

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 2022

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 2022 (the “**Reporting Period**”).

FINANCIAL HIGHLIGHTS

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

	Six months ended 31 December 2022	Six months ended 31 December 2021	Change (%)
Revenue	388.5	404.3	(3.9)
Net property income	307.6	323.4	(4.9)
(Loss)/profit after taxation ^{Note}	(274.4)	234.2	N/A
Distributable income	198.2	217.2	(8.7)
Distribution per unit (HK cents)	11.0	12.2	(9.8)
Payout ratio (%)	93.7	94.2	N/A
	At 31 December 2022	At 30 June 2022	Change (%)
Portfolio valuation	17,649.3	18,095.2	(2.5)
Net asset value	13,598.8	14,051.4	(3.2)
Net asset value per unit (HK\$)	8.05	8.36	(3.7)
Gearing ratio (%)	23.9	23.3	N/A

Note : Included a fair value decrease of investment properties of HK\$448.4 million (versus a fair value increase of HK\$49.7 million for the six months ended 31 December 2021).

PORTFOLIO STATISTICS

Property	Operational Statistics						Property Financials				
	Occupancy Rate (%)		Passing Rent ¹ (HK\$/sq. ft.)		Rental Reversion ² (%)		Net Property Income (HK\$'000)		Capitalization Rate at 31 Dec 2022 (%)		Appraised Value ³ at 31 Dec 2022 (HK\$'000)
	at 31 Dec 2022	at 30 Jun 2022	at 31 Dec 2022	at 30 Jun 2022	six months ended 31 Dec 2022	six months ended 30 Jun 2022	six months ended 31 Dec 2022	six months ended 31 Dec 2021	Office	Retail	
Office											
Grade A											
Dah Sing Financial Centre	88.5	91.4	41.6	42.7	(9.0)	(10.0)	86,858	87,619	3.80	3.70	5,068,000
Grade B											
Strand 50	92.3	99.7	32.3	32.4	0.8	0.4	19,680	21,204	3.55	3.85	1,274,400
135 Bonham Strand Trade Centre Property	99.4	99.1	26.7	27.1	(4.7)	(3.6)	8,983	8,731	3.65	3.85	558,900
The Harvest	91.4	80.4	41.0	36.7	(0.2)	2.2	6,099	9,341	3.45	3.25	547,000
Winsome House Property	88.8	97.2	39.9	39.9	(5.4)	N/A	7,340	8,430	3.65	3.65	537,600
Righteous Centre	100.0	100.0	34.9	34.5	5.7	0.0	9,823	10,061	3.75	3.50	532,000
235 Wing Lok Street Trade Centre	94.5	96.8	19.7	19.8	(4.3)	(1.6)	5,602	5,619	3.65	3.85	354,900
Java Road 108 Commercial Centre	96.1	100.0	24.8	25.0	(2.8)	(5.7)	5,027	4,998	3.85	4.05	267,900
On Loong Commercial Building	100.0	100.0	27.2	27.6	(3.7)	(21.6)	4,201	4,128	3.75	3.75	239,000
Sun Fai Commercial Centre Property	97.1	98.5	21.4	21.4	(0.3)	1.0	2,885	2,955	3.90	4.10	163,200
Wai Ching Commercial Building Property	97.2	97.2	17.0	17.0	(0.8)	(1.9)	1,268	1,400	3.65	3.95	77,700
Sub-total/Average	92.2	94.8	34.7	35.1	(4.5)	(6.1)	157,766	164,486			9,620,600
Retail											
New Town											
Sheung Shui Centre Shopping Arcade	91.7	92.9	98.4	100.6	(6.4)	(4.0)	66,443	69,871	N/A	4.35	3,690,000
Metro City Phase I Property	91.9	94.6	54.6	54.7	(1.6)	(4.7)	61,808	67,363	N/A	4.35	3,050,000
Kwong Wah Plaza Property	97.8	98.4	52.1	50.5	(2.3)	(6.6)	19,008	19,336	3.70	3.65	1,141,000
Urban											
Supernova Stand Property	100.0	100.0	57.2	57.2	N/A	N/A	1,378	1,378	N/A	3.80	74,100
Beverly Commercial Centre Property	100.0	81.9	29.6	30.6	1.5	(4.1)	1,155	952	N/A	4.15	73,600
Sub-total/Average	93.1	94.5	67.1	67.6	(4.8)	(5.2)	149,792	158,900			8,028,700
Total/Average	92.5	94.7	45.0	45.4	(4.6)	(5.7)	307,558	323,386			17,649,300

