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**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 2020**

The board of directors (the “**Board**”) of Henderson Sunlight Asset Management Limited (the “**Manager**”) is pleased to report to unitholders the final results of Sunlight Real Estate Investment Trust (“**Sunlight REIT**”) for the year ended 30 June 2020 (the “**Year**”).

#### **FINANCIAL HIGHLIGHTS**

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

	<b>2020</b>	2019	Change (%)
<b>For the year ended 30 June :</b>			
Revenue	<b>854.6</b>	850.7	0.5
Net property income	<b>684.7</b>	682.5	0.3
(Loss)/profit after taxation	<b>(751.4)</b>	1,591.1	N/A
Annual distributable income	<b>467.0</b>	467.3	(0.1)
Distribution per unit (HK cents)	<b>26.8</b>	27.3	(1.8)
Payout ratio (%)	<b>95.2</b>	96.4	N/A
<b>At 30 June :</b>			
Portfolio valuation	<b>18,918.0</b>	20,002.5	(5.4)
Net asset value	<b>14,771.2</b>	15,991.9	(7.6)
Net asset value per unit (HK\$)	<b>8.89</b>	9.68	(8.2)
Gearing ratio (%)	<b>21.6</b>	20.4	N/A

## PORTFOLIO STATISTICS

Property	Operational Statistics						Property Financials				
	Occupancy Rate at 30 June (%)		Passing Rent <sup>1</sup> at 30 June (HK\$/sq. ft.)		Rental Reversion <sup>2</sup> (%)		Net Property Income (HK\$'000)		Capitalization Rate at 30 June 2020 (%)		Appraised Value at 30 June 2020 (HK\$'000)
	2020	2019	2020	2019	FY2019/20	FY2018/19	FY2019/20	FY2018/19	Office	Retail	
<b>Office</b>											
<b>Grade A</b>											
Sunlight Tower	94.3	98.2	40.8	39.6	13.6	13.5	189,280	181,162	3.75	3.65	5,200,300
<b>Grade B</b>											
Strand 50 <sup>3</sup>	95.5	68.4 <sup>4</sup>	35.6	31.8	10.9	10.6	34,819	32,532	3.45	3.80	1,339,800
The Harvest	100.0	96.4	51.1	51.2	N/A	N/A	18,212	16,643	3.30	3.10	660,400
135 Bonham Strand Trade Centre Property	94.5	100.0	30.1	29.4	7.1	12.6	19,984	18,681	3.55	3.80	614,800
Winsome House Property	96.1	100.0	44.8	43.8	10.2	6.5	18,925	19,040	3.55	3.60	597,300
Righteous Centre	99.3	100.0	35.2	36.3	2.4	8.5	19,781	20,523	3.75	3.50	554,500
235 Wing Lok Street Trade Centre	94.3	93.8	22.3	22.6	0.4	9.2	11,291	12,330	3.55	3.80	393,500
Java Road 108 Commercial Centre	100.0	96.1	26.4	26.4	4.1	7.1	10,562	10,112	3.75	4.00	298,700
On Loong Commercial Building	94.1	100.0	32.9	31.6	7.0	8.6	9,265	9,132	3.65	3.70	266,900
Sun Fai Commercial Centre Property	100.0	100.0	23.1	22.7	9.5	9.1	5,839	5,856	3.80	4.05	175,900
Wai Ching Commercial Building Property	100.0	97.2	17.8	16.1	21.5	20.8	2,363	2,019	3.55	3.90	81,100
<b>Sub-total/Average</b>	<b>95.6</b>	<b>94.0</b>	<b>36.5</b>	<b>35.5</b>	<b>10.0</b>	<b>11.4</b>	<b>340,321</b>	<b>328,030</b>			<b>10,183,200</b>
<b>Retail</b>											
<b>New Town</b>											
Sheung Shui Centre Shopping Arcade	96.8	98.1	112.9	118.4	0.9	13.4	161,697	172,310	N/A	4.30	4,194,300
Metro City Phase I Property	94.5	98.9	58.4	57.5	6.1	11.5	138,389	139,913	N/A	4.40	3,184,500
Kwong Wah Plaza Property <sup>5</sup>	99.3	100.0	55.7	54.3	8.9	9.6	39,590	36,972	3.60	3.60	1,191,900
<b>Urban</b>											
Beverly Commercial Centre Property	77.4	62.9	39.6	45.6	(24.7)	(0.2)	2,139	2,674	N/A	4.10	92,000
Supernova Stand Property	100.0	100.0	54.5	54.5	4.7	7.7	2,570	2,638	N/A	3.80	72,100
<b>Sub-total/Average</b>	<b>95.8</b>	<b>98.1</b>	<b>74.8</b>	<b>75.8</b>	<b>3.2</b>	<b>11.4</b>	<b>344,385</b>	<b>354,507</b>			<b>8,734,800</b>
<b>Total/Average</b>	<b>95.7</b>	<b>95.3</b>	<b>48.6</b>	<b>48.6</b>	<b>6.0</b>	<b>11.4</b>	<b>684,706</b>	<b>682,537</b>			<b>18,918,000</b>

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 Bonham Trade Centre.

