholders within four months following the end of each financial year, and interim reports are published and distributed to Unitholders within three months following the end of the relevant period.

Results announcements and other information

Pursuant to the requirements of the REIT Code, results announcements of Sunlight REIT are released on a semi-annual basis.

It is customary for the Manager to conduct presentations to Unitholders, investors, analysts and/or the press following the publication of results announcements. The relevant presentation materials and results announcements are also available to the public on the website of Sunlight REIT.

To keep Unitholders abreast of the position of Sunlight REIT, public announcements on material information and developments of Sunlight REIT are made by the Manager on a timely basis in accordance with applicable regulatory requirements. Briefings with analysts and the press may subsequently be convened by the Manager if necessary. The Manager also voluntarily releases the operational statistics of Sunlight REIT twice a year.

Change of Financial Year End Date and amendments to the Trust Deed

The Manager announced the Change of Financial Year End Date and the Manager and the Trustee made necessary amendments to the Trust Deed to effect the Change of Financial Year End Date on 5 December 2023 and 7 February 2024 respectively. Accordingly, the financial year end date of Sunlight REIT has been changed from 30 June to 31 December. Please refer to the relevant announcements for further details.

Distribution entitlement and closure of register of Unitholders

The ex-distribution date and record date for the final distribution are Wednesday, 26 March 2025 and Tuesday, 1 April 2025 respectively. The register of Unitholders will be closed from Friday, 28 March 2025 to Tuesday, 1 April 2025, both days inclusive, during which period no transfer of units will be effected. In order to qualify for the final distribution, all transfer documents accompanied by the relevant unit certificates must be lodged for registration with the unit registrar of Sunlight REIT, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 27 March 2025. Payment of the final distribution will be made to Unitholders on Friday, 11 April 2025.

Please refer to "Financial Calendar" on page 144 for key dates of Sunlight REIT.

Distribution policy

Pursuant to the Trust Deed, the total amounts distributed or distributable to Unitholders shall be no less than 90% of annual distributable income (i.e. the consolidated audited net profit after tax of Sunlight REIT subject to certain adjustments in accordance with the Trust Deed) for each financial year.

Employees

Sunlight REIT is managed by the Manager and does not employ any staff itself.

Workforce diversity

The Manager is committed to ensuring that gender diversity is achieved in the workforce. At 31 December 2024, the Manager and the Property Manager's overall workforce comprised 50% male and 50% female.

The Manager considers that the existing level of gender diversity in the workforce of the Manager and the Property Manager (including senior management) has satisfied its objective of maintaining a balanced workforce.

Other Compliance and Disclosure Matters

Compliance with the Compliance Manual and the Corporate Governance Code

The Manager has adopted the Compliance Manual which sets out the key processes, internal control and system, corporate governance policies as well as other policies and procedures governing the management and operations of Sunlight REIT.

The Compliance Manual has been amended during the Reporting Period to principally reflect the Change of Financial Year End Date.

During the Reporting Period, the Manager has in material terms complied with the provisions of the Compliance Manual. In addition, the Manager and Sunlight REIT have, to the extent applicable, applied the principles and complied with the code provisions in the Corporate Governance Code.

Compliance with the Dealings Code

The Manager has adopted a code governing dealings in securities of Sunlight REIT by Directors (the "**Dealings Code**"), the terms of which are no less exacting than those set out in Appendix C3 of the Listing Rules. The Dealings Code is applicable to the Manager and its Directors, senior executives, officers and employees, and directors of special purpose vehicles of Sunlight REIT. Certain restrictions and notification requirements as provided under the Listing Rules are adopted with modifications in the Dealings Code to apply to unit buy-back by the Manager on behalf of Sunlight REIT.

Specific enquiry has been made with all Directors and the Manager, and all of them confirmed that they have complied with the required standard as set out in the Dealings Code throughout the Reporting Period.

Changes in Directors' information

Subsequent to publication of the second interim report for the 12 months ended 30 June 2024, the Manager has been informed of the following changes in Directors' information:

1. Ms. Helen Zee has been appointed as an independent non-executive director of Hans Group Holdings Limited (formerly known as Hans Energy Company Limited) with effect from 31 October 2024; and
2. Mr. Kwok Tun Ho, Chester has been appointed as an independent non-executive director of Greenland Hong Kong Holdings Limited with effect from 6 November 2024.

Save as aforesaid, the Manager has not been notified of any change in Directors' information.

Confirmation on independence

In respect of the Reporting Period, each INED has provided a written confirmation of his/her independence by reference to the factors set out in the Corporate Governance Policy of the Compliance Manual, inter alia, any cross-directorships or significant links with other Directors through involvement in other companies or bodies. Based on such confirmations, the Manager considered that the INEDs were independent.

Buy-back, sale or redemption of units

The Manager conducted unit-buy-back on the belief that it would lead to an enhancement of the net asset value per unit and/or distribution per unit, and when it would benefit Sunlight REIT and Unitholders as a whole.

Pursuant to the general mandate to buy back units granted by Unitholders, the Manager bought back a total of 2,000,000 units on behalf of Sunlight REIT on the Stock Exchange during the Reporting Period for an aggregate consideration of approximately HK$3.5 million (excluding buy-back expenses). All the units bought back were cancelled prior to the end of the Reporting Period. Details of the buy-backs are as follows:

Month of buy-back	Number of units bought back	Price paid per unit		Aggregate consideration paid* (HK$'000)
		Highest (HK$)	Lowest (HK$)	
November 2023	1,000,000	2.05	2.02	2,035
April 2024	1,000,000	1.55	1.48	1,510
Total	**2,000,000**			**3,545**

* Excluding buy-back expenses

Save as disclosed above, there was no other purchase, sale or redemption of units by Sunlight REIT or its wholly-owned and controlled entities during the Reporting Period.

Relevant Investments

The full investment portfolio of Relevant Investments, as defined in paragraph 7.2B of the REIT Code, of Sunlight REIT at 31 December 2024 is set out below:

Financial instruments[1] & issuers	Primary listing	Currency	Total cost (HK$'000)	Mark-to-market value (HK$'000)	% of gross asset value of Sunlight REIT[2,3]	Credit rating
CATHAY 4 7/8 08/17/26 Cathay Pacific MTN Financing (HK) Limited	Stock Exchange	USD	11,672	11,607	0.063	N/A
COGARD 5.4 05/27/25 Country Garden Holdings Company Limited	Singapore Exchange	USD	14,452	1,371	0.007	N/A
COGARD 3 1/8 10/22/25 Country Garden Holdings Company Limited	Singapore Exchange	USD	10,115	1,029	0.006	N/A[4]
GEELZ 3 03/05/25 Geely Finance (Hong Kong) Limited	Singapore Exchange	USD	15,373	15,446	0.084	S&P BBB-
PANVA 4 04/26/27 TCCL (Finance) Limited	Stock Exchange	USD	4,623	4,537	0.025	S&P BBB+ Moody's Baa1
PCPDC 5 1/8 06/18/26 PCPD Capital Limited	Singapore Exchange	USD	11,639	10,123	0.055	N/A
ZHONAN 3 1/8 07/16/25 ZhongAn Online P & C Insurance Co., Ltd.	Stock Exchange	USD	28,743	28,273	0.154	Moody's Baa2
Total			**96,617[5]**	**72,386**	**0.394**	

At 31 December 2024, the combined mark-to-market value of Relevant Investments, together with other ancillary investments of Sunlight REIT, represented approximately 3.2% of the gross asset value of Sunlight REIT.

The full investment portfolio of Relevant Investments is updated monthly within five business days of the end of each calendar month on the website of Sunlight REIT.

Notes:

1. All financial instruments are bonds and their descriptions are quoted from Bloomberg.
2. The percentages are arrived at by comparing the mark-to-market value of the investments with the gross asset value of Sunlight REIT at 31 December 2024.
3. Gross asset value refers to the total assets after adjusting for the final distribution declared. Total assets and final distribution are stated on page 96 and page 99 respectively.
4. Moody's has withdrawn the rating of this financial instrument with effect from 10 July 2024.
5. A provision for credit losses of HK$6.3 million was made in the Reporting Period.

Issue of further units

Further issue of units is subject to compliance with the pre-emption provisions contained in the REIT Code. Such provisions generally require that, unless the REIT Code otherwise permits, further issues of units shall be offered on a pro rata basis to existing Unitholders. If new units are not offered on a pro rata basis, the approval of Unitholders by way of an ordinary resolution is required unless the aggregate number of new units issued during the financial year does not increase the total number of units in issue at the end of the previous financial year by more than 20%.

During the Reporting Period, a total of 33,672,506 new units were issued to the Manager in October 2023, April 2024 and October 2024 as payment of part of the Manager's fees. The payment of the Manager's fees by way of units is provided for in the Trust Deed and does not require specific prior approval of Unitholders pursuant to a waiver granted by the SFC. Under such waiver, the number of units issued to the Manager as payment of all or part of the Manager's fees for each financial year will be counted as part of the 20% of units outstanding at the end of the previous financial year that the Manager may issue in each financial year without requiring Unitholders' approval pursuant to paragraph 12.2 of the REIT Code.

Save as aforesaid, there were no other new units issued during the Reporting Period.

Public float

Based on information that is publicly available and as far as the Manager is aware, 45.5% of the outstanding units in issue of Sunlight REIT were held in public hands on 11 March 2025, being the date of the final results announcement, which satisfies the minimum public float requirement of 25% under the Listing Rules.

Review of annual report

This annual report has been reviewed by the Audit Committee and the Disclosures Committee in accordance with their respective terms of reference.

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of Sunlight REIT and its subsidiaries for the Reporting Period.

Auditor's remuneration

During the Reporting Period, fees payable to the auditor amounted to HK$2,273,000 for audit and audit related services. Non-audit services fee payable to the auditor was HK$1,074,000 for services mainly relating to the review of two interim financial statements of Sunlight REIT.

Unitholder statistics

An analysis of the registered Unitholders at 31 December 2024 by type according to the register of Unitholders of Sunlight REIT is as follows:

Range of unitholdings	Number of registered Unitholders	Aggregate number of units held	% of unit holdings[Note]
1 – 10,000	2,231	3,571,205	0.20
10,001 – 100,000	269	10,142,795	0.59
100,001 – 1,000,000	63	16,675,092	0.97
1,000,001 or above	10	1,696,318,571	98.24

HKSCC Nominees Limited (through which most Unitholders hold their units) remained as the single largest registered Unitholder, holding 1,296,820,452 units (representing approximately 75.1%[Note] of units in issue) at 31 December 2024.

Save as disclosed in the "Disclosure of Interests" section of this annual report, there were no other members of the senior management holding units at 31 December 2024.

Note: The percentages are based on the total number of units in issue of 1,726,707,663 units at 31 December 2024.

Promotional expenses

Pursuant to the waiver granted by the SFC on 27 April 2009 from strict compliance with paragraph 9.13(b) of the REIT Code, certain expenses for advertising or promotional activities are allowed to be paid out of the deposited property of Sunlight REIT. A further waiver was granted by the SFC on 30 April 2012 to expand the scope of such expenses to include the fees, costs and expenses incurred in relation to any fund raising exercise by, any assets of or otherwise in connection with Sunlight REIT. All these expenses mentioned above are collectively referred to as the "**Promotional Expenses**".

Promotional Expenses incurred for the Reporting Period were HK$1,548,000. Having reviewed the supporting evidence as it may reasonably deem necessary, the Audit Committee, pursuant to the conditions of the above waivers, confirmed that these Promotional Expenses were incurred in accordance with the internal control procedures of the Manager, and solely for the purposes as set out in the relevant clauses of the Trust Deed relating to the Promotional Expenses.

Top five real estate agents and contractors for the Reporting Period

Real estate agents and contractors	Nature of services	Commission and value of contracts[1] (HK$'000)	% of total commission and value of contracts
Henderson Sunlight Property Management Limited[2]	Property management, lease management and marketing services	71,570	34.2
Hang Yick Properties Management Limited[2]	Building management and licence fee	16,310	7.8
Dusservice Hong Kong Limited	Security services	8,940	4.3
Ngai Lik Cleaning Services Company Limited	Cleaning services	8,272	3.9
Savills Property Management Limited	Building management	7,652	3.7
Total		**112,744**	**53.9**

Notes:

1. Included commission and value of contracts for the supply of items or services which are of a capital nature.
2. Wholly-owned subsidiaries of HLD. HLD is interested in more than 5% of the total number of units in issue of Sunlight REIT.

Connected Party Transactions

Information in respect of the transactions entered into between Sunlight REIT and its connected persons (as defined in paragraph 8.1 of the REIT Code) during the Reporting Period, other than those transactions that are excluded pursuant to waivers granted by the SFC and/or exempted from the reporting requirements (if any), is set out in this section. All the transactions are continuing connected party transactions.

Connected party transactions with the HLD Related Group

HLD and its subsidiaries ("**HLD Group**") hold an aggregate of approximately 22.09% of units in issue of Sunlight REIT at 31 December 2024. The Manager is an indirect wholly-owned subsidiary of HLD. Therefore, HLD and its subsidiaries and associates (which has the meaning given to it under the REIT Code) ("**HLD Related Group**", which for the avoidance of doubt, excludes the Sunlight REIT Group (as defined below)), are connected persons of Sunlight REIT. Accordingly, the transactions made between Sunlight REIT, special purpose vehicles owned and controlled by Sunlight REIT ("**Sunlight REIT Group**") and members of the HLD Related Group constitute connected party transactions of Sunlight REIT.

The following agreements were entered into on 31 March 2021 and on 30 April 2024 by or on behalf of Sunlight REIT with members of the HLD Related Group, for a term of three years from 1 July 2021 to 30 June 2024 and a term of two and a half years from 1 July 2024 to 31 December 2026 respectively:

(i) A master leasing agreement dated 31 March 2021 and a renewed master leasing agreement dated 30 April 2024 (collectively the "**Master Leasing Agreements**") entered into between the Manager and HLD to set out the framework terms governing all leasing and licensing transactions entered into by members of the HLD Related Group in respect of premises owned by the Sunlight REIT Group. With respect to the leasing and licensing transactions agreed to be provided during the terms of the Master Leasing Agreements, the relevant members of the HLD Related Group and of the Sunlight REIT Group shall enter into separate definitive leasing agreement(s) setting out the detailed terms (including the fee and the payment terms).

    The rental or licence fee payable under the definitive leasing agreements shall be negotiated on a case-by-case and an arm's length basis and shall be on normal commercial terms which, (a) from the Sunlight REIT Group's perspective, shall be no more favourable than those made available by the Sunlight REIT Group to its independent third party lessees, tenants or licensees; and (b) from the HLD Related Group's perspective, shall be no less favourable than those which the relevant members of the HLD Related Group could obtain from independent landlords or lessors of comparable premises.

(ii) A joint effort carparking agreement dated 31 March 2021 and a renewed joint effort carparking agreement dated 30 April 2024 (collectively the "**Joint Effort Carparking Agreements**") entered into between the Property Manager (as agent of the owner of the commercial development of Metro City Phase I, which is a member of the Sunlight REIT Group) and Henderson Leasing Agency Limited (as agent of the owners of commercial development of Metro City Phases II and III, which are wholly-owned by the HLD Group) in respect of sharing of fees and costs among such owners relating to free parking provided to customers of the shopping arcades in Metro City Phases I, II and III.

    The determination of the sharing of fees and costs under the Joint Effort Carparking Agreements is based on an agreed formula which takes into account (a) the notional parking income that could have been received by each of the Sunlight REIT Group and HLD Group through the implied value of parking coupons utilized by the customers in respect of parking at their respective premises; and (b) the relevant parking expenses allocated between the parties with reference to the proportion of gross floor areas of the respective shopping arcades of Metro City Phases I, II and III.

(iii) The fifth supplemental agreement to the property management agreement dated 31 March 2021 and the sixth supplemental agreement to the property management agreement dated 30 April 2024 entered into between the Manager and the Property Manager to extend the term of appointment of the Property Manager under the Property Management Agreement (such term as defined in the announcements of Sunlight REIT dated 31 March 2021 and 30 April 2024) to 30 June 2024 and 31 December 2026 respectively.

The fees for property management services and lease management services pursuant to the Property Management Agreement shall not exceed 3% per annum of the gross property revenue of each relevant property of Sunlight REIT, whereas the commission for marketing services is based on the base rent or licence fee for the relevant tenancy or licence.

(iv) A master services agreement dated 31 March 2021 and a renewed master services agreement dated 30 April 2024 (collectively the "**Master Services Agreements**") entered into between the Manager and HLD to set out the framework terms governing all service transactions relating to the management and operation of properties of the Sunlight REIT Group to be provided by the HLD Related Group, including the provision of security services and other property related ancillary services. With respect to the service transactions to be provided during the terms of the Master Services Agreements, the relevant members of the HLD Related Group and of the Sunlight REIT Group (or the Property Manager as agent for, or at the costs of, the relevant members of the Sunlight REIT Group) shall enter into separate definitive service agreement(s) setting out the detailed terms (including the fee and the payment terms).

The terms of, and the fee payable under the definitive service agreements shall be negotiated on a case-by-case and an arm's length basis, and shall be on normal commercial terms which (a) from the Sunlight REIT Group's perspective, shall be no less favourable than those which the relevant members of the Sunlight REIT Group could obtain from independent contractors or suppliers of comparable services; and (b) from the HLD Related Group's perspective, shall be no more favourable than those made available by the relevant members of the HLD Related Group to their independent third party customers.

