



SUNLIGHT REIT

陽光房地產基金

Stock Code 股份代號 : 435

2021/22

Interim Report

中期報告



Sunlight REIT

Listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 21 December 2006, Sunlight Real Estate Investment Trust (“**Sunlight REIT**”) (stock code : 435) is a real estate investment trust authorized by the Securities and Futures Commission (the “**SFC**”) and constituted by the amended and restated trust deed dated 10 May 2021 (the “**Trust Deed**”). It offers investors the opportunity to invest in a diversified portfolio of 11 office and five retail properties in Hong Kong with a total gross rentable area (“**GRA**”) of over 1.2 million sq. ft. and an aggregate appraised value of HK\$18,396.9 million at 31 December 2021. The office properties are located in both core and decentralized business areas, while the retail properties are situated in regional transportation hubs, new towns and urban areas with high population density.

Sunlight REIT is managed by Henderson Sunlight Asset Management Limited (the “**Manager**”) which is an indirect wholly-owned subsidiary of Henderson Land Development Company Limited (“**HLD**”). The Manager’s main responsibility is to manage Sunlight REIT and all of its assets in accordance with the Trust Deed in the sole interest of its unitholders.

Performance Highlights

Appraised property value

(HK\$' million)

18,396.9

31 December 2021

18,341.7

30 June 2021

Revenue

(HK\$' million)

404.3

1H FY2021/22

399.5

1H FY2020/21

Net property income

(HK\$' million)

323.4

1H FY2021/22

319.5

1H FY2020/21

Distribution per unit

(HK cents)

12.2

1H FY2021/22

12.5

1H FY2020/21

Net asset value per unit

(HK\$)

8.48

31 December 2021

8.45

30 June 2021

Gearing

(%)

23.0

31 December 2021

23.0

30 June 2021

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Forward-looking Statements

This interim report contains certain statements and terminologies that are forward-looking. These statements are made on the basis of the current beliefs, assumptions, expectations and projections of the board of directors (the “**Board**”) and senior management of the Manager. They are subject to risks, uncertainties and other factors beyond the Manager’s control, the emergence of which may cause actual results or performance to differ materially from those expressed or implied in such statements.

Market and Operation Review

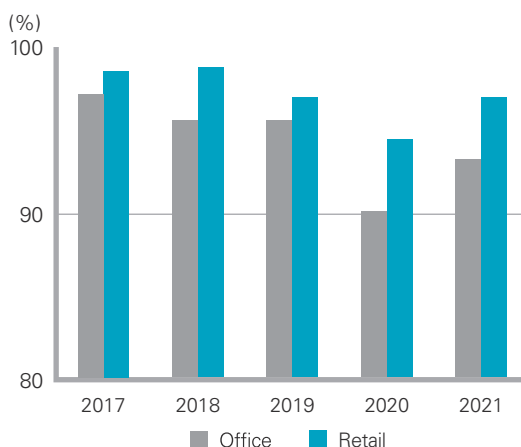
The Hong Kong economy continued to stage a steady recovery for the six months ended 31 December 2021 (the “**Reporting Period**”), thanks to effective virus-control measures and a higher rate of vaccination which combined to induce a significant resumption of economic activities. Further spurred by the launch of a consumption voucher scheme by The Government of the HKSAR, retail sales in the second half of 2021 displayed an encouraging 7.9% rebound from the same period a year ago. Besides a clear business uptick for food and beverage operators, trades such as jewellery also recorded a strong recovery, likely attributable to increased celebratory activities in tandem with relaxed social restrictions in the territory. In contrast, according to statistics provided by CBRE Limited, the Grade A office market recorded a higher average vacancy rate of 11.2% in December 2021 (versus 10.8% six months ago), illustrating that net take-up remained in negative territory during the Reporting Period as most of the material leasing commitments were driven by downsizing initiatives.

The overall occupancy rate of Sunlight REIT’s portfolio at 31 December 2021 was 94.5% as compared to 93.7% at 30 June 2021. Office occupancy rate rose to 93.3% (30 June 2021: 92.4%), principally due to a lower vacancy at Dah Sing Financial Centre (“**DSFC**”). Such positive impact was to some extent offset by a transitory drop in the occupancy rate of The Harvest.

Meanwhile, occupancy rate for the retail portfolio increased to 97.1% (30 June 2021: 96.5%), with Metro City Phase I Property (“**MCPI**”) achieving a high occupancy rate of 99.3%, while the corresponding rate for Sheung Shui Centre Shopping Arcade (“**SSC**”) was 94.6%.

Occupancy rate¹

(at 31 December)



For the Reporting Period, the office and retail portfolios registered negative rental reversions of 4.5% and 4.9% respectively, while their corresponding passing rents at 31 December 2021 were down 3.5% and 2.8% from six months ago to HK\$35.4 per sq. ft. and HK\$68.4 per sq. ft. respectively.

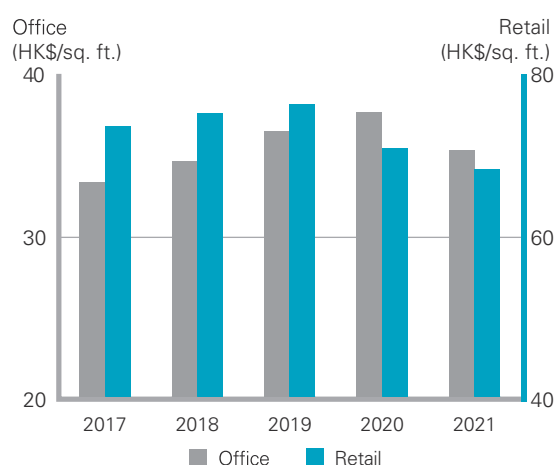
Expiry profile by GRA

(at 31 December 2021)

	FY2021/22	
	1H	2H
Dah Sing Financial Centre	7.1%	8.9%
Sheung Shui Centre Shopping Arcade	15.1%	11.5%
Metro City Phase I Property	22.6%	14.2%
Office portfolio	13.5%	18.0%
Retail portfolio	19.2%	16.6%

Passing rent¹

(at 31 December)



Despite the backdrop of a cautious business environment, performance of the office portfolio remained stable for the Reporting Period. Occupancy rate of DSFC has shown reasonable improvement to 91.6% at 31 December 2021, mainly driven by new letting commitments from domestic corporations. In addition, its net property income (“NPI”) grew 4.8% year on year to HK\$87.6 million. Benefitting from a gradual recovery of the local economy, occupancy rates of certain Grade B office properties located in

Wan Chai and North Point were also at a higher level. On the Kowloon side, occupancy rate of The Harvest declined to 66.4% at 31 December 2021 as its retail bank tenant decided not to renew its tenancy upon expiry. The relevant vacant space will be reconfigured and refurbished with a view to enhancing its appeal to service trade tenants, and the Manager is pleased to report that two floors of the building have already been pre-committed to new beauty parlours prior to the end of 2021.