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. Rental reversion is calculated on the basis of change in effective rent of the leases renewed and commenced during the relevant period.

3. Valuation was prepared by CBRE Limited, principal valuer of Sunlight REIT.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

For the Reporting Period, Sunlight REIT's revenue was HK\$388.5 million, down 3.9% year on year, mainly as a result of lower passing rents and occupancy rates registered at various properties. Net property income ("NPI") declined 4.9% year on year to HK\$307.6 million, implying a cost-to-income ratio of 20.8%.

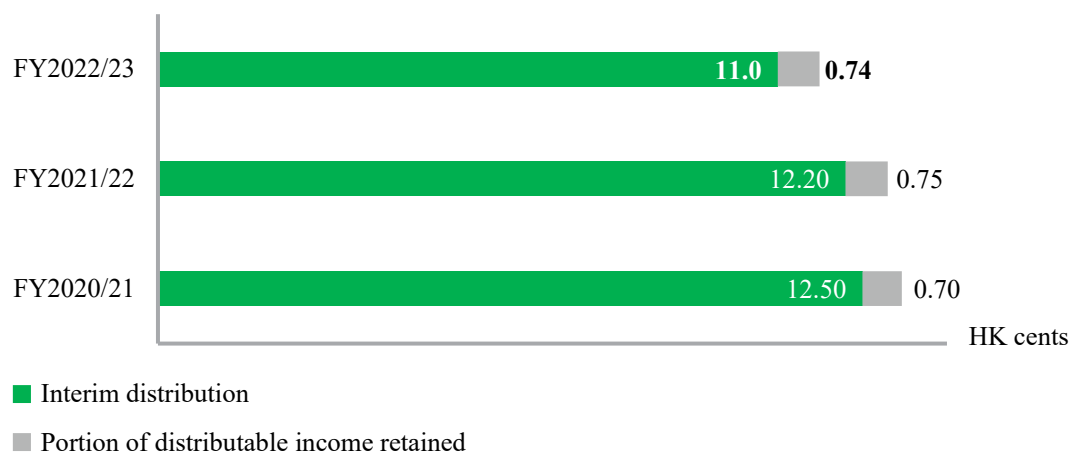
Reflecting a higher interest rate regime, interest expenses increased 25.7% year on year to HK\$58.6 million, although such adverse impact was partially mitigated by a sharp increase in interest income to HK\$10.1 million.

Taking into account the decrease in fair value of investment properties of HK\$448.4 million, a loss after taxation of HK\$274.4 million was reported, compared to a profit after taxation of HK\$234.2 million for the same period in the preceding year.

Distribution

Distributable income for the Reporting Period was HK\$198.2 million, down 8.7% from the same period last year. The Board has resolved to declare an interim distribution per unit ("DPU") of HK 11.0 cents, representing a payout ratio of 93.7% and an annualized distribution yield of 6.5% based on the closing price of HK\$3.37 on the last trading day of the Reporting Period.

Interim DPU at a glance



Operation Review

Against the backdrop of a still challenging operating environment, the overall occupancy rate of Sunlight REIT's portfolio at 31 December 2022 was 92.5% as compared to 94.7% at 30 June 2022. Office occupancy rate declined to 92.2% (30 June 2022: 94.8%), while retail occupancy rate also registered a decrease to 93.1% (30 June 2022: 94.5%).