In addition, transactions with the DMC managers (which are members of the HLD Group) ("**Connected DMC Manager(s)**") of certain properties of the Sunlight REIT Group currently appointed for maintenance and management of common areas and facilities as shared among different owners of the relevant property under the relevant deeds of mutual covenant ("**Connected Deeds of Mutual Covenant**") constitute continuing connected party transactions of Sunlight REIT under the REIT Code. The principal terms of such relevant Connected Deeds of Mutual Covenant are summarized below:

Property owned by the relevant property holding company of the Sunlight REIT Group	Date of the Connected Deed of Mutual Covenant	Connected DMC Manager	Property holding company(ies) of the Sunlight REIT Group	Term of the appointment of the Connected DMC Manager under the Connected Deed of Mutual Covenant
1. Metro City Phase I Property	26 April 1997	Metro City Management Limited	Sunlight Crownwill Limited	Initially for a term of 2 years from the date of the first occupation permit in respect of any part of the estate and thereafter until the Connected DMC Manager resigns or is removed pursuant to the terms of the relevant Connected Deed of Mutual Covenant.
2. Sheung Shui Centre Shopping Arcade	3 March 1994	Sheung Shui Centre Management Limited	Bayman Limited	
3. Supernova Stand Property	15 December 2001	Hang Yick Properties Management Limited ("**Hang Yick**")	United Glory Development Limited	Initially for a term not exceeding 2 years from the date of the Connected Deed of Mutual Covenant and thereafter until the Connected DMC Manager resigns or is removed pursuant to the terms of the relevant Connected Deed of Mutual Covenant.
4. Kwong Wah Plaza Property	3 July 1998 (supplemented by a sub-deed of mutual covenant dated 30 September 1999)	Hang Yick	Seiren Investment Limited and Sound Bright Investment Limited	Initially for a term of 2 years from the date of issue of the occupation permit and thereafter until the Connected DMC Manager resigns or is removed pursuant to the terms of the relevant Connected Deed of Mutual Covenant.
5. Winsome House Property	3 July 1999	Hang Yick	Grand Faith Development Limited	
6. Wai Ching Commercial Building Property	22 June 1998	Hang Yick	Gain Fortune Development Limited	
7. Sun Fai Commercial Centre Property	22 June 1998	Hang Yick	Yu Loy Development Company Limited	
8. 135 Bonham Strand Trade Centre Property	23 June 2000	Hang Yick	Tinselle Investment Limited	Initially for a term of 2 years from the date of issue of the occupation permit (which is 3 January 2000).[2]
9. Beverley Commercial Centre Property	8 November 1982	Hang Yick	Newcorp Development Limited	Initially for a term of 5 years from the date of issue of the occupation permit and thereafter until a management committee has been appointed under the Multi-Storey Building (Owners Incorporation) Ordinance or any statutory modification thereof for the time being in force.[3]

Notes :

1. In addition to the Connected DMC Manager and the relevant property holding company of the Sunlight REIT Group ("**Property Holding Company**"), there are numerous other parties which are bound by the aforesaid relevant Connected Deed of Mutual Covenant, including the first owner of the relevant building and the current owners of the portions of the relevant building not owned by the Sunlight REIT Group. Such other parties are not named in the above table.
2. The initial term of Hang Yick as the DMC manager of 135 Bonham Strand Trade Centre has ended and the Connected Deed of Mutual Covenant does not provide for any subsequent term of the DMC manager. After the expiry of the initial term, Hang Yick has continued to act as the DMC manager with no specified term. As the subject property is not wholly-owned by the Sunlight REIT Group, it is not entitled to fix the current term of such appointment.
3. Hang Yick has continued to act as the DMC manager of Beverley Commercial Centre notwithstanding the appointment of the management committee of Incorporated Owners for the subject property. As the subject property is not majority-owned by the Sunlight REIT Group, it is not entitled to pass any resolution at the general meeting of the owners' corporation to fix the current term of such appointment.

The relevant Property Holding Companies as well as the other owners of the relevant building or development shall bear and pay due proportion of the building management fees and expenses to the Connected DMC Managers in accordance with the Connected Deeds of Mutual Covenant. The management fees and expenses payable by the relevant Property Holding Company to the relevant Connected DMC Manager ("**DMC Management Fee**") are generally calculated based on a Specified Portion (as defined below) of (i) annual budgeted management expenses prepared by the Connected DMC Manager in the management of the building or development in respect of the building, development or respective type/user of the property; and (ii) total remuneration receivable by the Connected DMC Manager from all owners of the relevant building or development (such remuneration amount not to exceed 10% or 15% of the annual management expenses). The "Specified Portion" represents the proportion of management units allocated to the property owned by the relevant Property Holding Company bears to the total management units allocated to the relevant building, development or respective type/user of the property. In addition, for Winsome House Property, Wai Ching Commercial Building Property, Sun Fai Commercial Centre Property and 135 Bonham Strand Trade Centre Property, if any management expenses incurred are solely relating to a specific portion or part of the building or development, such expenses shall be shared among the owners of the relevant portion or part of the building or development only.

In respect of the management and maintenance of Beverley Commercial Centre Property, the DMC Management Fee is calculated based on (i) a fixed sum of monthly expense specified under the Connected Deed of Mutual Covenant to be payable in respect of the shops owned by Newcorp Development Limited; and (ii) a Specified Portion of the management expenses incurred by the Connected DMC Manager in the management of the shops and offices of the entire development (which is inclusive of the remuneration receivable by the Connected DMC Manager).

The transactions contemplated under the Master Services Agreements, the Property Management Agreement (as amended and supplemented) and the Connected Deeds of Mutual Covenant and their respective cap amounts for the three years ended 30 June 2024 and the two and a half years ending 31 December 2026 require the approval of the independent Unitholders under the REIT Code. Such approvals were obtained at extraordinary general meetings of Sunlight REIT held on 5 May 2021 and 29 May 2024 respectively.

The income and expenses of Sunlight REIT from the transactions under the aforementioned agreements for the 12 months ended 30 June 2024 and for the 6 months ended 31 December 2024 are summarized below:

Continuing Connected Party Transactions	For the 6 months ended 31 December 2024		For the 12 months ended 30 June 2024	
	Income/(Expenses) (HK$'000)	Cap Amounts (HK$'000)	Income/(Expenses) (HK$'000)	Cap Amounts (HK$'000)
Leasing transactions under the Master Leasing Agreements	5,041	9,680	11,075	21,239
Joint effort carparking arrangement under the Joint Effort Carparking Agreements	1,881	2,084	3,726	4,720
Property management:				
i) Transactions under the Property Management Agreement	(25,385)	(33,530)	(46,185)	(68,820)
ii) Service transactions under the Master Services Agreements	(216)	(1,500)	–	(8,610)
iii) Transactions under the Connected Deeds of Mutual Covenant	(8,458)	(10,710)	(14,644)	(19,980)

* All of the transaction amounts stated in the above table were within the respective cap amounts of the relevant periods.

Further information about the abovementioned agreements can be found in the announcements of Sunlight REIT dated 31 March 2021 and 30 April 2024 and circulars of Sunlight REIT dated 9 April 2021 and 7 May 2024 respectively.

Connected party transactions with the Trustee Connected Persons

The following table sets out information on all the connected party transactions entered into between Sunlight REIT and the Trustee and Trustee related connected persons of Sunlight REIT (including without limitation, the HSBC Group[1] (collectively, "**Trustee Connected Persons**")) during the Reporting Period:

Name of connected person	Nature of the connected party transactions	Income/(Expenses) for the Reporting Period (HK$'000)	Rental and other deposits received/ (deposits paid) at 31 December 2024 (HK$'000)
Leasing transactions:			
The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**")	Leasing[2]	15,651	2,918
HSBC	Licensing[3]	504	84
Hang Seng Bank Limited ("**Hang Seng**")	Leasing[4]	13,047	2,205
Ordinary banking and financial services[5]:			
HSBC	Interest income received/receivable on bank deposits and net interest income on IRSs	22,155	N/A
HSBC	Interest expense and security trustee fee on bank borrowings and other bank charges	(80,713)	N/A
Hang Seng	Interest expense on bank borrowings and other bank charges	(24,567)	N/A
EPS Company (Hong Kong) Limited	Service fees	(92)	(2)
During the Reporting Period, two IRSs with an aggregate notional amount of HK$200 million were entered into with HSBC.			

Notes:

1. HSBC Group means HSBC and its subsidiaries and, unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries (being the subsidiaries of the Trustee but excluding those subsidiaries formed in its capacity as the trustee of Sunlight REIT).
2. Two leases in respect of Shop Nos. 1024-31 and Shop Nos. 1032-33 of SSC with gross floor areas of 5,390 sq. ft. and 1,171 sq. ft. respectively from 4 November 2022 to 3 November 2024 were renewed upon their expiry for two years until 3 November 2026.
3. Licences in respect of (i) external wall signage Nos. 66-81, Level 1, and (ii) external wall signage Nos. 82-93, Level 1 of SSC.
4. A lease in respect of Shop No. 211 of MCPI, with gross floor area of 7,628 sq. ft. from 17 February 2021 to 16 February 2024 was renewed upon its expiry for three years until 16 February 2027.
5. In general, "ordinary banking and financial services" include bank deposits and interest earned therefrom, loan facilities and IRSs including interest and charges paid thereto and other banking or financial services.

Other disclosures under the REIT Code

Pursuant to the REIT Code, services provided to Sunlight REIT by the Manager and the Trustee as contemplated under the constitutive documents shall not be treated as connected party transactions but particulars of such services (except where any services transaction has a value of not more than HK$1 million), such as terms and remuneration, shall be disclosed in the relevant interim or annual report.

During the Reporting Period, the aggregate amount of fees (in the form of cash and/or units) paid or payable by Sunlight REIT to the Manager and to the Trustee under the Trust Deed were approximately HK$135.1 million and HK$6.7 million respectively. Particulars of the services provided by the Manager and the Trustee are set out in notes 26(b)(iii) and (v) to the consolidated financial statements.

Confirmation by the INEDs

The INEDs confirmed that they have reviewed all the connected party transactions during the Reporting Period as disclosed in the paragraphs headed "Connected party transactions with the HLD Related Group" and "Connected party transactions with the Trustee Connected Persons" above and that they are satisfied that each transaction has been entered into:

(i) in the ordinary and usual course of business of Sunlight REIT;

(ii) on normal commercial terms or better (in the case of transactions with Trustee Connected Persons, on normal commercial terms to the extent that there are sufficient comparable transactions or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Sunlight REIT than terms readily available to or from (as appropriate) independent third parties); and

(iii) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of Sunlight REIT and the Unitholders as a whole.

Confirmation by the Auditor of Sunlight REIT

Pursuant to the Listing Rules and waiver granted by the SFC from strict compliance with the requirements under Chapter 8 of the REIT Code, the Manager has engaged KPMG, being the auditor of Sunlight REIT, to report on all the connected party transactions during the Reporting Period as disclosed in the paragraphs headed "Connected party transactions with the HLD Related Group" and "Connected party transactions with the Trustee Connected Persons" above in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unmodified letter containing its findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with the Rule 14A.56 of the Listing Rules (to the extent applicable to REITs) and waiver granted by the SFC.

Disclosure of Interests

The REIT Code requires connected persons of Sunlight REIT to disclose their interests in units. Further, certain provisions of Part XV of the SFO in relation to disclosure of interests are deemed, pursuant to Schedule C of the Trust Deed, to apply to the Manager itself and the Directors or chief executive of the Manager, and persons interested in units (including short positions).

Holdings of the Manager and the Directors or chief executive of the Manager

At 31 December 2024 and 30 June 2024, the interests in units of the Manager and the Directors or chief executive of the Manager as recorded in the register required to be kept by the Manager under Schedule C of the Trust Deed (the "**Register**"), were as follows:

	At 31 December 2024		At 30 June 2024	
Name	Number of units interested	% of interest in units[1]	Number of units interested	% of interest in units[1]
The Manager[2]	237,599,033	13.760	221,619,673	12.930
Au Siu Kee, Alexander[3]	2,300,000	0.133	2,300,000	0.134
Wu Shiu Kee, Keith[4]	930,000	0.054	930,000	0.054
Kwok Tun Ho, Chester[5]	62,000	0.004	62,000	0.004

Notes:

1. The percentages are based on the total number of units in issue of 1,726,707,663 units at 31 December 2024 and 1,714,051,303 units at 30 June 2024 (as the case may be).
2. During the Reporting Period, the Manager received 8,649,800 units in October 2023, 12,366,346 units in April 2024 and 12,656,360 units in October 2024 as payment of part of the Manager's fees; and acquired 8,823,000 units during the Reporting Period in the open market. Subsequent to the Reporting Period, the Manager further acquired 194,000 units in the open market and beneficially owned 237,793,033 units at the date of the final results announcement.
3. Mr. Au Siu Kee, Alexander is the Chairman and a NED of the Manager.
4. Mr. Wu Shiu Kee, Keith is the CEO and ED of the Manager.
5. Mr. Kwok Tun Ho, Chester is an INED of the Manager.

There were no short positions in units held by the Manager and the Directors or chief executive of the Manager at 31 December 2024.

Holdings of substantial Unitholders

At 31 December 2024 and 30 June 2024, the interests in units of the substantial Unitholders (other than the Manager), as recorded in the Register, were as follows:

Name	At 31 December 2024		At 30 June 2024	
	Number of units interested	% of interest in units[1]	Number of units interested	% of interest in units[1]
Lee Shau Kee[2]	738,104,698	42.75	738,104,698	43.06
Lee Financial (Cayman) Limited[2]	374,072,708	21.66	374,072,708	21.82
Leesons (Cayman) Limited[2]	374,072,708	21.66	374,072,708	21.82
Leeworld (Cayman) Limited[2]	374,072,708	21.66	374,072,708	21.82
Shau Kee Financial Enterprises Limited[2]	374,072,708	21.66	374,072,708	21.82
Uplite Limited[2]	224,443,625	13.00	224,443,625	13.09
Wintrade Limited[2]	149,629,083	8.67	149,629,083	8.73
Henderson Development Limited[2]	380,118,350	22.01	364,031,990	21.24
HLD[2]	380,118,350	22.01	364,031,990	21.24
Hopkins (Cayman) Limited[2]	380,118,350	22.01	364,031,990	21.24
Riddick (Cayman) Limited[2]	380,118,350	22.01	364,031,990	21.24
Rimmer (Cayman) Limited[2]	380,118,350	22.01	364,031,990	21.24
Silchester International Investors LLP[3]	185,283,150	10.73	185,283,150	10.81
Silchester International Investors International Value Equity Trust[3]	86,232,000	4.99	93,459,690	5.45

Notes:

1. The percentages are based on the total number of units in issue of 1,726,707,663 units at 31 December 2024 and 1,714,051,303 units at 30 June 2024 (as the case may be).
2. At 31 December 2024, 224,443,625 units were owned by Uplite Limited and 149,629,083 units were owned by Wintrade Limited. Uplite Limited and Wintrade Limited are wholly-owned subsidiaries of Financial Enterprise Properties Limited, which in turn is wholly-owned by Shau Kee Financial Enterprises Limited ("**SKFE**"). SKFE is wholly-owned by Lee Financial (Cayman) Limited ("**Lee Financial**") as the trustee of a unit trust, the units of which are held by Leesons (Cayman) Limited ("**Leesons**") and Leeworld (Cayman) Limited ("**Leeworld**") as the respective trustees of two discretionary trusts. Therefore, each of Lee Financial, Leesons and Leeworld was taken to be interested in the total of 374,072,708 units (representing approximately 21.66% of the total number of units in issue) owned by Uplite Limited and Wintrade Limited.

   Apart from the above, at 31 December 2024, 76,533,345 units were owned by Cobase Limited, 67,378,972 units were owned by Richful Resources Limited and 237,599,033 units were owned by the Manager. Cobase Limited and Richful Resources Limited are wholly-owned subsidiaries of Brightland Enterprises Limited. The Manager is a wholly-owned subsidiary of Latco Investment Limited. Brightland Enterprises Limited and Latco Investment Limited are wholly-owned subsidiaries of HLD. Henderson Development Limited ("**HD**") owned more than one-third of the issued share capital of HLD. HD is wholly-owned by Hopkins (Cayman) Limited ("**Hopkins**") as the trustee of a unit trust, the units of which are held by Rimmer (Cayman) Limited ("**Rimmer**") and Riddick (Cayman) Limited ("**Riddick**") as the respective trustees of two discretionary trusts. Therefore, as far as the Manager is aware, each of HD, HLD, Hopkins, Riddick and Rimmer was taken to be interested in the total of 381,511,350 units (representing approximately 22.09% of the total number of units in issue) at 31 December 2024. Nevertheless, in the Register, each of HD, HLD, Hopkins, Riddick and Rimmer was respectively recorded as having an interest in 380,118,350 units at 31 December 2024, as no notifiable interest arose on their parts subsequent to their last disclosure of interest notifications to the Stock Exchange.

   At 31 December 2024, under Part XV of the SFO, by virtue of being the beneficial owner of the entire issued share capital of the trustees of the aforementioned unit trusts and discretionary trusts, Dr. Lee Shau Kee was taken to be interested in the total of 755,584,058 units (representing approximately 43.76% of the total number of units in issue). Nevertheless, in the Register, Dr. Lee Shau Kee was recorded as having an interest in 738,104,698 units at 31 December 2024, as no notifiable interest arose on his part subsequent to his last disclosure of interest notification to the Stock Exchange.

   Dr. Lee Shau Kee passed away on 17 March 2025 and his sons, each of Dr. Lee Ka Kit and Dr. Lee Ka Shing will inherit certain shares in Rimmer, Riddick, Hopkins, Leeworld, Leesons and Lee Financial. Rimmer & Riddick, Leeworld & Leesons (the relevant trustees of the respective discretionary trusts) hold units in the respective unit trusts but each is not entitled to any interest in their trust assets which are, in the ordinary course of business, held by the relevant trustees independently without any reference to shareholders of such trustees, and each of Dr. Lee Ka Kit and Dr. Lee Ka Shing remains to be one of the discretionary beneficiaries of such discretionary trusts.
3. At 31 December 2024, according to the Register, Silchester International Investors LLP ("**Silchester LLP**") in its capacity as investment manager, was interested in 185,283,150 units, and Silchester International Investors International Value Equity Trust ("**Silchester Trust**") beneficially owned 86,232,000 units. The Manager has subsequently been notified informally that at 31 December 2024, (i) Silchester LLP was interested in 182,454,000 units (representing approximately 10.57% of the total number of units in issue); and (ii) Silchester Trust was beneficially interested in 85,790,000 units (representing approximately 4.97% of the total number of units in issue), and such interest has been included as part of the interests (reported above) of Silchester LLP. Accordingly, Silchester Trust was no longer a substantial Unitholder as at 31 December 2024.

The units mentioned under notes 2 and 3 were beneficially held or interested in by connected persons of Sunlight REIT under the REIT Code. Based on the Register, there were no short positions in units held by substantial Unitholders at 31 December 2024.

Holdings of other connected persons and senior management[4]

Save as disclosed above and as far as the Manager is aware, the holdings of units of other connected persons of Sunlight REIT at 31 December 2024 were as follows:

Name	Number of units held	% of unit holding[1]
Lo Yuk Fong, Phyllis[2]	100,000	0.006
Persons related to the Trustee[3]	604,000	0.035

Notes:

1. The percentages are based on the total number of units in issue of 1,726,707,663 units at 31 December 2024.
2. Ms. Lo Yuk Fong, Phyllis, a member of senior management, is a connected person of Sunlight REIT by virtue of being a director of certain subsidiaries of Sunlight REIT (30 June 2024: 100,000 units).
3. Certain associates (as defined in the REIT Code) of the Trustee are connected persons of Sunlight REIT and were beneficially interested in 604,000 units at 31 December 2024 (30 June 2024: 608,000 units).
4. Ms. Shum Chung Wah, Yulanda, the Chief Strategy Officer and Co-head, Asset Management of the Manager with effect from 1 January 2025, held 40,000 units at 31 December 2024.

