



SUNLIGHT REIT

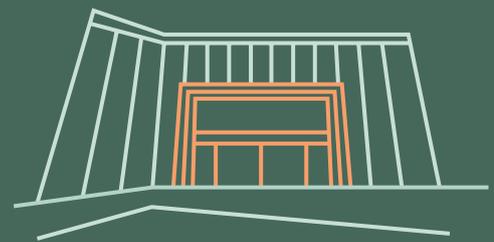
陽光房地產基金

Stock Code 股份代號 : 435

2023/24

Interim Report

中期報告



Sunlight REIT

Listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 21 December 2006, Sunlight Real Estate Investment Trust (“**Sunlight REIT**”) (stock code: 435) 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**”). It 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. and an aggregate appraised value of HK\$18,480.6 million at 31 December 2023. The office properties are located in both core and decentralized business areas, while the retail properties are situated in regional transportation hubs, new towns and urban areas with high population density.

Sunlight REIT is managed by Henderson Sunlight Asset Management Limited (the “**Manager**”) which is an indirect wholly-owned subsidiary of Henderson Land Development Company Limited (“**HLD**”). 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 its unitholders.

Performance Highlights

Appraised property value

(HK\$' million)

18,481

31 December 2023

18,512

30 June 2023

Net property income

(HK\$' million)

323.2

Six months ended 31 December 2023

307.6

Six months ended 31 December 2022

Net asset value per unit

(HK\$)

7.95

31 December 2023

8.06

30 June 2023

Revenue

(HK\$' million)

419.2

Six months ended 31 December 2023

388.5

Six months ended 31 December 2022

Distribution per unit

(HK cents)

9.0

Six months ended 31 December 2023

11.0

Six months ended 31 December 2022

Gearing

(%)

26.3

31 December 2023

26.1

30 June 2023

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Forward-looking Statements

This interim 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 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.

Market and Operation Review

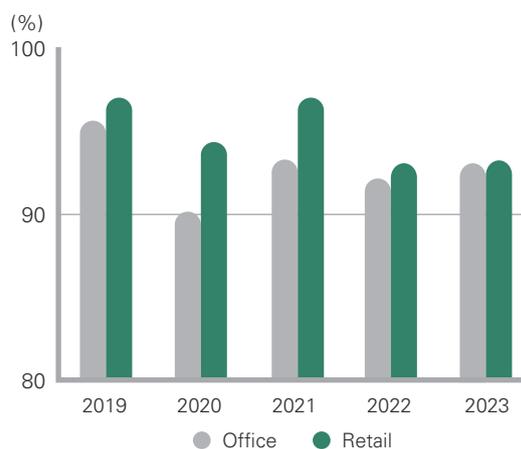
Despite the full resumption of normal travel and a series of fiscal stimulus implemented throughout the whole of 2023, Hong Kong's post-COVID road to recovery has been bumpy, with market sentiment and liquidity being hampered by the continued upsurge in US and local interest rates as well as uncertainties surrounding the Chinese economy. While Hong Kong's retail sales rose 11.9% year on year for the six months ended 31 December 2023 (the "**Reporting Period**"), visitor arrivals to Hong Kong in 2023 as a whole was still approximately 40% below the pre-COVID level achieved in 2019.

Meanwhile, the office market has shown a mild improvement with positive net absorption for the Reporting Period. However, according to the statistics provided by CBRE Limited, vacancy rate of Grade A office buildings further rose to 16.4% at 31 December 2023, indicating the bigger impact from new office supply coming on stream in the past year.

Sunlight REIT registered a 5.1% growth in net property income ("**NPI**") to HK\$323.2 million for the Reporting Period. The overall occupancy rate of its portfolio at 31 December 2023 was 93.1%, largely unchanged from six months ago.

Occupancy rate¹

(at 31 December)



For the Reporting Period, the office and retail portfolios registered rental reversions of 3.3% and 0.8% respectively, giving rise to an overall rental reversion of 1.5%. At 31 December 2023, passing rent of the office portfolio was HK\$34.3 per sq. ft., down 0.9%, while that of the retail portfolio increased 1.1% from six months ago to HK\$66.3 per sq. ft..

Expiry profile by GRA

(at 31 December 2023)

	Jan - Jun 2024
Dah Sing Financial Centre	24.0%
Sheung Shui Centre Shopping Arcade	14.3%
Metro City Phase I Property	15.5%
Office portfolio	23.7%
Retail portfolio	16.2%

Passing rent¹ (at 31 December)



Dah Sing Financial Centre (“**DSFC**”) saw a steady improvement in occupancy, reflecting a gradual pick-up in new letting activities supported by stronger motivation of corporate tenants to relocate or expand. On the Kowloon side, occupancy rates of Righteous Centre and The Harvest were 97.5% and 100% respectively, demonstrating the resilience of the Mong Kok district as a convenient transportation hub for service-related business. In contrast, the operating performance of Sheung Wan/Central portfolio was somewhat dampened by the cautious sentiment of small-to-medium sized enterprises.

Tenant mix²

(at 31 December 2023)

	Sheung Shui Centre Shopping Arcade	Metro City Phase I Property
Food and beverage	26.1%	31.2%
Financial	16.4%	8.5%
Fashion and jewellery	13.7%	6.8%
Healthcare and beauty	14.4%	15.0%
Education	2.9%	12.6%
Supermarket and foodstuff	11.1%	9.9%
Lifestyle	2.6%	6.0%
Others	3.5%	4.7%
Vacant	9.3%	5.3%

Notes :

- West 9 Zone Kids has been included in Sunlight REIT’s portfolio with effect from 13 April 2023.
- As a percentage of total GRA of the relevant property.

On the retail front, Sheung Shui Centre Shopping Arcade recorded a rental reversion of 4.8% but a lower occupancy rate of 90.7% as compared to six months ago, mainly due to an early lease surrender from a kindergarten tenant which occupied 7.5% of its GRA. Meanwhile, with the completion of its phase one renovation, the occupancy rate of Metro City Phase I Property rebounded to 94.7%, while its rental reversion came in at 4.1%. In respect of the smaller retail properties, Kwong Wah Plaza Property was fully let at 31 December 2023, whereas the newly acquired West 9 Zone Kids (“**W9Z**”) was still undergoing a transition of tenant replacement as its occupancy rate stayed at 84.7%.

Tenants

Sunlight REIT had a total of 875 tenancies at 31 December 2023, of which office and retail tenants numbered 523 and 352 respectively. The largest tenant accounted for 7.3% of total revenue for the Reporting Period and occupied 7.3% of total GRA at 31 December 2023, while the corresponding figures for the top five tenants were 16.9% and 15.3%.

Financial Review

Financial highlights

(in HK\$' million, unless otherwise specified)

	Six months ended 31 December 2023	Six months ended 31 December 2022	Change (%)
Revenue	419.2	388.5	7.9
Property operating expenses	96.1	80.9	18.6
Net property income	323.2	307.6	5.1
Cost-to-income ratio (%)	22.9	20.8	N/A
Profit / (loss) after taxation	79.7	(274.4)	N/A
Distributable income	162.3	198.2	(18.1)
Distribution per unit (HK cents)	9.0	11.0	(18.2)
Payout ratio (%)	94.4	93.7	N/A

	At 31 December 2023	At 30 June 2023	Change (%)
Portfolio valuation	18,480.6	18,512.2	(0.2)
Gross assets	19,083.4	19,217.9	(0.7)
Gross liabilities	5,538.8	5,548.7	(0.2)
Net asset value	13,544.6	13,669.2	(0.9)
Net asset value per unit (HK\$)	7.95	8.06	(1.4)
Gearing ratio (%)	26.3	26.1	N/A

Operating results

Sunlight REIT recorded a 7.9% year-on-year increase in revenue to HK\$419.2 million for the Reporting Period, mainly attributable to a full six-month contribution from W9Z. Property operating expenses rose 18.6% to HK\$96.1 million (or 10.4% if stripping out the operating costs relating to W9Z), principally reflecting higher rental commission and lower COVID-related fiscal concessions. As a result, NPI grew 5.1% to HK\$323.2 million, implying a cost-to-income ratio of 22.9%.