On the retail front, MCPI recorded a high occupancy rate of 99.3%, with a mild 1.5% year-on-year increase in NPI to HK\$67.4 million. In contrast, SSC saw a 4.1% year-on-year decline in NPI to HK\$69.9 million on the back of a lower occupancy rate of 94.6% and a decrease in passing rent given a diminished presence of high-margin trades.

Sunlight REIT had a total of 827 tenancies at 31 December 2021. The largest tenant accounted for 7.4% of total revenue for the Reporting Period and occupied 7.2% of total GRA at 31 December 2021, while the corresponding figures for the top five tenants were 17.7% and 14.9%.

Tenant mix²

(at 31 December 2021)

	Sheung Shui Centre Shopping Arcade	Metro City Phase I Property
Food and beverage	25.4%	31.5%
Financial	16.4%	12.1%
Fashion and jewellery	13.3%	5.1%
Healthcare and beauty	11.7%	11.7%
Education	10.4%	12.3%
Supermarket and foodstuff	10.2%	10.9%
Lifestyle	3.0%	9.6%
Others	4.2%	6.1%
Vacant	5.4%	0.7%

Notes :

1. The occupancy rate and passing rent figures have been adjusted to exclude properties disposed of in prior years.
2. As a percentage of total GRA of the relevant property.

Financial Review

Financial highlights

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

	Six months ended 31 December 2021	Six months ended 31 December 2020	Change (%)
Revenue	404.3	399.5	1.2
Property operating expenses	80.9	80.0	1.1
Net property income	323.4	319.5	1.2
Cost-to-income ratio (%)	20.0	20.0	N/A
Profit/(loss) after taxation	234.2	(194.1)	N/A
Distributable income	217.2	220.0	(1.3)
Distribution per unit (HK cents)	12.2	12.5	(2.4)
Payout ratio (%)	94.2	94.7	N/A

	At 31 December 2021	At 30 June 2021	Change (%)
Portfolio valuation	18,396.9	18,341.7	0.3
Gross assets	19,209.1	19,199.7	0.1
Gross liabilities	4,978.6	5,075.4	(1.9)
Net asset value	14,230.5	14,124.3	0.8
Net asset value per unit (HK\$)	8.48	8.45	0.4
Gearing ratio (%)	23.0	23.0	N/A

Operating results

Reflecting a higher average occupancy rate and a lower amortized rental concession (of HK\$3.7 million), Sunlight REIT recorded a 1.2% year-on-year increase in revenue to HK\$404.3 million for the Reporting Period. After deducting property operating expenses of HK\$80.9 million, NPI was also up 1.2% to HK\$323.4 million.

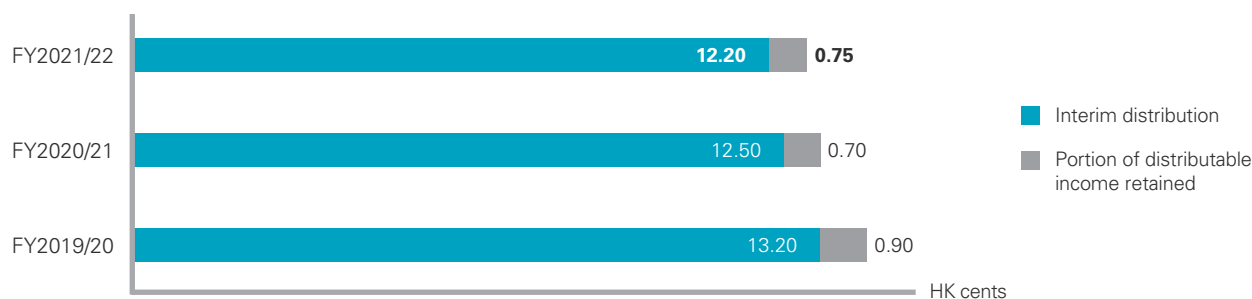
Finance costs increased 9.9% year on year to HK\$50.1 million as a result of higher funding costs and increased borrowings as compared with the same period last year. Together with lower interest income due to a smaller bond portfolio and lower deposit rates, net cash interest expenses recorded a year-on-year increase of HK\$6.5 million to HK\$43.2 million.

Taking into account an increase in fair value of investment properties of HK\$49.7 million, a profit after taxation of HK\$234.2 million was reported, compared to a loss after taxation of HK\$194.1 million for the corresponding period a year earlier.

Distribution

The Board has resolved to declare an interim distribution per unit ("DPU") of HK 12.2 cents, representing a payout ratio of 94.2% and an annualized distribution yield of 5.6% based on the closing price of HK\$4.34 on the last trading day of the Reporting Period.

Interim DPU at a glance



Financial position

The portfolio of Sunlight REIT was appraised at HK\$18,396.9 million at 31 December 2021, representing a mild increase of 0.3% from 30 June 2021. Consequently, the gross assets and net assets of Sunlight REIT were HK\$19,209.1 million and HK\$14,230.5 million respectively (30 June 2021: HK\$19,199.7 million and HK\$14,124.3 million). Net asset value per unit was HK\$8.48 (30 June 2021: HK\$8.45).

At 31 December 2021, the gearing ratio of Sunlight REIT (defined as total borrowings as a percentage of gross assets) was 23.0% (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 grew 1.0% year on year to HK\$272.9 million. In light of a faster increase in cash interest expenses, interest

coverage ratio decreased to 5.8 times as compared with 6.5 times recorded in the same period a year ago.