4. Excluding the renovated area, the occupancy rate would have been 95.4%.

5. Subsequent to the financial year end, an additional office unit with gross rentable area of 533 sq. ft. was acquired on 31 July 2020 for HK\$8 million.

## PERFORMANCE HIGHLIGHTS

Despite unprecedented challenges during the Year, including social unrest, the COVID-19 outbreak and unrelenting Sino-US tension, Sunlight REIT managed to deliver reasonably respectable results, registering a 0.3% year-on-year rise in net property income (“NPI”) to HK\$684.7 million. Annual distributable income was HK\$467.0 million, virtually unchanged from last year.

The Board has resolved to declare a final distribution of HK 13.6 cents per unit. Coupled with an interim distribution of HK 13.2 cents per unit, the total distribution per unit (“DPU”) for the Year would amount to HK 26.8 cents, down 1.8% year on year. The implied payout ratio is 95.2%, compared with 96.4% in the preceding year.

### Distribution at a Glance

(HK cents)



At 30 June 2020, the value of Sunlight REIT’s property portfolio was appraised by the principal valuer <sup>Note</sup> at HK\$18,918.0 million, 5.4% lower than a year ago; accordingly, its net asset value declined by 7.6% to HK\$14,771.2 million, or HK\$8.89 per unit (30 June 2019: HK\$9.68 per unit).

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Extending Care*

Notwithstanding a tough operating environment, the Manager managed to navigate a multitude of challenges and delivered a stable performance during this turbulent period, while extending special care to Sunlight REIT’s stakeholders. Apart from ensuring the safety of every person that interacts with the properties with a range of sanitation and protective measures, tenant support schemes, notably a rent relief programme, were launched to help alleviate tenants’ burden, with priority given to small to medium sized enterprises. For the Year, the rent relief coverage (by number of tenancies) totalled 50%, while the amortized impact of rental concessions was approximately HK\$7.5 million, representing 1.1% of NPI.

Note : Colliers International (Hong Kong) Limited

## ***Review of Operations***

Given the fragile business confidence and consumer sentiment, the commercial leasing market was under pressure for most of the Year, notably the retail sector. The results of Sunlight REIT demonstrate how the decent performance achieved in the first half of the Year was eroded by difficult operating conditions attributable to the COVID-19 outbreak. To further illustrate, the retail portfolio recorded a negative rental reversion of 4.6% in the second half of the Year in contrast to a positive 8.7% in the first half, while the corresponding reversionary figures for the office portfolio stayed positive at 5.6% and 12.3% respectively.

At 30 June 2020, average occupancy rate of the entire portfolio of Sunlight REIT increased to 95.7% (30 June 2019: 95.3%). Contrary to the office portfolio which registered an improvement in occupancy rate to 95.6% (30 June 2019: 94.0%), occupancy rate of the retail properties dropped to 95.8% (30 June 2019: 98.1%), reflecting the emerging negative impact of an economic recession and weakening consumer confidence. The retention rates of the office and retail portfolios were 68% and 77% (FY2018/19: 64% and 74%) respectively.

Average passing rent of the office portfolio was HK\$36.5 per sq. ft. at 30 June 2020, up 2.8% year on year, while that of the retail portfolio was HK\$74.8 per sq. ft., down 1.3% as compared to a year ago.

### **Sunlight Tower**

Sunlight Tower's performance was somewhat impacted by a sluggish office leasing market. NPI grew 4.5% year on year to HK\$189.3 million, while occupancy rate moderated to 94.3% at 30 June 2020. During the Year, new letting activities were slow due to an exceptionally conservative approach adopted by corporations in making relocation decisions. However, thanks to the continuous support and satisfaction of existing tenants, rental reversion stayed at a decent 13.6% as compared to 13.5% in the prior year, while passing rent rose 3.0% to HK\$40.8 per sq. ft..

### **Sheung Shui Centre Shopping Arcade ("SSC")**

The COVID-19 outbreak brought inbound tourism to a virtual standstill and severely dented local consumer sentiment, resulting in a 6.2% decline in NPI of SSC to HK\$161.7 million.

Despite a very challenging operating environment, occupancy rate of SSC remained at a satisfactory level of 96.8%. However, the positive rental reversion achieved prior to the COVID-19 outbreak was largely whittled away by leases concluded in the last few months of the Year, ending up with a small reversionary gain of 0.9%. Further, given a relatively high base locked in from the previous rental cycle, there was a downward adjustment of passing rent from HK\$118.4 per sq. ft. to HK\$112.9 per sq. ft. at 30 June 2020.