Given a higher interest rate environment and the additional borrowings for financing the acquisition of W9Z, finance costs surged 107.1% from HK\$55.3 million to HK\$114.5 million.

Taking into account the decrease in fair value of investment properties of HK\$53.0 million, a profit after taxation of HK\$79.7 million was reported, compared to a loss after taxation of HK\$274.4 million for the corresponding period a year earlier.

Distribution

Reflecting the sharp increase in interest expense to HK\$111.3 million (six months ended 31 December 2022 : HK\$58.6 million), distributable income was down 18.1% year on year to HK\$162.3 million. The Board has resolved to declare an interim distribution per unit (“**DPU**”) of HK 9.0 cents, representing a payout ratio of 94.4% and an annualized distribution yield of 8.3% based on the closing price of HK\$2.18 on the last trading day of the Reporting Period.

Interim DPU at a glance



Financial position

The appraised value of Sunlight REIT’s portfolio was HK\$18,480.6 million at 31 December 2023. Gross assets and net assets were HK\$19,083.4 million and HK\$13,544.6 million respectively, translating to a net asset value of HK\$7.95 per unit.

At 31 December 2023, the gearing ratio of Sunlight REIT (defined as total borrowings as a percentage of gross assets) was 26.3%, while the percentage of gross liabilities to gross assets was 29.0%.

The EBITDA^{Note} of Sunlight REIT increased 4.4% year on year to HK\$275.3 million. In light

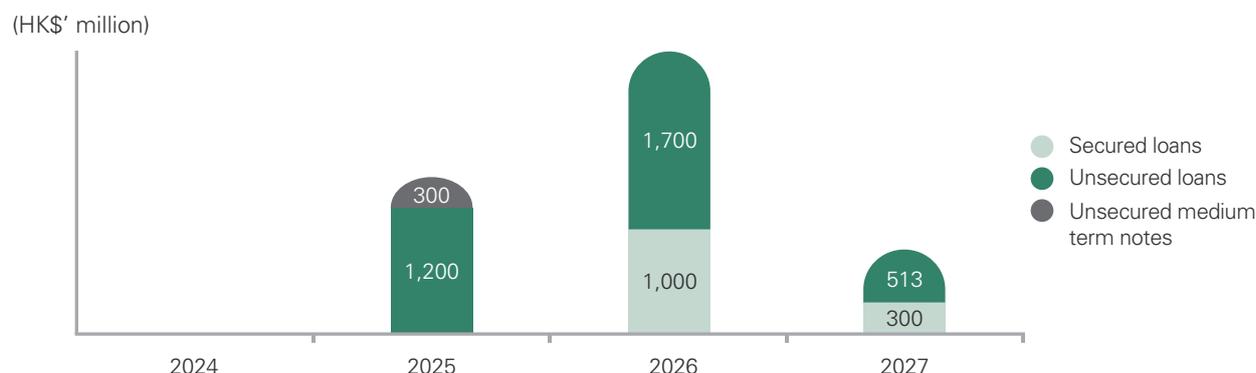
of a significant increase in interest expense, however, interest coverage ratio was 2.5 times as compared with 4.5 times recorded for the same period in the preceding year.

Capital and interest rate management

At 31 December 2023, Sunlight REIT had total borrowings of HK\$5,013 million (30 June 2023 : HK\$5,020 million), comprising secured loans of HK\$1,300 million and unsecured borrowings of HK\$3,713 million, with a weighted debt maturity period of 2.4 years. The percentage of sustainability-linked loans to total borrowings was approximately 84%.

Maturity profile of total borrowings

(at 31 December 2023)



Note : EBITDA represents net earnings before change in fair value of investment properties, interest expense, taxation, depreciation and amortization.

Financial Review

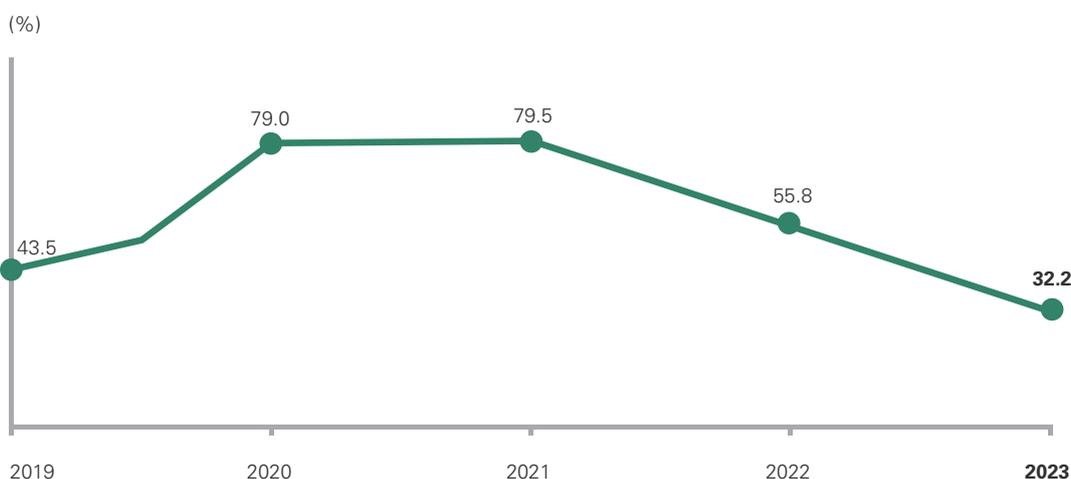
With the natural expiry of certain interest rate swaps (“**IRSs**”) during the Reporting Period, the proportion of Sunlight REIT’s fixed rate borrowings at 31 December 2023 decreased to approximately 32% (30 June 2023 : 42%). The weighted average interest rate for the fixed rate borrowings was 2.40% per annum, while the floating rate portion of the borrowings carried a blended interest margin of 0.81% per annum over Hong Kong Interbank Offered Rate. The weighted

average funding cost for the Reporting Period was 4.40%, compared to 2.64% recorded in the corresponding period a year ago.

Subsequent to the end of the Reporting Period, the Manager executed certain IRSs with an aggregate notional amount of HK\$500 million. Accordingly, the fixed rate borrowings increased to 42% at the end of February 2024.

Fixed rate borrowings as a % of total borrowings

(at 31 December)



Liquidity management and currency exposure

The Manager is permitted to place funds as bank deposits and to invest in Relevant Investments¹, with an overall maturity profile compatible with projected funding requirements. At 31 December 2023, Sunlight REIT had total cash and bank balances of HK\$413.6 million and maintained a portfolio of Relevant Investments with an aggregate book value of HK\$74.1 million². 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 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 capital expenditure requirements.

Sunlight REIT has exposure to United States 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. As defined in paragraph 7.2B of the Code on Real Estate Investment Trusts.
2. After deducting a provision for credit losses of HK\$6.3 million made in the Reporting Period.

Outlook

While US economic data are giving mixed signals to the direction of interest rates, the view that the tight monetary stance of the US Federal Reserve (the “**Fed**”) should have run its course is apparently gaining ground. There is a likelihood that Hong Kong interest rates would echo the Fed’s pivot and gradually ease in the next six to twelve months. In the meantime, the extension of “Individual Visit Scheme” to additional cities in China, together with the prospect of a spate of stimulative measures in the Hong Kong 2024-25 Budget, should combine to improve investment and consumer sentiment in the territory.

As office leasing activities in Hong Kong have seen a glimmer of hope lately with a decent pick-up in the volume of transactions, the prospect of positive rental reversion is still slim. Corporate expansion continues to tread along a prudent path, being eclipsed by the growing popularity of hybrid workplace and the sustainably high vacancy rate of Grade A offices. In contrast, service-trade driven office properties in strategic locations should continue to outperform. In sum, the performance of Sunlight REIT’s office portfolio is expected to reflect the evolving trends, with DSFC likely to be the key swing factor in terms of income performance.

