

The Securities and Futures Commission of Hong Kong, Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Sunlight Real Estate Investment Trust

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

(Stock Code : 435)

Managed by
Henderson Sunlight Asset Management Limited
 恒基陽光資產管理有限公司

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

The board of directors (the “**Board**”) of Henderson Sunlight Asset Management Limited (the “**Manager**”) announces the unaudited interim results of Sunlight Real Estate Investment Trust (“**Sunlight REIT**”) for the six months ended 31 December 2023 (the “**Reporting Period**”).

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
Net property income	323.2	307.6	5.1
Profit/(loss) after taxation ^{Note}	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)
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

Note : Included a fair value decrease of investment properties of HK\$53.0 million (versus a fair value decrease of HK\$448.4 million for the six months ended 31 December 2022).

PORTFOLIO STATISTICS

Property	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	six months ended	at 31 Dec 2023
					31 Dec 2023	31 Dec 2022	
Office							
Grade A							
Dah Sing Financial Centre	91.9	90.4	40.9	41.8	82,139	86,285	4,950,000
Grade B							
Strand 50	90.5	94.4	31.2	31.0	19,457	21,146	1,238,800
135 Bonham Strand Trade Centre Property	94.5	100.0	26.8	26.6	9,610	9,788	545,700
Righteous Centre	97.5	97.4	35.8	35.2	10,942	10,226	532,000
The Harvest	100.0	95.7	40.7	41.2	7,932	6,905	524,000
Winsome House Property	88.6	83.0	37.7	38.8	7,999	8,018	522,000
235 Wing Lok Street Trade Centre	92.1	96.7	19.9	19.7	5,673	5,882	346,800
Java Road 108 Commercial Centre	97.2	100.0	23.3	24.7	5,384	5,399	262,100
On Loong Commercial Building	98.0	100.0	28.3	27.9	4,472	4,446	234,600
Sun Fai Commercial Centre Property	98.5	91.0	21.8	22.0	3,226	3,272	163,800
Wai Ching Commercial Building Property	91.7	91.7	17.0	16.9	1,519	1,592	78,100
Sub-total/Average	93.1	93.1	34.3	34.6	158,353	162,959	9,397,900
Retail							
New Town							
Sheung Shui Centre Shopping Arcade	90.7	97.6	103.6	96.0	76,461	73,820	3,850,000
Metro City Phase I Property	94.7	92.2	54.1	53.8	66,786	65,053	3,110,000
Kwong Wah Plaza Property	100.0	95.4	54.5	54.6	21,136	20,558	1,143,000
Urban							
West 9 Zone Kids ³	84.7	85.7	50.4	55.7	18,035	N/A	828,000
Supernova Stand Property	100.0	100.0	57.3	57.3	1,479	1,421	76,100
Beverly Commercial Centre Property	100.0	100.0	31.1	29.8	1,424	1,295	75,600
Sub-total/Average	93.2	93.5	66.3	65.6	185,321	162,147	9,082,700
Total/Average	93.1	93.3	45.5	45.4	343,674	325,106	18,480,600

	Rental Reversion ⁴ (%)		Capitalization Rate (%)
	Six months ended	Six months ended	at 31 Dec 2023
	31 Dec 2023	30 Jun 2023	
Office	3.3	2.5	3.65 - 3.95
Retail	0.8	0.7	3.40 - 4.35
Total/Average	1.5	1.3	

Notes : 1. Passing rent is calculated on the basis of average rent per sq. ft. for occupied gross rentable area 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

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 West 9 Zone Kids (“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, net property income (“NPI”) grew 5.1% to HK\$323.2 million, implying a cost-to-income ratio of 22.9%.