### **Metro City Phase I Property ("MCPI")**

MCPI demonstrated its resilience in an exceptionally difficult retail environment, as NPI remained stable at HK\$138.4 million with a reasonable rental reversion of 6.1%. Average passing rent also recorded a slight increase of 1.6% to HK\$58.4 per sq. ft.. However, cautious business sentiment clearly led to longer rent void for vacant units during the Year, as its occupancy rate declined to 94.5% at 30 June 2020.

## Strand 50

With its refurbished low zone and convenient location, Strand 50 proved appealing to both existing and new tenants, achieving an encouraging rental reversion of 10.9% while passing rent increased 11.9% to HK\$35.6 per sq. ft. as compared to a year ago. At the same time, occupancy rate rebounded to 95.5% after completion of asset enhancement works.

In view of a less favorable business environment facing co-working space operators and the resultant industry consolidation, the Manager has decided to restructure the lease with theDesk. Despite the adverse impact on passing rent, the Manager is confident that theDesk will continue to offer synergistic benefits to Strand 50.

### *Financial Review*

Sunlight REIT recorded a 0.5% growth in revenue for the Year to HK\$854.6 million. Had the amortization of rental concessions and the write-off of a restructured lease's unamortized rent-free benefits been excluded, revenue growth would have been 1.8%. After deducting property operating expenses of HK\$169.9 million, NPI came in at HK\$684.7 million, up 0.3% year on year.

Finance costs increased 16.8% year on year to HK\$120.4 million, reflecting a higher interest rate environment and the expiry of certain low-cost interest rate swaps. Taking into account a decrease in fair value of investment properties of HK\$1,142.8 million, a loss after taxation of HK\$751.4 million for the Year was reported (FY2018/19 profit after taxation: HK\$1,591.1 million).

The EBITDA<sup>1</sup> of Sunlight REIT grew 1.8% year on year to HK\$592.0 million. Cash interest expenses rose 12.6% to HK\$107.7 million, translating to an average borrowing cost of 2.53% per annum as compared to 2.25% recorded in FY2018/19. In light of a faster increase in interest expenses, interest coverage ratio for the Year decreased to 5.5 times as compared with 6.1 times recorded in the previous financial year.

At 30 June 2020, the gearing ratio of Sunlight REIT (defined as total borrowings as a percentage of gross assets) increased to 21.6% (30 June 2019: 20.4%), while gross liabilities<sup>2</sup> as a percentage of gross assets rose to 24.9% (30 June 2019: 23.1%).

#### Notes :

1. 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.
2. Gross liabilities include total borrowings, tenants' deposits and other liabilities.

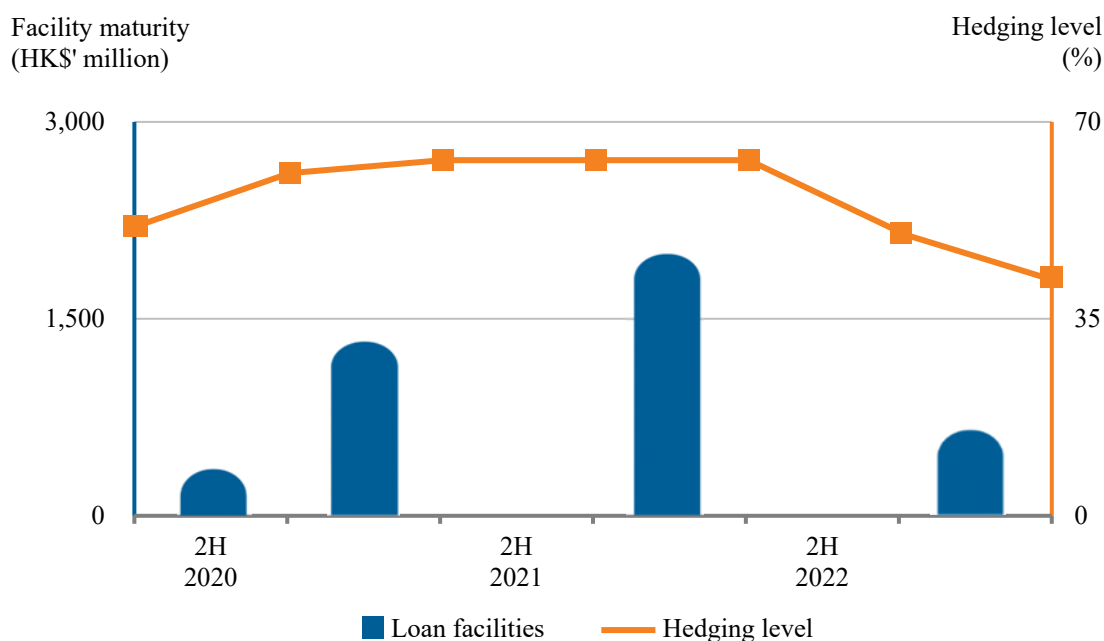
## Capital Management

During the Year, Sunlight REIT entered into two 3-year bilateral credit facility agreements with banks and was granted an aggregate amount of HK\$600.0 million in term loan facilities (“**New Facilities**”). The New Facilities had all been drawn down and applied in full to the refinancing of matured term loan facilities.