There has been a growing concern recently that Hong Kong’s appeal to Mainland shoppers is waning as cross-border spending in Shenzhen is stealing the limelight. The Manager will be more vigilant in monitoring such dynamics and optimize the tenant mix and profile of Sunlight REIT’s retail portfolio from time to time. Further, based on the current leasing progress, we remain guardedly optimistic about the near-term prospects for our shopping destinations in Sheung Shui, Tseung Kwan O and Yuen Long. In the case of W9Z, we are hopeful that its occupancy will gradually pick up to a more satisfactory level in the ensuing months.

While the operational deliverables of Sunlight REIT have become more stable in the aftermath of the pandemic, the burden of sharply higher interest expense is poised to remain an adverse feature which would put pressure on distributable income. The Manager has already conducted certain measures to mitigate this risk factor, which include raising the fixed rate exposure of Sunlight REIT to 42% at the end of February 2024 (versus 32% at 31 December 2023). In the meantime, substantial resources will continue to be devoted to asset recycling as we strive to create value for unitholders amid a still challenging economic environment.

Portfolio Statistics

Property	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
Righteous Centre	Mong Kok	41,004	10,763	51,767	0
The Harvest	Mong Kok	23,024	11,627	34,651	0
Winsome House Property	Central	37,937	2,177	40,114	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	Tseung Kwan O	0	188,889	188,889	452
Kwong Wah Plaza Property	Yuen Long	42,670	25,741	68,411	0
Urban					
West 9 Zone Kids ³	Tai Kok Tsui	0	58,836	58,836	17
Supernova Stand Property	North Point	0	4,226	4,226	0
Beverly Commercial Centre Property	Tsim Sha Tsui	0	7,934	7,934	0
Sub-total / Average		42,670	407,965	450,635	766
Total / Average		830,605	464,653	1,295,258	812

Notes :

1. Passing rent is calculated on the basis of average rent per sq. ft. for occupied GRA on the relevant date.
2. Valuation was conducted by CBRE Limited, the principal valuer of Sunlight REIT.
3. The property was acquired on 13 April 2023 for a consideration of HK\$748 million (before adjustments).
4. Rental reversion is calculated on the basis of change in effective rent of the leases renewed and commenced during the relevant period.

Management Discussion and Analysis

Occupancy rate (%)		Passing rent ¹ (HK\$/sq. ft.)		Rental and car park income (HK\$ '000)		Appraised value ² (HK\$ '000)
at 31 Dec 2023	at 30 Jun 2023	at 31 Dec 2023	at 30 Jun 2023	six months ended 31 Dec 2023	six months ended 31 Dec 2022	at 31 Dec 2023
91.9	90.4	40.9	41.8	82,139	86,285	4,950,000
90.5	94.4	31.2	31.0	19,457	21,146	1,238,800
94.5	100.0	26.8	26.6	9,610	9,788	545,700
97.5	97.4	35.8	35.2	10,942	10,226	532,000
100.0	95.7	40.7	41.2	7,932	6,905	524,000
88.6	83.0	37.7	38.8	7,999	8,018	522,000
92.1	96.7	19.9	19.7	5,673	5,882	346,800
97.2	100.0	23.3	24.7	5,384	5,399	262,100
98.0	100.0	28.3	27.9	4,472	4,446	234,600
98.5	91.0	21.8	22.0	3,226	3,272	163,800
91.7	91.7	17.0	16.9	1,519	1,592	78,100
93.1	93.1	34.3	34.6	158,353	162,959	9,397,900
90.7	97.6	103.6	96.0	76,461	73,820	3,850,000
94.7	92.2	54.1	53.8	66,786	65,053	3,110,000
100.0	95.4	54.5	54.6	21,136	20,558	1,143,000
84.7	85.7	50.4	55.7	18,035	N/A	828,000
100.0	100.0	57.3	57.3	1,479	1,421	76,100
100.0	100.0	31.1	29.8	1,424	1,295	75,600
93.2	93.5	66.3	65.6	185,321	162,147	9,082,700
93.1	93.3	45.5	45.4	343,674	325,106	18,480,600

	No. of leases		Rental reversion ⁴ (%)		Capitalization rate (%)
	at 31 Dec 2023	at 30 Jun 2023	six months ended 31 Dec 2023	six months ended 30 Jun 2023	at 31 Dec 2023
Office	523	530	3.3	2.5	3.65 - 3.95
Retail	352	345	0.8	0.7	3.40 - 4.35
Total / Average	875	875	1.5	1.3	

Corporate Governance

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.

Structure of Sunlight REIT

Sunlight REIT is a collective investment scheme authorized by the SFC under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”) and regulated by the provisions of the Code on Real Estate Investment Trusts (the “**REIT Code**”). The Manager is licensed under Part V of the SFO and approved by the SFC to manage Sunlight REIT.

The trustee of Sunlight REIT (the “**Trustee**”) is registered under Part VIII of the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong), and is qualified under the REIT Code to act as a trustee for collective investment schemes authorized under the SFO.

Board of the Manager and Directors’ information

The Board is responsible for the overall management and corporate governance of the Manager. It currently has seven directors (“**Directors**”), including one Executive Director (“**ED**”) (who is also the Chief Executive Officer (the “**CEO**”), two Non-Executive Directors (“**NEDs**”) (including the chairman of the Board (the “**Chairman**”) and four Independent Non-Executive Directors (“**INEDs**”). The roles of the Chairman and the CEO are separate and performed by two different individuals. The Board has established four Board committees with clear terms of reference, each of which is 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.

Subsequent to the publication of the last annual report, the Manager has not been notified of any change in Directors’ information.

Conflicts of interest and business competition

The Manager and Henderson Sunlight Property Management Limited (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.

To ensure that conflicts of interest relating to Sunlight REIT are properly managed, various control measures have been adopted, 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 Rules Governing the Listing of Securities on the Stock Exchange (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, so that any situations of actual, potential or perceived conflicts of interest of employees are reported and monitored;
5. a Director 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.

The Manager 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.

Compliance with the Compliance Manual and the Corporate Governance Code

The Manager has adopted a compliance manual (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.

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 in Appendix C1 of the Listing Rules.

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.

Buy-back, sale or redemption of units

Pursuant to the general mandate to buy back units granted by unitholders, the Manager bought back a total of 1,000,000 units on behalf of Sunlight REIT on the Stock Exchange in November 2023 for an aggregate consideration of approximately HK\$2 million (excluding buy-back expenses). All the units bought back were cancelled prior to the end of the Reporting Period; and the highest and the lowest price paid per unit for such buy-backs were HK\$2.05 and HK\$2.02 respectively.

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.

New units issued

Except for an aggregate of 8,649,800 new units issued to the Manager as payment of part of the Manager’s fees, there were no other new units issued during the Reporting Period.

Corporate Governance

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 2023 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	11,457	0.060	N/A
COGARD 5.4 05/27/25 Country Garden Holdings Company Limited	Singapore Exchange	USD	14,452	1,122	0.006	N/A
COGARD 3 1/8 10/22/25 Country Garden Holdings Company Limited	Singapore Exchange	USD	10,115	884	0.005	Moody's C
GEELZ 3 03/05/25 Geely Finance (Hong Kong) Limited	Singapore Exchange	USD	15,373	15,127	0.080	S&P BBB-
PANVA 4 04/26/27 TCCL (Finance) Limited	Stock Exchange	USD	4,623	4,495	0.024	S&P BBB+ Moody's Baa1
PCPDC 5 1/8 06/18/26 PCPD Capital Limited	Singapore Exchange	USD	11,639	9,326	0.049	N/A
ZHONAN 3 1/8 07/16/25 ZhongAn Online P & C Insurance Co., Ltd.	Stock Exchange	USD	28,743	26,766	0.141	Moody's Baa2
Total			96,617⁴	69,177	0.365	

At 31 December 2023, 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 2023.
3. Gross asset value refers to the total assets after adjusted for the interim distribution declared. Total assets and the interim distribution are stated on page 22 and page 25 respectively.
4. A provision for credit losses of HK\$6.3 million was made in the Reporting Period.