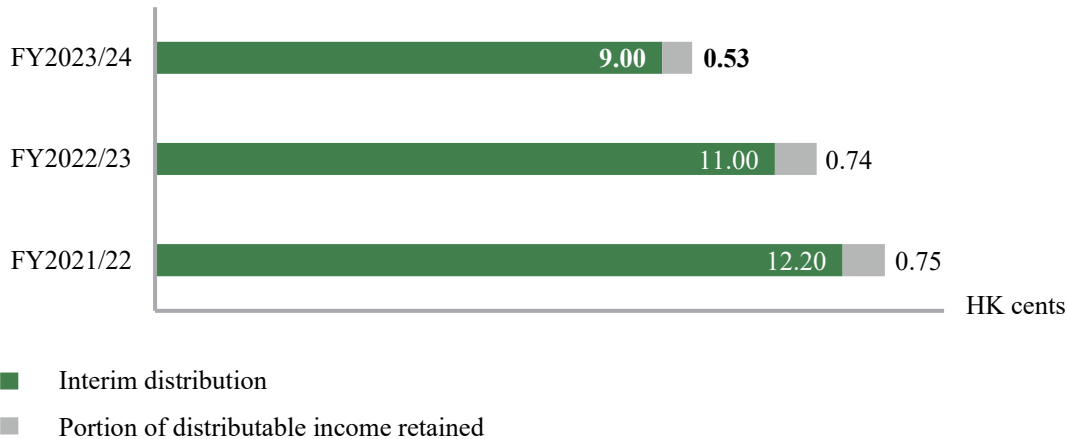
Given a higher interest rate environment and the additional borrowings for financing the acquisition of W9Z, finance costs surged 107.1% from HK\$55.3 million to HK\$114.5 million.

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



Operation Review

Sunlight REIT registered a 5.1% growth in 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.

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..

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.

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 gross rentable area. 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 W9Z was still undergoing a transition of tenant replacement as its occupancy rate stayed at 84.7%.

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.

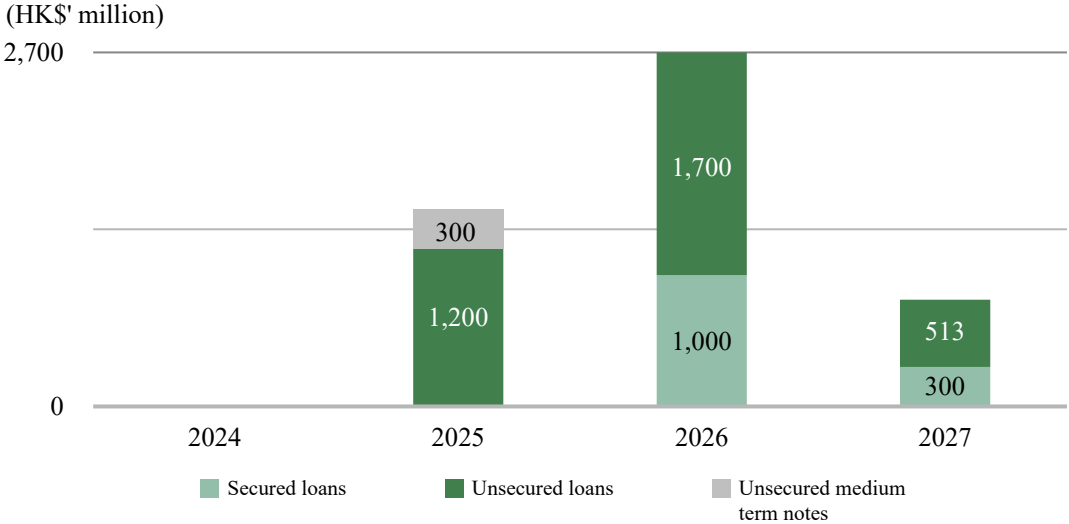
Note : EBITDA represents net earnings before change in fair value of investment properties, interest expense, taxation, depreciation and amortization.