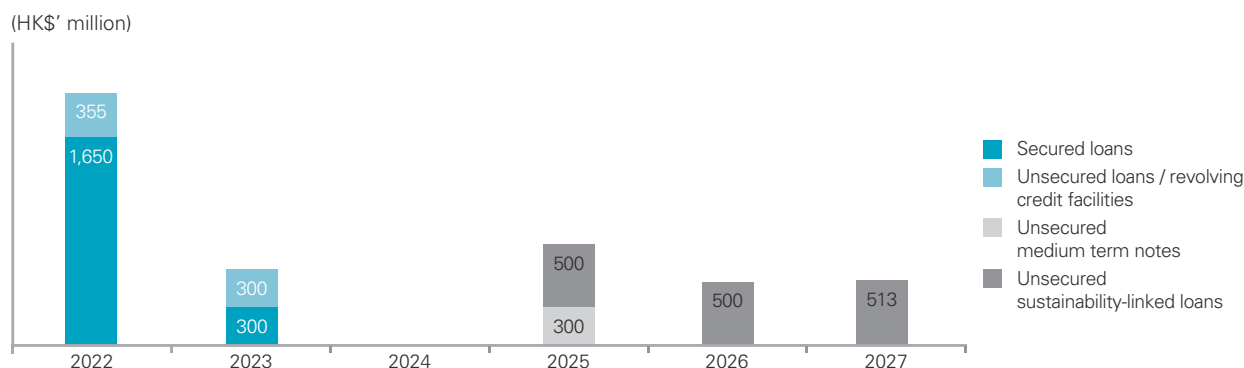
Capital and interest rate management

In November 2021, Sunlight REIT entered into a secured sustainability-linked loan (“**SLL**”) of HK\$500 million with a tenure of 4.5 years. Drawdown of this facility is expected to take place around late February 2022 and apply towards the refinancing of bank loans due in June 2022.

At 31 December 2021, Sunlight REIT had total borrowings of HK\$4,418 million (30 June 2021: HK\$4,418 million), comprising secured loans of HK\$1,950 million and unsecured borrowings of HK\$2,468 million, with a weighted debt maturity period of 2.3 years.

Maturity profile of total borrowings

(at 31 December 2021)



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.

Financial Review

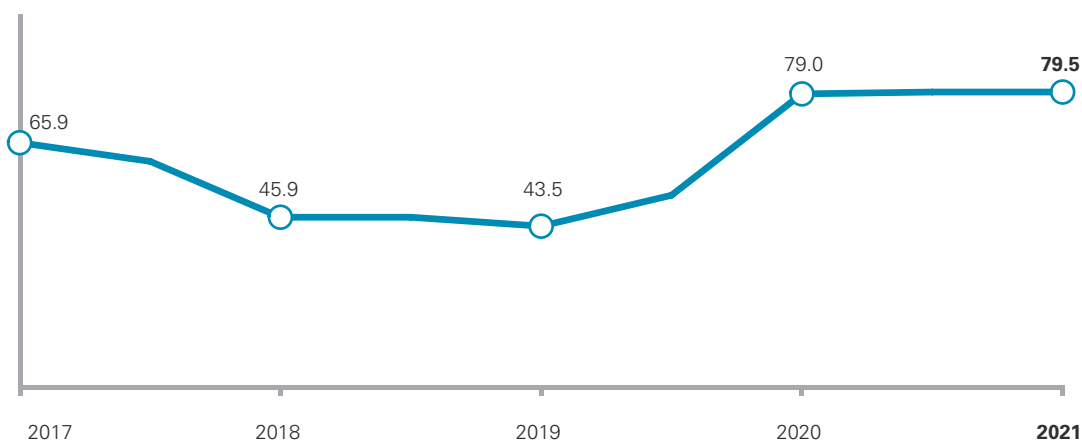
With the issuance of fixed rate notes and the arrangement of interest rate swaps, Sunlight REIT's portion of fixed rate borrowings stayed at approximately 80% of total indebtedness at 31 December 2021. The weighted average interest rate (including loan interest margin, if applicable) for the fixed rate borrowings was 2.42% per

annum, while the floating rate portion of the borrowings carried a blended interest margin of 0.74% per annum over Hong Kong Interbank Offered Rate. Weighted average funding cost for the Reporting Period was 2.09%, compared to 1.92% recorded in the same period last year.

Fixed rate borrowings as a % of total borrowings

(at 31 December)

(%)



Liquidity management and currency exposure

The Manager is permitted to place funds as bank deposits and to invest in Relevant Investments^{Note}, with an overall maturity profile compatible with projected funding requirements.

At 31 December 2021, Sunlight REIT had total cash and bank balances of HK\$617.0 million and maintained a portfolio of Relevant Investments with an aggregate book value of HK\$102.3 million. It also had revolving credit facilities of HK\$1,200 million, of which HK\$845 million remained undrawn at the end of the Reporting Period. Taking into consideration the recurrent income generated

from its operations, the current cash position and the sources of funding available, the Manager is of the view that Sunlight REIT has sufficient financial resources to meet its working capital, distribution payment and capital expenditure requirements.

Sunlight REIT has exposure to United States dollars through its portfolio of Relevant Investments while its exposure to Japanese yen (in relation to 7,000 million Japanese yen loan) has been fully hedged by swapping the position into Hong Kong dollars.

Note : As defined in paragraph 7.2B of the Code on Real Estate Investment Trusts.

Outlook

The recent emergence of Omicron, a highly contagious COVID-19 variant, has sparked a new round of worries, with the rapid surge in infections necessitating the re-imposition of stringent lockdown measures, which may again derail the global economic recovery.

Given the seeming persistence of supply chain disruption and de-globalization, it remains to be seen whether international energy and commodity prices would sustain their uptrend and give key central banks a good excuse to adopt faster tapering measures to tame inflation. Meanwhile, combating the pandemic remains a challenging mission, implying that any reopening of Hong Kong's travel gateway will be prudent and gradual. A potential economic slowdown in China is also cause for concern, not least because there may be ramifications of deleveraging the real estate sector, although the Central government is expected to provide policy support to avert a hard landing of the economy.

Despite myriad uncertainties, it is not doom and gloom. Barring unforeseen circumstances, the Manager believes that the prospects for Sunlight REIT remain solid, while fully committed to caring about the health and safety of our tenants, customers and staff.

Given a diversified and quality asset base, Sunlight REIT is relatively well placed to withstand the impact of swinging market conditions. Retail and office leases expiring in the second half of this financial year will account for 16.6% and 18.0% of GRA respectively. The likelihood of a high tenant retention rate should help mitigate the risk

of negative rental reversion which may continue to feature as there remains a reasonable portion of leases committed prior to the coronavirus outbreak.

Moreover, the Manager reiterates that the refinancing exercise in respect of Sunlight REIT's term loans due by June 2022 will be shortly and favourably concluded. In the meantime, SLL as a proportion of total borrowings, which stood at 34% at 31 December 2021, is poised to surpass the 60% milestone by 30 June 2022.