At 30 June 2020, Sunlight REIT had loan facilities of HK\$4,850.0 million in place, comprising term loan facilities of HK\$4,250.0 million (“**Term Loan Facilities**”) which had all been drawn down and uncommitted revolving credit facilities of HK\$600.0 million that remained undrawn. The Term Loan Facilities consisted of secured loans of HK\$2,630.0 million (30 June 2019: HK\$2,930.0 million) and unsecured loans of HK\$1,620.0 million (30 June 2019: HK\$1,320.0 million).

At 30 June 2020, the weighted loan maturity period of the Term Loan Facilities was 1.7 years, with a blended interest margin of 0.71% per annum over Hong Kong Interbank Offered Rate. Approximately 52% (30 June 2019: 46%) of the Term Loan Facilities were hedged to fixed rates with a weighted average tenure of 1.8 years.

### Facility Maturity Profile and Hedging Level (at 30 June 2020)



## OUTLOOK

The short-term outlook for the global economy will be highly dependent on the duration of the COVID-19 outbreak. Unfortunately, attempts to relax lockdown restrictions in many jurisdictions, including Hong Kong, have had to be aborted due to a sharp resurgence in infected cases, and the reintroduction of even stricter social distancing measures will inevitably inflict further damage to the already ailing economies.

For Hong Kong, its economic prospects may be further clouded by the strained Sino-US relations. Notwithstanding the initial success in trade negotiations, the two superpowers remain on a collision course particularly given the recent pandemic outbreak. With broad bipartisan support, it appears that the anti-China sentiment in the US is a disposition poised to stay for some time.

The supply-demand balance of the commercial leasing market remains uncertain. Despite a more subdued new office supply profile in 2020, given the relatively high vacancy in existing office stock and the foreseeable downsizing activities pursued by multinational corporations, the office market is envisaged to remain under pressure both in terms of rent and occupancy rate. In the meantime, consumer sentiment is expected to stay cautious, with tourist spending unlikely to offer contributions until the relaxation of lockdown restrictions. Nonetheless, one should have witnessed the bottom of retail sales after suffering from a double whammy of social unrest and virus outbreak; any future structural changes to the retail market could well be a more healthy and sustainable development.

Given such a backdrop, the near-term prospects for Sunlight REIT are expected to be challenging. Negative rental reversion will be a more dominant feature particularly for the retail properties. In the meantime, the amortization of rental concessions granted is expected to exert a bigger impact on the bottom line of FY2020/21 in comparison with this financial year.

On a more positive note, Sunlight REIT's proactive office leasing and asset enhancement strategies will reap further rewards in the coming year. In particular, the Manager welcomes Dah Sing Bank, Limited to become an anchor tenant of Sunlight Tower beginning October 2020, occupying office and retail spaces of over 89,000 sq. ft.. Meanwhile, Strand 50 will be enjoying full-year contributions from incoming retail tenants, as well as theDesk which under a restructured lease will operate about 20,000 sq. ft. of co-working spaces at the low zone of the building.

Sunlight REIT's financial position remains healthy as it continues to receive strong support from its banking partners. On the refinancing of bank loans due for maturity in the next 12 months, the Manager will endeavor to diversify the funding sources while actively pursuing sustainability-linked financing opportunities. As a case in point, the Manager is pleased to announce that Sunlight REIT has recently secured a Japanese yen 7,000 million (equivalent to approximately HK\$500 million) sustainability-linked loan for a tenure of seven years.

On asset enhancement, the Manager will be prudent on capital expenditure outlay, with a prime focus on initiatives that could bring cost savings and green benefits. For the coming year, the key project currently on the drawing board is chiller replacement at Strand 50, which is budgetted at approximately HK\$6 million.

Time and again, Hong Kong has shown its resilience to an array of internal and external obstacles. Likewise, Sunlight REIT has demonstrated its robustness and agility in the face of unprecedented challenges. With a defensive portfolio, firm financial footing supported by clear strategic priorities, the Manager believes that Sunlight REIT is well positioned to capitalize on new opportunities and expand its footprint for the long-term benefits of unitholders.

## CLOSURE OF REGISTER OF UNITHOLDERS

### Distribution Entitlement

The ex-distribution date and record date for the final distribution are Wednesday, 23 September 2020 and Tuesday, 29 September 2020 respectively. The register of unitholders will be closed from Friday, 25 September 2020 to Tuesday, 29 September 2020, both days inclusive, during which period no transfer of units will be effected. In order to qualify for the final distribution, completed transfer forms accompanied by the relevant unit certificates must be lodged for registration with the unit registrar of Sunlight REIT, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (the "Unit Registrar"), no later than 4:30 p.m. on Thursday, 24 September 2020. Payment of the final distribution will be made to unitholders on Friday, 9 October 2020.