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)



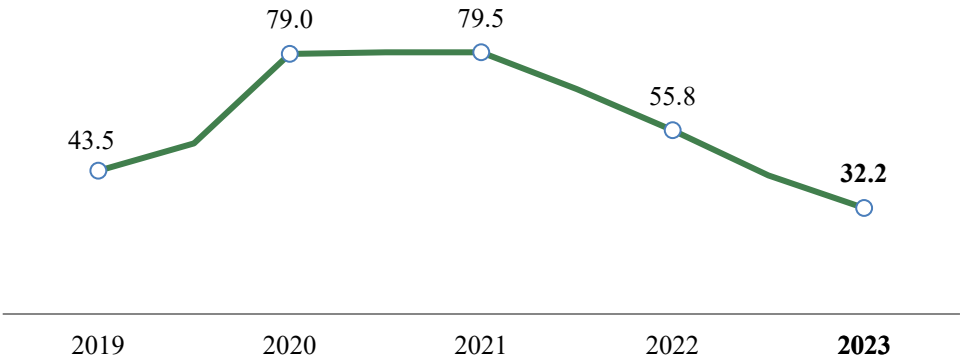
With the natural expiry of certain interest rate swaps (“**IRSs**”) during the Reporting Period, the proportion of Sunlight REIT’s fixed rate borrowings at 31 December 2023 decreased to approximately 32% (30 June 2023: 42%). The weighted average interest rate for the fixed rate borrowings was 2.40% per 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 date of this announcement.

Fixed Rate Borrowings as a % of Total Borrowings

(at 31 December)

(%)



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, the Manager remains guardedly optimistic about the near-term prospects for Sunlight REIT’s shopping destinations in Sheung Shui, Tseung Kwan O and Yuen Long. In the case of W9Z, the Manager is 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 date of this announcement (versus 32% at 31 December 2023). In the meantime, substantial resources will continue to be devoted to asset recycling as the Manager strives to create value for unitholders amid a still challenging economic environment.

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.

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, and 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 at the date of this announcement.

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.

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 of Hong Kong Limited 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.

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 Henderson Land Development Company Limited (“**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 the publication of the interim report for the Reporting Period, 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.

Employees

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

Review of Interim Results

The interim results of Sunlight REIT for the Reporting Period have 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.

ISSUANCE OF INTERIM REPORT

The interim report of Sunlight REIT for the Reporting Period will be sent to unitholders on 12 March 2024.

FORWARD-LOOKING STATEMENTS

This announcement 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 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.

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	3 & 4	419,213	388,520
Property operating expenses	3 & 5	(96,057)	(80,962)
Net property income		323,156	307,558
Other net income	6	5,883	8,377
Administrative expenses		(54,061)	(52,307)
Net decrease in fair value of investment properties		(52,972)	(448,408)
Profit/(loss) from operations		222,006	(184,780)
Finance costs on interest-bearing liabilities	7(a)	(114,547)	(55,318)
Profit/(loss) before taxation and transactions with unitholders	7	107,459	(240,098)
Income tax	8	(27,731)	(34,276)
Profit/(loss) after taxation and before transactions with unitholders		79,728	(274,374)

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	2022
	\$'000	\$'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 recognized 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)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

(Expressed in Hong Kong dollars)

		31 December 2023 (Unaudited) \$'000	30 June 2023 (Audited) \$'000
Non-current assets			
Fixed assets			
- Investment properties		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		1,262	9,234
Reimbursement rights		37,436	37,436
Other financial assets		74,085	80,769
Other non-current assets		167	12,430
		18,594,687	18,653,542
Current assets			
Trade and other receivables	10	57,663	53,254
Derivative financial instruments		17,452	25,816
Cash and bank balances		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	11	(82,299)	(75,434)
Bank and other borrowings		-	(707,000)
Derivative financial instruments		(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)

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

DISTRIBUTION STATEMENT

For the six months ended 31 December 2023 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 31 December	
	Note	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		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	7(a)	818	(5,348)
- Non-cash finance costs on interest-bearing liabilities		2,448	2,042
- Deferred tax	8	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, 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 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.