On asset enhancement, we expect to start an extensive overhaul of MCPI, currently targeted to commence in the third quarter of 2022. The intention is to enhance the customer appeal of this community shopping mall with a view to capitalizing on the evolving retail landscape of the Tseung Kwan O district. More project and capital expenditure details will be provided in the next annual report.

While active asset enhancement and recycling shall remain our prime operational focus and priority, the Manager maintains its pledge to advance sustainability. In addition to achieving satisfactory progress on sustainable financing, the Sheung Wan-based Strand 50 has been awarded Excellent grade^{Note} under BEAM Plus V2.0 (Selective Scheme). Together with the successful renewal of DSFC as a BEAM Plus platinum-rated building (Comprehensive Scheme), this achievement amply illustrates our passion for managing a greener portfolio which forms an integral part of the sustainability endeavours of Sunlight REIT.

Note : In Materials and Waste, and Indoor Environmental Quality aspects.

Portfolio Statistics

Property	Property details						No. of leases	
	Location	Year of completion	No. of car park spaces	GRA (sq. ft.)				
				Office	Retail	Total		
Office								
Grade A								
Dah Sing Financial Centre ³	Wan Chai	1998	46	369,891	6,490	376,381	66	61
Grade B								
Strand 50	Sheung Wan	1998	0	108,506	9,403	117,909	63	67
The Harvest	Mong Kok	1981	0	23,024	11,627	34,651	15	16
135 Bonham Strand Trade Centre Property	Sheung Wan	2000	0	60,844	3,071	63,915	69	68
Winsome House Property	Central	1999	0	37,937	2,177	40,114	25	24
Righteous Centre	Mong Kok	1996	0	41,004	10,763	51,767	64	64
235 Wing Lok Street Trade Centre	Sheung Wan	2000	0	47,481	4,804	52,285	70	66
Java Road 108 Commercial Centre	North Point	1998	0	35,694	2,229	37,923	38	36
On Loong Commercial Building	Wan Chai	1984	0	25,498	1,708	27,206	37	37
Sun Fai Commercial Centre Property	Mong Kok	1998	0	23,817	2,334	26,151	48	48
Wai Ching Commercial Building Property	Yau Ma Tei	1997	0	14,239	2,082	16,321	33	31
Sub-total/Average			46	787,935	56,688	844,623	528	518
Retail								
New Town								
Sheung Shui Centre Shopping Arcade	Sheung Shui	1993	297	0	122,339	122,339	123	123
Metro City Phase I Property	Tseung Kwan O	1996	452	0	188,889	188,889	117	115
Kwong Wah Plaza Property	Yuen Long	1998	0	42,670	25,741	68,411	37	37
Urban								
Beverly Commercial Centre Property	Tsim Sha Tsui	1982	0	0	7,934	7,934	20	22
Supernova Stand Property	North Point	2001	0	0	4,226	4,226	2	2
Sub-total/Average			749	42,670	349,129	391,799	299	299
Total/Average			795	830,605	405,817	1,236,422	827	817

Notes :

1. Passing rent is calculated on the basis of average rent per sq. ft. for occupied GRA on the relevant date.
2. Rental reversion is calculated on the basis of change in effective rent of the leases renewed and commenced during the relevant period.
3. The property was previously known as Sunlight Tower.

Operational statistics						Property financials					
Occupancy rate (%)		Passing rent ¹ (HK\$/sq. ft.)		Rental reversion ² (%)		Net property income (HK\$'000)		Capitalization rate at 31 Dec 2021 (%)		Appraised value at 31 Dec 2021 (HK\$'000)	
at 31 Dec 2021	at 30 Jun 2021	at 31 Dec 2021	at 30 Jun 2021	six months ended 31 Dec 2021	six months ended 30 Jun 2021	six months ended 31 Dec 2021	six months ended 31 Dec 2020	Office	Retail		
91.6	88.3	43.0	44.0	(5.0)	(5.0)	87,619	83,614	3.75	3.65	5,235,000	
94.1	95.8	32.2	32.1	0.4	(13.5)	21,204	18,672	3.45	3.80	1,317,500	
66.4	100.0	36.3	53.2	(4.4)	(10.7)	9,341	9,920	3.30	3.10	614,000	
94.7	93.1	27.5	27.9	(7.8)	(13.0)	8,731	9,238	3.55	3.80	584,300	
100.0	94.3	39.5	42.7	(4.3)	(11.4)	8,430	8,809	3.55	3.60	565,400	
100.0	100.0	34.2	33.9	(1.8)	(5.0)	10,061	9,320	3.75	3.50	548,000	
95.6	88.6	20.2	20.9	(6.5)	(10.8)	5,619	5,305	3.55	3.80	369,600	
100.0	96.1	25.1	24.9	1.9	(6.1)	4,998	5,095	3.75	4.00	278,800	
100.0	100.0	30.3	31.2	(10.6)	(12.2)	4,128	4,202	3.65	3.70	254,300	
100.0	100.0	21.4	21.7	(10.7)	(11.3)	2,955	3,073	3.80	4.05	166,900	
97.2	91.7	17.3	17.4	(7.8)	(4.1)	1,400	1,364	3.55	3.90	81,100	
93.3	92.4	35.4	36.7	(4.5)	(7.3)	164,486	158,612			10,014,900	
94.6	95.3	100.8	104.2	(5.3)	(12.5)	69,871	72,872	N/A	4.30	3,861,000	
99.3	97.6	55.2	56.7	(5.1)	(8.2)	67,363	66,399	N/A	4.30	3,189,000	
97.0	97.7	53.6	53.5	(1.1)	(6.8)	19,336	19,021	3.60	3.60	1,180,000	
82.5	77.5	30.8	32.8	(16.7)	(31.8)	952	1,218	N/A	4.10	77,000	
100.0	100.0	57.2	57.2	N/A	(10.7)	1,378	1,376	N/A	3.80	75,000	
97.1	96.5	68.4	70.4	(4.9)	(10.0)	158,900	160,886			8,382,000	
94.5	93.7	46.1	47.7	(4.7)	(8.3)	323,386	319,498			18,396,900	

Corporate Governance

The Manager is committed to upholding a high standard of corporate governance. To ensure compliance with all relevant laws and regulations, it has established a robust corporate governance framework.

