

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 REIT

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

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2022

The board of directors (the “**Board**”) of Henderson Sunlight Asset Management Limited (the “**Manager**”) announces the final results of Sunlight Real Estate Investment Trust (“**Sunlight REIT**”) for the year ended 30 June 2022 (the “**Year**”).

FINANCIAL HIGHLIGHTS

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

	2022	2021	Change (%)
For the year ended 30 June :			
Revenue	802.9	799.3	0.5
Net property income	641.9	639.7	0.4
Profit/(loss) after taxation ^{Note}	102.9	(233.7)	N/A
Annual distributable income	431.1	438.3	(1.7)
Distribution per unit (HK cents)	25.0	25.6	(2.3)
Payout ratio (%)	97.4	97.5	N/A
At 30 June :			
Portfolio valuation	18,095.2	18,341.7	(1.3)
Net asset value	14,051.4	14,124.3	(0.5)
Net asset value per unit (HK\$)	8.36	8.45	(1.1)
Gearing ratio (%)	23.3	23.0	N/A

Note : Included a fair value loss of investment properties of HK\$263.9 million (versus a fair value loss of HK\$605.2 million for the year ended 30 June 2021).

PORTFOLIO STATISTICS

Property	Operational Statistics						Property Financials				
	Occupancy Rate at 30 June (%)		Passing Rent ¹ at 30 June (HK\$/sq. ft.)		Rental Reversion ² (%)		Net Property Income (HK\$'000)		Capitalization Rate at 30 June 2022 (%)		Appraised Value at 30 June 2022 (HK\$'000)
	2022	2021	2022	2021	FY2021/22	FY2020/21	FY2021/22	FY2020/21	Office	Retail	
Office											
Grade A											
Dah Sing Financial Centre ³	91.4	88.3	42.7	44.0	(7.1)	(2.2)	178,432	170,556	3.75	3.65	5,172,000
Grade B											
Strand 50	99.7	95.8	32.4	32.1	0.4	(1.1)	39,876	38,224	3.45	3.80	1,316,900
The Harvest	80.4	100.0	36.7	53.2	0.0	(10.7)	13,753	19,765	3.30	3.10	597,000
135 Bonham Strand Trade Centre Property	99.1	93.1	27.1	27.9	(5.7)	(9.1)	17,987	17,561	3.55	3.80	578,400
Winsome House Property	97.2	94.3	39.9	42.7	(7.8)	(11.0)	17,038	16,833	3.55	3.60	556,200
Righteous Centre	100.0	100.0	34.5	33.9	(1.3)	(6.0)	20,372	19,220	3.75	3.50	537,000
235 Wing Lok Street Trade Centre	96.8	88.6	19.8	20.9	(3.4)	(11.5)	11,097	10,734	3.55	3.80	367,800
Java Road 108 Commercial Centre	100.0	96.1	25.0	24.9	(1.1)	(9.1)	10,210	9,927	3.75	4.00	276,200
On Loong Commercial Building	100.0	100.0	27.6	31.2	(17.0)	(9.8)	8,374	8,717	3.65	3.70	246,600
Sun Fai Commercial Centre Property	98.5	100.0	21.4	21.7	(4.9)	(9.7)	5,934	5,976	3.80	4.05	165,700
Wai Ching Commercial Building Property	97.2	91.7	17.0	17.4	(4.5)	(0.4)	2,760	2,717	3.55	3.90	80,100
Sub-total/Average	94.8	92.4	35.1	36.7	(5.5)	(5.3)	325,833	320,230			9,893,900
Retail											
New Town											
Sheung Shui Centre Shopping Arcade	92.9	95.3	100.6	104.2	(5.0)	(8.4)	139,522	142,571	N/A	4.30	3,780,000
Metro City Phase I Property	94.6	97.6	54.7	56.7	(4.9)	(9.0)	135,400	133,173	N/A	4.30	3,107,000
Kwong Wah Plaza Property	98.4	97.7	50.5	53.5	(4.7)	6.4	37,189	38,649	3.60	3.60	1,165,000
Urban											
Beverley Commercial Centre Property	81.9	77.5	30.6	32.8	(10.2)	(32.5)	1,204	2,302	N/A	4.10	75,100
Supernova Stand Property	100.0	100.0	57.2	57.2	N/A	(10.7)	2,751	2,728	N/A	3.80	74,200
Sub-total/Average	94.5	96.5	67.6	70.4	(5.0)	(7.2)	316,066	319,423			8,201,300
Total/Average	94.7	93.7	45.4	47.7	(5.2)	(6.2)	641,899	639,653			18,095,200

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 year.

3. The property was previously known as Sunlight Tower (renamed with effect from 8 March 2021).

PERFORMANCE HIGHLIGHTS

Contrary to previous economic prognosis, global inflationary pressures have proved more painful and persistent, sparking a series of interest rate hikes by major central banks, which have stoked nervousness among businesses, investors and consumers. This has posed an additional challenge to Hong Kong, whose domestic economy was already debilitated by a fierce fifth wave of COVID-19 infections that emerged in early 2022.