DISTRIBUTION STATEMENT (continued)

For the six months ended 31 December 2023 – unaudited
(Expressed in Hong Kong dollars)

Notes* : (continued)

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 amortization 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.

- (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 recognized 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.

NOTES

(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 authorized 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 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. Changes in accounting policies

The Hong Kong Institute of Certified Public Accountants has issued a number of amendments to Hong Kong Financial Reporting Standards 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.

3. Segment reporting

The Manager manages the Group’s business by divisions. In a manner consistent with the way in which information is reported internally to the Manager’s most senior executive management for the purposes of resource allocation and performance assessment, the Manager has identified two reportable segments, which are “Office properties” and “Retail properties”. As all of the Group’s activities are carried out in Hong Kong, no geographical information is presented.

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.

3. 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			2022		
	(Unaudited)			(Unaudited)		
	Office properties	Retail properties	Total	Office properties	Retail properties	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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
	<u>193,957</u>	<u>225,256</u>	<u>419,213</u>	<u>194,994</u>	<u>193,526</u>	<u>388,520</u>
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			<u>79,728</u>			<u>(274,374)</u>
Depreciation	<u>6</u>	<u>345</u>	<u>351</u>	<u>5</u>	<u>7</u>	<u>12</u>

4. Revenue

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

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

5. Property operating expenses

	Six months ended 31 December	
	2023	2022
	(Unaudited) \$'000	(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 10(b))	509	1,545
Other direct costs	9,704	5,122
	<u>96,057</u>	<u>80,962</u>

Note : Included rental commission of \$4,745,000 (2022: \$5,443,000) (note 7(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.

6. Other net income

	Six months ended 31 December	
	2023	2022
	(Unaudited) \$'000	(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	(6,332)	(1,674)
Others	1	-
	<u>5,883</u>	<u>8,377</u>

7. 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	2022
	(Unaudited)	(Unaudited)
	\$'000	\$'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 amortization of debt establishment fees for bank and other borrowings and discount on issuance of medium term notes.

	Six months ended 31 December	
	2023	2022
	(Unaudited)	(Unaudited)
	\$'000	\$'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 5)	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.

8. 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
	<u>27,731</u>	<u>34,276</u>

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

9. 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.

10. 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
	<u>57,663</u>	<u>53,254</u>

Included unamortized 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 recognized as expenses after one year. Apart from the above, all of the balances are expected to be recovered or recognized as expenses within one year.

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

(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
	<u>37,024</u>	<u>37,606</u>

10. Trade and other receivables (continued)

(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 5)	509	(684)
Written off	<u>(1,616)</u>	<u>(917)</u>
	<u><u>4,474</u></u>	<u><u>5,581</u></u>

11. 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	23,102	22,666
Amounts due to related companies	<u>9,694</u>	<u>8,205</u>
	<u><u>82,299</u></u>	<u><u>75,434</u></u>

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 Sunlight REIT of \$1,143,000 (30 June 2023: \$1,128,000) which is due within 30 days.

12. Non-adjusting event after the Reporting Period

After the end of the Reporting Period, the Board of the Manager declared an interim distribution. Further details are disclosed in the “Distribution Statement” of this announcement.

By order of the Board
HENDERSON SUNLIGHT ASSET MANAGEMENT LIMITED
恒基陽光資產管理有限公司
(as manager of Sunlight Real Estate Investment Trust)
CHUNG Siu Wah
Company Secretary

Hong Kong, 27 February 2024

At the date of this announcement, the Board of the Manager comprises: (1) Chairman and Non-Executive Director: Mr. AU Siu Kee, Alexander; (2) Chief Executive Officer and Executive Director: Mr. WU Shiu Kee, Keith; (3) Non-Executive Director: Mr. KWOK Ping Ho; and (4) Independent Non-Executive Directors: Mr. KWAN Kai Cheong, Dr. TSE Kwok Sang, Mr. KWOK Tun Ho, Chester and Ms. Helen ZEE.