Change of financial year end date and amendments to the Trust Deed

On 5 December 2023, the Manager announced that the financial year end date of Sunlight REIT will be changed from 30 June to 31 December (“**Change of Financial Year End Date**”). The change reflects the fact that Sunlight REIT has become an associate of HLD with effect from 30 June 2023 and its financial results shall be disclosed as a listed associate in HLD’s consolidated financial statements. Given the difference in financial year end dates of HLD and Sunlight REIT, being 31 December and 30 June respectively, certain information of Sunlight REIT may be prematurely disclosed in HLD’s interim results announcements and ahead of the publication of the final results of Sunlight REIT. For the sake of good corporate governance, the Manager considers that the Change of Financial Year End Date is necessary and appropriate and in the interests of Sunlight REIT and its unitholders as a whole.

On 7 February 2024, the Manager and the Trustee made necessary amendments to the Trust Deed to effect the Change of Financial Year End Date. Accordingly, the financial year end date of Sunlight REIT has been changed from 30 June to 31 December with effect from the same date.

In addition to this interim report, Sunlight REIT will publish a second interim report in respect of the period from 1 July 2023 to 30 June 2024, while the next annual report of Sunlight REIT will cover a period of 18 months from 1 July 2023 to 31 December 2024.

Please refer to the announcements of Sunlight REIT dated 5 December 2023 and 7 February 2024 for further details.

Public float

Based on information that is publicly available and as far as the Manager is aware, not less than 25% of the outstanding units in issue of Sunlight REIT were held in public hands on 27 February 2024, being the date of the interim results announcement.

Distribution entitlement and closure of register of unitholders

The ex-distribution date and record date for the interim distribution are Wednesday, 13 March 2024 and Tuesday, 19 March 2024 respectively. The register of unitholders will be closed from Friday, 15 March 2024 to Tuesday, 19 March 2024, both days inclusive, during which period no transfer of units will be effected. In order to qualify for the interim 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, 14 March 2024. Payment of the interim distribution will be made to unitholders on Wednesday, 27 March 2024.

Review of interim report

This interim report has been reviewed by the audit committee and the disclosures committee of the Manager in accordance with their respective terms of reference. The condensed interim financial statements have also been reviewed by the auditor of Sunlight REIT, KPMG, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants.

Employees

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

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 20.6% of units in issue of Sunlight REIT. 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, exclude 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 by or on behalf of Sunlight REIT with members of the HLD Related Group, for a term of 3 years from 1 July 2021 to 30 June 2024 :

- (i) master leasing agreement to govern all leasing and licensing transactions made with members of the HLD Related Group in respect of premises owned by the Sunlight REIT Group (the “**Master Leasing Agreement**”);
- (ii) joint effort carparking agreement in respect of sharing of fees and costs among the owners of Metro City Phases I, II and III relating to free parking provided to customers thereof (the “**Joint Effort Carparking Agreement**”);
- (iii) renewed property management agreement to extend the term of appointment of the Property Manager under the Property Management Agreement (such term as defined in the announcement of Sunlight REIT dated 31 March 2021) (the “**Renewed Property Management Agreement**”); and
- (iv) master services agreement to govern all service transactions related to the management and operation of properties of the Sunlight REIT Group to be provided by the HLD Related Group (the “**Master Services Agreement**”).

In addition, transactions with the DMC managers (which are members of the HLD Group) 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 (the “**Connected Deeds of Mutual Covenant**”) constitute continuing connected party transactions of Sunlight REIT under the REIT Code.

The income and expenses of Sunlight REIT derived from the transactions under the aforementioned agreements during the Reporting Period are summarized below :

Continuing Connected Party Transactions	Income/(Expenses) for the Reporting Period¹ (HK\$'000)
Leasing transactions under the Master Leasing Agreement	5,329
Joint effort carparking arrangement under the Joint Effort Carparking Agreement	1,925
Property management :	
i) Transactions under the Renewed Property Management Agreement	(24,003)
ii) Service transactions under the Master Services Agreement	–
iii) Transactions under the Connected Deeds of Mutual Covenant	(7,345)

Further information about the abovementioned agreements can be found in the announcement and circular of Sunlight REIT dated 31 March 2021 and 9 April 2021 respectively.

Connected party transactions with the Trustee Connected Persons

Sunlight REIT has certain connected party transactions with the Trustee and Trustee related connected persons of Sunlight REIT (including without limitation, the HSBC Group² (collectively, the “**Trustee Connected Persons**”) during the Reporting Period, which include ordinary banking and financial services provided by the HSBC Group (such as interest income on bank deposits, interest expense and security trustee fee on bank borrowings, net interest income on IRSs and other bank charges) for which HK\$27.3 million has been paid or is payable by Sunlight REIT, and leasing or licensing of premises owned by the Sunlight REIT Group for which HK\$9.6 million has been received or to be received by Sunlight REIT.

Notes :

- All of them were within the respective annual caps for the 12 months ending 30 June 2024.
- 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).

Connected Party Transactions

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\$46.2 million and HK\$2.3 million respectively. Particulars of the services provided by the Manager and the Trustee are set out in notes 23(b)(iii) and (v) to the condensed interim financial statements.

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 2023 and 30 June 2023, 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 :

Name	At 31 December 2023		At 30 June 2023	
	Number of units interested	% of interest in units ¹	Number of units interested	% of interest in units ¹
The Manager ²	205,753,327	12.084	195,103,527	11.510
Au Siu Kee, Alexander ³	2,300,000	0.135	2,300,000	0.136
Wu Shiu Kee, Keith ⁴	930,000	0.055	930,000	0.055
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 1,702,684,957 units at 31 December 2023 and 1,695,035,157 units at 30 June 2023 (as the case may be).
2. During the Reporting Period, the Manager received 8,649,800 units as payment of part of the Manager’s fees, and acquired 2,000,000 units in the open market. Subsequent to the Reporting Period, the Manager further acquired 1,000,000 units in the open market and beneficially owned 206,753,327 units at the date of the interim results announcement.
3. Mr. Au Siu Kee, Alexander is the Chairman and 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 2023.

Disclosure of Interests

Holdings of substantial unitholders

At 31 December 2023 and 30 June 2023, the interests in units of the substantial unitholders (other than the Manager), as recorded in the Register, were as follows :

Name	At 31 December 2023		At 30 June 2023	
	Number of units interested	% of interest in units ¹	Number of units interested	% of interest in units ¹
Lee Shau Kee ²	713,088,552	41.88	713,088,552	42.07
Lee Financial (Cayman) Limited ²	374,072,708	21.97	374,072,708	22.07
Leesons (Cayman) Limited ²	374,072,708	21.97	374,072,708	22.07
Leeworld (Cayman) Limited ²	374,072,708	21.97	374,072,708	22.07
Shau Kee Financial Enterprises Limited ²	374,072,708	21.97	374,072,708	22.07
Uplite Limited ²	224,443,625	13.18	224,443,625	13.24
Wintrade Limited ²	149,629,083	8.79	149,629,083	8.83
Henderson Development Limited ²	339,015,844	19.91	339,015,844	20.00
HLD ²	339,015,844	19.91	339,015,844	20.00
Hopkins (Cayman) Limited ²	339,015,844	19.91	339,015,844	20.00
Riddick (Cayman) Limited ²	339,015,844	19.91	339,015,844	20.00
Rimmer (Cayman) Limited ²	339,015,844	19.91	339,015,844	20.00
Silchester International Investors LLP ³	185,283,150	10.88	185,283,150	10.93
Silchester International Investors International Value Equity Trust ³	93,459,690	5.49	93,459,690	5.51

Notes :

- The percentages are based on the total number of units in issue of 1,702,684,957 units at 31 December 2023 and 1,695,035,157 units at 30 June 2023 (as the case may be).
- At 31 December 2023, 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 as the trustee of a unit trust, the units of which are held by Leesons (Cayman) Limited and Leeworld (Cayman) Limited as the respective trustees of two discretionary trusts. Therefore, each of Lee Financial (Cayman) Limited, Leesons (Cayman) Limited and Leeworld (Cayman) Limited was taken to be interested in the total of 374,072,708 units (representing approximately 21.97% of the total number of units in issue) owned by Uplite Limited and Wintrade Limited.