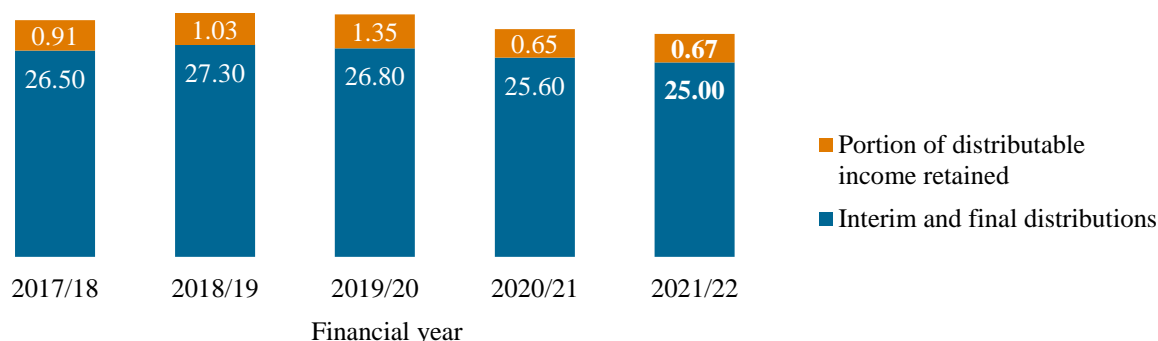
Despite such formidable headwinds, Sunlight REIT's net property income ("NPI") for the Year still registered a mild improvement of 0.4% from the preceding year to HK\$641.9 million. Annual distributable income dropped a slight 1.7% to HK\$431.1 million, reflecting a moderate increase in interest expenses during the Year.

The Board has resolved to declare a final distribution of HK 12.8 cents per unit. Together with an interim distribution of HK 12.2 cents per unit, the total distribution per unit for the Year would amount to HK 25.0 cents. The implied payout ratio is 97.4%, compared with 97.5% for FY2020/21.

At 30 June 2022, the value of Sunlight REIT's property portfolio was appraised by the principal valuer ^{Note} at HK\$18,095.2 million, representing a decrease of 1.3% compared with a year ago. As a result, its net asset value was down marginally by 0.5% to HK\$14,051.4 million, or HK\$8.36 per unit (30 June 2021: HK\$8.45 per unit).

Distribution at a glance

(HK cents)



MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

The retail sector had just started to stage a nascent recovery in late 2021 when Hong Kong was mired into an extended period of economic malaise between January and April 2022 due to stringent anti-pandemic measures imposed to contain the spread of the highly infectious Omicron variant. As domestic consumption took a hit, retail leasing activities have also been severely affected. At 30 June 2022, the retail portfolio of Sunlight REIT registered an overall occupancy rate of 94.5%, compared with 96.5% a year earlier. Rental reversion for the Year was negative at 5.0%.

The performance of the office market has also been far from encouraging in light of an uncertain global business environment, as the average vacancy rate of Hong Kong's Grade A offices hovered around 10% ^{Note} throughout the Year. The overall occupancy rate of Sunlight REIT's office portfolio stood at 94.8% at 30 June 2022 (30 June 2021: 92.4%), with a negative rental reversion of 5.5% for the Year.

The overall portfolio of Sunlight REIT recorded an average occupancy rate of 94.7% at 30 June 2022 (30 June 2021: 93.7%), with the office and retail portfolios exhibiting high retention rates of 82% and 77% (FY2020/21: 53% and 67%) respectively. Their corresponding average passing rents were HK\$35.1 per sq. ft. and HK\$67.6 per sq. ft. at 30 June 2022, down 4.4% and 4.0% respectively from a year ago.

Dah Sing Financial Centre

The enduring pandemic situation has continued to curtail office leasing demand in a structural manner, as multinational corporations were hesitant about expansion amidst the various geopolitical economic uncertainties confronting global businesses. Together with the merit of work-from-home arrangements which have become a new norm, most corporations continued to put downsizing and cost-saving at the forefront of priorities. In the case of Dah Sing Financial Centre ("DSFC"), it recorded a negative reversion rate of 7.1% but achieved a high retention rate of 96% for the Year.

Benefitting from an increase in car park income and a relatively stable occupancy rate of 91.4% at 30 June 2022, NPI of DSFC registered a year-on-year improvement of 4.6% to HK\$178.4 million. This flagship property of Sunlight REIT continued to incorporate numerous green and proptech elements during the Year, and has again been awarded the highest platinum-rated BEAM Plus certification (Comprehensive Scheme) in December 2021.

Sheung Shui Centre Shopping Arcade

A promising trend in terms of footfall and tenants' sales witnessed at Sheung Shui Centre Shopping Arcade ("SSC") in the first half of the Year was reversed by the emergence of the fifth wave of COVID-19 which brought retail leasing activities to a virtual standstill between January and April 2022. Consequently, SSC reported a lower occupancy rate of 92.9% at 30 June 2022 (30 June 2021: 95.3%) with a negative rental reversion of 5.0%. NPI recorded a mild 2.1% decline to HK\$139.5 million, while passing rent stood at HK\$100.6 per sq. ft. (30 June 2021: HK\$104.2 per sq. ft.).