Valuation Report

HSBC Institutional Trust Services (Asia) Limited
(in its capacity as the Trustee of Sunlight Real Estate Investment Trust ("**Sunlight REIT**"))
3/F, Tower 3, HSBC Centre
1 Sham Mong Road, Kowloon

Henderson Sunlight Asset Management Limited
(in its capacity as the Manager of Sunlight REIT)
30/F, Dah Sing Financial Centre
248 Queen's Road East, Wan Chai, Hong Kong

11 February 2025

Dear Sirs

Valuation of the Portfolio held by Sunlight REIT (the "Properties")

Instructions

We received an instruction from Henderson Sunlight Asset Management Limited (in its capacity as the manager of Sunlight REIT) (the "**Manager**") to value 17 properties for Sunlight REIT (the "**Portfolio**" or the "**Properties**") held in Hong Kong. We confirm that we have carried out external and internal inspection, made relevant enquiries and carried out searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties in existing state subject to existing tenancies as at 31 December 2024 (the "**Valuation Date**") for accounting purposes in compliance with the relevant requirements set out in the Code on Real Estate Investment Trusts (the "**REIT Code**") issued by the Securities and Futures Commission of Hong Kong (the "**SFC**"), the trust deed of Sunlight REIT and where applicable, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are providing an objective and unbiased valuation. Our valuation is based on 100% of the leasehold interest of the Properties.

The Properties

(1) Dah Sing Financial Centre, 248 Queen's Road East, Wan Chai, Hong Kong ("**Dah Sing Financial Centre**")

(2) Strand 50, 50 Bonham Strand, Sheung Wan, Hong Kong ("**Strand 50**")

(3) Righteous Centre, 585 Nathan Road, Mong Kok, Kowloon, Hong Kong ("**Righteous Centre**")

(4) Various Portions in 135 Bonham Strand Trade Centre, 135 Bonham Strand, Sheung Wan, Hong Kong ("**135 Bonham Strand Trade Centre Property**")

(5) Various Portions in Winsome House, 73 Wyndham Street, Central, Hong Kong ("**Winsome House Property**")

(6) Java Road 108 Commercial Centre, 108 Java Road, North Point, Hong Kong ("**Java Road 108 Commercial Centre**")

(7) Various Portions in Sun Fai Commercial Centre, 576 Reclamation Street, Mong Kok, Kowloon, Hong Kong ("**Sun Fai Commercial Centre Property**")

(8) Various Portions in Wai Ching Commercial Building, 77 Wai Ching Street, Yau Ma Tei, Kowloon, Hong Kong ("**Wai Ching Commercial Building Property**")

(9) 235 Wing Lok Street Trade Centre, 235 Wing Lok Street, Sheung Wan, Hong Kong ("**235 Wing Lok Street Trade Centre**")

(10) On Loong Commercial Building, 276-278 Lockhart Road, Wan Chai, Hong Kong ("**On Loong Commercial Building**")

(11) The Harvest, 591 Nathan Road, Mong Kok, Kowloon, Hong Kong ("**The Harvest**")

(12) Commercial Development and Car Parks, Metro City Phase I, 1 Wan Hang Road, Tseung Kwan O, Sai Kung, New Territories, Hong Kong ("**Metro City Phase I Property**")

(13) Commercial Development (including all shops, the restaurant and the kindergarten) and Car Parks in The Podium and Basement, Sheung Shui Centre, 3 Chi Cheong Road, Sheung Shui, New Territories, Hong Kong ("**Sheung Shui Centre Shopping Arcade**")

(14) Various Portions in Kwong Wah Plaza, 11 Tai Tong Road, Yuen Long, New Territories, Hong Kong ("**Kwong Wah Plaza Property**")

(15) Various Shops Units on Ground Floor, Beverley Commercial Centre, 87-105 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong ("**Beverley Commercial Centre Property**")

(16) Shops 1 to 9 on Ground Floor and Commercial Common Areas and Facilities, Supernova Stand, 28 Mercury Street, North Point, Hong Kong ("**Supernova Stand Property**")

(17) Commercial Accommodation including External Wall Advertising Spaces 1-8 and 17 Commercial Carparking Spaces, Florient Rise, 38 Cherry Street, Tai Kok Tsui, Kowloon, Hong Kong ("**West 9 Zone Kids**")

(Collectively referred to as the "**Properties"**)

Basis of Valuation

In arriving at our opinion of market value, we followed the current edition of "The HKIS Valuation Standards" issued by The Hong Kong Institute of Surveyors ("**HKIS**") and "The RICS Valuation – Global Standards" issued by The Royal Institution of Chartered Surveyors ("**RICS**"), which incorporate the International Valuation Standards (the "**IVS**"). Under the said standards, market value is defined as:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Market Value is also understood as the estimated exchange price of an asset without regard to the seller's costs of sale or the buyer's costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.

Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Our valuation complies with the requirements set out in "The HKIS Valuation Standards" issued by HKIS and "RICS Valuation – Global Standards" issued by RICS, the relevant provisions in Chapter 5 of the Listing Rules and Paragraph 6.8 of the REIT Code issued by the SFC.

Valuation Methodologies

Our valuation has been undertaken using appropriate valuation methodology and our professional judgement. In our valuation, we have adopted Income Approach – Term and Reversion Method as our primary valuation approach and have cross-checked the value by Market Approach.

In adopting the Income Approach – Term and Reversion Method, we have valued the Portfolio by capitalizing the amount of net income receivable under the current terms of tenancies. Reference would then be made to any potential changes in rental income on reversion. Both the term and reversion are capitalized by the market capitalization rates, which reflect the rate of investment return, effect of inflation and prospect of rental growth, if any.

In adopting the Market Approach, we have made reference to the recent market sales evidence which is available in the market. Appropriate adjustments have been made in our valuation to reflect the differences in the characteristics between the Portfolio and the comparable properties such as location, time, size, ceiling height, building age and other property characteristics in arriving at our opinion on the market value.

Valuation Assumptions and Conditions

Our valuation is subject to the following assumptions and conditions:

Title Documents and Encumbrances

We have taken reasonable care to investigate the title of the Properties by obtaining land search record from the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We however do not accept a liability for any interpretation which we have placed on such information that is more properly the sphere of your legal advisers. We have also assumed in our valuation that the Properties were free from encumbrances, restrictions, title defects and outgoings of an onerous nature that could affect its value, unless stated otherwise as at the Valuation Date.

Disposal Costs and Liabilities

No allowance has been made in our report for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in effecting a sale.

Source of Information

We have relied to a very considerable extent on information given by the Manager. We have accepted advice given to us on such matters as tenancy schedules, floor areas, floor plans, approved building plans, and all other relevant matters. We have not verified the correctness of any information, including their translation supplied to us concerning the Properties, whether in writing or verbally by the Manager, the Manager's representatives or by their legal or professional advisers or by any (or any apparent) occupier of the Properties or contained on the register of title. We assume that this information is complete and correct.

Inspection

We have carried out internal and external inspection of the Properties. We have assumed in our valuation that the Properties were in reasonable exterior and interior decorative order without any unauthorised extension or structural alterations as at the Valuation Date, unless otherwise stated.

Identity of the Properties to be valued

We have exercised reasonable care and skill (but will not have an absolute obligation to you) to ensure that the Properties, identified by the property addresses in your instructions, are the properties inspected by us and contained within our valuation report. If there is ambiguity as to the property addresses, or the extent of the properties to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

Property Insurance

We have valued the Properties on the assumption that, in all respects, they are insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

Areas and Age

As instructed, we have relied upon areas as available from a quoted source. The floor areas quoted throughout the report are based on the information provided by the Manager. Otherwise, dimensions and areas would be measured from plans and calculated in accordance with, where appropriate, the current HKIS Code of Measuring Practice and area quoted to a reasonable approximation, with reference to their source. We have also assumed that the site areas, floor areas, measurements and dimensions shown on the documents handed to us are correct and in approximations only. Where the age of the building is estimated, this is for guidance only.

Structural and Services Condition

We have carried out visual inspection only without any structural investigation or building survey. During our limited inspection, we did not inspect any inaccessible areas. We are unable to confirm whether the Properties are free from urgent or significant defects or items of disrepair or any deleterious materials have been used in the construction of the Properties. Our valuation has therefore been undertaken on the basis that the Properties were in satisfactory repair and condition, contains no deleterious materials and it is sound order and free from structural faults, rot, infestation or other defects, and that the services are in a satisfactory condition. We are advised that the standard tenancy agreement of the Properties states that the landlord is obligated to handle structural repairs, upkeep the landlord's fixtures and fittings and ensure the conduits are in tenantable repair whilst the tenants are responsible for conducting internal repairs to the Properties.

Ground Condition

We have assumed there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the site of the Properties are sufficient to support the building constructed or to be constructed thereon; and that the services are suitable for any existing or future development. Our valuation is therefore prepared on the basis that no extraordinary expenses or delays will be incurred in this respect.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination.
In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Properties are unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Tenancies

We are provided with the tenancy schedules and have assumed the information are true and correct. We have also assumed that the tenants will continue to occupy the premises and comply with the conditions of the tenancies until the expiry of the existing tenancy terms.

Compliance with Relevant Ordinances and Regulations

We have assumed the building is in line with all planning and building regulations and guidelines. In our valuation, we have disregarded the Notices currently registered against the Properties, if any, and the effects of the defects on the value and safety of the Properties. We have further assumed that, for any use of the Properties upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorization have been obtained, except only where otherwise stated.

Remarks

We have prepared the valuation based on the information and data available to us as at the Valuation Date. While the current market is influenced by various policies and regulations, increased global conflicts could add further fluctuations in real estate market. It must be recognized that enactment of emergency measures, changes in mortgage requirements or international tensions could be immediate and have sweeping impact on the real estate market apart from typical market variations. It should therefore be noted that any market violation, policy, geopolitical and social changes or other unexpected incidents after the Valuation Date may affect the value of the Properties.

Currency

Unless otherwise stated, all money amounts stated in this report are in Hong Kong Dollars (HK$).

Limiting Conditions

This report is confidential to the addressees and unitholders of Sunlight REIT for the specific purpose to which it refers. It may be disclosed to other professional advisers assisting the addressee in respect of the purposes, but the addressee shall not disclose the report to any other person (save and except where the valuation report is required to be published under the REIT Code, the Listing Rules and any other relevant laws and regulations).

In accordance with our standard practice, we must state that this report and valuation is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents. We do not accept liability to any third party or for any direct or indirect consequential losses or loss of profits as a result of this report.

Our total liability for any direct loss or damage (whether caused by negligence or breach of contract or otherwise) arising out of or in connection with this Valuation is limited in accordance with the terms of the engagement signed between us and the Trustee dated 3 June 2024. Knight Frank accepts no liability for any indirect or consequential loss or for loss of profits.

No claim arising out of or in connection with this valuation report may be brought against any member, employee, partner, director or consultant of Knight Frank. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Knight Frank.

Valuer's Interest

We hereby confirm that:

- We fulfil the qualification requirements set out in Paragraph 6.4 of the REIT Code.
- We have no present or prospective interest in the Properties and we are independent of Sunlight REIT, the Trustee, the Manager and each of the substantial holders of Sunlight REIT for the purpose of Paragraph 6.5 of the REIT Code.
- We are authorized to practice as valuers and have the necessary expertise and experience in valuing similar types of properties.
- The valuations have been prepared on a fair and unbiased basis.

We enclose herewith a summary of valuation, our valuation particulars, office market overview and retail market overview, which together with this covering letter, form our valuation report in the summary form. A full version is available for public inspection at the registered office of the Manager.

Reviewed (but not undertaken) by:

Jennifer Ip
MRICS RICS Registered Valuer
Senior Director
Valuation & Advisory
For and on behalf of Knight Frank Petty Limited

Cyrus Fong
FRICS FHKIS RPS(GP) RICS Registered Valuer
Executive Director
Head of Valuation & Advisory, Greater China
For and on behalf of Knight Frank Petty Limited

Encl.

Summary of Valuation

	Property	Approximate GRA (sq. ft.)	No. of Parking Lots[1]	Market Value as at 31 December 2024 (HK$)	Capitalization Rate Adopted[2]			Estimated Net Property Yield (%)
					Retail (%)	Office (%)	Carpark (%)	
1.	Dah Sing Financial Centre	376,381	46	4,731,000,000	3.70	3.85	4.90	3.3
2.	Strand 50	117,909	N/A	1,189,000,000	3.85	3.65	N/A	3.1
3.	Righteous Centre	51,767	N/A	525,000,000	3.50	3.85	N/A	3.9
4.	135 Bonham Strand Trade Centre Property	63,915	N/A	533,000,000	3.85	3.75	N/A	3.6
5.	Winsome House Property	40,114	N/A	530,000,000	3.65	3.75	N/A	3.5
6.	Java Road 108 Commercial Centre	37,923	N/A	254,000,000	4.05	3.95	N/A	4.2
7.	Sun Fai Commercial Centre Property	26,151	N/A	163,000,000	4.10	3.95	N/A	4.1
8.	Wai Ching Commercial Building Property	16,321	N/A	78,000,000	3.95	3.80	N/A	3.7
9.	235 Wing Lok Street Trade Centre	52,285	N/A	335,000,000	3.85	3.75	N/A	3.3
10.	On Loong Commercial Building	27,206	N/A	225,000,000	3.75	3.85	N/A	3.6
11.	The Harvest	34,651	N/A	502,000,000	3.40	3.65	N/A	2.8
12.	Metro City Phase I Property	188,889	436	3,048,600,000	4.35	N/A	5.00	4.2
13.	Sheung Shui Centre Shopping Arcade	122,339	297	3,763,000,000	4.35	N/A	5.50	4.1
14.	Kwong Wah Plaza Property	68,411	N/A	1,101,000,000	3.65	3.80	N/A	3.8
15.	Beverley Commercial Centre Property	7,934	N/A	75,000,000	4.15	N/A	N/A	3.7
16.	Supernova Stand Property	4,226	N/A	75,000,000	3.80	N/A	N/A	4.0
17.	West 9 Zone Kids	58,836	17	806,000,000	4.25	N/A	5.00	3.2
	Total	**1,295,258**	**796**	**17,933,600,000**				
		(Hong Kong Dollars Seventeen Billion Nine Hundred and Thirty Three Million Six Hundred Thousand)						

Notes:

1. Excluding motor and bicycle spaces.
2. The capitalization rate refers to the expected yield of the respective property by reference to the market yield prevailing as at the Valuation Date for the particular type of property.

Valuation Particulars

Dah Sing Financial Centre

Dah Sing Financial Centre, 248 Queen's Road East, Wan Chai, Hong Kong

Description

The building is a 40-storey (including a mechanical floor) commercial building with ancillary car parking facilities erected on an L-shaped site having a registered site area of approximately 1,442.84 sq. m. (15,531 sq. ft.). The building was completed in 1998. The property comprises all units within the building having a total gross rentable area of approximately 34,966.65 sq. m. (376,381 sq. ft.). The property also comprises 8 lorry parking spaces and 38 car parking spaces on 1st to 4th Floors of the building.

Land tenure

Inland Lot No 506 is held under a Government Lease for a term of 999 years commencing from 16 November 1855. The annual Government rent payable for the lot is 36 pounds 10 shillings.

Inland Lot No 387 is held under a Government Lease for a term of 999 years commencing from 16 March 1855. The annual Government rent payable for the lot is 20 pounds 4 shillings and 10 pence.

Monthly rental income as at 31 December 2024

HK$12,475,500 exclusive of rates, management fees and air-conditioning charges but inclusive of turnover rent.

Monthly car parking income as at 31 December 2024*

HK$402,900 exclusive of operating expenses, rates, Government rents and management fees.

Monthly licence income as at 31 December 2024*

HK$11,900 exclusive of rates and management fees.

Market value in existing state as at 31 December 2024

HK$4,731,000,000

Estimated net property yield

3.3%

* Monthly car parking income and monthly licence income are the average of the respective income from November 2023 to October 2024.

Strand 50

Strand 50, 50 Bonham Strand, Sheung Wan, Hong Kong

Description

The building is a 28-storey commercial building erected on a trapezoid site with a registered site area of approximately 720.27 sq. m. (7,753 sq. ft.). The building was completed in 1998. The property comprises all units within the building having a total gross rentable area of approximately 10,954.01 sq. m. (117,909 sq. ft.). The property also comprises a yard on Ground Floor of the building with an area of approximately 16.50 sq. m. (178 sq. ft.).

Land tenure

Inland Lot No 15 is held under a Government Lease for a term of 999 years commencing from 26 December 1860. The annual Government rent payable for the subject section of the lot is HK$11.9.

Marine Lots Nos 142 and 144 are held under their respective Government Leases each for a term of 981 years commencing from 26 December 1860. The total annual Government rent payable for the lots is HK$124.8.

Monthly rental income as at 31 December 2024

HK$3,089,700 exclusive of rates, management fees and air-conditioning charges but inclusive of turnover rent.

Market value in existing state as at 31 December 2024

HK$1,189,000,000

Estimated net property yield

3.1%

Righteous Centre

Righteous Centre, 585 Nathan Road, Mong Kok, Kowloon, Hong Kong

Description

The building is a 26-storey (including a mechanical floor) commercial building erected on a rectangular site with a registered site area of approximately 300.30 sq. m. (3,232 sq. ft.). The building was completed in 1996. The property comprises all units within the building having a total gross rentable area of approximately 4,809.27 sq. m. (51,767 sq. ft.).

Land tenure

Kowloon Inland Lot Nos 6827 and 7097 are held under Conditions of Renewal No 5654 and Conditions of Regrant No 5759 respectively each for a term of 150 years commencing from 25 December 1887.

The annual Government rents payable for Section A of Kowloon Inland Lot No 6827 and Kowloon Inland Lot No 7097 are HK$78 and HK$150 respectively.

Monthly rental income as at 31 December 2024

HK$1,677,500 exclusive of rates, management fees and air-conditioning charges.

Monthly licence income as at 31 December 2024*

HK$39,000 exclusive of rates and management fees.

Market value in existing state as at 31 December 2024

HK$525,000,000

Estimated net property yield

3.9%

135 Bonham Strand Trade Centre Property

Various Portions in 135 Bonham Strand Trade Centre, 135 Bonham Strand, Sheung Wan, Hong Kong

Description

The building is a 25-storey (including a mechanical floor) commercial building completed in 2000. The property comprises the majority portion of the building having a total gross rentable area of approximately 5,937.85 sq. m. (63,915 sq. ft.).

Land tenure

Marine Lot No 173 is held under a Government Lease for a term of 999 years commencing from 26 December 1860. The total annual Government rent payable for the subject sections of the lot is HK$88.