Apart from the above, at 31 December 2023, 76,533,345 units were owned by Cobase Limited, 67,378,972 units were owned by Richful Resources Limited and 205,753,327 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 349,665,644 units (representing approximately 20.54% of the total number of units in issue) at 31 December 2023. Whereas in the Register, each of HD, HLD, Hopkins, Riddick and Rimmer was respectively recorded as having an interest in 339,015,844 units at 31 December 2023, as no notifiable interest arose on their parts subsequent to their last disclosure of interest notifications to the Stock Exchange.

Notes : (continued)

At 31 December 2023, 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 Chau Kee was taken to be interested in the total of 723,738,352 units (representing approximately 42.51% of the total number of units in issue). Whereas in the Register, Dr. Lee Chau Kee was recorded as having an interest in 713,088,552 units at 31 December 2023, as no notifiable interest arose on his part subsequent to his last disclosure of interest notification to the Stock Exchange.

- At 31 December 2023, 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 93,459,690 units. The Manager has subsequently been notified informally that at 31 December 2023, (i) Silchester LLP was interested in 182,454,000 units (representing approximately 10.72% of the total number of units in issue); and (ii) Silchester Trust was beneficially interested in 86,232,000 units (representing approximately 5.06% of the total number of units in issue), and such interest has been included as part of the interests (reported above) of Silchester LLP.

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 30 June 2023.

Holdings of other connected persons

Save as disclosed above and as far as the Manager is aware, the holding of units of other connected persons of Sunlight REIT at 31 December 2023 was 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	683,000	0.040

Notes :

- The percentages are based on the total number of units in issue of 1,702,684,957 units at 31 December 2023.
- Ms. Lo Yuk Fong, Phyllis is a connected person of Sunlight REIT by virtue of being a director of certain subsidiaries of Sunlight REIT (30 June 2023 : 100,000 units).
- Certain associates (as defined in the REIT Code) of the Trustee were beneficially interested in 683,000 units at 31 December 2023 (30 June 2023 : 676,000 units).

Consolidated Statement of Profit or Loss

for the six months ended 31 December 2023 - unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 31 December	
		2023 \$'000	2022 \$'000
Revenue	4 & 5	419,213	388,520
Property operating expenses	4 & 6	(96,057)	(80,962)
Net property income		323,156	307,558
Other net income	7	5,883	8,377
Administrative expenses		(54,061)	(52,307)
Net decrease in fair value of investment properties	11(a)	(52,972)	(448,408)
Profit / (loss) from operations		222,006	(184,780)
Finance costs on interest-bearing liabilities	8(a)	(114,547)	(55,318)
Profit / (loss) before taxation and transactions with unitholders	8	107,459	(240,098)
Income tax	9	(27,731)	(34,276)
Profit / (loss) after taxation and before transactions with unitholders		79,728	(274,374)

The notes on pages 28 to 49 form part of these condensed interim financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 31 December 2023 - unaudited
(Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2023 \$'000	2022 \$'000
Profit / (loss) after taxation and before transactions with unitholders	79,728	(274,374)
Other comprehensive income for the period		
<i>Items that have been reclassified / may be reclassified subsequently to profit or loss :</i>		
– Effective portion of changes in fair value of cash flow hedges recognised during the period	(29,456)	33,734
– Net reclassification adjustments for amounts transferred to profit or loss in respect of :		
– finance costs on interest-bearing liabilities	882	(4,878)
– unrealised exchange difference on foreign currency borrowing	(7,581)	(11,606)
– unwinding of swaps	(2,796)	(2,796)
– deferred tax charged to other comprehensive income	–	(198)
	(38,951)	14,256
Total comprehensive income / (loss) for the period	40,777	(260,118)

The notes on pages 28 to 49 form part of these condensed interim financial statements.

Consolidated Statement of Financial Position

at 31 December 2023

(Expressed in Hong Kong dollars)

	Note	31 December 2023 (Unaudited) \$'000	30 June 2023 (Audited) \$'000
Non-current assets			
Fixed assets			
– Investment properties	11	18,480,600	18,512,200
– Other fixed assets		763	1,115
		18,481,363	18,513,315
Deferred tax assets		374	358
Derivative financial instruments	13	1,262	9,234
Reimbursement rights	12	37,436	37,436
Other financial assets	14	74,085	80,769
Other non-current assets	15	167	12,430
		18,594,687	18,653,542
Current assets			
Trade and other receivables	16	57,663	53,254
Derivative financial instruments	13	17,452	25,816
Cash and bank balances	17	413,643	485,242
Tax recoverable		3	8
		488,761	564,320
Total assets		19,083,448	19,217,862
Current liabilities			
Tenants' deposits		(209,510)	(206,358)
Rent receipts in advance		(11,610)	(15,765)
Trade and other payables	18	(82,299)	(75,434)
Bank and other borrowings	19	–	(707,000)
Derivative financial instruments	13	(8,493)	(8,829)
Tax payable		(25,237)	(58,635)
		(337,149)	(1,072,021)
Net current assets / (liabilities)		151,612	(507,701)
Total assets less current liabilities		18,746,299	18,145,841

Consolidated Statement of Financial Position (continued)

at 31 December 2023

(Expressed in Hong Kong dollars)

	Note	31 December 2023 (Unaudited) \$'000	30 June 2023 (Audited) \$'000
Non-current liabilities, excluding net assets attributable to unitholders			
Bank and other borrowings	19	(4,873,030)	(4,164,229)
Deferred tax liabilities		(244,475)	(241,557)
Derivative financial instruments	13	(84,242)	(70,851)
		(5,201,747)	(4,476,637)
Total liabilities, excluding net assets attributable to unitholders			
		(5,538,896)	(5,548,658)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS			
		13,544,552	13,669,204
Number of units in issue			
	20	1,702,684,957	1,695,035,157
Net asset value attributable to unitholders per unit			
		\$7.95	\$8.06

The notes on pages 28 to 49 form part of these condensed interim financial statements.

Consolidated Statement of Changes in Net Assets Attributable to Unitholders

for the six months ended 31 December 2023 - unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 31 December	
		2023 \$'000	2022 \$'000
At the beginning of the period		13,669,204	14,051,419
Profit / (loss) after taxation and before transactions with unitholders		79,728	(274,374)
Other comprehensive (loss) / income		(38,951)	14,256
Total comprehensive income / (loss) for the period		40,777	(260,118)
Distribution paid to unitholders		(186,454)	(215,259)
Issuance of units to the Manager	20	23,069	22,775
Units bought back	20	(2,035)	–
Units buy-back expenses	20	(9)	–
		(165,429)	(192,484)
At the end of the period		13,544,552	13,598,817

The notes on pages 28 to 49 form part of these condensed interim financial statements.

Distribution Statement

for the six months ended 31 December 2023 - unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 31 December	
		2023 \$'000	2022 \$'000
Profit / (loss) after taxation and before transactions with unitholders		79,728	(274,374)
Adjustments (note (i)) :			
– Net decrease in fair value of investment properties	11(a)	52,972	448,408
– Manager's fees paid or payable in the form of units		23,091	22,486
– Interest rate swaps – cash flow hedges	8(a)	818	(5,348)
– Non-cash finance costs on interest-bearing liabilities		2,448	2,042
– Deferred tax	9	2,902	4,979
– Depreciation		351	12
		82,582	472,579
Distributable income (note (i))		162,310	198,205
Interim distribution (note (ii))		153,242	185,712
Payout ratio		94.4%	93.7%
Distribution per unit (note (ii))		9.0 cents	11.0 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, 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.