For the Reporting Period, the office and retail portfolios registered negative rental reversions of 4.5% and 4.8% respectively, giving rise to an overall negative rental reversion of 4.6%. Passing rent of the office portfolio declined 1.1% from six months ago to HK\$34.7 per sq. ft. at 31 December 2022, while that of the retail portfolio was HK\$ 67.1 per sq. ft., down 0.7%.

Despite a lower occupancy rate of 88.5% at 31 December 2022, the operating performance of Dah Sing Financial Centre was relatively resilient, as demonstrated by a slight 0.9% year-on-year drop in NPI to HK\$86.9 million. Meanwhile, the Sheung Wan/Central portfolio continued to experience headwinds owing to prolonged pandemic woes, as evidenced by a downward adjustment in the level of occupancy of Strand 50 and Winsome House Property. Gratifyingly, occupancy rate of The Harvest rebounded to 91.4%, while the neighbouring Righteous Centre was fully let, reflecting the relatively stable leasing demand from service trades on the Kowloon side.

On the retail front, NPI of Sheung Shui Centre Shopping Arcade (“SSC”) was down 4.9% year on year to HK\$66.4 million. The setback was mainly attributable to a gradual shift in tenant mix from high-margin trades to shops focusing more on non-discretionary items. Occupancy rate of SSC decreased to 91.7%, reflecting the cautious approach adopted by tenants in mapping out their future expansion. In the meantime, Metro City Phase I Property (“MCPI”) recorded an 8.2% year-on-year drop in NPI to HK\$61.8 million and a lower occupancy rate of 91.9%. This was mainly attributable to the rental gap caused by the ongoing renovation project as well as the departure of certain bank tenants in the second and third quarter of 2022.

On 11 January 2023, Sunlight REIT entered into an agreement with an independent third party to acquire a company which indirectly holds West 9 Zone Kids, a three-storey commercial development located in close proximity to the Olympic station with a gross rentable area of about 58,800 sq. ft.. The agreed consideration of HK\$748 million (subject to adjustments) represents a discount of approximately 11.9% to the appraised value¹ of the property. Upon completion of the acquisition which is expected to take place in April 2023, the gearing ratio of Sunlight REIT is projected to increase from 23.9% to approximately 26.4%.

Financial Position

The portfolio of Sunlight REIT was appraised at HK\$17,649.3 million at 31 December 2022, representing a decrease of 2.5% from 30 June 2022. Consequently, the gross assets and net assets of Sunlight REIT were HK\$18,468.7 million and HK\$13,598.8 million respectively (30 June 2022: HK\$18,960.4 million and HK\$14,051.4 million). Net asset value per unit was HK\$8.05 (30 June 2022: HK\$8.36).

At 31 December 2022, the gearing ratio of Sunlight REIT (defined as total borrowings as a percentage of gross assets) was 23.9% (30 June 2022: 23.3%), while the percentage of gross liabilities to gross assets was 26.4% (30 June 2022: 25.9%).

The EBITDA² of Sunlight REIT dropped 3.4% year on year to HK\$263.6 million. Interest coverage ratio decreased to 4.5 times as compared with 5.8 times recorded in the corresponding period a year earlier.

Notes :

1. Valuation was prepared by Knight Frank Petty Limited, an independent valuer appointed under paragraph 6.5 (d) Note 1 of the Code on Real Estate Investment Trusts.
2. EBITDA represents net earnings before change in fair value of investment properties, interest expenses, taxation, depreciation and amortization. Gain on disposals of investment properties and subsidiaries is excluded from the calculation, if any.