Inland Lot No 6896 is held under a Government Lease for a term of 75 years commencing from 14 November 1952 renewable for a further term of 75 years. The annual Government rent payable for the lot is HK$196.

Monthly rental income as at 31 December 2024

HK$1,586,400 exclusive of rates, management fees and air-conditioning charges.

Market value in existing state as at 31 December 2024

HK$533,000,000

Estimated net property yield

3.6%

* Monthly licence income is the average of the income from November 2023 to October 2024.

Winsome House Property

Various Portions in Winsome House, 73 Wyndham Street, Central, Hong Kong

Description
The building is a 27-storey commercial building completed in 1999. The property comprises the majority portion of the building having a total gross rentable area of approximately 3,726.68 sq. m. (40,114 sq. ft.). The property also comprises various flat roofs on the Upper and Lower Ground Floors with a total area of approximately 34.37 sq. m. (370 sq. ft.).

Land tenure
Inland Lots Nos 5025 and 994 are held under their respective Government leases each for a term of 999 years commencing from 26 June 1843. The total annual Government rent payable for the lots are HK$146.

Inland Lot No 7968 is held under Conditions of Exchange No 8224 for a term of 999 years commencing from 22 January 1844. The annual Government rent payable for the lot is HK$30.

Monthly rental income as at 31 December 2024
HK$1,402,100 exclusive of rates, management fees and air-conditioning charges but inclusive of turnover rent.

Monthly licence income as at 31 December 2024*
HK$129,600 exclusive of rates and management fees.

Market value in existing state as at 31 December 2024
HK$530,000,000

Estimated net property yield
3.5%

Java Road 108 Commercial Centre

Java Road 108 Commercial Centre, 108 Java Road, North Point, Hong Kong

Description
The building is a 25-storey commercial building erected on a rectangular site having a registered site area of approximately 228.26 sq. m. (2,457 sq. ft.). The building was completed in 1998. The property comprises all units within the building having a total gross rentable area of approximately 3,523.13 sq. m. (37,923 sq. ft.).

Land tenure
Inland Lot No 3539 is held under a Government Lease for a term of 75 years commencing from 12 June 1933 renewable for a further term of 75 years. The total annual Government rent payable for the subject sections of the lot is HK$188,912.

Monthly rental income as at 31 December 2024
HK$885,900 exclusive of rates, management fees and air-conditioning charges.

Market value in existing state as at 31 December 2024
HK$254,000,000

Estimated net property yield
4.2%

* Monthly licence income is the average of the respective income from November 2023 to October 2024.

Sun Fai Commercial Centre Property

Various Portions in Sun Fai Commercial Centre, 576 Reclamation Street, Mong Kok, Kowloon, Hong Kong

Description

The building is a 15-storey commercial building completed in 1998. The property comprises four shop units on the Ground Floor and various office units on the upper floors of the building having a total gross rentable area of approximately 2,429.49 sq. m. (26,151 sq. ft.). The property also comprises various flat roofs on the 2nd and 3rd Floors with a total area of approximately 53.14 sq. m. (572 sq. ft.) and roof area of approximately 72.65 sq. m. (782 sq. ft.).

Land tenure

Kowloon Inland Lot Nos 10813, 10814 and 10815 are held under Conditions of Lease Extension Nos 12068, 12269 and 12259 respectively each for a term commencing from 28 June 1985 and expiring on 30 June 2047 at an annual Government rent at 3% of the rateable value for the time being of each lot.

Monthly rental income as at 31 December 2024

HK$551,500 exclusive of rates, management fees and air-conditioning charges.

Market value in existing state as at 31 December 2024

HK$163,000,000

Estimated net property yield

4.1%

Wai Ching Commercial Building Property

Various Portions in Wai Ching Commercial Building, 77 Wai Ching Street, Yau Ma Tei, Kowloon, Hong Kong

Description

The building is a 19-storey commercial building completed in 1997. The property comprises three shop units on the Ground and 1st Floors and various office units on the upper floors of the building having a total gross rentable area of approximately 1,516.26 sq. m. (16,321 sq. ft.).

Land tenure

Kowloon Inland Lot Nos 6167 and 6168 are held under their respective Government Leases each for a term of 75 years commencing from 18 September 1974 at a total annual Government rent at HK$57,566 for the subject sections of the lots.

Monthly rental income as at 31 December 2024

HK$240,400 exclusive of rates, management fees and air-conditioning charges.

Market value in existing state as at 31 December 2024

HK$78,000,000

Estimated net property yield

3.7%

235 Wing Lok Street Trade Centre

235 Wing Lok Street Trade Centre, 235 Wing Lok Street, Sheung Wan, Hong Kong

Description

This building is a 26-storey commercial building erected on an irregular site having a registered site area of approximately 282.42 sq. m. (3,040 sq. ft.). The building was completed in 2000. The property comprises all units within the building having a total gross rentable area of approximately 4,857.40 sq. m. (52,285 sq. ft.).

Land tenure

Marine Lot No 37A is held under a Government lease for a term of 979 years commencing from 26 December 1863. The annual Government rent payable for the lot is HK$316.63.

Monthly rental income as at 31 December 2024

HK$910,400 exclusive of rates, management fees and air-conditioning charges.

Market value in existing state as at 31 December 2024

HK$335,000,000

Estimated net property yield

3.3%

On Loong Commercial Building

On Loong Commercial Building, 276-278 Lockhart Road, Wan Chai, Hong Kong

Description

This building is a 23-storey commercial building completed in 1984. The property comprises the whole of the building having a total gross rentable area of approximately 2,527.50 sq. m. (27,206 sq. ft.). The property also comprises two flat roofs on the 4th Floor with a total area of approximately 46.92 sq. m. (505 sq. ft.) and roof area of approximately 28.80 sq. m. (310 sq. ft.).

Land tenure

Inland Lot Nos 7061 and 7062 are each held under a Government Lease for a term of 99 years commencing from 11 May 1928 renewable for a further term of 99 years at a total annual Government rent of HK$20.

Monthly rental income as at 31 December 2024

HK$679,200 exclusive of rates, management fees and air-conditioning charges.

Market value in existing state as at 31 December 2024

HK$225,000,000

Estimated net property yield

3.6%

The Harvest

The Harvest, 591 Nathan Road, Mong Kok, Kowloon, Hong Kong

Description

This building is a 22-storey commercial tower (including ground floor and basement) completed in 1981. The property comprises all the units within the building having a total gross rentable area of approximately 3,219.16 sq. m. (34,651 sq. ft.).

Land tenure

Kowloon Inland Lot No 7891 is held under Conditions of Renewal No UB6372 for a term of 150 years commencing from 25 December 1887 at an annual Government rent of HK$152.

Monthly rental income as at 31 December 2024

HK$1,163,300 exclusive of rates, management fees and air-conditioning charges.

Market value in existing state as at 31 December 2024

HK$502,000,000

Estimated net property yield

2.8%

Metro City Phase I Property

Commercial Development and Car Parks, Metro City Phase I, 1 Wan Hang Road, Tseung Kwan O, Sai Kung, New Territories, Hong Kong

Description

This Property comprises a 3-storey (Ground Floor to Level 2) commercial car parking podium with six residential blocks erected thereon. The development was completed in 1996. The property comprises all the shop units on the Ground Floor and Level 2 of the commercial/car parking podium having a total gross rentable area of approximately 17,548.22 sq. m. (188,889 sq. ft.). The property also comprises 436 car parking spaces, 20 motor cycle parking spaces and 14 bicycle parking spaces on Ground Floor to Level 2 of the development.

Land tenure

Tseung Kwan O Town Lot No 36 is held under New Grant No 8275 for a term commencing from 29 November 1993 and expiring on 30 June 2047 at an annual Government rent at 3% of the rateable value for the time being of the lot.

Monthly rental income as at 31 December 2024

HK$8,984,400 exclusive of rates, management fees and air-conditioning charges but inclusive of turnover rent.

Monthly car parking income as at 31 December 2024*

HK$1,650,000 exclusive of operating expenses, rates, government rents and management fees.

Monthly licence income as at 31 December 2024*

HK$133,500 exclusive of rates and management fee.

Market value in existing state as at 31 December 2024

HK$3,048,600,000

Estimated net property yield

4.2%

* Monthly car parking income and monthly licence income are the average of the respective income from November 2023 to October 2024.

Sheung Shui Centre Shopping Arcade

Commercial Development (including all shops, the restaurant and the kindergarten); and Car Parks in the Podium and Basement, Sheung Shui Centre, 3 Chi Cheong Road, Sheung Shui, New Territories, Hong Kong

Description

The building is a residential development comprising six residential blocks over a 3-storey commercial/car parking podium plus one level car park basement completed in 1993. The property comprises all shop units within the commercial podium of the development having a total gross rentable area of approximately 11,365.57 sq. m. (122,339 sq. ft.). The property also comprises 269 car parking spaces, 28 lorry parking spaces and 226 bicycle parking spaces on Basement and Level 1 of the development. The property also comprises 6 loading and unloading spaces (with one of such loading and unloading space for each residential block for parking, loading and unloading of goods vehicles) on Level 1 of the development.

Land tenure

Fanling Sheung Shui Town Lot No 55 is held under New Grant No 12406 for a term commencing from 16 October 1989 and expiring on 30 June 2047 at an annual Government rent at 3% of the rateable value for the time being of the lot.

Monthly rental income as at 31 December 2024

HK$11,540,600 exclusive of rates, management fees and air-conditioning charges but inclusive of turnover rent.

Monthly car parking income as at 31 December 2024*

HK$1,053,800 exclusive of operating expenses, rates, government rents and management fees.

Monthly licence income as at 31 December 2024*

HK$226,700 exclusive of rates and management fee.

Market value in existing state as at 31 December 2024

HK$3,763,000,000

Estimated net property yield

4.1%

* Monthly car parking income and monthly licence income are the average of the respective income from November 2023 to October 2024.

Kwong Wah Plaza Property

Various Portions in Kwong Wah Plaza, 11 Tai Tong Road, Yuen Long, New Territories, Hong Kong

Description

The building is a 17-storey (including a basement and a mechanical floor but excluding cocklofts) commercial building completed in 1998. The property comprises shops on the whole of the Basement, Ground Floor, Cocklofts and 1st Floor and various office units on various floors of the building having a total gross rentable area of approximately 6,355.54 sq. m. (68,411 sq. ft.). The property also comprises a Flat Roof on the 13th Floor with an area of approximately 16.35 sq. m. (176 sq. ft.).

Land tenure

Lot No 4015 in Demarcation District No 120 is held under New Grant No 4135 for a term commencing from 25 May 1993 and expiring on 30 June 2047 at an annual Government rent at 3% of the rateable value for the time being of the lot.

Monthly rental income as at 31 December 2024

HK$3,435,700 exclusive of rates, management fees and air-conditioning charges.

Monthly licence income as at 31 December 2024*

HK$5,000 exclusive of rates and management fee.

Market value in existing state as at 31 December 2024

HK$1,101,000,000

Estimated net property yield

3.8%

* Monthly licence income is the average of the income from November 2023 to October 2024.

Beverley Commercial Centre Property

Various Shops Units on Ground Floor, Beverley Commercial Centre, 87-105 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong

Description

The building is a 20-storey (including a basement) commercial building completed in 1982. The property comprises 60 shop units on the Ground Floor of the shopping arcade within the building having a total gross rentable area of approximately 737.09 sq. m. (7,934 sq. ft.).

Land tenure

Kowloon Inland Lots Nos 10574, 10211, 10575, 10518, 10580, 10160, 10503, 10526, 10247 and 10616 are held under Conditions of Re-Grant Nos 11117, 10318, 11118, 11125, 11098, 10312, 11134, 11053, 10404 and 11243 respectively each for a term of 150 years commencing from 25 December 1902. The total annual Government rent payable for the lots is HK$7,576.

Monthly rental income as at 31 December 2024

HK$229,500 exclusive of rates, management and air-conditioning charges.

Market value in existing state as at 31 December 2024

HK$75,000,000

Estimated net property yield

3.7%

Supernova Stand Property

Shops 1 to 9 on Ground Floor and Commercial Common Areas and Facilities, Supernova Stand, 28 Mercury Street, North Point, Hong Kong

Description

The building is a 27-storey composite commercial/residential building completed in 2001. The property comprises all nine shop units on the Ground Floor having a total gross rentable area of approximately 392.60 sq. m. (4,226 sq. ft.).

Land tenure

Inland Lot No 1366 is held under a Government Lease for a term of 999 years commencing from 24 February 1896 at an annual Government rent at HK$338.

Monthly rental income as at 31 December 2024

HK$248,600 exclusive of rates, management fees and air-conditioning charges.

Market value in existing state as at 31 December 2024

HK$75,000,000

Estimated net property yield

4.0%

West 9 Zone Kids

Commercial Accommodation including External Wall Advertising Spaces 1–8 and 17 Commercial Carparking Spaces, Florient Rise, 38 Cherry Street, Tai Kok Tsui, Kowloon, Hong Kong

Description

Florient Rise is a residential development comprising three residential blocks over a 3-storey commercial/car parking podium completed in 2008. The property comprises all shop units within the commercial podium of the development having a total gross rentable area of approximately 5,466.00 sq. m. (58,836 sq. ft.). The property also comprises 17 car parking spaces on Ground Floor and 1st Floor of the development.

Land tenure

Kowloon Inland Lot No 11162 is held under Conditions of Exchange No UB12664 for a term of 50 years commencing from 14 October 2004 at an annual Government rent at 3% of the rateable value for the time being of the lot.

Monthly rental income as at 31 December 2024

HK$2,080,700 exclusive of rates, management fees and air-conditioning charges.

Monthly car parking Income as at 31 December 2024*

HK$71,900 exclusive of operating expenses, rates, government rents and management fees.

Monthly licence income as at 31 December 2024*

HK$17,600 exclusive of rates and management fees.

Market value in existing state as at 31 December 2024

HK$806,000,000

Estimated net property yield

3.2%

* Monthly car parking income and monthly licence income are the average of the respective income from November 2023 to October 2024.

Office Market Overview

Introduction

Amid the challenging economic environment, tenants remained cost-sensitive, thereby pressuring office rentals. However, flight-to-quality demand amid the rental downtrend had been witnessed. Given the significant amount of new supply and weak office demand, market outlook remains challenging in the short-term.

Office Demand

New demand remained limited and market sentiment remained weak in 2024 amid challenging economic environment. Leasing activities had shown some positive momentum in the last quarter of the year, particularly in newly constructed buildings with provision of high-quality amenities. The banking and finance sectors have been prominent contributors to this trend, with larger transactions helping to drive demand. Notable transactions included a Chinese digital bank leasing 11,000 sq. ft. in an office tower in Central, while a US asset management firm leasing 15,000 sq. ft. in another office tower at the same district. In addition, a Singapore-based bank relocated from Hong Kong Island to Kai Tak, leasing a total area of 73,000 sq. ft. Average vacancy rate for Grade A office in Hong Kong stood at 15% at the end of the fourth quarter of 2024.

Office Rent

Amid a conservative sentiment, tenants remained cost-sensitive which put pressure on office rentals in general. Rents continued to edge down in the light of a weak leasing demand and a high vacancy rate. Overall rents on Hong Kong Island dropped by 4% year on year in 2024. Rents in Wan Chai outperformed among the major business districts, with a mild decrease of 2% year on year. Meanwhile, Island East and Central saw rents decrease by about 7% and 5% year on year respectively.

On the Kowloon side, leasing momentum remained downbeat in the year amid soft market sentiment. The market was dominated by smaller transactions with an average size of 3,000 sq. ft. or below. In 2024, overall rents in Kowloon dropped by about 7% year on year. Rents in Tsim Sha Tsui edged down 7%, while Kowloon East saw rents drop by about 8% year on year.

Office Investment Market

High interest rate environment and weak leasing market continued to weigh on investor's appetites in the office sector in 2024. Overall, transaction volume shrank 9% year on year in the first eleven months of 2024, according to Rating and Valuation Department figures. The investment market is expected to continue being influenced by interest rates movements. However, as the capital value of office buildings has dropped over the past year, some cash-rich end-users and occupiers are expected to shift from leasing to buying office properties if US interest rates were to drop further in 2025.

Office Market Outlook

Looking ahead, we expect continued pressure on office rentals. The high vacancy rate, along with a projected influx of approximately 4 million sq. ft. of new office space supply between 2025 and 2026, will lead to further challenges. While these new buildings may attract tenants seeking to upgrade or relocate, it will clearly take time to absorb this additional space.

Overall, we anticipate Grade A office vacancy to remain high while rental is expected to face further single-digit downward adjustment in 2025.

Retail Market Overview

Introduction

Retail market remained stagnant amid subdued economic conditions. The shortfall in retail sales indicated a weak consumer sentiment and changing spending patterns. Looking forward, rents are expected to be under pressure in 2025. Meanwhile, the retail property investment market is expected to become more active.

Retail Demand

In 2024, retail leasing transactions in core districts are gradually increasing, particularly for Mainland Chinese franchises, as well as medicine and cosmetics retailers. A notable transaction involved a five-floor duplex retail space at Canton Road in Tsim Sha Tsui, covering over 14,000 sq. ft., which was leased to a Chinese mobile brand. There were also a handful of expansion cases from foreign brands in major shopping malls and streets, such as an American apparel retailer's return to Hong Kong by opening new stores on Hong Kong Island and the New Territories.

Retail Rent

Despite more retail leasing transactions in core districts, rents have been under downward pressure as leasing demand remained soft amid weak retail sales growth. As landlords showed more flexibility in rent negotiations to secure high occupancy, average rents of core shopping centres fell about 2% in the first three quarters of 2024, while non-core shopping centres saw drop in rent of about 1%.

Retail Investment Market

The investment market recorded a few major deals concluded in 2024 amid successive interest rate cuts in the second half of the year. These major investment transactions were mainly retail properties located in neighbourhoods. These include D·PARK, retail podium of Inter-Continental Plaza (formerly known as Toyo Mall), and a batch of five retail podiums from the Housing Society.

Retail Market Outlook

While retail sales are projected to remain steady in 2025, retailers in Hong Kong are adopting a cautious approach to expansion given a general shift in consumption patterns of both domestic consumers and visitors. As such, rents are expected to be under pressure in the year. On a positive note, while traditional retail practices are encountering challenges, alternative market players are emerging, including retail trades such as health and wellness, home furniture and sports entertainment, which would support retail leasing demand in the short term.

Trustee's Report

We hereby confirm that, in our opinion, the manager of Sunlight Real Estate Investment Trust has, in all material respects, managed Sunlight Real Estate Investment Trust in accordance with the provisions of the trust deed dated 26 May 2006 (as amended and restated) for the 18 months ended 31 December 2024.