Structure of Sunlight REIT

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

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

Board of the Manager and change in Directors’ information

The Board is responsible for the overall management and corporate governance of the Manager. It currently has six directors (“**Directors**”), including one Executive Director (who is also the Chief Executive Officer (the “**CEO**”), two Non-Executive Directors (“**NEDs**”) (including the chairman of the Board (the “**Chairman**”) and three Independent Non-Executive Directors (“**INEDs**”). The roles of the Chairman and the CEO are separate and performed by two different individuals. The Board has established four Board committees with clear terms of reference, each of which is to assist the Board in supervising specific issues and functions of Sunlight REIT and the Manager, and to report back to the Board their findings, decisions and recommendations.

Subsequent to publication of the last annual report, the Manager has been informed that Dr. TSE Kwok Sang has resigned as an independent non-executive director of China Bozza Development Holdings Limited with effect from 31 January 2022. Save as aforesaid, the Manager has not been notified of any change in Directors’ information.

Conflicts of interest and business competition

The Manager and Henderson Sunlight Property Management Limited (the “**Property Manager**”) are both indirect wholly-owned subsidiaries of HLD. Both NEDs of the Manager (including the Chairman) are directors of HLD and some of its subsidiaries, associates and/or related companies, which are/may be engaged in, among other things, the development, investment and management of retail, office and other properties in and outside Hong Kong.

Accordingly, the Manager may experience conflicts of interest with HLD when acquiring and disposing of investments, or in connection with transactions between Sunlight REIT and HLD. The Manager and the Property Manager may also experience conflicts of interest with HLD when identifying and competing for potential tenants.

To ensure that conflicts of interest relating to Sunlight REIT are properly managed, various control measures have been adopted, including but not limited to the following :

1. the Manager will not manage any real estate investment trust other than Sunlight REIT nor manage any other real estate assets other than those owned by Sunlight REIT;
2. the Manager has functional units and systems which operate independently of its shareholder(s);

3. the Manager has established internal control systems to ensure that connected party transactions of Sunlight REIT are monitored and undertaken in compliance with the REIT Code, the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and waivers granted by the SFC, whereas any other situations of potential conflicts of interest are reported and monitored;
4. a Director with potential conflicts of interest shall disclose his interest to the Board and abstain from voting on the relevant matter, as well as not to be counted in the quorum for that resolution; and
5. registers of other directorships and senior positions held by the Directors are maintained and updated from time to time.

The Manager assures that it is capable of performing, and shall continue to perform, its duties for Sunlight REIT in the best interests of Sunlight REIT and unitholders.

Compliance with the Compliance Manual and the Corporate Governance Code

The Manager has adopted a compliance manual (the “**Compliance Manual**”) which sets out the key processes, internal control and system, corporate governance policies as well as other policies and procedures governing the management and operations of Sunlight REIT.

During the Reporting Period, the Manager has in material terms complied with the provisions of the Compliance Manual. In addition, the Manager and Sunlight REIT have complied with, to the extent applicable, the code provisions in the Corporate Governance Code in Appendix 14 of the Listing Rules.

Compliance with the Dealings Code

The Manager has adopted a code governing dealings in securities of Sunlight REIT by Directors (the “**Dealings Code**”), the terms of which are no less exacting than those set out in Appendix 10 of the Listing Rules. The Dealings Code is applicable to the Manager and its Directors, senior executives, officers and employees, and directors of the special purpose vehicles of Sunlight REIT. Certain restrictions and notification requirements as provided under the Listing Rules are adopted with modifications in the Dealings Code to apply to unit buy-back by the Manager on behalf of Sunlight REIT.

Specific enquiry had been made with all Directors and the Manager, and all of them confirmed that they had complied with the required standard as set out in the Dealings Code from time to time throughout the Reporting Period.

Buy-back, sale or redemption of units

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

Corporate Governance

Relevant Investments

The full investment portfolio of Relevant Investments, as defined in paragraph 7.2B of the REIT Code, of Sunlight REIT at 31 December 2021 is set out below :

Financial instruments ¹ & issuers	Primary listing	Currency	Total cost (HK\$'000)	Mark-to-market value (HK\$'000)	% of gross asset value of Sunlight REIT ^{2,3}	Credit rating
CATHAY 4 7/8 08/17/26 Cathay Pacific MTN Financing (HK) Limited	Stock Exchange	USD	11,672	11,611	0.06	N/A
COGARD 5.4 05/27/25 Country Garden Holdings Company Limited	Singapore Exchange Limited	USD	14,452	12,814	0.07	Fitch BBB-
COGARD 3 1/8 10/22/25 Country Garden Holdings Company Limited	Singapore Exchange Limited	USD	10,115	8,973	0.05	Moody's Baa3 Fitch BBB-
GEELZ 3 03/05/25 Geely Finance (Hong Kong) Limited	Singapore Exchange Limited	USD	15,373	15,637	0.08	S&P BBB-
NWDEVL 5 09/06/22 New World Capital Finance Limited	Unlisted	HKD	10,400	10,238	0.05	N/A
PCPDC 5 1/8 06/18/26 PCPD Capital Limited	Singapore Exchange Limited	USD	11,639	11,699	0.06	N/A
ZHONAN 3 1/8 07/16/25 ZhongAn Online P & C Insurance Co., Ltd.	Stock Exchange	USD	28,743	27,947	0.15	Moody's Baa2
Total			102,394	98,919	0.52	

At 31 December 2021, the combined mark-to-market value of Relevant Investments, together with other ancillary investments of Sunlight REIT, represented approximately 4.3% of the gross asset value of Sunlight REIT.

The full investment portfolio of Relevant Investments is updated monthly within five business days of the end of each calendar month on the website of Sunlight REIT.

Notes :

1. All financial instruments are bonds and their descriptions are quoted from Bloomberg.
2. The percentages are arrived at by comparing the mark-to-market value of the investments with the gross asset value of Sunlight REIT at 31 December 2021.
3. Gross asset value refers to the total assets after adjusted for the interim distribution declared. Total assets and interim distribution are stated on page 22 and page 25 of this interim report respectively.

New units issued

Except for an aggregate of 5,038,298 new units issued to the Manager as payment of part of the Manager's fees, there were no other new units issued during the Reporting Period.

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 interim report.

Review of interim report

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

Employees

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

Distribution entitlement and closure of register of unitholders

The ex-distribution date and record date for the interim distribution are Wednesday, 2 March 2022 and Tuesday, 8 March 2022 respectively. The register of unitholders will be closed from Friday, 4 March 2022 to Tuesday, 8 March 2022, both days inclusive, during which period no transfer of units will be effected. In order to qualify for the interim 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, no later than 4:30 p.m. on Thursday, 3 March 2022. Payment of the interim distribution will be made to unitholders on Wednesday, 16 March 2022.