While it may take more time to restore the consumption benefits derived from Mainland tourists, the Manager remains sanguine about the prospects for domestic spending, particularly in light of the fact that SSC's accessibility has been greatly enhanced by the opening of the MTR East Rail Line Cross-Harbour Extension which has shortened the commuting time from Sheung Shui to Admiralty to approximately 40 minutes.

Note : Based on the statistics provided by the principal valuer.

Metro City Phase I Property

Metro City Phase I Property (“**MCPI**”) was not immune to the significant adverse impact caused by the fifth wave of COVID-19, but thanks to its fine performance in the first half of the Year, NPI for the Year was up 1.7% to HK\$135.4 million. Reflecting the cautious business sentiment, however, a negative rental reversion of 4.9% was recorded for the Year, which led to a lower passing rent of HK\$54.7 per sq. ft. at 30 June 2022 (30 June 2021: HK\$56.7 per sq. ft.). Occupancy rate also dropped to 94.6% as compared to 97.6% a year ago.

In view of the competitive business environment with more new shopping malls emerging in the Tseung Kwan O district, the Manager has decided to launch a two-phase asset enhancement plan for MCPI with a view to strengthening its position as an attractive shopping destination.

Financial Review

The revenue of Sunlight REIT rose 0.5% for the Year to HK\$802.9 million, thanks to a higher average occupancy rate and lower amortized rental concessions (of HK\$6.2 million). After deducting property operating expenses of HK\$161.0 million, NPI was HK\$641.9 million, up 0.4%.

Finance costs increased 5.0% year on year to HK\$98.4 million, reflecting higher funding costs and increased average borrowings as compared with the preceding year. Together with lower interest income mainly due to a smaller bond portfolio, net interest expenses increased 10.1% to HK\$85.5 million. Taking into account a decrease in fair value of investment properties of HK\$263.9 million, a profit after taxation of HK\$102.9 million for the Year was reported (FY2021/21: a loss after taxation of HK\$233.7 million).

At 30 June 2022, the gearing ratio of Sunlight REIT (defined as total borrowings as a percentage of gross assets) was 23.3% (30 June 2021: 23.0%), while the percentage of gross liabilities to gross assets was 25.9% (30 June 2021: 26.4%).

The EBITDA^{Note} of Sunlight REIT was almost unchanged at HK\$541.3 million. In light of the increase in interest expenses, interest coverage ratio decreased to 5.8 times as compared with 6.3 times recorded in the previous financial year.

Capital and Interest Rate Management

During the Year, Sunlight REIT successfully raised HK\$1,300 million through sustainability-linked loans (“**SLLs**”), the proceeds of which had been applied towards the refinancing of bank loans due in the Year.

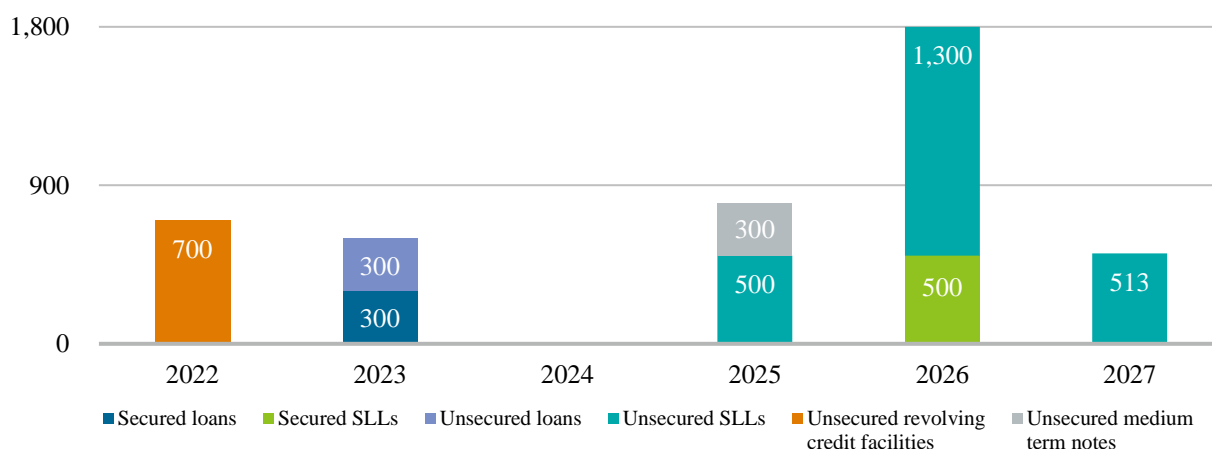
At 30 June 2022, Sunlight REIT had total borrowings of HK\$4,413 million (30 June 2021: HK\$4,418 million), comprising secured loans of HK\$800 million and unsecured borrowings of HK\$3,613 million, with a weighted debt maturity period of 2.9 years. The borrowing profile reflects the Manager’s intention to reduce Sunlight REIT’s reliance on secured lending. In tandem with this strategy, the Manager released an office property from the pool of securities for the secured loans in April 2022, with the appraised value of the (remaining) pledged properties standing at HK\$5,096.9 million at 30 June 2022.