HSBC Institutional Trust Services (Asia) Limited
(in its capacity as the trustee of Sunlight Real Estate Investment Trust)

Hong Kong, 11 March 2025

KPMG

Independent auditor's report to the unitholders of Sunlight Real Estate Investment Trust

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Sunlight Real Estate Investment Trust ("**Sunlight REIT**") and its subsidiaries (together the "**Group**") set out on pages 94 to 142, which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in net assets attributable to unitholders, the distribution statement and the consolidated cash flow statement for the period then ended and notes comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the disposition of the assets and liabilities of the Group as at 31 December 2024 and of its consolidated financial performance and its consolidated cash flows for the period then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report to the unitholders of Sunlight Real Estate Investment Trust (continued)

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

Key audit matters (continued)

Valuation of investment properties

Refer to note 10 to the consolidated financial statements and the accounting policy 2(h)

The Key Audit Matter	How the matter was addressed in our audit
The Group holds a portfolio of investment properties located in Hong Kong, which had an aggregate fair value of HK$17,934 million and accounted for 97% of the Group's total assets as at 31 December 2024. The fair values of the investment properties as at 31 December 2024 were assessed by Henderson Sunlight Asset Management Limited, as the manager of Sunlight REIT (the "**Manager**"), based on valuations prepared by qualified external property valuers. The decrease in fair value of investment properties recorded in the consolidated statement of profit or loss for the 18 months ended 31 December 2024 amounted to HK$593 million. We identified the valuation of the Group's investment properties as a key audit matter because of the significance of investment properties to the Group's total assets and the significance of the changes in fair value of the investment properties to the loss before taxation of the Group and because the valuation of investment properties is complex and involves a significant degree of judgement and estimation in determining capitalisation rates and market rents.	Our audit procedures to assess the valuation of investment properties included the following : • obtaining and inspecting the valuation reports prepared by the external property valuers engaged by the Group and on which the Manager's assessment of the valuation of investment properties was based; • assessing the external property valuers' qualifications, experience and expertise in the properties being valued and considering their objectivity; • with the assistance of our internal property valuation specialists and utilising their industry knowledge and experience, discussing with the external property valuers their valuation methodology without the presence of the Manager, and assessing the key estimates and assumptions adopted in the valuation by comparing capitalisation rates, prevailing market rents and comparable market transactions with the available market data; and • comparing the tenancy information, including committed rents and occupancy rates, provided by the Manager to the external property valuers, with underlying contracts and relevant underlying documentation, on a sample basis.

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

Information other than the consolidated financial statements and auditor's report thereon

The Manager is responsible for the other information, which comprises all information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the consolidated financial statements

The Manager is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and for such internal control as the Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

In addition, the Manager is required to ensure that the consolidated financial statements have been properly prepared in accordance with the relevant provisions of the trust deed dated 26 May 2006 (as amended and restated) (the "**Trust Deed**") and the relevant disclosure provisions set out in Appendix C of the Code on Real Estate Investment Trusts (the "**REIT Code**") issued by the Securities and Futures Commission of Hong Kong.

The Manager is assisted by the Audit Committee in discharging its responsibility for overseeing the Group's financial reporting process.

Independent auditor's report to the unitholders of Sunlight Real Estate Investment Trust (continued)

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Appendix C of the REIT Code, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also :

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

– Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent auditor's report to the unitholders of Sunlight Real Estate Investment Trust (continued)

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on matters under the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code

In our opinion, the consolidated financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions set out in Appendix C of the REIT Code.

The engagement partner on the audit resulting in this independent auditor's report is Yau Ngai Lun, Alan.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

11 March 2025

Consolidated Statement of Profit or Loss

For the 18 months ended 31 December 2024
(Expressed in Hong Kong dollars)

	Note	18 months ended 31 December 2024 $'000	Year ended 30 June 2023 $'000
Revenue	3 & 4	**1,236,324**	783,272
Property operating expenses	3 & 5	**(278,618)**	(159,296)
Net property income		**957,706**	623,976
Other net income	6	**32,294**	7,491
Administrative expenses		**(157,508)**	(105,973)
Net decrease in fair value of investment properties	10	**(592,887)**	(354,424)
Profit from operations		**239,605**	171,070
Finance costs on interest-bearing liabilities	7(a)	**(326,804)**	(132,294)
(Loss) / profit before taxation and transactions with unitholders	7	**(87,199)**	38,776
Income tax	8(a)	**(85,816)**	(67,208)
Loss after taxation and before transactions with unitholders		**(173,015)**	(28,432)

The notes on pages 102 to 142 form part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the 18 months ended 31 December 2024
(Expressed in Hong Kong dollars)

	18 months ended 31 December 2024 $'000	Year ended 30 June 2023 $'000
Loss after taxation and before transactions with unitholders	**(173,015)**	(28,432)
Other comprehensive (loss) / income for the period / year		
Items that have been reclassified / may be reclassified subsequently to profit or loss :		
– Effective portion of changes in fair value of cash flow hedges recognised during the period / year	**(83,213)**	(12,103)
– Net reclassification adjustments for amounts transferred to profit or loss in respect of :		
– finance costs on interest-bearing liabilities	**929**	(4,904)
– unrealised exchange difference on foreign currency borrowing	**34,628**	24,752
– unwinding of swaps	**(8,389)**	(5,593)
	(56,045)	2,152
Total comprehensive loss for the period / year	**(229,060)**	(26,280)

The notes on pages 102 to 142 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2024
(Expressed in Hong Kong dollars)

	Note	31 December 2024 $'000	30 June 2023 $'000
Non-current assets			
Fixed assets	10		
– Investment properties		**17,933,600**	18,512,200
– Other fixed assets		**139**	1,115
		17,933,739	18,513,315
Deferred tax assets	8(c)	**358**	358
Derivative financial instruments	12	**1,686**	9,234
Reimbursement rights	11	**37,436**	37,436
Other financial assets	13	**29,307**	80,769
Other non-current assets	14	**2,095**	12,430
		18,004,621	18,653,542
Current assets			
Trade and other receivables	15	**50,830**	53,254
Derivative financial instruments	12	**8,664**	25,816
Other financial assets	13	**44,275**	–
Cash and bank balances	16(a)	**407,331**	485,242
Tax recoverable		**35**	8
		511,135	564,320
Total assets		**18,515,756**	19,217,862
Current liabilities			
Tenants' deposits	17	**(192,711)**	(206,358)
Rent receipts in advance		**(13,638)**	(15,765)
Trade and other payables	18	**(74,250)**	(75,434)
Bank and other borrowings	19	**(1,498,123)**	(707,000)
Derivative financial instruments	12	**(7,231)**	(8,829)
Tax payable		**(22,132)**	(58,635)
		(1,808,085)	(1,072,021)
Net current liabilities		**(1,296,950)**	(507,701)
Total assets less current liabilities		**16,707,671**	18,145,841

At 31 December 2024
(Expressed in Hong Kong dollars)

	Note	31 December 2024 $'000	30 June 2023 $'000
Non-current liabilities, excluding net assets attributable to unitholders			
Bank and other borrowings	19	**(3,318,997)**	(4,164,229)
Deferred tax liabilities	8(c)	**(248,597)**	(241,557)
Derivative financial instruments	12	**(130,010)**	(70,851)
		(3,697,604)	(4,476,637)
Total liabilities, excluding net assets attributable to unitholders		**(5,505,689)**	(5,548,658)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		**13,010,067**	13,669,204
Number of units in issue	20	**1,726,707,663**	1,695,035,157
Net asset value attributable to unitholders per unit		**$7.53**	$8.06

The consolidated financial statements on pages 94 to 142 were approved and authorised for issue by Henderson Sunlight Asset Management Limited, as the manager of Sunlight Real Estate Investment Trust (the "**Manager**"), on 11 March 2025 and were signed on its behalf by :

Au Siu Kee, Alexander
Chairman

Wu Shiu Kee, Keith
Executive Director

The notes on pages 102 to 142 form part of these consolidated financial statements.

Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the 18 months ended 31 December 2024
(Expressed in Hong Kong dollars)

	Note	18 months ended 31 December 2024 $'000	Year ended 30 June 2023 $'000
At the beginning of the period / year		**13,669,204**	14,051,419
Loss after taxation and before transactions with unitholders		**(173,015)**	(28,432)
Other comprehensive (loss) / income		**(56,045)**	2,152
Total comprehensive loss for the period / year		**(229,060)**	(26,280)
Distribution paid to unitholders		**(495,674)**	(400,972)
Issuance of units to the Manager	20	**69,158**	45,037
Units bought back	20	**(3,545)**	–
Units buy-back expenses	20	**(16)**	–
		(430,077)	(355,935)
At the end of the period / year		**13,010,067**	13,669,204

The notes on pages 102 to 142 form part of these consolidated financial statements.

Distribution Statement

For the 18 months ended 31 December 2024
(Expressed in Hong Kong dollars)

	Note	18 months ended 31 December 2024 $'000	Year ended 30 June 2023 $'000
Loss after taxation and before transactions with unitholders		**(173,015)**	(28,432)
Adjustments (note (i)) :			
– Net decrease in fair value of investment properties	10	**592,887**	354,424
– Manager's fees paid or payable in the form of units		**68,795**	45,161
– Gain on disposal of investment properties	6	**(4,765)**	–
– Interest rate swaps – cash flow hedges	7(a)	**(23)**	(5,384)
– Non-cash finance costs on interest-bearing liabilities	7(a)	**7,672**	4,084
– Deferred tax	8(a)	**7,040**	10,246
– Depreciation		**1,060**	173
		672,666	408,704
Distributable income (note (i))		**499,651**	380,272
Interim distribution for the financial year ended 30 June 2023 ("**FY2022/23**"), paid (note (ii))		**–**	185,712
First interim distribution for the six months ended 31 December 2023 ("**First Interim Distribution**"), paid (note (iii))		**153,242**	–
Second interim distribution for the 12 months ended 30 June 2024 ("**Second Interim Distribution**"), paid (note (iv))		**155,978**	–
Final distribution for FY2022/23, paid (note (v))		**–**	186,454
Final distribution for the 18 months ended 31 December 2024 ("**Final Distribution**"), to be paid to unitholders (note (vi))		**160,584**	–
Total distributions for the financial period / year (note (i))		**469,804**	372,166
Payout ratio		**94.0%**	97.9%
Distribution per unit :			
Interim distribution per unit for FY2022/23, paid		**–**	11.0 cents
First Interim Distribution per unit, paid		**9.0 cents**	–
Second Interim Distribution per unit, paid		**9.1 cents**	–
Final distribution per unit for FY2022/23, paid		**–**	11.0 cents
Final Distribution per unit, to be paid to unitholders		**9.3 cents**	–
		27.4 cents	22.0 cents

Notes* :

(i) Under the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong (the "**REIT Code**"), a real estate investment trust shall distribute to unitholders as dividends each year an amount not less than 90% of its audited annual net income after tax. Pursuant to the trust deed dated 26 May 2006 (as amended and restated) under which Sunlight Real Estate Investment Trust ("**Sunlight REIT**") is constituted (the "**Trust Deed**"), the total amounts distributed or distributable to unitholders shall be no less than 90% of annual distributable income for each financial year.

Distributable income means the amount calculated by the Manager as representing the consolidated profit / loss after taxation and before transactions with unitholders of Sunlight REIT for the relevant financial period / year, as adjusted to eliminate the effects of certain adjustments which have been recorded in the consolidated statement of profit or loss for the relevant financial period / year.

In arriving at the amount available for distribution for the 18 months ended 31 December 2024, adjustments have been made, among others, to add back the finance costs relating to the amortisation of debt establishment fees for bank and other borrowings and discount on issuance of medium term notes of $7,672,000 or 0.44 cent per unit (FY2022/23 : $4,084,000, or 0.24 cent per unit) (which is an effective return of capital), and to eliminate the effect of increase / decrease in fair value of investment properties and gain on disposal of investment properties.

(ii) The interim distribution for FY2022/23 of $185,712,000 is calculated by multiplying the interim distribution per unit of 11.0 cents by 1,688,295,340 units in issue at 8 March 2023, the record date for FY2022/23 interim distribution.

(iii) The First Interim Distribution of $153,242,000 is calculated by multiplying the first interim distribution per unit of 9.0 cents by 1,702,684,957 units in issue at 19 March 2024, the record date for the First Interim Distribution. The First Interim Distribution was paid to unitholders on 27 March 2024.

(iv) The Second Interim Distribution of $155,978,000 is calculated by multiplying the second interim distribution per unit of 9.1 cents by 1,714,051,303 units in issue at 3 September 2024, the record date for the Second Interim Distribution. The Second Interim Distribution was paid to unitholders on 11 September 2024.

(v) The final distribution for FY2022/23 of $186,454,000 is calculated by multiplying the final distribution per unit of 11.0 cents by 1,695,035,157 units in issue at 27 September 2023, the record date for FY2022/23 final distribution.

(vi) The Final Distribution of $160,584,000 is calculated by multiplying the final distribution per unit of 9.3 cents by 1,726,707,663 units anticipated to be in issue at 1 April 2025, the record date for the Final Distribution. The Final Distribution is expected to be paid to unitholders on 11 April 2025.

(vii) The distribution declared after the end of the reporting period is not recognised as a liability at the end of the reporting period.

* Certain figures in these notes are rounded to the nearest thousand.

The notes on pages 102 to 142 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the 18 months ended 31 December 2024
(Expressed in Hong Kong dollars)

	Note	18 months ended 31 December 2024 $'000	Year ended 30 June 2023 $'000
Operating activities			
(Loss) / profit before taxation and transactions with unitholders		**(87,199)**	38,776
Adjustments :			
– Manager's fees paid or payable in the form of units		**68,795**	45,161
– Net decrease in fair value of investment properties	10	**592,887**	354,424
– Finance costs on interest-bearing liabilities	7(a)	**326,804**	132,294
– Depreciation	10	**1,060**	173
– Gain on disposal of investment properties	6	**(4,765)**	–
– Interest income		**(33,811)**	(20,820)
– Provision for credit losses on debt securities	6	**6,332**	13,329
– Net unrealised foreign exchange loss		**913**	136
Operating cash flow before changes in working capital		**871,016**	563,473
Decrease in trade and other receivables		**3,904**	20,407
Decrease in tenants' deposits		**(13,647)**	(7,677)
(Decrease) / increase in rent receipts in advance		**(2,127)**	7,250
(Decrease) / increase in trade and other payables		**(6,340)**	5,100
Cash generated from operations		**852,806**	588,553
Net Hong Kong Profits Tax paid		**(115,307)**	(63,903)
Net cash generated from operating activities		**737,499**	524,650
Investing activities			
Interest received		**33,865**	19,455
Payment for acquisition of subsidiaries	21	**–**	(743,055)
Payment for expenditure incurred for investment properties		**(14,458)**	(22,734)
Payment for purchase of other fixed assets		**(84)**	(51)
Proceeds from disposal of investment properties		**19,989**	–
Proceeds from redemption of matured debt securities		**–**	10,000
Decrease in bank deposits with original maturity over three months		**27,459**	71,470
Net cash generated from / (used in) investing activities		**66,771**	(664,915)
Financing activities			
Distribution paid to unitholders		**(495,674)**	(400,972)
Payment for buy-back of units		**(3,561)**	–
Proceeds from new bank borrowings	16(b)	**700,000**	1,652,000
Repayment of bank borrowings	16(b)	**(727,000)**	(1,045,000)
Interest paid	16(b)	**(326,743)**	(136,096)
Other borrowing costs paid	16(b)	**(1,680)**	(3,945)
Net cash (used in) / generated from financing activities		**(854,658)**	65,987
Net decrease in cash and cash equivalents		**(50,388)**	(74,278)
Cash and cash equivalents at the beginning of the period / year	16(a)	**251,978**	326,257
Effect of foreign exchange rate changes		**(64)**	(1)
Cash and cash equivalents at the end of the period / year	16(a)	**201,526**	251,978

The notes on pages 102 to 142 form part of these consolidated financial statements.

1 General

Sunlight REIT is a Hong Kong collective investment scheme constituted as a unit trust by the Trust Deed and is authorised under section 104 of the Securities and Futures Ordinance. Sunlight REIT is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**SEHK**").

The principal activity of Sunlight REIT and its subsidiaries (collectively referred to as the "**Group**") is to own and invest in income-producing office and retail properties in Hong Kong with the objective of providing unitholders with regular and stable cash distributions with the potential for sustainable long term growth of such distributions and enhancement in value of the property portfolio. It has its principal place of business at 30th Floor, Dah Sing Financial Centre, 248 Queen's Road East, Wan Chai, Hong Kong.

2 Material accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong, the relevant provisions of the Trust Deed and the relevant disclosure provisions set out in Appendix C of the REIT Code. These consolidated financial statements also comply with the relevant disclosure provisions of the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**") as if those provisions were applicable to Sunlight REIT. Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued a number of amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group.

None of these developments have had a material effect on how the Group's results and financial position for the current period or prior years have been prepared or presented in the consolidated financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 Material accounting policies (continued)

(b) Basis of preparation of the consolidated financial statements

Pursuant to the Trust Deed amendments made on 7 February 2024, the Group's financial year end date has been changed from 30 June to 31 December. Accordingly, the consolidated financial statements now presented cover the 18 months period from 1 July 2023 to 31 December 2024. The comparative figures presented therein cover the financial year from 1 July 2022 to 30 June 2023.

The consolidated financial statements for the 18 months ended 31 December 2024 incorporate the financial statements of Sunlight REIT and its subsidiaries.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below :

– derivative financial instruments (see note 2(f)); and

– investment properties (see note 2(h)).

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 27.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment.

2 Material accounting policies (continued)

(d) Investments in debt securities

Investments in debt securities are recognised / derecognised on the date the Group commits to purchase / sell the investment or they expire. The investments are initially stated at fair value plus directly attributable transaction costs.

Non-equity investments held by the Group are classified as financial assets measured at amortised cost if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(r)(iii)).

(e) Unitholders' funds as a financial liability

In accordance with the Trust Deed, Sunlight REIT has a limited life of 80 years less 1 day from the date of commencement of Sunlight REIT. In addition, Sunlight REIT is required to distribute to unitholders no less than 90% of its distributable income for each financial year in accordance with the Trust Deed. Accordingly, the units contain contractual obligations to pay cash dividends and also upon the termination of Sunlight REIT, a share of all net cash proceeds derived from the sale or realisation of the assets of Sunlight REIT less any liabilities, in accordance with their proportionate interests in Sunlight REIT at the date of its termination. The unitholders' funds are therefore classified as financial liabilities in accordance with HKFRS 9, *Financial instruments*. It is shown on the consolidated statement of financial position as "Net assets attributable to unitholders".

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 2(g)).