In arriving at the amount available for distribution for the current period, adjustments have been made, among others, to add back the finance costs relating to amortisation of debt establishment fees for bank and other borrowings and discount on issuance of medium term notes of \$2,448,000, or 0.14 cent per unit (financial year 2022/23 : \$2,042,000, or 0.12 cent per unit) (which is an effective return of capital), and to eliminate the effect of increase / decrease in fair value of investment properties.

Distribution Statement (continued)

for the six months ended 31 December 2023 - unaudited
(Expressed in Hong Kong dollars)

Notes* : (continued)

- (ii) The interim distribution of \$153,242,000 for the six months ended 31 December 2023 (the “**Interim Distribution**”) (financial year 2022/23 : \$185,712,000) is calculated by multiplying the interim distribution per unit of 9.0 cents by 1,702,684,957 units** anticipated to be in issue at 19 March 2024, the record date for the Interim Distribution (the “**Record Date**”) (financial year 2022/23 : 11.0 cents by 1,688,295,340 units in issue at 8 March 2023, the record date for the Interim Distribution).
 - (iii) The Interim Distribution is expected to be paid on 27 March 2024 to unitholders whose names appear on the register of unitholders on the Record Date.
 - (iv) The interim distribution declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.
- * Certain figures in these notes to distribution statement have been rounded to the nearest thousand.
- ** It is anticipated that no additional units will be cancelled, if bought back, before the Record Date.

The notes on pages 28 to 49 form part of these condensed interim financial statements.

Condensed Consolidated Cash Flow Statement

for the six months ended 31 December 2023 - unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 31 December	
		2023 \$'000	2022 \$'000
Operating activities			
Cash generated from operations		285,412	286,364
Tax paid / refunded			
– Hong Kong Profits Tax paid		(58,231)	(63,885)
– Hong Kong Profits Tax refunded		8	–
Net cash generated from operating activities		227,189	222,479
Investing activities			
Payment for expenditure incurred for investment properties		(3,308)	(8,301)
Proceeds from redemption of matured debt securities		–	10,000
Decrease / (increase) in bank deposits with original maturity over three months		47,146	(64,901)
Other cash flows arising from investing activities		13,198	6,984
Net cash generated from / (used in) investing activities		57,036	(56,218)
Financing activities			
Distribution paid to unitholders		(186,454)	(215,259)
Payment for buy-back of units		(2,044)	–
Proceeds from new bank borrowings		700,000	200,000
Repayment of bank borrowings		(707,000)	(200,000)
Interest paid		(111,484)	(59,636)
Other borrowing costs paid		(1,680)	–
Net cash used in financing activities		(308,662)	(274,895)
Net decrease in cash and cash equivalents		(24,437)	(108,634)
Cash and cash equivalents at the beginning of the period	17	251,978	326,257
Effect of foreign exchange rate changes		(16)	(2)
Cash and cash equivalents at the end of the period	17	227,525	217,621

The notes on pages 28 to 49 form part of these condensed interim financial statements.

Notes to the Condensed Interim Financial Statements

(Expressed in Hong Kong dollars)

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 Basis of preparation

These condensed interim financial statements have been prepared in accordance with the relevant disclosure provisions of the REIT Code and the Rules Governing the Listing of Securities on the SEHK (the “Listing Rules”) as if the relevant disclosure provisions of the Listing Rules were applicable to Sunlight REIT, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issuance on 27 February 2024.

These condensed interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2022/23 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023/24 annual financial statements. Details of the changes in accounting policies are set out in note 3.

The preparation of the condensed interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These condensed interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022/23 annual financial statements. The condensed interim financial statements do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2 Basis of preparation (continued)

The condensed interim financial statements are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors of Henderson Sunlight Asset Management Limited, the manager of Sunlight REIT (the "**Manager**"), is included on page 50.

The financial information relating to the financial year ended 30 June 2023 that is included in the condensed interim financial statements as being previously reported information does not constitute Sunlight REIT's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 30 June 2023 are available from Sunlight REIT's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 6 September 2023.

3 Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective 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 or prior periods have been prepared or presented in the condensed interim financial statements.

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

Notes to the Condensed Interim Financial Statements (continued)

(Expressed in Hong Kong dollars)

4 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.

Segment results

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

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, finance costs on interest-bearing liabilities, income tax, interest income and the unallocated net expenses.

4 Segment reporting (continued)

Segment results (continued)

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 is set out below :

	Six months ended 31 December					
	2023 (Unaudited)			2022 (Unaudited)		
	Office properties \$'000	Retail properties \$'000	Total \$'000	Office properties \$'000	Retail properties \$'000	Total \$'000
Revenue						
– Rental income	155,776	168,684	324,460	160,521	147,438	307,959
– Car park income	2,577	16,637	19,214	2,438	14,709	17,147
– Rental related income	35,604	39,935	75,539	32,035	31,379	63,414
	193,957	225,256	419,213	194,994	193,526	388,520
Property operating expenses	(39,840)	(56,217)	(96,057)	(37,228)	(43,734)	(80,962)
Net property income	154,117	169,039	323,156	157,766	149,792	307,558
Administrative expenses	(24,502)	(23,611)	(48,113)	(25,134)	(21,300)	(46,434)
Segment results	129,615	145,428	275,043	132,632	128,492	261,124
(Decrease) / increase in fair value of investment properties	(160,311)	107,339	(52,972)	(275,699)	(172,709)	(448,408)
Finance costs on interest-bearing liabilities			(114,547)			(55,318)
Income tax			(27,731)			(34,276)
Interest income			12,214			10,051
Unallocated net expenses			(12,279)			(7,547)
Profit / (loss) after taxation and before transactions with unitholders			79,728			(274,374)
Depreciation	6	345	351	5	7	12

Notes to the Condensed Interim Financial Statements (continued)

(Expressed in Hong Kong dollars)

5 Revenue

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

	Six months ended 31 December	
	2023 (Unaudited) \$'000	2022 (Unaudited) \$'000
Rental income	324,460	307,959
Car park income	19,214	17,147
Rental related income	75,539	63,414
	419,213	388,520

6 Property operating expenses

	Six months ended 31 December	
	2023 (Unaudited) \$'000	2022 (Unaudited) \$'000
Building management fee	36,380	31,813
Property Manager's fees (note)	24,003	22,576
Government rent and rates	19,161	14,721
Marketing and promotion expenses	2,500	1,783
Car park operating costs	3,800	3,402
Provision for credit losses on rental receivables (note 16(b))	509	1,545
Other direct costs	9,704	5,122
	96,057	80,962

Note : Included rental commission of \$4,745,000 (2022 : \$5,443,000) (note 8(b)).

During the period ended 31 December 2022, 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.

7 Other net income

	Six months ended 31 December	
	2023 (Unaudited) \$'000	2022 (Unaudited) \$'000
Bank interest income	11,020	8,185
Interest income from debt securities	1,194	1,866
Provision for credit losses on debt securities (note 21(b))	(6,332)	(1,674)
Others	1	–
	5,883	8,377

8 Profit / (loss) before taxation and transactions with unitholders

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

	Six months ended 31 December	
	2023 (Unaudited) \$'000	2022 (Unaudited) \$'000
(a) Finance costs on interest-bearing liabilities		
Interest on bank and other borrowings	111,281	58,624
Other borrowing costs	2,448	2,042
	113,729	60,666
Interest rate swaps – cash flow hedges		
– Reclassified from net assets attributable to unitholders	882	(4,878)
– Net fair value gain of ineffective cash flow hedges	(64)	(470)
	818	(5,348)
	114,547	55,318

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.

	Six months ended 31 December	
	2023 (Unaudited) \$'000	2022 (Unaudited) \$'000
(b) Other items		
Manager's fees	46,181	44,971
Trustee's remuneration and charges	2,300	2,260
Auditor's remuneration		
– Audit services	843	768
– Other services	527	512
Valuation fee payable to principal valuer	239	224
Legal and other professional fees	1,869	1,473
Commission		
– Property Manager (note 6)	4,745	5,443
– Third party property agents	3,756	1,173
Bank charges	156	153
Foreign exchange loss	325	569

Note : 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.