### Annual General Meeting

The annual general meeting will be held on Friday, 6 November 2020, and notice convening the meeting will be issued on Friday, 25 September 2020. For the purpose of determining entitlements to attend and vote at the meeting, the register of unitholders will be closed from Tuesday, 3 November 2020 to Friday, 6 November 2020, 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, completed transfer forms accompanied by the relevant unit certificates must be lodged for registration with the Unit Registrar no later than 4:30 p.m. on Monday, 2 November 2020.

## CORPORATE GOVERNANCE

The Manager is committed to upholding a high standard of corporate governance. It has established a robust corporate governance framework to ensure compliance with all relevant laws and regulations. Accordingly, the Manager has adopted a compliance manual (the "Compliance Manual") which sets out the key processes, internal control and system, corporate governance policies as well as other policies and procedures governing the management and operations of Sunlight REIT. During the Year, the Manager has in material terms complied with the provisions of the Compliance Manual.

During the Year, the Manager and Sunlight REIT have also complied with, to the extent applicable, 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, 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

During the Year, a total of 10,705,957 new units were issued to the Manager in October 2019 and April 2020, 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, on behalf of Sunlight REIT, bought back a total of 1,000,000 units on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) during the Year (in March 2020) for an aggregate consideration of approximately HK\$4.5 million (excluding buy-back expenses). The highest and the lowest price paid per unit for such buy-backs were HK\$4.60 and HK\$4.27 respectively. All bought back units were cancelled prior to the end of the Year.

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 audit, review or other 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 assurance has been expressed by the auditor on this announcement.

## **ISSUANCE OF ANNUAL REPORT**

The annual report of Sunlight REIT for the Year will be sent to unitholders on 25 September 2020.

## **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 2020  
(Expressed in Hong Kong dollars)

	Note	2020 \$'000	2019 \$'000
<b>Revenue</b>	3 & 4	<b>854,563</b>	850,705
<b>Property operating expenses</b>	3 & 5	<u><b>(169,857)</b></u>	<u>(168,168)</u>
<b>Net property income</b>		<b>684,706</b>	682,537
Other income	6	<b>17,091</b>	17,808
Administrative expenses		<b>(109,826)</b>	(118,745)
(Decrease)/increase in fair value of investment properties		<u><b>(1,142,844)</b></u>	<u>1,193,953</u>
<b>(Loss)/profit from operations</b>		<b>(550,873)</b>	1,775,553
Finance costs on interest-bearing liabilities	7(a)	<u><b>(120,444)</b></u>	<u>(103,129)</u>
<b>(Loss)/profit before taxation and transactions with unitholders</b>	7	<b>(671,317)</b>	1,672,424
Income tax	8	<u><b>(80,077)</b></u>	<u>(81,323)</u>
<b>(Loss)/profit after taxation and before transactions with unitholders</b>		<u><u><b>(751,394)</b></u></u>	<u><u>1,591,101</u></u>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020  
(Expressed in Hong Kong dollars)

	2020 \$'000	2019 \$'000
<b>(Loss)/profit after taxation and before transactions with unitholders</b>	<u><b>(751,394)</b></u>	<u>1,591,101</u>
<b>Other comprehensive income for the year</b>		
<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	(70,999)	(53,892)
- Net reclassification adjustments for amounts transferred to profit or loss in respect of finance costs on interest-bearing liabilities	6,303	1,918
- Deferred tax credited to other comprehensive income	<u>-</u>	<u>5,509</u>
	<u><b>(64,696)</b></u>	<u>(46,465)</u>
<b>Total comprehensive (loss)/income for the year</b>	<u><u><b>(816,090)</b></u></u>	<u><u>1,544,636</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

(Expressed in Hong Kong dollars)

	Note	2020 \$'000	2019 \$'000
<b>Non-current assets</b>			
Fixed assets			
- Investment properties		18,918,000	20,002,510
- Other fixed assets		<u>22</u>	<u>42</u>
		<b>18,918,022</b>	20,002,552
Deferred tax assets		80	136
Derivative financial instruments		-	21
Reimbursement rights		37,436	37,436
Other financial assets		115,674	136,405
Other non-current assets		<u>576</u>	<u>5,955</u>
		<b>19,071,788</b>	20,182,505
<b>Current assets</b>			
Trade and other receivables	10	48,920	24,597
Derivative financial instruments		63	5,122
Cash and bank balances		499,433	550,024
Tax recoverable		<u>53,893</u>	<u>43,520</u>
		<b>602,309</b>	623,263
<b>Total assets</b>		<b>19,674,097</b>	20,805,768
<b>Current liabilities</b>			
Tenants' deposits		(220,808)	(216,434)
Rent receipts in advance		(20,094)	(8,684)
Trade and other payables	11	(60,463)	(69,769)
Bank borrowings		(1,642,614)	(599,326)
Derivative financial instruments		(30,010)	(2,703)
Tax payable		<u>(77,007)</u>	<u>(76,827)</u>
		<b>(2,050,996)</b>	(973,743)
<b>Net current liabilities</b>		<b>(1,448,687)</b>	(350,480)
<b>Total assets less current liabilities</b>		<b>17,623,101</b>	19,832,025