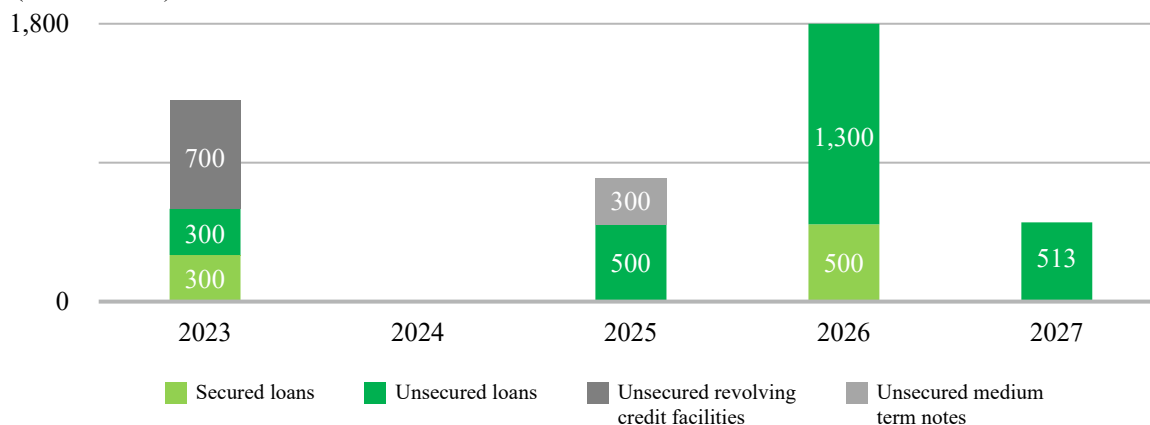
Capital and Interest Rate Management

At 31 December 2022, Sunlight REIT had total borrowings of HK\$4,413 million (30 June 2022: HK\$4,413 million), comprising secured loans of HK\$800 million and unsecured borrowings of HK\$3,613 million with a weighted debt maturity period of 2.6 years. The percentage of sustainability-linked loans to total borrowings was about 64%.

Maturity Profile of Total Borrowings

(at 31 December 2022)

(HK\$' million)



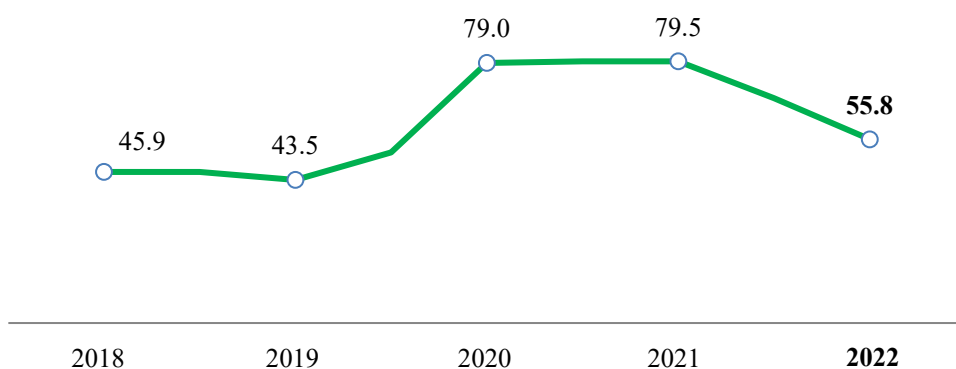
Sunlight REIT has in place interest rate swaps (“**IRSs**”) and fixed rate medium term notes to mitigate its interest rate risks. At 31 December 2022, the proportion of Sunlight REIT’s fixed rate borrowings dropped to 55.8% (31 December 2021: 79.5%), with the decline mainly attributable to the unwinding and natural expiry of certain IRSs in 2022. The weighted average interest rate (including loan interest margin, if applicable) for the fixed rate borrowings was 2.39% per annum, while the floating rate portion of the borrowings carried a blended interest margin of 0.80% per annum over Hong Kong Interbank Offered Rate. Average funding cost for the Reporting Period was 2.64%, compared to 2.09% recorded in the corresponding period a year ago.

On 18 January 2023, Sunlight REIT entered into a HK\$300 million secured term loan facility agreement with a bank for a tenure of 4.5 years. This new, sustainability-linked facility will be drawn and applied in full to refinance an existing facility due in March 2023.