Note : 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.

Maturity Profile of Total Borrowings

(at 30 June 2022)

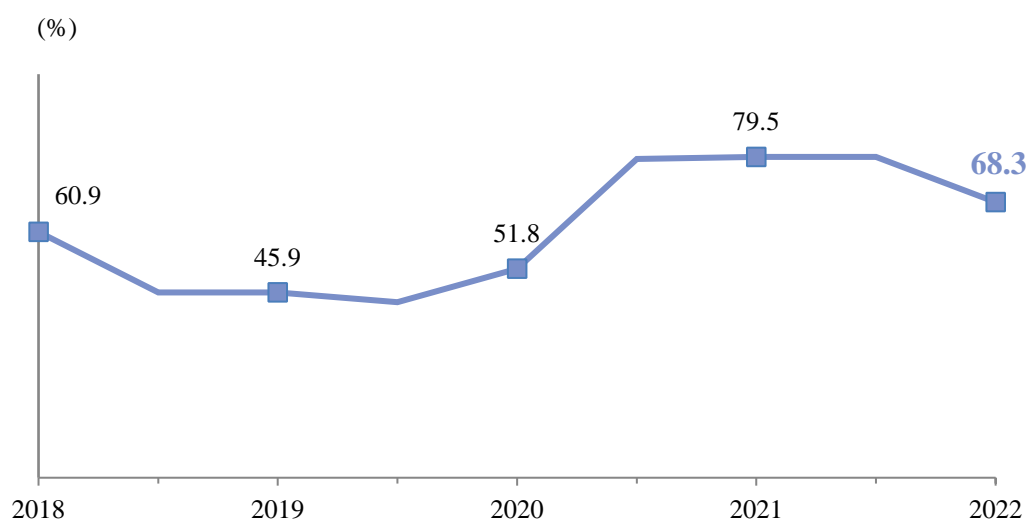
(HK\$' million)



In June 2022, the Manager captured a window of opportunity to restructure the interest rate swap (“IRS”) profile of Sunlight REIT by unwinding certain IRSs with an aggregate notional amount of HK\$500 million. Consequently, the proportion of Sunlight REIT’s fixed rate borrowings at 30 June 2022 was reduced to approximately 68% (30 June 2021: 80%). The weighted average interest rate (including loan interest margin, if applicable) for the fixed rate borrowings was 2.51% per annum, while the floating rate portion of the borrowings carried an average interest margin of 0.79% per annum over Hong Kong Interbank Offered Rate. Weighted average funding cost for the Year was 2.1%, compared to 2.0% recorded in the preceding financial year.

Fixed Rate Borrowings as a % of Total Borrowings

(at 30 June)



Environmental, Social and Governance

The Manager has continued to actively pursue the sustainability agenda of Sunlight REIT. In particular, substantial inroad has been made into green building certification, as nearly 80% of the properties under management (by gross rentable area) have been given recognition by BEAM Society Limited (based on Comprehensive or Selective Scheme) at 30 June 2022, versus 30.4% a year ago.

Meanwhile, a total of HK\$1,300 million in SLLs were concluded during the Year, increasing such proportion to over 60% of Sunlight REIT's total borrowings, in line with the projected target mentioned in the interim report. The Manager is grateful for the continued support from banking partners to implement Sunlight REIT's sustainability strategy on a holistic basis.

OUTLOOK

The overriding concern in the near term is whether a global slowdown or even recession is in prospect, as policymakers in major economies have been combating inflation with aggressive monetary tightening. Worse still, with the complications of supply-side constraints and geopolitical conflicts, the rally in energy and commodity prices may persist and tip the world into a scenario of stagflation.

While local retail sales have received a welcome boost from the disbursement of consumption vouchers by The Government of the HKSAR, a sustainable recovery in consumer spending will hinge on the trajectory of COVID-19 and attendant public-health responses regarding curbs on social gatherings and border controls. Although leasing demand for community malls is stabilizing, tenants have in general become more prudent, particularly on expansion. The retail premises of Sunlight REIT are witnessing a shift in trade mix, with food and beverage outlets as well as grocery stores more inclined to renew their leases or commit new spaces.

For offices, the odds still appear to be stacked against landlords. Rental performance will be constrained by a combination of high vacancy, substantial new office supply, sluggish demand from multinational corporations and Mainland Chinese companies yet to return to a more aggressive expansion mode. In addition, on the back of business digitization and continuation of work-from-home arrangements, financial institutions may curtail their space requirements ahead.

In FY2022/23, leases representing approximately 36.8% and 45.7% of office and retail spaces will expire respectively. As tenants are gradually regaining their composure, the Manager is hopeful of achieving a respectable retention rate with a lower incidence of rental concessions. However, negative reversion may remain a possible feature, particularly for leases entered into prior to the onset of the pandemic. Nonetheless, the Manager is hopeful of a gradual improvement in retail occupancy as its efforts in proactive management and marketing continue to step up.