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2020

(Expressed in Hong Kong dollars)

	2020 \$'000	2019 \$'000
<b>Non-current liabilities, excluding net assets attributable to unitholders</b>		
Bank borrowings	(2,596,867)	(3,637,960)
Deferred tax liabilities	(192,139)	(178,995)
Derivative financial instruments	<u>(62,939)</u>	<u>(23,203)</u>
	<u>(2,851,945)</u>	<u>(3,840,158)</u>
<b>Total liabilities, excluding net assets attributable to unitholders</b>	<u>(4,902,941)</u>	<u>(4,813,901)</u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	<u>14,771,156</u>	<u>15,991,867</u>
<b>Number of units in issue</b>	<u>1,661,429,036</u>	<u>1,651,723,079</u>
<b>Net asset value attributable to unitholders per unit</b>	<u>\$8.89</u>	<u>\$9.68</u>

## DISTRIBUTION STATEMENT

For the year ended 30 June 2020  
(Expressed in Hong Kong dollars)

	Note	2020 \$'000	2019 \$'000
<b>(Loss)/profit after taxation and before transactions with unitholders</b>		<b><u>(751,394)</u></b>	<b><u>1,591,101</u></b>
Adjustments (note (i)) :			
- Decrease/(increase) in fair value of investment properties		<b>1,142,844</b>	(1,193,953)
- Manager's fees paid or payable in the form of units		<b>49,627</b>	50,217
- Interest rate swaps - cash flow hedges	7(a)	<b>7,428</b>	2,180
- Non-cash finance costs on interest-bearing liabilities		<b>5,298</b>	5,297
- Deferred tax	8	<b><u>13,200</u></b>	<u>12,478</u>
		<b><u>1,218,397</u></b>	<u>(1,123,781)</u>
<b>Annual distributable income (note (i))</b>		<b><u>467,003</u></b>	<u>467,320</u>
Interim distribution, paid (notes (ii) and (iv))		<b>218,643</b>	217,422
Final distribution, to be paid to unitholders (notes (iii) and (iv))		<b><u>225,955</u></b>	<u>232,893</u>
<b>Total distributions for the year (note (i))</b>		<b><u>444,598</u></b>	<u>450,315</u>
Payout ratio (note (iii))		<b>95.2%</b>	96.4%
<b>Distribution per unit :</b>			
Interim distribution per unit, paid		<b>13.2 cents</b>	13.2 cents
Final distribution per unit, to be paid to unitholders		<b><u>13.6 cents</u></b>	<u>14.1 cents</u>
		<b><u>26.8 cents</u></b>	<u>27.3 cents</u>

## DISTRIBUTION STATEMENT (continued)

For the year ended 30 June 2020  
(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 trust deed dated 26 May 2006 under which Sunlight REIT was constituted (as amended and supplemented by six supplemental deeds) (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 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 borrowings of \$5,298,000, or 0.32 cents per unit (2019: \$5,297,000, or 0.32 cents per unit) (which is an effective return of capital), and to eliminate the effect of decrease in fair value of investment properties.

- (ii) The interim distribution of \$218,643,000 for the six months ended 31 December 2019 (31 December 2018: \$217,422,000) is calculated by multiplying the interim distribution per unit of 13.2 cents by 1,656,388,363 units in issue at 3 March 2020, the record date for FY2019/20 interim distribution (31 December 2018: 13.2 cents by 1,647,139,077 units in issue at 7 March 2019, the record date for FY2018/19 interim distribution).
- (iii) The final distribution of \$225,955,000 for the year ended 30 June 2020 (2019: \$232,893,000) is calculated by multiplying the final distribution per unit of 13.6 cents by 1,661,429,036 units\*\* anticipated to be in issue at 29 September 2020, the record date for FY2019/20 final distribution (the “**Record Date**”) (2019: 14.1 cents by 1,651,723,079 units in issue at 25 September 2019, the record date for FY2018/19 final distribution).

Together with the interim distribution, the total distributions for the year ended 30 June 2020 represent a payout ratio of 95.2% (2019: 96.4%) of Sunlight REIT’s annual distributable income for the year.

- (iv) The FY2019/20 interim distribution was paid to unitholders on 13 March 2020. The FY2019/20 final distribution is expected to be paid on 9 October 2020 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, Sunlight Tower, 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 2020 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 new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

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

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



## 2. Basis of preparation (continued)

### **HKFRS 16, *Leases***

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases - incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognize a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets. The lessor accounting requirements are substantially unchanged from HKAS 17.

The adoption of HKFRS 16 does not have a significant impact on the Group's consolidated financial statements as the Group has not entered into any leases as a lessee.