Fixed Rate Borrowings as a % of Total Borrowings

(at 31 December)

(%)



OUTLOOK

While the emergence of certain encouraging economic data points seems to suggest light at the end of the tunnel, the disruptive forces that have undermined global macro stability are likely to remain potent, if not stronger, in the foreseeable future. The inflation spiral triggered by various unforeseen events, notably including the still ongoing Russo-Ukrainian War, is now being further driven by escalating service prices and faster wage growth. As such, it is a formidable challenge for key central banks to alleviate the inflationary pressure without causing a severe recession. All these uncertainties will continue to ripple through global financial markets.

The Manager, however, is encouraged by recent developments in China, which may help partly mitigate an impending global economic slowdown. As stringent pandemic control measures have mostly been jettisoned, enormous pent-up consumer demand is being unleashed. Coupled with the likelihood of continued policy stimulus, it is generally expected that the Chinese economy may stage a strong rebound as early as in the second quarter of 2023. The gradual relaxation of cross-border traffic controls in Hong Kong should prove a boon to the tourism industry, generating more momentum to a nascent economic recovery.

In the medium to long term, the retail portfolio of Sunlight REIT is bound to benefit from an expected upturn in domestic consumption and tourist spending. This should especially be the case for SSC, which has been a popular shopping destination for visitors from the Mainland and has received a palpable increase in leasing enquiries. Having said that, tangible benefits relating to the above developments will not be material in the near term. In the meantime, the renovation project at MCPI is expected to be completed in the second quarter of this year, implying that the gains which may be reaped from this initiative will only begin to contribute by FY2023/24.

With an additional 3.9 million sq. ft. of new Grade A office space expected to come on stream between 2023-2024, the current high level of office vacancies is poised to persist unless there is a sharp turnaround in demand from multinational corporations and Mainland Chinese enterprises. While this may continue to have an adverse impact on the office portfolio of Sunlight REIT, it is envisaged that the performance of selected Grade B office buildings focusing on semi-retail trades will remain stable and are well placed to capitalize on a recovery of consumer spending.

On the cost side, the Manager has remained disciplined in implementing budgetary controls, but overheads are edging up in light of an increase in utility expenses due to higher energy costs, while an upward adjustment to the statutory minimum wage will pose additional challenges to managing the cost-to-income ratio.

Reflecting the increase in local interbank rates and the prospect of additional borrowing relating to the acquisition of West 9 Zone Kids, interest expenses of Sunlight REIT is envisaged to be considerably higher than that recorded in the previous financial year. Nonetheless, the prevailing yield curve seemingly indicates that the interest rate uptrend may possibly reverse in the latter part of this year. The Manager will closely monitor the evolving trend and strive to maintain a prudent and agile capital management strategy to optimize the interest rate exposure of Sunlight REIT. Meanwhile, refinancing of the term loan due before the end of this financial year is currently underway and the Manager is confident that it will be concluded shortly with favourable terms.

The Manager is excited to announce the acquisition of West 9 Zone Kids on 11 January 2023. With a direct connection to the Olympic station, this defensive West Kowloon community mall will provide complementary benefits to the existing retail portfolio of Sunlight REIT by expanding its geographical exposure to a fast-growing residential hub. Further, this well-timed acquisition indicates the Manager's intention to initiate a new chapter of asset recycling, with a view to enhancing the value and quality of the overall portfolio.

DISTRIBUTION ENTITLEMENT AND CLOSURE OF REGISTER OF UNITHOLDERS

The ex-distribution date and record date for the interim distribution are Thursday, 2 March 2023 and Wednesday, 8 March 2023 respectively. The register of unitholders will be closed from Monday, 6 March 2023 to Wednesday, 8 March 2023, 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 Friday, 3 March 2023. Payment of the interim distribution will be made to unitholders on Thursday, 16 March 2023.

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 14 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 6,583,269 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

During the Reporting Period, there was no purchase, sale or redemption of units by Sunlight REIT or its wholly-owned and controlled entities.

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 1 March 2023.