Sunlight REIT's healthy credit profile, as demonstrated by a comfortable gearing ratio of 23.3%, also helps it stay resilient against a tight credit environment. Barring unforeseen circumstances, the Manager is optimistic about the upcoming loan refinancing activities as well as the prospect for raising additional funding for the purpose of acquisition. Meanwhile, the Manager continues to measurably invest in asset enhancement initiatives. In this regard, phase one of the refurbishment of MCPI will begin shortly, the scope of which mainly comprises enhancement of key common facilities and layout reconfiguration on the upper floor of the shopping arcade, with an estimated budget of around HK\$20 million. The Manager will also actively explore opportunities to expand the portfolio of Sunlight REIT. In light of rising funding costs, however, higher required returns on investment will be incorporated in the Manager's consideration to ensure that new acquisitions are yield-accretive in a sustainable manner.

Conceivably, uncertainties in the macro environment are unlikely to subside soon. But this should be no cause for pessimism. Sunlight REIT has been strengthening its portfolio by proactively divesting non-core assets, making rewarding additions and undertaking enhancement initiatives that raise the quality and value of key properties. Its defensiveness is further fortified by a prudent capital management strategy. The series of challenging external events over the past few years have sharpened the Manager's adaptability and agility to embrace and tackle the unknown. With great stamina and teamwork, the Manager will strive to craft a brighter future.

CLOSURE OF REGISTER OF UNITHOLDERS

Distribution Entitlement

The ex-distribution date and record date for the final distribution are Thursday, 22 September 2022 and Wednesday, 28 September 2022 respectively. The register of unitholders will be closed from Monday, 26 September 2022 to Wednesday, 28 September 2022, both days inclusive, during which period no transfer of units will be effected. In order to qualify for the final distribution, all transfer documents accompanied by the relevant unit certificates must be lodged for registration with the unit registrar of Sunlight REIT, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (the "**Unit Registrar**") not later than 4:30 p.m. on Friday, 23 September 2022. Payment of the final distribution will be made to unitholders on Tuesday, 11 October 2022.

Annual General Meeting

The annual general meeting will be held on Thursday, 10 November 2022, and notice convening the meeting will be issued on Wednesday, 5 October 2022. For the purpose of determining entitlements to attend and vote at the meeting, the register of unitholders will be closed from Monday, 7 November 2022 to Thursday, 10 November 2022, both days inclusive, during which period no transfer of units will be effected. In order to be eligible to attend and vote at the meeting, all transfer documents accompanied by the relevant unit certificates must be lodged for registration with the Unit Registrar not later than 4:30 p.m. on Friday, 4 November 2022.

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 Year, 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 (the "**Listing Rules**").

Public Float

Based on information that is publicly available and as far as the Manager is aware, 46.9% of the outstanding units in issue of Sunlight REIT were held in public hands at the date of this announcement, which satisfies the minimum public float requirement of 25% under the Listing Rules.

New Units Issued

During the Year, a total of 10,778,587 new units were issued to the Manager in October 2021 and April 2022 as payment of part of the Manager's fees.

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

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 1,200,000 units on behalf of Sunlight REIT on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the Year for an aggregate consideration of approximately HK\$4.6 million (excluding buy-back expenses). All the units bought back were cancelled prior to the end of the Year. Details of the buy-backs are as follows :

Month of buy-back	Number of units bought back	Price paid per unit		Aggregate consideration paid* (HK\$'000)
		Highest (HK\$)	Lowest (HK\$)	
April 2022	1,072,000	3.86	3.78	4,099
May 2022	128,000	3.87	3.86	495
Total	1,200,000			4,594

* Excluding buy-back expenses

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

Employees

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

Review of Final Results

The final results of Sunlight REIT for the Year have been reviewed by the audit committee and the disclosures committee of the Manager in accordance with their respective terms of reference.

The figures in respect of the Sunlight REIT's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, distribution statement and the related notes thereto as set out in this announcement have been compared by the auditor of Sunlight REIT, KPMG, Certified Public Accountants, to the amounts set out in the audited consolidated financial statements of Sunlight REIT for the Year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by KPMG on this announcement.

ISSUANCE OF ANNUAL REPORT

The annual report of Sunlight REIT for the Year will be sent to unitholders on 5 October 2022.