Notes to the Condensed Interim Financial Statements (continued)

(Expressed in Hong Kong dollars)

9 Income tax

	Six months ended 31 December	
	2023 (Unaudited) \$'000	2022 (Unaudited) \$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	24,829	29,297
Deferred tax		
Origination and reversal of temporary differences	2,902	4,979
	27,731	34,276

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

10 Earnings / (loss) per unit before transactions with unitholders

The basic earnings per unit before transactions with unitholders for the six months ended 31 December 2023 amounted to \$0.05 (2022 : basic loss per unit before transactions with unitholders of \$0.16). The calculation of basic earnings / (loss) per unit before transactions with unitholders is based on the Group's profit after taxation and before transactions with unitholders of \$79,728,000 (2022 : loss after taxation and before transactions with unitholders of \$274,374,000) and the weighted average of 1,698,054,377 units (2022 : 1,684,073,460 units) in issue during the period.

Diluted earnings / (loss) per unit before transactions with unitholders for the six months ended 31 December 2023 and 2022 are not presented as there was no potential dilution of earnings / (loss) per unit before transactions with unitholders.

11 Investment properties

	31 December 2023 (Unaudited) \$'000	30 June 2023 (Audited) \$'000
At 1 July 2023 / 1 July 2022	18,512,200	18,095,200
Movement during the period / year		
– Additions through acquisition of subsidiaries	–	763,086
– Additions	21,372	8,338
– Net decrease in fair value	(52,972)	(354,424)
	18,480,600	18,512,200

11 Investment properties (continued)

(a) Valuation

The investment properties were appraised at 31 December 2023 by the Group's principal valuer, CBRE Limited ("**CBRE**"), 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. Valuation methodologies adopted by CBRE were the same as when carrying out the valuation for 30 June 2023. As a result of the valuation, a loss of \$52,972,000 (2022 : loss of \$448,408,000) has been recognised in profit or loss for the period in respect of investment properties.

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

	31 December 2023 (Unaudited) \$'000	30 June 2023 (Audited) \$'000
In Hong Kong		
– Long leases	8,176,100	8,321,300
– Medium-term leases	10,304,500	10,190,900
	18,480,600	18,512,200

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

12 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**"), Henderson Land Development Company Limited ("**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.

Notes to the Condensed Interim Financial Statements (continued)

(Expressed in Hong Kong dollars)

13 Derivative financial instruments

	31 December 2023 (Unaudited)			30 June 2023 (Audited)		
	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	17,452	(8,493)	8,959	25,816	(8,829)	16,987
Non-current portion	1,262	(84,242)	(82,980)	9,234	(70,851)	(61,617)
	18,714	(92,735)	(74,021)	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.

For 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 \$2,796,000 (2022 : \$2,796,000) was recognised as a saving in finance costs for the period. The remaining balance of \$7,941,000 (30 June 2023 : \$10,737,000) was included in the net assets attributable to unitholders at 31 December 2023.

At 31 December 2023, 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 \$64,000 (2022 : \$470,000) was recognised to profit or loss for the period.

For the six months ended 31 December 2023, the decrease in the effective portion of changes in fair value of cash flow hedges of \$29,456,000 (2022 : an increase of \$33,734,000) and a reclassification adjustment in respect of unrealised exchange loss on foreign currency borrowing of \$7,581,000 (2022 : \$11,606,000) recognised in other comprehensive income were included in the net assets attributable to unitholders.

At 31 December 2023, the Group had a combination of spot and forward-start IRSs with an aggregate notional amount of \$1,000,000,000 (30 June 2023 : \$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 August 2024 to October 2027 (30 June 2023 : July 2023 to 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.

14 Other financial assets

	31 December 2023 (Unaudited) \$'000	30 June 2023 (Audited) \$'000
Financial assets measured at amortised cost		
Debt securities		
– Listed in Hong Kong	45,270	45,413
– Listed outside Hong Kong	51,352	51,561
	96,622	96,974
Less : provision for credit losses (note 21(b))	(22,537)	(16,205)
	74,085	80,769

15 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.

16 Trade and other receivables

	31 December 2023 (Unaudited) \$'000	30 June 2023 (Audited) \$'000
Rental receivables	37,024	37,606
Deposits and prepayments	12,584	11,452
Other receivables	6,684	3,567
Amounts due from related companies	1,371	629
	57,663	53,254

Included unamortised rent-free and rental concession, deposits and prepayment of \$27,609,000 (30 June 2023 : \$24,656,000) which are expected to be recovered or recognised as expenses after one year. Apart from the above, all of the balances are expected to be recovered or recognised as expenses within one year.

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

Notes to the Condensed Interim Financial Statements (continued)

(Expressed in Hong Kong dollars)

16 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 2023 (Unaudited) \$'000	30 June 2023 (Audited) \$'000
Current	25,131	28,213
Less than 1 month overdue	6,402	5,730
More than 1 month and up to 3 months overdue	2,536	2,564
More than 3 months and up to 6 months overdue	1,108	114
More than 6 months overdue	1,847	985
	37,024	37,606

(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 2023 (Unaudited) \$'000	30 June 2023 (Audited) \$'000
At 1 July 2023 / 1 July 2022	5,581	7,182
Provision / (reversal of provision) for credit losses (note 6)	509	(684)
Written off	(1,616)	(917)
	4,474	5,581

17 Cash and bank balances

	31 December 2023 (Unaudited) \$'000	30 June 2023 (Audited) \$'000
Deposits with original maturity within three months	215,514	240,420
Cash at bank and in hand	12,011	11,558
Cash and cash equivalents in the condensed consolidated cash flow statement	227,525	251,978
Deposits with original maturity over three months	186,118	233,264
Cash and bank balances in the consolidated statement of financial position	413,643	485,242

18 Trade and other payables

	31 December 2023 (Unaudited) \$'000	30 June 2023 (Audited) \$'000
Creditors and accrued charges	49,503	44,563
Manager's fees payable (note 23(b)(iii))	23,102	22,666
Amounts due to related companies	9,694	8,205
	82,299	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 \$1,143,000 (30 June 2023 : \$1,128,000) which is due within 30 days.

Notes to the Condensed Interim Financial Statements (continued)

(Expressed in Hong Kong dollars)

19 Bank and other borrowings

	31 December 2023 (Unaudited) \$'000	30 June 2023 (Audited) \$'000
Bank loans (note (i) & (ii))		
– Secured	1,296,778	1,296,181
– Unsecured	3,278,398	3,277,753
	4,575,176	4,573,934
Medium term notes – unsecured (note (iii))	297,854	297,295
	4,873,030	4,871,229
The bank and other borrowings were repayable as follows :		
Within 1 year	–	707,000
After 1 year but within 2 years	1,495,599	498,957
After 2 years but within 5 years	3,377,431	3,665,272
	4,873,030	4,164,229
	4,873,030	4,871,229

Notes :

- (i) The Group entered into IRSs and CCIRS, details of which are set out in note 13.

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 \$5,088,800,000 at 31 December 2023 (30 June 2023 : \$5,026,700,000) (note 11); 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 2023, the amount of bank loans included an unrealised exchange gain on the foreign currency borrowing amounting to \$125,494,000 (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 13) in the net asset 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 2023, 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 4.94% per annum (30 June 2023 : 4.17% per annum).
- (v) At 31 December 2023, 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 2023 (Unaudited)	30 June 2023 (Audited)
At 1 July 2023 / 1 July 2022	1,695,035,157	1,681,712,071
Movement during the period / year		
– Issuance of units	8,649,800	13,323,086
– Units bought back	(1,000,000)	–
	1,702,684,957	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 six months ended 31 December 2023 (Unaudited)			
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
		23,069	8,649,800
For the year ended 30 June 2023 (Audited)			
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

Notes to the Condensed Interim Financial Statements (continued)

(Expressed in Hong Kong dollars)

20 Units in issue (continued)

During the six months ended 31 December 2023, the Manager, pursuant to the general mandate granted to the Manager by unitholders, bought back on behalf of Sunlight REIT a total of 1,000,000 units on the SEHK at an aggregate consideration of \$2,035,000.