Connected Party Transactions

Information in respect of the transactions entered into between Sunlight REIT and its connected persons (as defined in paragraph 8.1 of the REIT Code) during the Reporting Period, other than those transactions that are excluded pursuant to waivers granted by the SFC and/or exempted from the reporting requirements (if any), is set out in this section. All the transactions are continuing connected party transactions.

Connected party transactions with the HLD Related Group

HLD and its subsidiaries (“**HLD Group**”) hold an aggregate of approximately 18.7% of units in issue of Sunlight REIT. The Manager is an indirect wholly-owned subsidiary of HLD. Therefore, HLD and its subsidiaries and associates (has meaning as ascribed to it under the REIT Code) (“**HLD Related Group**”) are connected persons of Sunlight REIT. Accordingly, the transactions made between Sunlight REIT, special purpose vehicles owned and controlled by Sunlight REIT (“**Sunlight REIT Group**”) and members of the HLD Related Group constitute connected party transactions of Sunlight REIT.

Pursuant to the amended REIT Code which came into effect on 4 December 2020, the following agreements were entered into on 31 March 2021 by or on behalf of Sunlight REIT with members of the HLD Related Group, for a term of three years from 1 July 2021 to 30 June 2024:

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

In addition, transactions with the DMC managers (which are members of the HLD Group) of certain properties of the Sunlight REIT Group currently appointed under the relevant deeds of mutual covenant, for maintenance and management of common areas and facilities as shared among different owners of the relevant property, (the “**Connected Deeds of Mutual Covenant**”) will continue to constitute continuing connected party transactions of Sunlight REIT under the amended REIT Code.

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

Agreement	Income/(Expenses) for the Reporting Period¹ (HK\$'000)
Master Leasing Agreement	5,223
Joint Effort Carparking Agreement	1,785
Renewed Property Management Agreement	(23,748)
Master Services Agreement	(303)
Connected Deeds of Mutual Covenant	(6,634)

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

Connected party transactions with the Trustee Connected Persons

Sunlight REIT has certain connected party transactions with the Trustee and Trustee related connected persons of Sunlight REIT (including without limitation, the HSBC Group² (collectively, the “**Trustee Connected Persons**”)) during the Reporting Period, which include ordinary banking and financial services provided by the HSBC Group (such as interest expenses and security trustee fee on bank borrowings, net interest expenses on interest rate swaps and other bank charges) for which HK\$15.0 million has been paid or is payable by Sunlight REIT, and leasing or licensing of premises owned by the Sunlight REIT Group for which HK\$9.6 million has been received or to be received by Sunlight REIT.

Notes :

1. All of them were within the respective annual caps for the year ending 30 June 2022.
2. HSBC Group means HSBC and its subsidiaries and, unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries (being the subsidiaries of the Trustee but excluding those subsidiaries formed in its capacity as the trustee of Sunlight REIT).

Connected Party Transactions

Other disclosures under the REIT Code

Pursuant to the REIT Code, services provided to Sunlight REIT by the Manager and the Trustee as contemplated under the constitutive documents shall not be treated as connected party transactions but particulars of such services (except where any services transaction has a value of not more than HK\$1 million), such as terms and remuneration, shall be disclosed in the relevant interim or annual report.

During the Reporting Period, the aggregate amount of fees (in the form of cash and/or units) paid or payable by Sunlight REIT to the Manager and to the Trustee under the Trust Deed were approximately HK\$46.4 million and HK\$2.3 million respectively. Particulars of the services provided by the Manager and the Trustee are set out in notes 23(b)(i), (ii) and (iv) to the condensed interim financial statements.

Disclosure of Interests

The REIT Code requires connected persons of Sunlight REIT to disclose their interests in units. Further, certain provisions of Part XV of the SFO in relation to disclosure of interests are deemed, pursuant to Schedule C of the Trust Deed, to apply to the Manager itself and the Directors or chief executive of the Manager, and persons interested in units (including short positions).

Holdings of the Manager and the Directors or chief executive of the Manager

At 31 December 2021 and 30 June 2021, the interests in units of the Manager and the Directors or chief executive of the Manager as recorded in the register required to be kept by the Manager under Schedule C of the Trust Deed (the “Register”), were as follows :

Name	At 31 December 2021		At 30 June 2021	
	Number of units interested	% of interest in units ¹	Number of units interested	% of interest in units ¹
The Manager ²	170,364,152	10.158	164,325,854	9.827
Au Siu Kee, Alexander ³	2,300,000	0.137	2,300,000	0.138
Wu Shiu Kee, Keith ⁴	930,000	0.055	930,000	0.056
Kwok Tun Ho, Chester ⁵	12,000	0.001	12,000	0.001

Notes :

1. The percentages are based on the total number of units in issue of 1,677,171,782 units at 31 December 2021 and 1,672,133,484 units at 30 June 2021 (as the case may be).
2. During the Reporting Period, the Manager received 5,038,298 units as payment of part of the Manager’s fees; and acquired 1,000,000 units in the open market. The Manager beneficially owned 170,364,152 units at 31 December 2021 (30 June 2021: 164,325,854 units).
3. At 30 June 2021, of the 2,300,000 units in which Mr. Au Siu Kee, Alexander (being the Chairman and NED of the Manager) was interested, 201,000 units were directly held by Mr. Au, 1,999,000 units were jointly held by him and his deceased spouse, and the remaining 100,000 units were directly held under the estate of his deceased spouse (hence in which Mr. Au has deemed interest). On 25 August 2021, the aforesaid 1,999,000 units were registered under the sole name of Mr. Au by virtue of his succession rights and the aforesaid 100,000 units were transferred to him as beneficiary of his deceased spouse’s estate. Accordingly, Mr. Au became the sole beneficial owner of a total of 2,300,000 units.
4. Mr. Wu Shiu Kee, Keith is the CEO and Executive Director of the Manager.
5. Mr. Kwok Tun Ho, Chester is an INED of the Manager.

There were no short positions in units held by the Manager and the Directors or chief executive of the Manager at 31 December 2021.