## 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 decrease/increase 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 :

	2020			2019		
	Office properties \$'000	Retail properties \$'000	Total \$'000	Office properties \$'000	Retail properties \$'000	Total \$'000
Revenue						
- Rental income	345,636	343,232	688,868	334,558	349,537	684,095
- Car park income	3,742	30,452	34,194	3,677	31,590	35,267
- Rental related income	66,066	65,435	131,501	64,625	66,718	131,343
	415,444	439,119	854,563	402,860	447,845	850,705
Property operating expenses	(75,123)	(94,734)	(169,857)	(74,830)	(93,338)	(168,168)
Net property income	340,321	344,385	684,706	328,030	354,507	682,537
Administrative expenses	(52,825)	(46,472)	(99,297)	(58,596)	(49,429)	(108,025)
Segment results	287,496	297,913	585,409	269,434	305,078	574,512
(Decrease)/increase in fair value of investment properties	(483,869)	(658,975)	(1,142,844)	537,407	656,546	1,193,953
Finance costs on interest-bearing liabilities			(120,444)			(103,129)
Income tax			(80,077)			(81,323)
Interest income			17,091			16,794
Unallocated net expenses			(10,529)			(9,706)
(Loss)/profit after taxation and before transactions with unitholders			(751,394)			1,591,101
Depreciation	5	15	20	6	18	24

### 3. Segment reporting (continued)

#### *Segment results, assets and liabilities (continued)*

	2020			2019		
	Office	Retail	Total	Office	Retail	Total
	properties	properties		properties	properties	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment assets	<b>10,238,011</b>	<b>8,764,634</b>	<b>19,002,645</b>	10,663,109	9,406,247	20,069,356
Derivative financial instruments			<b>63</b>			5,143
Other financial assets			<b>115,674</b>			136,405
Cash and bank balances			<b>499,433</b>			550,024
Tax recoverable			<b>53,893</b>			43,520
Deferred tax assets			<b>80</b>			136
Unallocated assets			<b>2,309</b>			1,184
Total assets			<b><u>19,674,097</u></b>			<b><u>20,805,768</u></b>
Segment liabilities	<b>(158,872)</b>	<b>(135,366)</b>	<b>(294,238)</b>	(148,131)	(140,170)	(288,301)
Derivative financial instruments			<b>(92,949)</b>			(25,906)
Bank borrowings			<b>(4,239,481)</b>			(4,237,286)
Tax payable			<b>(77,007)</b>			(76,827)
Deferred tax liabilities			<b>(192,139)</b>			(178,995)
Unallocated liabilities			<b>(7,127)</b>			(6,586)
Total liabilities, excluding net assets attributable to unitholders			<b><u>(4,902,941)</u></b>			<b><u>(4,813,901)</u></b>
Capital expenditure incurred during the year	<b><u>52,045</u></b>	<b><u>910*</u></b>	<b><u>52,955*</u></b>	<u>16,948</u>	<u>42,779*</u>	<u>59,727*</u>

\* Included amounts incurred relating to the acquisition of investment properties of \$435,000 (2019: \$42,504,000).

#### 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 :

	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
Rental income (note)	<b>688,868</b>	684,095
Car park income	<b>34,194</b>	35,267
Rental related income	<b>131,501</b>	131,343
	<b><u>854,563</u></b>	<u>850,705</u>

Note : Included additional rents based on business revenue of tenants amounting to \$1,024,000 (2019: \$1,428,000).

#### 5. Property operating expenses

	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
Building management fee	<b>61,307</b>	59,772
Property manager's fees	<b>51,882</b>	52,216
Government rent and rates	<b>33,413</b>	33,737
Marketing and promotion expenses	<b>5,632</b>	5,042
Car park operating costs	<b>6,542</b>	6,365
Other direct costs	<b>11,081</b>	11,036
	<b><u>169,857</u></b>	<u>168,168</u>

#### 6. Other income

	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
Bank interest income	<b>11,572</b>	10,717
Interest income from debt securities	<b>5,519</b>	6,077
Others	<b>-</b>	1,014
	<b><u>17,091</u></b>	<u>17,808</u>

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

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

	2020	2019
	\$'000	\$'000
(a) Finance costs on interest-bearing liabilities		
Interest on bank borrowings	107,718	95,652
Other borrowing costs	<u>5,298</u>	<u>5,297</u>
	<u>113,016</u>	<u>100,949</u>
Interest rate swaps - cash flow hedges		
- Reclassified from net assets attributable to unitholders	6,303	1,918
- Net fair value loss of ineffective cash flow hedges	<u>1,125</u>	<u>262</u>
	<u>7,428</u>	<u>2,180</u>
	<u><u>120,444</u></u>	<u><u>103,129</u></u>

Other borrowing costs represent various financing charges and the amortization of the debt establishment fees for the bank borrowings.