For the year ended 30 June 2023, no unit was bought back by the Manager on behalf of Sunlight REIT.

Details of the units buy-backs were as follows :

	Number of units bought back	Price per unit		Aggregate consideration \$'000
		Highest \$	Lowest \$	
For the six month ended 31 December 2023 (Unaudited)				
Month of buy-back				
November 2023	1,000,000	2.05	2.02	2,035
	<u>1,000,000</u>			<u>2,035</u>
Total buy-back expenses				<u>9</u>
				2,044

All bought back units were cancelled during the period.

21 Fair value measurement of financial instruments

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

HKFRS 13, *Fair value measurement*, requires the fair value of financial instruments 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

At 31 December 2023 and 30 June 2023, the Group's only financial instruments carried at fair value are the IRSs and CCIRS (see note 13), which fall under Level 2 of the fair value hierarchy described above.

During the six months ended 31 December 2023 and the 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.

(ii) 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.

Notes to the Condensed Interim Financial Statements (continued)

(Expressed in Hong Kong dollars)

21 Fair value measurement of financial instruments (continued)

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values at 31 December 2023 and 30 June 2023, except for the Group's investment in debt securities, of which its carrying amount is \$74,085,000 (30 June 2023 : \$80,769,000) as compared to its fair value of \$69,177,000 (30 June 2023 : 74,011,000). 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 2023 (Unaudited) \$'000	30 June 2023 (Audited) \$'000
At 1 July 2023 / 1 July 2022	16,205	2,876
Provision for credit losses (note 7)	6,332	13,329
At 31 December 2023 / 30 June 2023 (note 14)	22,537	16,205

22 Capital commitments

Capital commitments outstanding at 31 December 2023 not provided for in the condensed interim financial statements are as follows :

	31 December 2023 (Unaudited) \$'000	30 June 2023 (Audited) \$'000
Contracted for	1,685	12,088
Authorised but not contracted for	11,661	7,747
	13,346	19,835

23 Connected party transactions and material related party transactions

In addition to the transactions and balances disclosed elsewhere in the condensed interim 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 :

(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

Notes to the Condensed Interim Financial Statements (continued)

(Expressed in Hong Kong dollars)

23 Connected party transactions and material related party transactions (continued)

(b) Transactions with connected persons / related parties

	Six months ended 31 December	
	2023 (Unaudited) \$'000	2022 (Unaudited) \$'000
Rental and rental related income received / receivable from (note (i)) :		
– HLD Group	5,329	5,227
– HSBC Group	9,600	9,610
Property management expenses paid / payable to (note (i)) :		
– HLD Group	(7,345)	(7,235)
Manager's fees (note (ii) & (iii))	(46,181)	(44,971)
Property Manager's fees (note (iv))	(24,003)	(22,576)
Trustee's remuneration and charges (note (ii) & (v))	(2,300)	(2,260)
Interest expense and security trustee fee on bank borrowings and other charges paid / payable to (note (i)) :		
– HSBC Group	(37,652)	(7,774)
Net interest income on IRSs received / receivable from (note (i)) :		
– HSBC Group	9,775	2,699
Interest income on bank deposits received / receivable from (note (i)) :		
– HSBC Group	539	1,066
Interest income from debt securities received / receivable from (note (i) & (vi)) :		
– HLD Group	103	102
Promotional income received / receivable from (note (i)) :		
– HLD Group	1,925	1,271
Additional consideration paid to (note (ii) & (vii)) :		
– HLD Group	(1,320)	–

23 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 above material related party transactions as set out in this note 23 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 Transaction" on pages 14 to 16 in this interim 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).

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 twelve months ending 30 June 2024. Due to the change of financial year end date from 30 June to 31 December with effect from 7 February 2024, the above election is regarded as applicable to the entire financial period of eighteen months ending 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 five 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.

Notes to the Condensed Interim Financial Statements (continued)

(Expressed in Hong Kong dollars)

23 Connected party transactions and material related party transactions (continued)

(b) Transactions with connected persons / related parties (continued)

Notes : (continued)

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.

- (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.

- (vi) The connected party transaction in respect of interest income derived from the debt securities issued by HLD Group is exempted from the disclosure requirements under Chapter 14A of the Listing Rules as it is 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 2023 (Unaudited) \$'000	30 June 2023 (Audited) \$'000
HLD Group :		
– Net payable amount	(30,285)	(29,658)
– Debt securities issued by HLD Group (note 23(b)(vi))	4,624	4,630
HSBC Group :		
– Deposits and cash placed with HSBC Group	41,093	15,326
– Bank borrowings and interest payable to HSBC Group	(1,302,522)	(1,301,947)
– Other net payable amount	(7,477)	(7,490)

24 Non-adjusting event after the reporting period

After the end of the reporting period, the Board of Directors of the Manager declared an interim distribution. Further details are disclosed in the “Distribution Statement” of the condensed interim financial statements.

Auditor's Review Report



Independent review report to the Board of Directors of Henderson Sunlight Asset Management Limited (the “Manager”)

Introduction

We have reviewed the condensed interim financial statements set out on pages 20 to 49 which comprises the consolidated statement of financial position of Sunlight Real Estate Investment Trust as of 31 December 2023 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in net assets attributable to unitholders, distribution statement and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of condensed interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The Manager is responsible for the preparation and presentation of the condensed interim financial statements in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the condensed interim financial statements and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements as at 31 December 2023 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

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

27 February 2024

Performance Table

(Expressed in Hong Kong dollars, unless otherwise specified)

	Note	2023	2022	2021	2020	2019
At 31 December :						
Net asset value (\$ million)		13,545	13,599	14,230	14,350	15,839
Net asset value per unit		7.95	8.05	8.48	8.61	9.56
Market capitalisation (\$ million)		3,712	5,690	7,279	6,284	8,348
For the six months ended 31 December :						
Highest traded unit price		3.00	3.85	5.07	4.19	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		1.98	2.45	4.11	3.29	4.84
Highest discount of the traded unit price to net asset value per unit (%)		75.1	69.6	51.5	61.8	49.4
Closing unit price		2.18	3.37	4.34	3.77	5.04
Distribution per unit (cents)		9.0	11.0	12.2	12.5	13.2
Payout ratio (%)		94.4	93.7	94.2	94.7	93.6
Annualised distribution yield per unit (%)	2	8.3	6.5	5.6	6.6	5.2

Notes :

1. The highest traded unit price is lower than the net asset value per unit at the end of each period.
2. Annualised distribution yield per unit is calculated by dividing the annualised distribution per unit by the closing unit price of the period.

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

30th Floor, Dah Sing Financial Centre,
248 Queen's Road East, Wan Chai,
Hong Kong

Investor Relations

Tel : (852) 3669 2880
Fax : (852) 2285 9980
Email : ir@HendersonSunlight.com

Trustee

HSBC Institutional Trust Services (Asia) Limited

Auditor

KPMG
*Certified Public Accountants and
Registered Public Interest Entity Auditor*

Principal Valuer

CBRE 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

Financial Calendar

(in respect of the interim results for the six months ended 31 December 2023)

Interim results announcement	27 February 2024
Issuance of interim report	12 March 2024
Ex-distribution date for interim distribution	13 March 2024
Closure of register of unitholders for entitlement of interim distribution	15 March 2024 to 19 March 2024, both days inclusive
Payment of Interim distribution HK 9.0 cents per unit	27 March 2024

Sunlight Real Estate Investment Trust

Managed by Henderson Sunlight Asset Management Limited

陽光房地產投資信託基金

由恒基陽光資產管理有限公司管理

www.sunlightreit.com