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 2022 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 31 December	
	Note	2022 \$'000	2021 \$'000
Revenue	3 & 4	388,520	404,326
Property operating expenses	3 & 5	(80,962)	(80,940)
Net property income		307,558	323,386
Other net income	6	8,377	3,865
Administrative expenses		(52,307)	(54,309)
(Decrease)/increase in fair value of investment properties		(448,408)	49,712
(Loss)/profit from operations		(184,780)	322,654
Finance costs on interest-bearing liabilities	7(a)	(55,318)	(50,120)
(Loss)/profit before taxation and transactions with unitholders	7	(240,098)	272,534
Income tax	8	(34,276)	(38,293)
(Loss)/profit after taxation and before transactions with unitholders		(274,374)	234,241

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2022 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2022	2021
	\$'000	\$'000
(Loss)/profit after taxation and before transactions with unitholders	(274,374)	234,241
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	33,734	28,760
- Net reclassification adjustments for amounts transferred to profit or loss in respect of :		
- finance costs on interest-bearing liabilities	(4,878)	-
- unrealised exchange difference on foreign currency borrowing	(11,606)	39,108
- unwinding of swaps	(2,796)	-
- deferred tax charged to other comprehensive income	(198)	-
	<u>14,256</u>	<u>67,868</u>
Total comprehensive (loss)/income for the period	<u>(260,118)</u>	<u>302,109</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

(Expressed in Hong Kong dollars)

	Note	31 December 2022 (Unaudited) \$'000	30 June 2022 (Audited) \$'000
Non-current assets			
Fixed assets			
- Investment properties		17,649,300	18,095,200
- Other fixed assets		69	81
		17,649,369	18,095,281
Deferred tax assets		471	500
Derivative financial instruments		12,105	14,395
Reimbursement rights		37,436	37,436
Other financial assets		92,096	104,453
Other non-current assets		5,554	1,224
		17,797,031	18,253,289
Current assets			
Trade and other receivables	10	53,715	64,777
Derivative financial instruments		30,745	11,326
Cash and bank balances		587,255	630,990
		671,715	707,093
Total assets		18,468,746	18,960,382
Current liabilities			
Tenants' deposits		(192,726)	(201,406)
Rent receipts in advance		(9,788)	(7,469)
Trade and other payables	11	(69,073)	(69,372)
Bank and other borrowings		(1,299,588)	(1,298,987)
Derivative financial instruments		(8,145)	(11,386)
Tax payable		(30,980)	(65,568)
		(1,610,300)	(1,654,188)
Net current liabilities		(938,585)	(947,095)
Total assets less current liabilities		16,858,446	17,306,194

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 December 2022

(Expressed in Hong Kong dollars)

	31 December 2022 (Unaudited) \$'000	30 June 2022 (Audited) \$'000
Non-current liabilities, excluding net assets attributable to unitholders		
Bank and other borrowings	(3,003,347)	(2,989,807)
Deferred tax liabilities	(222,775)	(217,627)
Derivative financial instruments	(33,507)	(47,341)
	<u>(3,259,629)</u>	<u>(3,254,775)</u>
Total liabilities, excluding net assets attributable to unitholders	<u>(4,869,929)</u>	<u>(4,908,963)</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>13,598,817</u>	<u>14,051,419</u>
Number of units in issue	<u>1,688,295,340</u>	<u>1,681,712,071</u>
Net asset value attributable to unitholders per unit	<u>\$8.05</u>	<u>\$8.36</u>