Disclosure of Interests

Holdings of substantial unitholders

At 31 December 2021 and 30 June 2021, the interests in units of the substantial unitholders, as recorded in the Register, were as follows :

Name	At 31 December 2021		At 30 June 2021	
	Number of units interested	% of interest in units ¹	Number of units interested	% of interest in units ¹
Lee Shau Kee ²	688,349,177	41.04	662,182,758	39.60
Lee Financial (Cayman) Limited ²	374,072,708	22.30	374,072,708	22.37
Leesons (Cayman) Limited ²	374,072,708	22.30	374,072,708	22.37
Leeworld (Cayman) Limited ²	374,072,708	22.30	374,072,708	22.37
Shau Kee Financial Enterprises Limited ²	374,072,708	22.30	374,072,708	22.37
Uplite Limited ²	224,443,625	13.38	224,443,625	13.42
Wintrade Limited ²	149,629,083	8.92	149,629,083	8.95
Henderson Development Limited ²	300,569,511	17.92	300,569,511	17.98
HLD ²	300,569,511	17.92	300,569,511	17.98
Hopkins (Cayman) Limited ²	300,569,511	17.92	300,569,511	17.98
Riddick (Cayman) Limited ²	300,569,511	17.92	300,569,511	17.98
Rimmer (Cayman) Limited ²	300,569,511	17.92	300,569,511	17.98
Silchester International Investors LLP ³	200,482,150	11.95	232,364,150	13.90
Silchester International Investors International Value Equity Trust ³	100,231,922	5.98	100,231,922	5.99

Notes :

- The percentages are based on the total number of units in issue of 1,677,171,782 units at 31 December 2021 and 1,672,133,484 units at 30 June 2021 (as the case may be).
- At 31 December 2021, 224,443,625 units were owned by Uplite Limited and 149,629,083 units were owned by Wintrade Limited. Uplite Limited and Wintrade Limited are wholly-owned subsidiaries of Financial Enterprise Properties Limited, which in turn is wholly-owned by Shau Kee Financial Enterprises Limited ("SKFE"). SKFE is wholly-owned by Lee Financial (Cayman) Limited as the trustee of a unit trust, the units of which are held by Leesons (Cayman) Limited and Leeworld (Cayman) Limited as the respective trustees of two discretionary trusts. Therefore, each of Lee Financial (Cayman) Limited, Leesons (Cayman) Limited and Leeworld (Cayman) Limited was taken to be interested in the total of 374,072,708 units owned by Uplite Limited and Wintrade Limited.

Apart from the above, at 31 December 2021, 76,533,345 units were owned by Cobase Limited, 67,378,972 units were owned by Richful Resources Limited and 170,364,152 units were owned by the Manager. Cobase Limited and Richful Resources Limited are wholly-owned subsidiaries of Brightland Enterprises Limited. The Manager is a wholly-owned subsidiary of Latco Investment Limited. Brightland Enterprises Limited and Latco Investment Limited are wholly-owned subsidiaries of HLD. Henderson Development Limited ("HD") owned more than one-third of the issued share capital of HLD. HD is wholly-owned by Hopkins (Cayman) Limited ("Hopkins") as the trustee of a unit trust, the units of which are held by Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick") as the respective trustees of two discretionary trusts. Therefore, as far as the Manager is aware, each of HD, HLD, Hopkins, Riddick and Rimmer was taken to be interested in the total of 314,276,469 units at 31 December 2021. Whereas in the Register, each of HD, HLD, Hopkins, Riddick and Rimmer was respectively recorded as having an interest in 300,569,511 units at 31 December 2021, as no notifiable interest arose on their parts subsequent to their last disclosure of interest notifications to the Stock Exchange.

Notes : (continued)

At 31 December 2021, under Part XV of the SFO, by virtue of being the beneficial owner of the entire issued share capital of the trustees of the aforementioned unit trusts and discretionary trusts, Dr. Lee Shau Kee was taken to be interested in the total of 688,349,177 units.

At 31 December 2021, the units mentioned under this note were beneficially held or interested in by connected persons of Sunlight REIT under the REIT Code.

- At 31 December 2021, according to the Register, Silchester International Investors LLP ("**Silchester LLP**") in its capacity as investment manager, was interested in 200,482,150 units, and Silchester International Investors International Value Equity Trust ("**Silchester Trust**") beneficially owned 100,231,922 units. The Manager has subsequently been notified informally that at 31 December 2021, (i) Silchester LLP was interested in 199,718,150 units (representing approximately 11.91% of the total number of units in issue); and (ii) Silchester Trust was beneficially interested in 87,741,922 units (representing approximately 5.23% of the total number of units in issue), and such interest has been included as part of the interests (reported above) of Silchester LLP.

At 31 December 2021, the units mentioned under this note were beneficially held or interested in by connected persons of Sunlight REIT under the REIT Code.

Based on the Register, there were no short positions in units held by substantial unitholders at 31 December 2021.

Holdings of other connected persons

Save as disclosed above and as far as the Manager is aware, the holding of units of other connected person of Sunlight REIT at 31 December 2021 was as follows :

Name	Number of units held	% of unit holding ¹
Lo Yuk Fong, Phyllis ²	100,000	0.006

Notes :

- The percentage is based on the total number of units in issue of 1,677,171,782 units at 31 December 2021.
- Ms. Lo Yuk Fong, Phyllis is a connected person of Sunlight REIT as she is a director of certain subsidiaries of Sunlight REIT. Ms. Lo held 100,000 units at 30 June 2021.

Consolidated Statement of Profit or Loss

For the six months ended 31 December 2021 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 31 December	
		2021 \$'000	2020 \$'000
Revenue	4 & 5	404,326	399,534
Property operating expenses	4 & 6	(80,940)	(80,036)
Net property income		323,386	319,498
Other income		3,865	4,780
Administrative expenses		(54,309)	(54,147)
Net increase / (decrease) in fair value of investment properties	10(a)	49,712	(380,209)
Profit / (loss) from operations		322,654	(110,078)
Finance costs on interest-bearing liabilities	7(a)	(50,120)	(45,619)
Profit / (loss) before taxation and transactions with unitholders	7	272,534	(155,697)
Income tax	8	(38,293)	(38,429)
Profit / (loss) after taxation and before transactions with unitholders		234,241	(194,126)

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2021 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 31 December	
		2021 \$'000	2020 \$'000
Profit / (loss) after taxation and before transactions with unitholders		234,241	(194,126)
Other comprehensive income for the period			
<i>Items that have been reclassified / may be reclassified subsequently to profit or loss :</i>	12		
– Effective portion of changes in fair value of cash flow hedges recognised during the period		28,760	(22,715)
– Net reclassification adjustments for amounts transferred to profit or loss in respect of :			
– finance costs on interest-bearing liabilities		–	483
– unrealised exchange difference on foreign currency borrowing		39,108	–
		67,868	(22,232)
Total comprehensive income / (loss) for the period		302,109	(216,358)