(g) Hedging

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognised directly in other comprehensive income and accumulated separately in net assets attributable to unitholders. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

The associated gain or loss is reclassified from net assets attributable to unitholders to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in net assets attributable to unitholders until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from net assets attributable to unitholders to profit or loss immediately.

2 Material accounting policies (continued)

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

Investment properties are stated at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(r)(i).

(i) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and impairment losses (see note 2(k)(ii)).

Gains or losses arising from the retirement or disposal of an item of other fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of other fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows :

– Leasehold improvements, furniture and fixtures	Three to five years

Where parts of an item of other fixed assets have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Leased assets

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration payable by the recipient of such right (i.e. the lessee). The right to control an identified asset is conveyed when the lessee has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with the relevant revenue and other income recognition policy (see note 2(r)(i)).

2 Material accounting policies (continued)

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

The Group recognises a loss allowance for expected credit losses ("**ECLs**") on the following items :

– financial assets measured at amortised cost (including other financial assets, cash and bank balances, trade and other receivables and prepayments); and

– lease receivables (which is included under "Rental receivables" within trade and other receivables).

Financial assets measured at fair value, including derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material :

– fixed-rate financial assets and trade and other receivables : effective interest rate determined at initial recognition or an approximation thereof ; and

– lease receivables : discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases :

– 12-month ECLs : these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs : these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2 Material accounting policies (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and lease receivables (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition :

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 2(r)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

2 Material accounting policies (continued)

(k) Credit losses and impairment of assets (continued)

(i) *Credit losses from financial instruments and lease receivables* (continued)

Significant increases in credit risk (continued)

Evidence that a financial asset is credit-impaired includes the following observable events :

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or lease receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased :

– other fixed assets; and

– other non-current assets.

If any such indication exists, the asset's recoverable amount is estimated.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest identifiable group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2 Material accounting policies (continued)

(k) Credit losses and impairment of assets (continued)

(ii) Impairment of other assets (continued)

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost, using the effective interest method less allowance for credit losses (see note 2(k)(i)).

(m) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(s)).

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(k)(i).

2 Material accounting policies (continued)

(p) Income tax

Income tax for the period / year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in net assets attributable to unitholders, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in net assets attributable to unitholders, respectively.

Current tax is the expected tax payable on the taxable income for the period / year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

2 Material accounting policies (continued)

(p) Income tax (continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax balances and deferred tax balances, and movement therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met :

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either :
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 Material accounting policies (continued)

(r) Revenue and other income

Income is classified by the Group as revenue when it arises from the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties.

Further details of the Group's revenue and other income recognition policies are as follows :

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments are recognised as income in the accounting period in which they are earned.

(ii) Car park income and rental related income

Car park income and rental related income are recognised when the related services are rendered.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(k)(i)).

(s) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(t) Translation of foreign currencies

Foreign currency transactions during the period / year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

2 Material accounting policies (continued)

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person :

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies :

(i) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(ii) The entity is controlled or jointly controlled by a person identified in (a).

(iii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity.

(iv) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Manager's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the settlements have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Segment reporting

The Manager manages the Group's business by divisions. In a manner consistent with the way in which information is reported internally to the Manager's most senior executive management for the purposes of resource allocation and performance assessment, the Manager has identified two reportable segments, which are "Office properties" and "Retail properties".

As all of the Group's activities are carried out in Hong Kong, no geographical information is presented.

3 Segment reporting (continued)

Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the senior executive management of the Manager monitors the results, assets and liabilities attributable to each reportable segment on the following bases :

Segment assets include all tangible, intangible and current assets with the exception of cash and bank balances, tax recoverable, deferred tax assets, other financial assets and other corporate assets. Segment liabilities include tenants' deposits, rent receipts in advance and trade and other payables managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to income generated and the expenses incurred by those segments.

The measure used for reporting segment performance is the "segment results" which exclude the increase / decrease in fair value of investment properties, gain on disposal of investment properties, finance costs on interest-bearing liabilities, income tax, interest income and the unallocated net expenses.

Information regarding the Group's reportable segments as provided to the Manager's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period / year is set out below :

	18 months ended 31 December 2024			Year ended 30 June 2023		
	Office properties $'000	Retail properties $'000	Total $'000	Office properties $'000	Retail properties $'000	Total $'000
Revenue						
– Rental income	**454,021**	**497,317**	**951,338**	315,776	302,311	618,087
– Car park income	**7,435**	**50,095**	**57,530**	4,967	29,661	34,628
– Rental related income	**107,085**	**120,371**	**227,456**	63,897	66,660	130,557
	568,541	**667,783**	**1,236,324**	384,640	398,632	783,272
Property operating expenses	**(120,351)**	**(158,267)**	**(278,618)**	(69,876)	(89,420)	(159,296)
Net property income	**448,190**	**509,516**	**957,706**	314,764	309,212	623,976
Administrative expenses	**(70,020)**	**(69,893)**	**(139,913)**	(49,277)	(45,759)	(95,036)
Segment results	**378,170**	**439,623**	**817,793**	265,487	263,453	528,940
Net decrease in fair value of investment properties	**(499,434)**	**(93,453)**	**(592,887)**	(345,203)	(9,221)	(354,424)
Gain on disposal of investment properties	**–**	**4,765**	**4,765**	–	–	–
Finance costs on interest-bearing liabilities			**(326,804)**			(132,294)
Income tax			**(85,816)**			(67,208)
Interest income			**33,811**			20,820
Unallocated net expenses			**(23,877)**			(24,266)
Loss after taxation and before transactions with unitholders			**(173,015)**			(28,432)
Depreciation	**23**	**1,037**	**1,060**	12	161	173

3 Segment reporting (continued)

Segment results, assets and liabilities (continued)

	31 December 2024			30 June 2023		
	Office properties $'000	Retail properties $'000	Total $'000	Office properties $'000	Retail properties $'000	Total $'000
Segment assets	**9,125,021**	**8,895,121**	**18,020,142**	9,617,297	8,995,708	18,613,005
Derivative financial instruments			**10,350**			35,050
Other financial assets			**73,582**			80,769
Cash and bank balances			**407,331**			485,242
Tax recoverable			**35**			8
Deferred tax assets			**358**			358
Unallocated assets			**3,958**			3,430
Total assets			**18,515,756**			19,217,862
Segment liabilities	**(125,609)**	**(141,261)**	**(266,870)**	(137,126)	(146,367)	(283,493)
Derivative financial instruments			**(137,241)**			(79,680)
Bank and other borrowings			**(4,817,120)**			(4,871,229)
Tax payable			**(22,132)**			(58,635)
Deferred tax liabilities			**(248,597)**			(241,557)
Unallocated liabilities			**(13,729)**			(14,064)
Total liabilities, excluding net assets attributable to unitholders			**(5,505,689)**			(5,548,658)
Capital expenditure incurred during the period / year	**9,964**	**9,296**	**19,260**	6,996	755,653*	762,649*

* Included acquisition of subsidiaries amounting to $743,055,000 (see note 21).

4 Revenue

Revenue represents gross income generated from leasing of investment properties. The amount of each significant category of revenue recognised during the period / year is as follows :

	18 months ended 31 December 2024 $'000	Year ended 30 June 2023 $'000
Rental income (note)	**951,338**	618,087
Car park income	**57,530**	34,628
Rental related income	**227,456**	130,557
	1,236,324	783,272

Note : Included (i) a rental guarantee of $5,000,000 (year ended 30 June 2023 : nil) pursuant to the deed of rental guarantee relating to the acquisition of an investment property in 2023, the amount of which was received in full on 31 July 2024; and (ii) additional rents based on business revenue of tenants amounting to $3,696,000 (year ended 30 June 2023 : $1,495,000).

5 Property operating expenses

	18 months ended 31 December 2024 $'000	Year ended 30 June 2023 $'000
Building management fee	**108,273**	63,944
Property Manager's fees (notes (i) to (iii))	**71,570**	44,695
Government rent and rates	**58,970**	31,929
Car park operating costs	**11,738**	6,720
Rental commission to third party property agents (note 7(b))	**8,442**	2,162
Marketing and promotion expenses	**5,561**	3,429
Provision / (reversal of provision) for credit losses on rental receivables (note 15(b))	**1,217**	(684)
Other direct costs	**12,847**	7,101
	278,618	159,296

Notes :

(i) Included rental commission of $14,242,000 (year ended 30 June 2023 : $9,485,000) (note 7(b)).

(ii) During the year ended 30 June 2023, the property manager waived an amount of $788,000 from the reimbursement of staff costs incurred for the Group, reflecting the subsidies received from the Employment Support Scheme set up by The Government of the Hong Kong Special Administrative Region.

(iii) For the 18 months ended 31 December 2024, 59.3% (year ended 30 June 2023 : 62.9%) of the total purchase of items or services were attributable to the five largest suppliers, with the largest one accounting for 37.6% (year ended 30 June 2023 : 41.1%). The largest supplier, being the Property Manager, is a wholly-owned subsidiary of Henderson Land Development Company Limited ("**HLD**"). HLD is interested in more than 5% of the total number of units in issue of Sunlight REIT.

6 Other net income

	18 months ended 31 December 2024 $'000	Year ended 30 June 2023 $'000
Bank interest income	**29,852**	17,162
Interest income from debt securities	**3,959**	3,658
Gain on disposal of investment properties	**4,765**	–
Provision for credit losses on debt securities (note 22(a))	**(6,332)**	(13,329)
Others	**50**	–
	32,294	7,491

7 (Loss) / profit before taxation and transactions with unitholders

(Loss) / profit before taxation and transactions with unitholders is arrived at after charging / (crediting) :

	18 months ended 31 December 2024 $'000	Year ended 30 June 2023 $'000
(a) Finance costs on interest-bearing liabilities		
Interest on bank and other borrowings	**319,155**	133,594
Other borrowing costs	**7,672**	4,084
	326,827	137,678
Interest rate swaps – cash flow hedges		
– Reclassified from net assets attributable to unitholders	**929**	(4,904)
– Net fair value gain of ineffective cash flow hedges	**(952)**	(480)
	(23)	(5,384)
	326,804	132,294

Other borrowing costs represent various financing charges and amortisation of debt establishment fees for bank and other borrowings and discount on issuance of medium term notes.

7 (Loss) / profit before taxation and transactions with unitholders (continued)

(Loss) / profit before taxation and transactions with unitholders is arrived at after charging / (crediting) : (continued)

	18 months ended 31 December 2024 $'000	Year ended 30 June 2023 $'000
(b) Other items		
Manager's fees	**135,055**	91,800
Trustee's remuneration and charges	**6,714**	4,709
Auditor's remuneration		
– Audit services	**2,273**	2,148
– Other services	**1,074**	512
Valuation fees payable to principal valuers	**546**	447
Legal and other professional fees	**6,147**	3,014
Rental commission (note 5)		
– Property Manager	**14,242**	9,485
– Third party property agents (note (i))	**8,442**	2,162
Bank charges	**455**	303
Net foreign exchange loss	**913**	136

Notes :

(i) Included $1,089,000 paid to a company related to the principal valuer, CBRE Limited, which was retired on 31 August 2024.

(ii) Sunlight REIT does not appoint any director and the Group does not engage any employee. Accordingly, no employee benefit expense was incurred in the period / year.

8 Income tax

(a) Income tax in the consolidated statement of profit or loss represents :

	18 months ended 31 December 2024 $'000	Year ended 30 June 2023 $'000
Current tax – Hong Kong Profits Tax		
Provision for the period / year	**79,012**	57,037
Over-provision in respect of prior years	**(236)**	(75)
	78,776	56,962
Deferred tax		
Origination and reversal of temporary differences	**7,040**	10,246
	85,816	67,208

Provision for Hong Kong Profits Tax has been made at 16.5% on the estimated assessable profits for the current period and prior years.

(b) Reconciliation between tax expense and accounting (loss) / profit at applicable tax rate :

	18 months ended 31 December 2024 $'000	Year ended 30 June 2023 $'000
(Loss) / profit before taxation and transactions with unitholders	**(87,199)**	38,776
Notional tax on (loss) / profit before taxation and transactions with unitholders, calculated at applicable tax rates	**(14,553)**	6,233
Tax effect of non-deductible expenses	**107,740**	80,057
Tax effect of non-taxable income	**(7,603)**	(17,843)
Tax effect of current period / year's tax losses not recognised	**986**	4
Tax effect of other temporary differences derecognised	**(75)**	(213)
Tax effect of prior years' unrecognised tax losses recognised in current period / year	**(367)**	(870)
Tax effect of prior years' unrecognised tax losses utilised in current period / year	**(76)**	(85)
Over-provision in respect of prior years	**(236)**	(75)
Actual tax expense	**85,816**	67,208

8 Income tax (continued)

(c) Deferred tax assets and liabilities recognised :

The components of deferred tax liabilities / (assets) recognised in the consolidated statement of financial position and the movements during the period / year are as follows :

Deferred tax arising from :	Depreciation allowances in excess of related depreciation $'000	Tax losses $'000	Total $'000
At 1 July 2022	221,638	(4,511)	217,127
Charged to profit or loss	10,011	235	10,246
Acquisition of subsidiaries (note 21)	14,737	(911)	13,826
At 30 June 2023	246,386	(5,187)	241,199
At 1 July 2023	**246,386**	**(5,187)**	**241,199**
Charged to profit or loss	**6,543**	**497**	**7,040**
At 31 December 2024	**252,929**	**(4,690)**	**248,239**

	31 December 2024 $'000	30 June 2023 $'000
Represented by :		
Net deferred tax assets recognised	**(358)**	(358)
Net deferred tax liabilities recognised	**248,597**	241,557
	248,239	241,199

(d) Deferred tax assets not recognised :

In accordance with the accounting policy set out in note 2(p), the Group has not recognised deferred tax assets in respect of unused tax losses of certain subsidiaries of $28,303,000 (30 June 2023 : $24,992,000) as it is probable that sufficient future taxable profits will not be available against which the unused tax losses can be utilised. The Hong Kong tax losses do not expire under current tax legislation.

9 Loss per unit before transactions with unitholders

The basic loss per unit before transactions with unitholders for the 18 months ended 31 December 2024 amounted to $0.10 (year ended 30 June 2023 : $0.02). The calculation of basic loss per unit before transactions with unitholders is based on the Group's loss after taxation and before transactions with unitholders of $173,015,000 (year ended 30 June 2023 : $28,432,000) and the weighted average of 1,707,826,029 units (year ended 30 June 2023 : 1,687,367,291 units) in issue during the period.

Diluted loss per unit before transactions with unitholders for the 18 months ended 31 December 2024 and the year ended 30 June 2023 are not presented as there was no potential dilution of loss per unit before transactions with unitholders.

10 Fixed assets

	Leasehold improvements, furniture and fixtures $'000	Investment properties $'000	Total $'000
Cost or valuation :			
At 1 July 2022	387	18,095,200	18,095,587
Additions through acquisition of subsidiaries (note 21)	1,156	763,086	764,242
Additions	51	8,338	8,389
Net decrease in fair value	–	(354,424)	(354,424)
At 30 June 2023	1,594	18,512,200	18,513,794
Representing :			
Cost	1,594	–	1,594
Valuation – 2023	–	18,512,200	18,512,200
	1,594	18,512,200	18,513,794
At 1 July 2023	1,594	18,512,200	18,513,794
Additions	84	29,511	29,595
Disposals	–	(15,224)	(15,224)
Net decrease in fair value	–	(592,887)	(592,887)
At 31 December 2024	1,678	17,933,600	17,935,278
Representing :			
Cost	1,678	–	1,678
Valuation – 2024	–	17,933,600	17,933,600
	1,678	17,933,600	17,935,278
Accumulated depreciation :			
At 1 July 2022	306	–	306
Charge for the year	173	–	173
At 30 June 2023	479	–	479
At 1 July 2023	479	–	479
Charge for the period	1,060	–	1,060
At 31 December 2024	1,539	–	1,539
Net book value :			
At 31 December 2024	139	17,933,600	17,933,739
At 30 June 2023	1,115	18,512,200	18,513,315

10 Fixed assets (continued)

(a) Fair value measurement of investment properties

Fair value hierarchy

HKFRS 13, *Fair value measurement*, requires the fair value of investment properties measured at the end of the reporting period on a recurring basis to be categorised into the three-level fair value hierarchy as defined in HKFRS 13. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows :

– Level 1 valuations : Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations : Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations : Fair value measured using significant unobservable inputs

The Group's investment properties measured at fair value are not categorised as Level 1 and Level 2 valuations.

During the 18 months ended 31 December 2024 and year ended 30 June 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

Valuation process

The investment properties were appraised at 31 December 2024 by the Group's principal valuer, Knight Frank Petty Limited, an independent firm that has key personnel who are fellows or members of The Hong Kong Institute of Surveyors or the Royal Institute of Chartered Surveyors (Hong Kong Branch) with recent experience in the location and category of property being valued. The independent valuation of investment properties at 30 June 2023 was performed by CBRE Limited.

The Manager has reviewed the valuation results performed by the surveyors for financial reporting purposes by verifying all major inputs and assumptions, and assessing the reasonableness of property valuation. Such valuation was performed at each interim and annual reporting date and was reviewed and approved by senior management.

Valuation methodologies

The fair values of the Group's investment properties at 31 December 2024 and 30 June 2023 were arrived at using the income capitalisation approach cross-referenced to the direct comparison approach. The income capitalisation approach is based on the capitalisation of the current passing rental income and potential reversionary income over the remaining tenure of the property from the date of valuation at appropriate investment yields to arrive at the capital value. The direct comparison approach is based on comparing the properties to be valued directly with other comparable properties which recently changed hands.

10 Fixed assets (continued)

(a) Fair value measurement of investment properties (continued)

Level 3 valuation methodologies

The following table presents the significant unobservable inputs :

	31 December 2024		
	Market unit rent	**Capitalisation rate**	**Occupancy rate**
In Hong Kong			
– Office	**$14.5 to $42.3**	**3.65% to 3.95%**	**83.4% to 98.1%**
– Retail	**$18.2 to $118.0**	**3.40% to 4.35%**	**73.4% to 100%**

	30 June 2023		
	Market unit rent	**Capitalisation rate**	**Occupancy rate**
In Hong Kong			
– Office	$13.9 to $41.9	3.55% to 3.90%	83.0% to 100%
– Retail	$17.0 to $121.6	3.40% to 4.35%	85.7% to 100%

The fair value measurement of investment property is positively correlated to the market unit rent and the occupancy rate and negatively correlated to the capitalisation rate.

All leased properties meet the definition of investment properties (see note 2(h)) are classified as investment properties.