DISTRIBUTION STATEMENT

For the six months ended 31 December 2022 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 31 December	
	Note	2022	2021
		\$'000	\$'000
(Loss)/profit after taxation and before transactions with unitholders		(274,374)	234,241
Adjustments (note (i)) :			
- Decrease/(increase) in fair value of investment properties		448,408	(49,712)
- Manager's fees paid or payable in the form of units		22,486	23,220
- Interest rate swaps - cash flow hedges	7(a)	(5,348)	628
- Non-cash finance costs on interest-bearing liabilities		2,042	2,773
- Deferred tax	8	4,979	5,993
- Depreciation		12	12
		472,579	(17,086)
Distributable income (note (i))		198,205	217,155
Interim distribution (note (ii))		185,712	204,615
Payout ratio (note (ii))		93.7%	94.2%
Distribution per unit (note (ii))		11.0 cents	12.2 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 amended and restated trust deed dated 10 May 2021 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 2022 – 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 \$2,042,000, or 0.12 cent per unit (2021: \$2,773,000, or 0.17 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 \$185,712,000 for the six months ended 31 December 2022 (2021: \$204,615,000), representing a payout ratio of 93.7% (2021: 94.2%), is calculated by multiplying the interim distribution per unit of 11.0 cents by 1,688,295,340 units** anticipated to be in issue at 8 March 2023, the record date for FY2022/23 interim distribution (the “**Record Date**”) (2021: 12.2 cents by 1,677,171,782 units in issue at 8 March 2022, the record date for FY2021/22 interim distribution).
- (iii) The interim distribution is expected to be paid on 16 March 2023 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					
	2022			2021		
	(Unaudited)			(Unaudited)		
	Office properties	Retail properties	Total	Office properties	Retail properties	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
- Rental income	160,521	147,438	307,959	166,345	156,783	323,128
- Car park income	2,438	14,709	17,147	2,351	15,260	17,611
- Rental related income	32,035	31,379	63,414	31,710	31,877	63,587
	<u>194,994</u>	<u>193,526</u>	<u>388,520</u>	<u>200,406</u>	<u>203,920</u>	<u>404,326</u>
Property operating expenses	(37,228)	(43,734)	(80,962)	(35,920)	(45,020)	(80,940)
Net property income	157,766	149,792	307,558	164,486	158,900	323,386
Administrative expenses	(25,134)	(21,300)	(46,434)	(25,879)	(22,038)	(47,917)
Segment results	132,632	128,492	261,124	138,607	136,862	275,469
(Decrease)/increase in fair value of investment properties	(275,699)	(172,709)	(448,408)	(8,623)	58,335	49,712
Finance costs on interest-bearing liabilities			(55,318)			(50,120)
Income tax			(34,276)			(38,293)
Interest income			10,051			3,432
Unallocated net expenses			(7,547)			(5,959)
(Loss)/profit after taxation and before transactions with unitholders			<u>(274,374)</u>			<u>234,241</u>
Depreciation	<u>5</u>	<u>7</u>	<u>12</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	
	2022 (Unaudited) \$'000	2021 (Unaudited) \$'000
Rental income	307,959	323,128
Car park income	17,147	17,611
Rental related income	63,414	63,587
	<u>388,520</u>	<u>404,326</u>

5. Property operating expenses

	Six months ended 31 December	
	2022 (Unaudited) \$'000	2021 (Unaudited) \$'000
Building management fee	31,813	30,540
Property manager's fees (note)	22,576	23,748
Government rent and rates	14,721	15,076
Marketing and promotion expenses	1,783	2,428
Car park operating costs	3,402	3,121
Provision for credit losses on rental receivables (note 10(b))	1,545	182
Other direct costs	5,122	5,845
	<u>80,962</u>	<u>80,940</u>

Note : During the period ended 31 December 2022, the property manager waived an amount of \$788,000 (2021: Nil) 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	
	2022 (Unaudited) \$'000	2021 (Unaudited) \$'000
Bank interest income	8,185	1,172
Interest income from debt securities	1,866	2,260
Provision for credit losses on debt securities	(1,674)	-
Others	-	433
	<u>8,377</u>	<u>3,865</u>

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

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

	Six months ended 31 December	
	2022	2021
	(Unaudited)	(Unaudited)
	\$'000	\$'000
(a) Finance costs on interest-bearing liabilities		
Interest on bank and other borrowings	58,624	46,650
Other borrowing costs	2,042	2,842
	<u>60,666</u>	<u>49,492</u>
Interest rate swaps – cash flow hedges		
- Reclassified from net assets attributable to unitholders	(4,878)	-
- Net fair value (gain)/loss of ineffective cash flow hedges	(470)	628
	<u>(5,348)</u>	<u>628</u>
	<u>55,318</u>	<u>50,120</u>