	2020	2019
	\$'000	\$'000
(b) Other items		
Manager's fees	96,213	100,433
Property manager's fees (note (i))	51,882	52,216
Trustee's remuneration and charges	4,715	4,943
Auditor's remuneration		
- Audit services	2,002	1,965
- Other services (note (ii))	497	488
Fees payable to principal valuer		
- Valuation fees	502	628
Legal and other professional fees	3,216	8,088
Commission to property agents	1,387	1,239
Bank charges	315	299
Net foreign exchange loss	<u>816</u>	<u>613</u>

Notes :

- (i) Included rental commission of \$12,086,000 (2019: \$12,569,000).
- (ii) Excluded an amount of \$360,000 non-audit service fee paid to the auditor in relation to the update of a medium term note programme during the year ended 30 June 2020 which had been recognized as a prepayment at 30 June 2020.
- (iii) 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 :

	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
<b>Current tax - Hong Kong Profits Tax</b>		
Provision for the year	<b>67,513</b>	69,161
Over-provision in respect of prior years	<b>(636)</b>	(316)
	<b>66,877</b>	68,845
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>13,200</b>	12,478
	<b>80,077</b>	81,323

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

In prior years, the Inland Revenue Department (“**IRD**”) raised additional profits tax assessments on certain subsidiaries of the Group, with one of the subsidiaries (the “**Particular Subsidiary**”) covering the years of assessment up to 2016/17, and certain other subsidiaries covering the years of assessment up to 2012/13, as the IRD disallowed the deductions of the management fees and property management fees and in some cases certain rental commissions incurred by these subsidiaries. During the year ended 30 June 2020, the IRD further raised profits tax assessments on certain other subsidiaries for the year of assessment 2013/14 in respect of such disallowance. Notices of objection were filed with the IRD against the above additional profits tax assessments raised to date. At 30 June 2020, tax reserve certificates in an aggregate amount of \$53.5 million (2019: \$43.3 million) had been purchased in respect of the additional assessments raised.

Regarding the Particular Subsidiary, the IRD issued a determination in April 2018 in respect of the objections to the assessments on the Particular Subsidiary which allowed the deduction of property management fees and rental commissions, while the management fees remain non-deductible. Based on the professional opinion and advice of Sunlight REIT’s legal and tax advisers, the Manager decided to contest the assessments raised in respect of the management fees and a notice of appeal against the written determination was filed with the Board of Review (Inland Revenue Ordinance) (“**BoR**”) in May 2018. The appeal was heard by the BoR in June 2019 and its decision is pending.

If the management fees were finally determined as non-deductible for all the property holding companies under Sunlight REIT, the estimated total additional profits tax liabilities up to the year of assessment 2019/20 would amount to approximately \$109 million.

## 9. (Loss)/earnings per unit before transactions with unitholders

The basic loss per unit before transactions with unitholders for the year ended 30 June 2020 amounted to \$0.45 (2019: basic earnings per unit before transactions with unitholders of \$0.97). 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 \$751,394,000 (2019: profit after taxation and before transactions with unitholders of \$1,591,101,000) and the weighted average of 1,655,646,380 units in issue during the year (2019: 1,647,392,160 units).

Diluted (loss)/earnings per unit before transactions with unitholders for the years ended 30 June 2020 and 2019 are not presented as there was no potential dilution of (loss)/earnings per unit before transactions with unitholders.

## 10. Trade and other receivables

	2020	2019
	\$'000	\$'000
Rental receivables	37,339	16,385
Deposits and prepayments	8,473	5,117
Other receivables	1,938	2,229
Amounts due from related companies	1,170	866
	<u>48,920</u>	<u>24,597</u>

Included unamortized rent-free and rental concession, deposits and prepayment of \$13,298,000 (2019: \$10,125,000) which are expected to be recovered or recognized as expense after one year. Apart from the above, all of the balances are expected to be recovered or recognized as expense within one year.

At the end of the reporting period, the ageing analysis of rental receivables, based on the date of revenue recognition and net of loss allowance, is as follows :

	2020	2019
	\$'000	\$'000
Current	26,861	14,014
Less than 1 month overdue	6,584	1,729
More than 1 month and up to 3 months overdue	2,664	431
More than 3 months and up to 6 months overdue	677	174
More than 6 months overdue	553	37
	<u>37,339</u>	<u>16,385</u>

Provision for expected credit losses on rental receivables was assessed and made by the Manager 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. In addition, the Group has collected rental deposits and/or guarantees from its tenants which the Manager considered adequate to cover the outstanding rental receivables.

## 10. Trade and other receivables (continued)

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

## 11. Trade and other payables

	2020	2019
	\$'000	\$'000
Creditors and accrued charges	32,221	33,705
Manager's fees payable	20,802	27,362
Amounts due to related companies	7,440	8,702
	<u>60,463</u>	<u>69,769</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 \$1,014,000 (2019: \$1,343,000) 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, 8 September 2020

*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 and Mr. KWOK Tun Ho, Chester.*