(b) The analysis of the fair value of investment properties is as follows :

	31 December 2024 $'000	**30 June 2023 $'000**
In Hong Kong		
– Long leases	**7,872,000**	8,321,300
– Medium-term leases	**10,061,600**	10,190,900
	17,933,600	18,512,200

(c) Certain investment properties of the Group have been mortgaged to secure banking facilities granted to the Group (see note 19).

11 Reimbursement rights

The amount represents the reimbursement rights recognised pursuant to the tax indemnity under the relevant deeds of tax covenant dated 21 December 2006 provided by the vendors (comprising certain subsidiaries of Shau Kee Financial Enterprises Limited ("**SKFE**"), HLD, Henderson Investment Limited, Henderson Development Limited and Jetwin International Limited) (collectively referred to as the "**Vendors**") to the extent of the deferred tax liabilities in respect of possible clawback of depreciation allowances claimed by the Vendors prior to the date of acquisition in connection with the listing of Sunlight REIT in December 2006.

12 Derivative financial instruments

	31 December 2024			30 June 2023		
	Assets $'000	Liabilities $'000	Net amount $'000	Assets $'000	Liabilities $'000	Net amount $'000
Interest rate swaps and cross currency interest rate swap – cash flow hedges						
Current portion	**8,664**	**(7,231)**	**1,433**	25,816	(8,829)	16,987
Non-current portion	**1,686**	**(130,010)**	**(128,324)**	9,234	(70,851)	(61,617)
	10,350	**(137,241)**	**(126,891)**	35,050	(79,680)	(44,630)

The Group uses interest rate swaps ("**IRSs**") to hedge against the interest rate risk in relation to its floating rate borrowings.

The Group also uses a cross currency interest rate swap ("**CCIRS**") to hedge against the interest rate risk and foreign currency risk in relation to its floating rate term loan denominated in Japanese yen ("**JPY**").

During the year ended 30 June 2022, the Group received $16,625,000 from two swap counterparties for unwinding of four IRSs with an aggregate notional amount of $500,000,000. Such amount would be recognised over the original tenors of the respective IRSs; and $8,389,000 (year ended 30 June 2023 : $5,593,000) was recognised as a saving in finance costs for the period. The remaining balance of $2,348,000 (30 June 2023 : $10,737,000) was included in the net assets attributable to unitholders at 31 December 2024.

At 31 December 2024, the Group assessed the effectiveness of its cash flow hedges and identified certain ineffectiveness. As a result, fair value gain of ineffective hedges amounting to $952,000 (year ended 30 June 2023 : $480,000) was recognised in profit or loss for the period.

For the 18 months ended 31 December 2024, the decrease in the effective portion of changes in fair value of cash flow hedges of $83,213,000 (year ended 30 June 2023 : $12,103,000) and a reclassification adjustment in respect of unrealised exchange gain on foreign currency borrowing of $34,628,000 (year ended 30 June 2023 : $24,752,000) recognised in other comprehensive income were included in the net assets attributable to unitholders.

At 31 December 2024, the Group had IRSs with an aggregate notional amount of $1,700,000,000 (30 June 2023 : a combination of spot and forward-start IRSs with an aggregate notional amount of $1,500,000,000) and CCIRS with notional amount of $513,196,000 (30 June 2023 : $513,196,000) and their net cumulative unrealised fair value changes were included in the net assets attributable to unitholders. These swaps will mature between February 2025 and October 2027 (30 June 2023 : July 2023 and October 2027).

The above derivatives are measured at fair value at the end of the reporting period. Their fair values are determined based on the discounted cash flow model.

13 Other financial assets

	31 December 2024 $'000	30 June 2023 $'000
Financial assets measured at amortised cost		
Debt securities		
– Listed in Hong Kong	**45,020**	45,413
– Listed outside Hong Kong	**51,099**	51,561
	96,119	96,974
Less : provision for credit losses (note 22(a))	**(22,537)**	(16,205)
	73,582	80,769
The carrying amounts of the debt securities are expected to be recovered as follows :		
Within one year	**44,275**	–
After one year	**29,307**	80,769
	73,582	80,769

14 Other non-current assets

The balance represented the amounts incurred relating to the progress billings for the improvement works carried out on certain investment properties of the Group which were in progress at the end of the reporting period and, if applicable, the acquisition of investment properties.

15 Trade and other receivables

	31 December 2024 $'000	30 June 2023 $'000
Rental receivables	**30,682**	37,606
Deposits and prepayments	**10,940**	11,452
Other receivables	**5,058**	3,567
Amounts due from related companies	**4,150**	629
	50,830	53,254

Included unamortised rent-free and rental concession, deposits and prepayments of $25,449,000 (30 June 2023 : $24,656,000) which are expected to be recovered or recognised in profit or loss after one year. Apart from the above, all of the balances are expected to be recovered or recognised in profit or loss within one year.

The amounts due from related companies are unsecured, interest-free and have no fixed terms of repayment.

15 Trade and other receivables (continued)

(a) Ageing analysis

At the end of the reporting period, the ageing analysis of rental receivables, based on the date of revenue recognition and net of provision for credit losses, is as follows :

	31 December 2024 $'000	30 June 2023 $'000
Current	**21,675**	28,213
Less than one month overdue	**7,238**	5,730
More than one month and up to three months overdue	**1,431**	2,564
More than three months and up to six months overdue	**47**	114
More than six months overdue	**291**	985
	30,682	37,606

Details of the Group's credit policy are set out in note 22(a).

(b) Provision for credit losses on rental receivables

Provision for credit losses on rental receivables was assessed and made by the Group on a case-by-case basis, based on the historical default experience and forward-looking information that may impact the tenants' ability to repay the outstanding rental receivables. If the Group considered that the recovering of the rental receivable is remote, relevant provision for credit losses would be written off against the receivable directly.

The movement in the loss allowance for rental receivables during the period / year is as follows :

	31 December 2024 $'000	30 June 2023 $'000
At the beginning of the period / year	**5,581**	7,182
Provision / (reversal of provision) for credit losses (note 5)	**1,217**	(684)
Written off	**(6,082)**	(917)
At the end of the period / year	**716**	5,581

16 Cash and bank balances and other cash flow information

(a) Cash and cash equivalents comprise :

	31 December 2024 $'000	30 June 2023 $'000
Deposits with original maturity within three months	**197,173**	240,420
Cash at bank and in hand	**4,353**	11,558
Cash and cash equivalents in the consolidated cash flow statement	**201,526**	251,978
Deposits with original maturity over three months	**205,805**	233,264
Cash and bank balances in the consolidated statement of financial position	**407,331**	485,242

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank and other borrowings $'000 (note 19)	Interest payable $'000	Total $'000
At 1 July 2022	4,288,794	2,674	4,291,468
Changes from financing cash flows :			
Proceeds from new bank borrowings	1,652,000	–	1,652,000
Repayment of bank borrowings	(1,045,000)	–	(1,045,000)
Other borrowing costs paid	(3,945)	–	(3,945)
Interest paid	–	(136,096)	(136,096)
Total changes from financing cash flows	603,055	(136,096)	466,959
Non-cash changes :			
Interest expense (note 7(a))	–	133,594	133,594
Reclassification adjustment on unwinding of swaps	–	5,593	5,593
Exchange adjustment	(24,752)	–	(24,752)
Other borrowing and related costs	4,132	–	4,132
Total non-cash changes	(20,620)	139,187	118,567
At 30 June 2023	4,871,229	5,765	4,876,994

16 Cash and bank balances and other cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities (continued)

	Bank and other borrowings $'000 (note 19)	Interest payable $'000	Total $'000
At 1 July 2023	4,871,229	5,765	4,876,994
Changes from financing cash flows :			
Proceeds from new bank borrowings	700,000	–	700,000
Repayment of bank borrowings	(727,000)	–	(727,000)
Other borrowing costs paid	(1,680)	–	(1,680)
Interest paid	–	(326,743)	(326,743)
Total changes from financing cash flows	(28,680)	(326,743)	(355,423)
Non-cash changes :			
Interest expense (note 7(a))	–	319,155	319,155
Reclassification adjustment on unwinding of swaps	–	8,389	8,389
Exchange adjustment	(34,628)	–	(34,628)
Other borrowing and related costs	9,199	–	9,199
Total non-cash changes	(25,429)	327,544	302,115
At 31 December 2024	4,817,120	6,566	4,823,686

17 Tenants' deposits

The tenants' deposits include $113,340,000 (30 June 2023 : $126,370,000) which is expected to be settled after one year. The remaining balances are expected to be settled within one year, if tenancies are not renewed upon expiry.

18 Trade and other payables

	31 December 2024 $'000	30 June 2023 $'000
Creditors and accrued charges	44,775	44,563
Manager's fees payable (note 26(b)(iii))	19,797	22,666
Amounts due to related companies	9,678	8,205
	74,250	75,434

All creditors and accrued charges are due within one month or on demand and expected to be settled within one year.

Manager's fees payable is due within four months and payable in the form of cash and units.

The amounts due to related companies are unsecured, interest-free and have no fixed terms of repayment except for the amount due to the Trustee of $971,000 (30 June 2023 : $1,128,000) which is due within 30 days.

19 Bank and other borrowings

	31 December 2024 $'000	30 June 2023 $'000
Bank loans (notes (i) & (ii))		
– Secured	**1,297,971**	1,296,181
– Unsecured	**3,220,171**	3,277,753
	4,518,142	4,573,934
Medium term notes		
– Unsecured (note (iii))	**298,978**	297,295
	4,817,120	4,871,229
The bank and other borrowings were repayable as follows :		
Within one year	**1,498,123**	707,000
After one year but within two years	**2,675,923**	498,957
After two years but within five years	**643,074**	3,665,272
	3,318,997	4,164,229
	4,817,120	4,871,229

Notes :

(i) The Group entered into IRSs and CCIRS, details of which are set out in note 12.

All bank borrowings are guaranteed by the Trustee (in its capacity as trustee of Sunlight REIT), and in some cases together with Sunlight REIT Holding Limited, the holding company of all other subsidiaries of the Group, on a joint and several basis. In addition, the secured bank borrowings are secured by, among others, the following :

– mortgages over the investment properties with a fair value of $4,952,000,000 at 31 December 2024 (30 June 2023 : $5,026,700,000) (note 10); and

– first fixed charge over all present and future rights, title and interest in and to, all present and future shares in Sunlight REIT Finance Limited and Sunlight REIT Holding Limited, both being subsidiaries of the Group, and dividends and distributions thereof.

(ii) At 31 December 2024, the amount of bank loans included an unrealised exchange gain on the foreign currency borrowing amounting to $167,704,000 (30 June 2023 : $133,075,000). As the foreign currency borrowing is fully hedged by a CCIRS, the effect of the exchange difference was neutralised through the change in fair value of the CCIRS (note 12) in the net assets attributable to unitholders.

(iii) The Group has a US$1,000,000,000 (30 June 2023 : US$1,000,000,000) Medium Term Note Programme ("**MTN programme**"). At 31 December 2024, notes with nominal amount of $300,000,000 (30 June 2023 : $300,000,000) were issued by Sunlight REIT MTN Limited under the MTN programme with fixed coupon rate of 2.00% (30 June 2023 : 2.00%) per annum. The notes are guaranteed by the Trustee (in its capacity as trustee of Sunlight REIT).

(iv) The effective interest rate of the bank and other borrowings at the end of the reporting period was 4.26% per annum (30 June 2023 : 4.17% per annum).

(v) At 31 December 2024, the Group's uncommitted revolving credit facilities of $300,000,000 (30 June 2023 : $493,000,000) remained undrawn.

20 Units in issue

	Number of units	
	31 December 2024	**30 June 2023**
At the beginning of the period / year	**1,695,035,157**	1,681,712,071
Movement during the period / year		
– Issuance of units	**33,672,506**	13,323,086
– Units bought back	**(2,000,000)**	–
At the end of the period / year	**1,726,707,663**	1,695,035,157

Details of units issued during the period / year as payment of the Manager's fees are as follows :

Payment of the Manager's fees for the period / year	Average issue price per unit determined based on the Trust Deed $	Aggregate amount of units issued $'000	Number of units issued
For the 18 months ended 31 December 2024			
1 April 2023 to 30 June 2023	**2.915**	**11,529**	**3,955,135**
1 July 2023 to 30 September 2023	**2.458**	**11,540**	**4,694,665**
1 October 2023 to 31 December 2023	**2.125**	**11,551**	**5,435,668**
1 January 2024 to 31 March 2024	**1.669**	**11,567**	**6,930,678**
1 April 2024 to 30 June 2024	**1.723**	**11,518**	**6,684,829**
1 July 2024 to 30 September 2024	**1.918**	**11,453**	**5,971,531**
		69,158	**33,672,506**
For the year ended 30 June 2023			
1 April 2022 to 30 June 2022	3.692	11,405	3,089,108
1 July 2022 to 30 September 2022	3.254	11,370	3,494,161
1 October 2022 to 31 December 2022	3.341	11,116	3,327,031
1 January 2023 to 31 March 2023	3.266	11,146	3,412,786
		45,037	13,323,086

20 Units in issue (continued)

During the 18 months ended 31 December 2024, the Manager, pursuant to the general mandate granted to the Manager by unitholders, bought back on behalf of Sunlight REIT a total of 2,000,000 units on the SEHK at an aggregate consideration of $3,545,000.

No unit was bought back by the Manager on behalf of Sunlight REIT for the year ended 30 June 2023.

Details of the units buy-backs were as follows :

	Number of units bought back	Price per unit Highest $	Price per unit Lowest $	Aggregate consideration $'000
For the 18 months ended 31 December 2024				
Month of buy-back				
November 2023	**1,000,000**	**2.05**	**2.02**	**2,035**
April 2024	**1,000,000**	**1.55**	**1.48**	**1,510**
	2,000,000			**3,545**
Total buy-back expenses				**16**
				3,561

All bought back units were cancelled during the period.

21 Acquisition of subsidiaries

On 11 January 2023, the Group (through a wholly-owned subsidiary) entered into a sale and purchase agreement with an independent third party to acquire the entire beneficial interest in a company which indirectly holds an investment property, currently known as "West 9 Zone Kids". Acquisition was completed on 13 April 2023 with total costs amounting to $743,055,000.

Details of assets acquired and liabilities assumed of the acquired companies, based on the audited financial statements of such entities for the period from 1 January 2023 to 13 April 2023 and fair value of the acquired investment property at 13 April 2023, were as follows :

	$'000
Fixed assets (note 10)	764,242
Trade and other receivables	7,581
Tenants' deposits	(12,629)
Rent receipts in advance	(1,046)
Trade and other payables	(281,253)
Deferred tax liabilities (note 8(c))	(13,826)
Assets acquired and liabilities assumed	463,069
Consideration for the sale loan	279,986
Total acquisition costs	743,055

22 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk arises from the potential failure of the Group's counterparties to meet their obligations under financial contracts. The Group is exposed to credit risk on its cash at bank and deposits with banks and financial institutions, derivative financial instruments, debt securities as well as trade and other receivables.

The debt securities held by the Group which measured at amortised cost are either with investment grade assigned by certain credit rating agencies or issued by a corporate entity which is listed on the SEHK. The Manager assessed the credit risk of the debt securities held by the Group with reference to the credit ratings assigned by credit rating agencies, where available, and default probability analysis provided by external financial data providers. At the end of the reporting period, the credit risk on one of the issuers of the debt securities held by the Group has been significantly increased since the initial recognition of the debt securities. Therefore, the credit losses measured based on lifetime ECLs was provided on such debt securities.

Movement in the loss allowance for debt securities measured at amortised cost during the period / year is as follows :

	31 December 2024 $'000	30 June 2023 $'000
At the beginning of the period / year	**16,205**	2,876
Provision for credit losses (note 6)	**6,332**	13,329
At the end of the period / year (note 13)	**22,537**	16,205

The Group has no significant concentrations of credit risk. The Manager is of the opinion that monthly rents in respect of leasing properties are received in advance and there is no specific credit terms given to the tenants. The Group also has policies in place to ensure that rental deposits and/or guarantees are required from tenants prior to commencement of leases. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions.

22 Financial risk management and fair values of financial instruments (continued)

(b) Liquidity risk

The Group maintains sufficient cash reserve and revolving credit facilities from financial institutions with sound credit ratings to meet its liquidity requirements in the short and longer term.

The Group also monitors regularly its current and expected liquidity requirements and its compliance with lending covenants and limits on total borrowings as stipulated under the REIT Code.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay :

	31 December 2024 Contractual undiscounted cash outflow / (inflow)					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total $'000	Carrying amount $'000
Bank and other borrowings	**1,723,008**	**2,759,613**	**827,534**	**–**	**5,310,155**	**4,817,120**
Tenants' deposits	**79,371**	**67,933**	**45,407**	**–**	**192,711**	**192,711**
Creditors and accrued charges	**44,775**	**–**	**–**	**–**	**44,775**	**44,775**
Manager's fees payable in the form of cash	**8,631**	**–**	**–**	**–**	**8,631**	**8,631**
Amounts due to related companies	**9,678**	**–**	**–**	**–**	**9,678**	**9,678**
	1,865,463	**2,827,546**	**872,941**	**–**	**5,565,950**	**5,072,915**
Derivative settled net :						
IRS and CCIRS contracts held as cash flow hedging instruments	**(11,815)**	**(8,432)**	**(451)**	**–**	**(20,698)**	

	30 June 2023 Contractual undiscounted cash outflow / (inflow)					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total $'000	Carrying amount $'000
Bank and other borrowings	929,082	710,493	4,001,309	–	5,640,884	4,871,229
Tenants' deposits	79,988	65,949	43,411	17,010	206,358	206,358
Creditors and accrued charges	44,563	–	–	–	44,563	44,563
Manager's fees payable in the form of cash	11,137	–	–	–	11,137	11,137
Amounts due to related companies	8,205	–	–	–	8,205	8,205
	1,072,975	776,442	4,044,720	17,010	5,911,147	5,141,492
Derivative settled net :						
IRS and CCIRS contracts held as cash flow hedging instruments	(20,489)	(5,707)	15,805	–	(10,391)	

22 Financial risk management and fair values of financial instruments (continued)

(c) Interest rate and currency risk

The Group's interest rate and currency risk arises from interest-bearing liabilities. Certain borrowings raised at variable interest rates expose the Group to cash flow interest rate risk, while one of the borrowings denominated in JPY exposes the Group to currency risk. The Group managed its cash flow interest rate risk and foreign currency risk by using floating-to-fixed IRSs and back-to-back JPY / HKD CCIRS. Such IRSs and CCIRS arrangements have the economic effect of converting borrowings from floating rates to fixed rates. Under the IRSs and CCIRS, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts, as well as the principal repayment of the foreign currency borrowing at a fixed exchange rate. Details regarding the IRSs and CCIRS are set out in note 12.