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 year ended 30 June 2022

(Expressed in Hong Kong dollars)

	Note	2022 \$'000	2021 \$'000
Revenue	3 & 4	802,930	799,296
Property operating expenses	3 & 5	<u>(161,031)</u>	<u>(159,643)</u>
Net property income		641,899	639,653
Other net income	6	5,307	8,981
Administrative expenses		(105,813)	(107,550)
Net decrease in fair value of investment properties		<u>(263,890)</u>	<u>(605,160)</u>
Profit/(loss) from operations		277,503	(64,076)
Finance costs on interest-bearing liabilities	7(a)	<u>(98,396)</u>	<u>(93,735)</u>
Profit/(loss) before taxation and transactions with unitholders	7	179,107	(157,811)
Income tax	8	<u>(76,163)</u>	<u>(75,866)</u>
Profit/(loss) after taxation and before transactions with unitholders		<u><u>102,944</u></u>	<u><u>(233,677)</u></u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022
(Expressed in Hong Kong dollars)

	2022 \$'000	2021 \$'000
Profit/(loss) after taxation and before transactions with unitholders	102,944	(233,677)
Other comprehensive income for the year		
<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 year	98,086	(20,310)
- Net reclassification adjustments for amounts transferred to profit or loss in respect of :		
- finance costs on interest-bearing liabilities	(16)	218
- unrealized exchange difference on foreign currency borrowing	108,323	-
- unwinding of swaps	(295)	-
	206,098	(20,092)
Total comprehensive income/(loss) for the year	309,042	(253,769)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

(Expressed in Hong Kong dollars)

	Note	2022 \$'000	2021 \$'000
Non-current assets			
Fixed assets			
- Investment properties		18,095,200	18,341,700
- Other fixed assets		81	93
		<u>18,095,281</u>	<u>18,341,793</u>
Deferred tax assets		500	343
Derivative financial instruments		14,395	-
Reimbursement rights		37,436	37,436
Other financial assets		104,453	140,893
Other non-current assets		1,224	967
		<u>18,253,289</u>	<u>18,521,432</u>
Current assets			
Trade and other receivables	10	64,777	54,946
Derivative financial instruments		11,326	-
Cash and bank balances		630,990	623,301
Tax recoverable		-	67
		<u>707,093</u>	<u>678,314</u>
Total assets		<u>18,960,382</u>	<u>19,199,746</u>
Current liabilities			
Tenants' deposits		(201,406)	(201,565)
Rent receipts in advance		(7,469)	(12,348)
Trade and other payables	11	(69,372)	(71,393)
Bank and other borrowings		(1,298,987)	(2,002,645)
Derivative financial instruments		(11,386)	(52,964)
Tax payable		(65,568)	(70,152)
		<u>(1,654,188)</u>	<u>(2,411,067)</u>
Net current liabilities		<u>(947,095)</u>	<u>(1,732,753)</u>
Total assets less current liabilities		<u>17,306,194</u>	<u>16,788,679</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2022

(Expressed in Hong Kong dollars)

	2022 \$'000	2021 \$'000
Non-current liabilities, excluding net assets attributable to unitholders		
Bank and other borrowings	(2,989,807)	(2,398,145)
Deferred tax liabilities	(217,627)	(205,107)
Derivative financial instruments	(47,341)	(61,174)
	<u>(3,254,775)</u>	<u>(2,664,426)</u>
Total liabilities, excluding net assets attributable to unitholders	<u>(4,908,963)</u>	<u>(5,075,493)</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>14,051,419</u>	<u>14,124,253</u>
Number of units in issue	<u>1,681,712,071</u>	<u>1,672,133,484</u>
Net asset value attributable to unitholders per unit	<u>\$8.36</u>	<u>\$8.45</u>

DISTRIBUTION STATEMENT

For the year ended 30 June 2022

(Expressed in Hong Kong dollars)

	Note	2022 \$'000	2021 \$'000
Profit/(loss) after taxation and before transactions with unitholders		102,944	(233,677)
Adjustments (note (i)) :			
- Net decrease in fair value of investment properties		263,890	605,160
- Manager's fees paid or payable in the form of units		46,244	46,775
- Interest rate swaps - cash flow hedges	7(a)	313	1,159
- Non-cash finance costs on interest-bearing liabilities		5,290	6,197
- Deferred tax	8	12,363	12,705
- Depreciation		25	-
		328,125	671,996
Annual distributable income (note (i))		431,069	438,319
Interim distribution, paid (notes (ii) and (iv))		204,615	208,358
Final distribution, to be paid to unitholders (notes (iii) and (iv))		215,259	219,050
Total distributions for the year (note (i))		419,874	427,408
Payout ratio (note (iii))		97.4%	97.5%
Distribution per unit :			
Interim distribution per unit, paid		12.2 cents	12.5 cents
Final distribution per unit, to be paid to unitholders		12.8 cents	13.1 cents
		25.0 cents	25.6 cents

DISTRIBUTION STATEMENT (continued)

For the year ended 30 June 2022

(Expressed in Hong Kong dollars)

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 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.

Annual 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 year, as adjusted to eliminate the effects of certain adjustments which have been recorded in the consolidated statement of profit or loss for the relevant financial year.