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	
	2022	2021
	(Unaudited)	(Unaudited)
	\$'000	\$'000
(b) Other items		
Manager's fees	44,971	46,440
Property manager's fees (note (i))	22,576	23,748
Trustee's remuneration and charges	2,260	2,310
Auditor's remuneration		
- Audit services	768	753
- Other services	512	750
Valuation fee payable to principal valuer	224	224
Legal and other professional fees	1,473	1,892
Commission to property agents	1,173	2,031
Bank charges	153	153
Foreign exchange loss/(gain)	569	(432)

Notes :

- (i) Included rental commission of \$5,443,000 (2021: \$4,956,000).
- (ii) Sunlight REIT does not appoint any director and the Group does not engage any employee. No employee benefit expense was incurred in the period accordingly.

8. Income tax

	Six months ended 31 December	
	2022 (Unaudited) \$'000	2021 (Unaudited) \$'000
Current tax - Hong Kong Profits Tax		
Provision for the period	29,297	32,300
Deferred tax		
Origination and reversal of temporary differences	4,979	5,993
	<u>34,276</u>	<u>38,293</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. (Loss)/earnings per unit before transactions with unitholders

The basic loss per unit before transactions with unitholders for the six months ended 31 December 2022 amounted to \$0.16 (2021: basis earnings per unit before transactions with unitholders of \$0.14). The calculation of basic (loss)/earnings per unit before transactions with unitholders is based on the Group's loss after taxation and before transactions with unitholders of \$274,374,000 (2021: profit after taxation and before transactions with unitholders of \$234,241,000) and the weighted average of 1,684,073,460 units (2021: 1,673,913,317 units) in issue during the period.

Diluted (loss)/earnings per unit before transactions with unitholders for the six months ended 31 December 2022 and 2021 are not presented as there was no potential dilution of (loss)/earnings per unit before transactions with unitholders.

10. Trade and other receivables

	31 December 2022 (Unaudited) \$'000	30 June 2022 (Audited) \$'000
Rental receivables	37,091	51,697
Deposits and prepayments	10,253	10,288
Other receivables	5,312	1,856
Amounts due from related companies	1,059	936
	<u>53,715</u>	<u>64,777</u>

Included unamortized rent-free and rental concession, deposits and prepayment of \$23,651,000 (30 June 2022: \$28,967,000) 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 2022 (Unaudited) \$'000	30 June 2022 (Audited) \$'000
Current	29,399	31,179
Less than 1 month overdue	4,456	8,728
More than 1 month and up to 3 months overdue	2,133	8,702
More than 3 months and up to 6 months overdue	424	2,517
More than 6 months overdue	679	571
	<u>37,091</u>	<u>51,697</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 2022 (Unaudited) \$'000	30 June 2022 (Audited) \$'000
At 1 July 2022/1 July 2021	7,182	2,031
Provision for credit losses (note 5)	1,545	6,180
Written off	(570)	(1,029)
	<u>8,157</u>	<u>7,182</u>

11. Trade and other payables

	31 December 2022 (Unaudited) \$'000	30 June 2022 (Audited) \$'000
Creditors and accrued charges	39,592	39,920
Manager's fees payable	22,231	21,960
Amounts due to related companies	7,250	7,492
	<u>69,073</u>	<u>69,372</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 \$1,112,000 (30 June 2022: \$1,098,000) which is due within 30 days.

12. Non-adjusting event after the Reporting Period

- (a) On 11 January 2023, the Group, through a wholly-owned subsidiary, entered into a sale and purchase agreement with an independent third party to acquire the entire beneficial interest in a company which indirectly holds a commercial development, currently known as “West 9 Zone Kids”, at a consideration of \$748,000,000 (subject to adjustments). \$74,800,000 was paid as deposit upon signing of the sale and purchase agreement. Completion of the acquisition is expected to take place in April 2023.
- (b) 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, 15 February 2023

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.