Sensitivity analysis

At 31 December 2024, if interest rates had been 10 basis points (30 June 2023: 10 basis points) higher / lower with all other variable held constant, the loss after taxation and before transactions with unitholders would have been approximately $3.1 million (year ended 30 June 2023 : $2.4 million) higher / lower as a result of higher / lower interest expense on floating rate borrowings; while the net assets attributable to unitholders would have been approximately $1.3 million (30 June 2023 : $1.3 million) higher / lower, mainly as a result of an increase / decrease in the fair values of the cash flow hedges as described above.

At 31 December 2024, a 5% appreciation / depreciation of JPY against HKD would increase / decrease the net assets attributable to unitholders by $0.4 million (30 June 2023 : $1.0 million) as a result of an increase / decrease in the fair values of the cash flow hedges as described above.

The sensitivity analysis above has been determined assuming that the change in interest rates and exchange rate had occurred at the end of the reporting period and had been applied to remeasure those financial instruments held by the Group. The analysis for change in interest rates and exchange rate has been performed in the same approach as in the prior year.

22 Financial risk management and fair values of financial instruments (continued)

(d) Fair values

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

At 31 December 2024 and 30 June 2023, the Group's only financial instruments carried at fair value are the IRSs and CCIRS (see note 12), which fall under Level 2 of the fair value hierarchy as defined in HKFRS 13 (see note 10(a) for fair value hierarchy).

During the 18 months ended 31 December 2024 and year ended 30 June 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of IRSs and CCIRS is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account the current interest rates, exchange rate and creditworthiness of the swap counterparties.

(ii) Fair values of financial assets and liabilities carried at other than fair value

At 31 December 2024, the carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values, except for the Group's investment in debt securities, of which its carrying amount is $73,582,000 (30 June 2023 : $80,769,000) as compared to its fair value of $72,386,000 (30 June 2023 : $74,011,000). The assessment of the credit risk of the investment in debt securities is set out in note 22(a).

(e) Estimation of fair values

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. The fair value of IRSs and CCIRS is calculated as the present value of the estimated future cash flows.

23 Capital management

The Group's primary objective is to provide its unitholders risk-adjusted, long-term capital growth through investing in a diversified portfolio of office and retail properties in Hong Kong.

The Manager aims to support Sunlight REIT's operational and acquisition growth strategies within a prudent risk management framework, by employing an efficient capital management strategy.

The Manager believes that an efficient capital management strategy will improve total returns while reducing risks for unitholders by maintaining financial flexibility to meet capital expenditure requirements. The Manager will regularly review its capital management strategy to reflect Sunlight REIT's investment opportunities, its operating and the general economic environment and the REIT Code requirements.

In accordance to clause 7.9 of the REIT Code and clause 20.4 of the Trust Deed, Sunlight REIT's aggregate borrowings shall not exceed 50 per cent of the total gross asset value of the scheme. In the event that the limit is exceeded, the unitholders and the Securities and Futures Commission (the "**SFC**") shall be informed of the magnitude of the breach, the cause of the breach, and the proposed method of rectification. In cases where there is a breach, no further borrowing is permitted and the Manager shall use its best endeavours to reduce the excess borrowings. Furthermore, the unitholders and the SFC shall be informed on a regular basis as to the progress of the rectification. At 31 December 2024, Sunlight REIT's aggregate borrowings represent 27.0% (30 June 2023 : 26.1%) of its total gross asset value.

24 Capital commitments

Capital commitments outstanding at 31 December 2024 not provided for in the consolidated financial statements are as follows :

	31 December 2024 $'000	**30 June 2023 $'000**
Contracted for	**8,184**	12,088
Authorised but not contracted for	**19,372**	7,747
	27,556	19,835

25 Significant leasing arrangements

The Group's total future minimum rental income receivables under non-cancellable operating leases are as follows :

	31 December 2024 $'000	30 June 2023 $'000
Within one year	**515,538**	542,122
After one year but within two years	**296,996**	308,624
After two years but within three years	**131,774**	142,480
After three years but within four years	**59,992**	64,069
After four years but within five years	**36,598**	58,011
After five years	**–**	99,920
	1,040,898	1,215,226

The operating leases typically run for an initial period of one to three years, with an option to renew the lease after that date at which time all terms are renegotiated.

26 Connected party transactions and material related party transactions

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group entered into the following transactions with certain connected persons and related parties, as defined under the REIT Code and HKAS 24 (Revised), *Related party disclosures*, during the period / year :

(a) Nature of relationship with connected persons / related parties

Connected person / related party	Relationship with the Group
SKFE and other members of its group (collectively referred to as "**SKFE Group**")	Substantial holders of Sunlight REIT and their associates
HLD and other members of its group (collectively referred to as "**HLD Group**")	Substantial holders of Sunlight REIT and their associates
HSBC Institutional Trust Services (Asia) Limited (the "**Trustee**")	The Trustee of Sunlight REIT
The Hongkong and Shanghai Banking Corporation Limited and other members of its group (collectively referred to as "**HSBC Group**")	Associates of the Trustee
Henderson Sunlight Asset Management Limited (the "**Manager**")	The Manager of Sunlight REIT and a member of HLD Group
Henderson Sunlight Property Management Limited (the "**Property Manager**")	The Property Manager of Sunlight REIT and a member of HLD Group

26 Connected party transactions and material related party transactions (continued)

(b) Transactions with connected persons / related parties

	18 months ended 31 December 2024 $'000	Year ended 30 June 2023 $'000
Rental and rental related income received / receivable from (note (i)) :		
– HLD Group	**16,116**	10,474
– HSBC Group	**29,202**	19,130
Property management expenses paid / payable to (note (i)) :		
– HLD Group	**(23,338)**	(14,690)
Facilities leasing and other expenses paid / payable to (notes (i) & (vi)) :		
– HLD Group	**(76)**	(13)
Manager's fees (notes (ii) & (iii))	**(135,055)**	(91,800)
Property Manager's fees (note (iv))	**(71,570)**	(44,695)
Trustee's remuneration and charges (notes (ii) & (v))	**(6,715)**	(4,709)
Interest expense, debt establishment fee and security trustee fee on bank borrowings and other charges paid / payable to (note (i)) :		
– HSBC Group	**(105,372)**	(30,354)
Net interest income on IRSs received / receivable from (note (i)) :		
– HSBC Group	**20,535**	11,334
Interest income on bank deposits received / receivable from (note (i)) :		
– HSBC Group	**1,620**	1,546
Interest income from debt securities received / receivable from (notes (i) & (vi)) :		
– HLD Group	**308**	205
Promotional income received / receivable from (note (i)) :		
– HLD Group	**5,607**	2,640
Additional consideration paid to (notes (ii) & (vii)) :		
– HLD Group	**(1,320)**	–

26 Connected party transactions and material related party transactions (continued)

(b) Transactions with connected persons / related parties (continued)

Notes :

(i) In the opinion of the Manager, these transactions were carried out on normal commercial terms and in the ordinary course of business.

(ii) All the material related party transactions as set out in this note 26 also constitute connected transactions / continuing connected transactions under the Listing Rules, other than the fees paid / payable to the Manager and the Trustee and the additional consideration paid to HLD Group (note (vii)). The disclosures as required under Chapter 14A of the Listing Rules are provided in "Connected Party Transactions" on pages 61 to 66 in this annual report.

(iii) The Manager's fees are calculated as the aggregate of a base fee not exceeding 0.4% per annum of the value of all the properties of the Group and a variable fee of 3% per annum of the Group's Net Property Income (as defined in the Trust Deed). The Manager is also entitled to receive an acquisition fee not exceeding 1% of the purchase price of acquired property. During the year ended 30 June 2023, the Manager received an acquisition fee of $1,870,000 in cash for the Group's acquisition of investment properties (see note 21).

Pursuant to the Trust Deed, the Manager is entitled to make an election for the payment of the Manager's fees, only to the extent that it is related to the Group's Properties (as defined in the Trust Deed), to be made in the form of cash and/ or units.

On 13 June 2022, the Manager made an election for the base fee and the variable fee for the financial year ended 30 June 2023 to be paid 50% in the form of cash and 50% in the form of units. On 21 June 2023, the Manager has elected to keep the split unchanged for the financial period of 12 months ended 30 June 2024. In light of the change of financial year end date from 30 June to 31 December with effect from 7 February 2024, the above election is applicable to the entire financial period of 18 months ended 31 December 2024.

(iv) Under the property management agreement entered into between the Manager and the Property Manager dated 29 November 2006 (as subsequently renewed on amended terms and conditions by six supplemental agreements) (the "**Property Management Agreement**"), the Property Manager is entitled to receive a fee not exceeding 3% per annum of the Gross Property Revenue (as defined in the Property Management Agreement).

The Property Manager is also entitled to receive a commission equivalent to :

– one month's base rent or licence fee for securing a tenancy or licence of three years or more;

– one-half month's base rent or licence fee for securing a tenancy or licence of less than three years;

– one-half month's base rent or licence fee for securing a renewal of tenancy or licence irrespective of the duration of the renewal term;

– an amount not exceeding the lower of one-half month's base rent or licence fee, or 10% (or a lower percentage as mutually agreed between the Manager and the Property Manager from time to time) of the total rent or licence fee for securing a tenancy, licence or renewal of tenancy or licence for a duration of less than 12 months; and

– one-fourth month's base rent or licence fee (as reviewed), for handling each rent or licence review during the term of a tenancy or licence provided for in the tenancy or licence agreement.

The Manager and the Property Manager may mutually agree in writing from time to time to revise the rate of the commission payable to the Property Manager for the marketing services provided that the revised rate shall not exceed the relevant rate as stated above.

In addition to the above fees, the Property Manager is also reimbursed by relevant property companies for staff costs incurred for the management of properties of the Group.

26 Connected party transactions and material related party transactions (continued)

(b) Transactions with connected persons / related parties (continued)

Notes : (continued)

(v) The Trustee's remuneration is calculated at rates ranging from 0.02% per annum to 0.03% per annum on the total assets of the Group, subject to minimum fees of $50,000 per month. In accordance with the Trust Deed, the Trustee's remuneration may be increased, without obtaining unitholders' approval subject to one month's written notice to unitholders, to a maximum of 0.06% per annum of the total assets of the Group.

The Trustee is also entitled to charge additional fees for duties undertaken by the Trustee which are of an exceptional nature or otherwise outside the scope of the Trustee's normal duties in the ordinary and normal course of business of Sunlight REIT, including but not limited to any services in relation to the acquisition of real estate by Sunlight REIT. During the year ended 30 June 2023, the Trustee received an additional fee of $200,000 for the Group's acquisition of investment properties (see note 21).

(vi) Connected party transactions exempted from the disclosure requirements under Chapter 14A of the Listing Rules as they are below the de minimis threshold pursuant to Rule 14A.76(1).

(vii) On 2 December 2006, the Group acquired certain companies from the Vendors by entering into several sale and purchase agreements (as clarified by way of letter agreements executed in 2016), which included clauses providing for additional consideration to be payable for the purchase of shares in companies having tax loss benefits, in an amount equivalent to the tax loss benefits of those companies that are utilised by the Group to offset tax liabilities which would otherwise arise. Pursuant to those agreements, the Group paid additional consideration in respect of the tax loss benefits so utilised.

(c) Balances with connected persons / related parties are as follows :

	31 December 2024 $'000	30 June 2023 $'000
HLD Group :		
– Net payable amount	**(24,346)**	(29,658)
– Debt securities issued by HLD Group	**4,616**	4,630
HSBC Group :		
– Deposits and cash placed with HSBC Group	**25,839**	15,326
– Bank borrowings and interest payable to HSBC Group	**(1,302,211)**	(1,301,947)
– Other net payable amount	**(8,435)**	(7,490)

27 Accounting estimates and judgements

The key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below.

Valuation of investment properties

In arriving at the fair value of the investment properties, the Manager has considered information from different sources, including a valuation performed by an independent firm of professional valuer after taking into consideration the net rental income allowing for reversionary income potential, and other available market survey reports.

The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to current market selling prices and the appropriate capitalisation rates.

28 Non-adjusting event after the reporting period

After the end of the reporting period, the Board of Directors of the Manager declared a final distribution. Further details are disclosed in the "Distribution Statement" of the consolidated financial statements.

29 Possible impact of amendments, new standards and interpretations issued but not yet effective for the 18 months ended 31 December 2024

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the 18 months ended 31 December 2024 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability*	1 January 2025
Amendments to HKFRS 9, *Financial instruments* and HKFRS 7, *Financial instruments : disclosures – Amendments to the classification and measurement of financial instruments*	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, *Presentation and disclosure in financial statements*	1 January 2027
HKFRS 19, *Subsidiaries without public accountability : disclosures*	1 January 2027

The Group is in the process of making an assessment of what the impact of these new or amended standards is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

(Expressed in Hong Kong dollars)

30 Principal subsidiaries

Details of the principal subsidiaries of Sunlight REIT which, in the opinion of the Manager, materially contribute to the results of the Group or hold a material portion of the assets or liabilities of the Group are as follows :

Name of subsidiary	Place of incorporation / operation	Particulars of issued share capital	% of shares held by Sunlight REIT	% of shares held by a subsidiary	Principal activity
Sunlight REIT Holding Limited	Cayman Islands	1 share of US$1	100	–	Investment holding
Bayman Limited	British Virgin Islands / Hong Kong	1 share	–	100	Property investment
Bestguard Investment Limited	Hong Kong	2 ordinary shares	–	100	Property investment
Global Team Development Limited	Hong Kong	100 ordinary shares	–	100	Property investment
Glory Hero Development Limited	Hong Kong	3,000,000 ordinary shares	–	100	Property investment
Grand Faith Development Limited	Hong Kong	10,000,000 ordinary shares and 2 non-voting deferred shares	–	100	Property investment
Jetwise Investment Limited	Hong Kong	10,000,000 ordinary shares and 10,000 non-voting deferred shares	–	100	Property investment
King Firm Enterprises Limited	Hong Kong	1 share	–	100	Property investment
Nicetex Development Limited	Hong Kong	2 ordinary shares and 2 non-voting deferred shares	–	100	Property investment
Seiren Investment Limited	Hong Kong	10,000 ordinary shares	–	100	Property investment
Sunlight Crownwill Limited	British Virgin Islands / Hong Kong	1 share	–	100	Property investment
Sunlight REIT Finance Limited	British Virgin Islands / Hong Kong	1 share	–	100	Provision of finance functions
Sunlight REIT Finance (2020) Limited	Hong Kong	1 share	–	100	Provision of finance functions
Sunlight REIT MTN Limited	British Virgin Islands / Hong Kong	1 share	–	100	Provision of finance functions
Sunlight REIT Treasury Limited	British Virgin Islands / Hong Kong	1 share	–	100	Provision of treasury functions
Tinselle Investment Limited	Hong Kong	10,000,000 ordinary shares and 10,000 non-voting deferred shares	–	100	Property investment
Victory Wave Limited	Hong Kong	1 share	–	100	Property investment

Except for Sunlight REIT MTN Limited which has issued medium term notes as detailed in note 19, no other subsidiaries has issued any debt securities.

Performance Table

(Expressed in Hong Kong dollars, unless otherwise specified)

	At 31 December 2024	At 30 June 2023	2022	2021	2020
Net asset value ($ million)	**13,010**	13,669	14,051	14,124	14,771
Net asset value per unit	**7.53**	8.06	8.36	8.45	8.89
Market capitalisation ($ million)	**3,212**	4,882	6,138	7,508	6,397

	Note	18 months ended 31 December 2024	Year ended 30 June 2023	2022	2021	2020
Highest traded unit price		**3.00**	3.85	5.07	4.65	6.35
Highest premium of the traded unit price to net asset value per unit	1	**N/A**	N/A	N/A	N/A	N/A
Lowest traded unit price		**1.48**	2.45	3.53	3.29	3.19
Highest discount of the traded unit price to net asset value per unit (%)		**80.3**	69.6	57.8	61.1	64.1
Closing unit price		**1.86**	2.88	3.65	4.49	3.85
Distribution per unit (cents)		**27.4**	22.0	25.0	25.6	26.8
Payout ratio (%)		**94.0**	97.9	97.4	97.5	95.2
Distribution yield per unit (%)	2	**9.8**	7.6	6.8	5.7	7.0

Notes :

1. The highest traded unit price is lower than the net asset value per unit at the end of each financial period / year.
2. Distribution yield per unit is calculated by dividing the distribution per unit (annualised, if applicable) by the closing unit price of the last trading date of the financial period / year.

Financial Calendar
(for the 18 months ended 31 December 2024)

First interim results	announced on 27 February 2024
First interim distribution HK 9.0 cents per unit	paid on 27 March 2024
Second interim results	announced on 13 August 2024
Second interim distribution HK 9.1 cents per unit	paid on 11 September 2024

Final results	announced on 11 March 2025
Ex-distribution date for final distribution	26 March 2025
Closure of register of unitholders for entitlement of final distribution	28 March 2025 to 1 April 2025, both days inclusive
Annual report	issued on 7 April 2025
Final distribution HK 9.3 cents per unit	to be paid on 11 April 2025
Closure of register of unitholders for entitlement to attend and vote at the annual general meeting	26 May 2025 to 29 May 2025, both days inclusive
Annual general meeting	to be held on 29 May 2025

Corporate Information

Board of Directors of the Manager

Chairman and Non-Executive Director

AU Siu Kee, Alexander

Chief Executive Officer and Executive Director

WU Shiu Kee, Keith

Non-Executive Director

KWOK Ping Ho

Independent Non-Executive Directors

KWAN Kai Cheong
TSE Kwok Sang
KWOK Tun Ho, Chester
Helen ZEE

Responsible Officers of the Manager

LO Yuk Fong, Phyllis
SHUM Chung Wah, Yulanda
WONG Chi Ming
WU Shiu Kee, Keith
YIP May Ling, Vivian

Company Secretary of the Manager

CHUNG Siu Wah

Registered Office of the Manager

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248 Queen's Road East, Wan Chai,
Hong Kong

Investor Relations

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Trustee

HSBC Institutional Trust Services (Asia) Limited

Auditor

KPMG
Certified Public Accountants and Registered Public Interest Entity Auditor

Principal Valuer

Knight Frank Petty Limited

Legal Adviser

Woo Kwan Lee & Lo

Principal Bankers

Bank of China (Hong Kong) Limited
Dah Sing Bank, Limited
DBS Bank Ltd., Hong Kong Branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Sumitomo Mitsui Banking Corporation

Unit Registrar

Tricor Investor Services Limited
17/F, Far East Finance Centre,
16 Harcourt Road,
Hong Kong

Website

www.sunlightreit.com

Sunlight Real Estate Investment Trust

Managed by Henderson Sunlight Asset Management Limited

www.sunlightreit.com