In arriving at the amount available for distribution for the current year, adjustments have been made, among others, to add back the finance costs relating to the amortization of debt establishment fees for bank and other borrowings and discount on issuance of medium term notes of \$5,290,000, or 0.31 cents per unit (2021: \$6,197,000, or 0.37 cents 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 \$204,615,000 for the six months ended 31 December 2021 (31 December 2020: \$208,358,000) is calculated by multiplying the interim distribution per unit of 12.2 cents by 1,677,171,782 units in issue at 8 March 2022, the record date for FY2021/22 interim distribution (31 December 2020: 12.5 cents by 1,666,867,824 units in issue at 3 March 2021, the record date for FY2020/21 interim distribution).
- (iii) The final distribution of \$215,259,000 for the year ended 30 June 2022 (2021: \$219,050,000) is calculated by multiplying the final distribution per unit of 12.8 cents by 1,681,712,071 units** anticipated to be in issue at 28 September 2022, the record date for FY2021/22 final distribution (the “**Record Date**”) (2021: 13.1 cents by 1,672,133,484 units in issue at 29 September 2021, the record date for FY2020/21 final distribution).

Together with the interim distribution, the total distributions for the year ended 30 June 2022 represent a payout ratio of 97.4% (2021: 97.5%) of Sunlight REIT’s annual distributable income for the year.

- (iv) The FY2021/22 interim distribution was paid to unitholders on 16 March 2022. The FY2021/22 final distribution is expected to be paid on 11 October 2022 to unitholders whose names appear on the register of unitholders on the Record Date.
- (v) The final 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.

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

The final results set out in this announcement do not constitute the Group’s statutory consolidated financial statements for the year ended 30 June 2022 but are extracted from those consolidated financial statements.

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

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group, of which the following is relevant to the Group’s consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications; and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“**IBOR**”) (“**IBOR reform**”).

2. Basis of preparation (continued)

During the year ended 30 June 2022, the Group had an outstanding bank loan advanced from a bank (the “**Bank**”) and which is hedged against interest rate risk and foreign currency risk by way of a cross currency interest rate swap contract. For any interest period commencing prior to 1 January 2022, interest expenses paid to the Bank on the bank loan and interest payments received from the Bank on the swap contract were calculated based on the Japanese Yen London Interbank Offered Rate (“**JPY LIBOR**”). On 21 December 2021, the Group and the Bank had agreed to select Tokyo Overnight Average Rate as the alternative benchmark rate (the “**Benchmark Rate**”) under the IBOR reform. As a result, for any interest period commencing on or after 1 January 2022, the relevant interest expenses and interest payments will be calculated based on the Benchmark Rate. The Group has assessed the change of referencing rate from JPY LIBOR to the Benchmark Rate in respect of the bank loan and the swap contract, and considered that the mismatch risk is minimal and the change does not have any material impact on the Group’s results and financial position for the current or prior years.

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

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, assets and liabilities

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

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

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

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

3. Segment reporting (continued)

Segment results, assets and liabilities (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 year is set out below :

	2022			2021		
	Office properties \$'000	Retail properties \$'000	Total \$'000	Office properties \$'000	Retail properties \$'000	Total \$'000
Revenue						
- Rental income	331,286	311,497	642,783	329,151	316,317	645,468
- Car park income	4,392	29,200	33,592	4,192	28,251	32,443
- Rental related income	62,862	63,693	126,555	59,049	62,336	121,385
	398,540	404,390	802,930	392,392	406,904	799,296
Property operating expenses	(72,707)	(88,324)	(161,031)	(72,162)	(87,481)	(159,643)
Net property income	325,833	316,066	641,899	320,230	319,423	639,653
Administrative expenses	(51,141)	(43,457)	(94,598)	(51,271)	(43,861)	(95,132)
Segment results	274,692	272,609	547,301	268,959	275,562	544,521
Net decrease in fair value of investment properties	(140,768)	(123,122)	(263,890)	(171,958)	(433,202)	(605,160)
Finance costs on interest-bearing liabilities			(98,396)			(93,735)
Income tax			(76,163)			(75,866)
Interest income			7,153			8,447
Unallocated net expenses			(13,061)			(11,884)
Profit/(loss) after taxation and before transactions with unitholders			102,944			(233,677)
Depreciation	10	15	25	2	15	17

3. Segment reporting (continued)

Segment results, assets and liabilities (continued)

	2022			2021		
	Office	Retail	Total	Office	Retail	Total
	properties	properties		properties	properties	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment assets	9,964,831	8,232,101	18,196,932	10,089,505	8,343,833	18,433,338
Derivative financial instruments			25,721			-
Other financial assets			104,453			140,893
Cash and bank balances			630,990			623,301
Tax recoverable			-			67
Deferred tax assets			500			343
Unallocated assets			1,786			1,804
Total assets			<u>18,960,382</u>			<u>19,199,746</u>
Segment liabilities	(141,376)	(127,642)	(269,018)	(141,271)	(134,491)	(275,762)
Derivative financial instruments			(58,727)			(114,138)
Bank and other borrowings			(4,288,794)			(4,400,790)
Tax payable			(65,568)			(70,152)
Deferred tax liabilities			(217,627)			(205,107)
Unallocated liabilities			(9,229)			(9,544)
Total liabilities, excluding net assets attributable to unitholders			<u>(4,908,963)</u>			<u>(5,075,493)</u>
Capital expenditure incurred during the year	<u>12,367</u>	<u>5,293</u>	<u>17,660</u>	<u>11,561</u>	<u>17,778</u>	<u>29,339</u>

4. Revenue

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

	2022	2021
	\$'000	\$'000
Rental income (note)	642,783	645,468
Car park income	33,592	32,443
Rental related income	126,555	121,385
	802,930	799,296

Note : Included additional rents based on business revenue of tenants amounting to \$1,244,000 (2021: \$1,137,000).

5. Property operating expenses

	2022	2021
	\$'000	\$'000
Building management fee	59,487	59,705
Property manager's fees (note)	45,143	46,015
Government rent and rates	29,892	29,111
Marketing and promotion expenses	4,330	5,352
Car park operating costs	6,273	6,695
Provision for credit losses on rental receivables	6,180	1,713
Other direct costs	9,726	11,052
	161,031	159,643

Note : During the year ended 30 June 2022, the property manager waived an amount of \$399,000 (2021: \$2,894,000) 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

	2022	2021
	\$'000	\$'000
Bank interest income	2,991	2,792
Interest income from debt securities	4,162	5,655
Provision for credit losses on debt securities	(2,876)	-
Others	1,030	534
	5,307	8,981

7. Profit/(loss) before taxation and transactions with unitholders

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

	2022 \$'000	2021 \$'000
(a) Finance costs on interest-bearing liabilities		
Interest on bank and other borrowings	92,684	86,379
Other borrowing costs	<u>5,399</u>	<u>6,197</u>
	<u>98,083</u>	<u>92,576</u>
Interest rate swaps - cash flow hedges		
- Reclassified from net assets attributable to unitholders	(16)	218
- Net fair value loss of ineffective cash flow hedges	<u>329</u>	<u>941</u>
	<u>313</u>	<u>1,159</u>
	<u><u>98,396</u></u>	<u><u>93,735</u></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.

	2022 \$'000	2021 \$'000
(b) Other items		
Manager's fees	91,638	92,531
Property manager's fees (note (i))	45,143	46,015
Trustee's remuneration and charges	4,570	4,621
Auditor's remuneration		
- Audit services	2,008	2,002
- Other services	750	497
Valuation fee payable to principal valuer	483	411
Legal and other professional fees	3,234	5,087
Commission to property agents	3,083	2,763
Bank charges	301	337
Net foreign exchange gain	<u>(1,030)</u>	<u>(265)</u>

Notes :

- (i) Included rental commission of \$8,692,000 (2021: \$11,674,000).
- (ii) Sunlight REIT does not appoint any director and the Group does not engage any employee. No employee benefit expense was incurred in the year accordingly.

8. Income tax

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

	2022 \$'000	2021 \$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	64,041	63,535
Over-provision in respect of prior years	(241)	(374)
	<u>63,800</u>	<u>63,161</u>
Deferred tax		
Origination and reversal of temporary differences	12,363	12,705
	<u>76,163</u>	<u>75,866</u>

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

9. Earning/(loss) per unit before transactions with unitholders

The basic earnings per unit before transactions with unitholders for the year ended 30 June 2022 amounted to \$0.06 (2021: basic loss per unit before transactions with unitholders of \$0.14). The calculation of basic earning/(loss) per unit before transactions with unitholders is based on the Group's profit after taxation and before transactions with unitholders of \$102,944,000 (2021: loss after taxation and before transactions with unitholders of \$233,677,000) and the weighted average of 1,676,368,004 units (2021: 1,666,146,965 units) in issue during the year.

Diluted earning/(loss) per unit before transactions with unitholders for the years ended 30 June 2022 and 2021 are not presented as there was no potential dilution of earning/(loss) per unit before transactions with unitholders.

10. Trade and other receivables

	2022 \$'000	2021 \$'000
Rental receivables	51,697	46,569
Deposits and prepayments	10,288	5,571
Other receivables	1,856	2,017
Amounts due from related companies	936	789
	<u>64,777</u>	<u>54,946</u>

Included unamortized rent-free and rental concession, deposits and prepayment of \$28,967,000 (2021: \$29,953,000) 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.

10. Trade and other receivables (continued)

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 :

	2022	2021
	\$'000	\$'000
Current	31,179	39,103
Less than 1 month overdue	8,728	4,033
More than 1 month and up to 3 months overdue	8,702	1,697
More than 3 months and up to 6 months overdue	2,517	920
More than 6 months overdue	571	816
	<u>51,697</u>	<u>46,569</u>

(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 year is as follows:

	2022	2021
	\$'000	\$'000
At the beginning of the year	2,031	625
Provision for credit losses	6,180	1,713
Written off	(1,029)	(307)
At the end of the year	<u>7,182</u>	<u>2,031</u>

11. Trade and other payables

	2022	2021
	\$'000	\$'000
Creditors and accrued charges	39,920	41,145
Manager's fees payable	21,960	22,102
Amounts due to related companies	<u>7,492</u>	<u>8,146</u>
	<u><u>69,372</u></u>	<u><u>71,393</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 \$1,098,000 (2021: \$1,115,000) 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 a final 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, 6 September 2022

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.