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

Consolidated Statement of Financial Position

At 31 December 2021

(Expressed in Hong Kong dollars)

	Note	31 December 2021 (Unaudited) \$'000	30 June 2021 (Audited) \$'000
Non-current assets			
Fixed assets			
– Investment properties	10	18,396,900	18,341,700
– Other fixed assets		94	93
		18,396,994	18,341,793
Deferred tax assets		527	343
Derivative financial instruments	12	451	–
Reimbursement rights	11	37,436	37,436
Other financial assets	13	102,272	140,893
Other non-current assets	14	443	967
		18,538,123	18,521,432
Current assets			
Trade and other receivables	15	54,024	54,946
Cash and bank balances	16	616,952	623,301
Tax recoverable		–	67
		670,976	678,314
Total assets		19,209,099	19,199,746
Current liabilities			
Tenants' deposits		(198,908)	(201,565)
Rent receipts in advance		(12,620)	(12,348)
Trade and other payables	17	(70,238)	(71,393)
Bank and other borrowings	18	(2,004,033)	(2,002,645)
Derivative financial instruments	12	(46,111)	(52,964)
Tax payable		(34,118)	(70,152)
		(2,366,028)	(2,411,067)
Net current liabilities		(1,695,052)	(1,732,753)
Total assets less current liabilities		16,843,071	16,788,679

Consolidated Statement of Financial Position (continued)

At 31 December 2021

(Expressed in Hong Kong dollars)

	Note	31 December 2021 (Unaudited) \$'000	30 June 2021 (Audited) \$'000
Non-current liabilities, excluding net assets attributable to unitholders			
Bank and other borrowings	18	(2,360,967)	(2,398,145)
Deferred tax liabilities		(211,283)	(205,107)
Derivative financial instruments	12	(40,346)	(61,174)
		(2,612,596)	(2,664,426)
Total liabilities, excluding net assets attributable to unitholders			
		(4,978,624)	(5,075,493)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS			
		14,230,475	14,124,253
Number of units in issue			
	19	1,677,171,782	1,672,133,484
Net asset value attributable to unitholders per unit			
		\$8.48	\$8.45

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

Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the six months ended 31 December 2021 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 31 December	
		2021 \$'000	2020 \$'000
At the beginning of the period		14,124,253	14,771,156
Profit / (loss) after taxation and before transactions with unitholders		234,241	(194,126)
Other comprehensive income / (loss)		67,868	(22,232)
Total comprehensive income / (loss) for the period		302,109	(216,358)
Distribution paid to unitholders		(219,050)	(225,955)
Issuance of units to the Manager	19	23,163	23,790
Units bought back	19	–	(2,919)
Units buy-back expenses	19	–	(9)
		(195,887)	(205,093)
At the end of the period		14,230,475	14,349,705

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

Distribution Statement

For the six months ended 31 December 2021 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 31 December	
		2021 \$'000	2020 \$'000
Profit / (loss) after taxation and before transactions with unitholders		234,241	(194,126)
Adjustments (note (i)) :			
– Net (increase) / decrease in fair value of investment properties	10(a)	(49,712)	380,209
– Manager's fees paid or payable in the form of units		23,220	23,528
– Interest rate swaps – cash flow hedges	7(a)	628	905
– Non-cash finance costs on interest-bearing liabilities		2,773	3,262
– Deferred tax	8	5,993	6,264
– Depreciation		12	–
		(17,086)	414,168
Distributable income (note (i))		217,155	220,042
Interim distribution (note (ii))		204,615	208,358
Payout ratio (note (ii))		94.2%	94.7%
Distribution per unit (note (ii))		12.2 cents	12.5 cents

Notes* :

- (i) Under the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong (the "REIT Code"), a real estate investment trust shall distribute to unitholders as dividends each year an amount not less than 90% of its audited annual net income after tax. Pursuant to the amended and restated trust deed dated 10 May 2021 under which Sunlight Real Estate Investment Trust ("Sunlight REIT") is constituted (the "Trust Deed"), the total amounts distributed or distributable to unitholders shall be no less than 90% of annual distributable income for each financial year.

Distributable income means the amount calculated by the Manager as representing the consolidated profit / loss after taxation and before transactions with unitholders of Sunlight REIT for the relevant financial period, as adjusted to eliminate the effects of certain adjustments which have been recorded in the consolidated statement of profit or loss for the relevant financial period.

In arriving at the amount available for distribution for the current period, adjustments have been made, among others, to add back the finance costs relating to amortisation of debt establishment fees for bank and other borrowings and discount on issuance of medium term notes of \$2,773,000, or 0.17 cent per unit (2020 : \$3,262,000, or 0.20 cent per unit) (which is an effective return of capital), and to eliminate the effect of increase / decrease in fair value of investment properties.

Distribution Statement (continued)

For the six months ended 31 December 2021 – unaudited
(Expressed in Hong Kong dollars)

Notes* : (continued)

- (ii) The interim distribution of \$204,615,000 for the six months ended 31 December 2021 (2020 : \$208,358,000), representing a payout ratio of 94.2% (2020 : 94.7%), is calculated by multiplying the interim distribution per unit of 12.2 cents by 1,677,171,782 units** anticipated to be in issue at 8 March 2022, the record date for FY2021/22 interim distribution (the “**Record Date**”) (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 interim distribution is expected to be paid on 16 March 2022 to unitholders whose names appear on the register of unitholders on the Record Date.
 - (iv) The interim distribution declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.
- * Certain figures in these notes to distribution statement have been rounded to the nearest thousand.
- ** It is anticipated that no additional units will be cancelled, if bought back, before the Record Date.

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

Condensed Consolidated Cash Flow Statement

For the six months ended 31 December 2021 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 31 December	
		2021 \$'000	2020 \$'000
Operating activities			
Cash generated from operations		292,437	261,918
Tax paid			
– Hong Kong Profits Tax paid		(68,267)	(69,601)
Net cash generated from operating activities		224,170	192,317
Investing activities			
Payment for expenditure incurred for investment properties		(7,912)	(3,396)
Payment for acquisition of investment properties		–	(8,343)
Payment for purchase of debt securities		–	(29,826)
Proceeds from redemption of matured debt securities		38,832	19,381
Decrease in bank deposits with original maturity over three months		264,728	5,835
Other cash flows arising from investing activities		3,782	5,547
Net cash generated from / (used in) investing activities		299,430	(10,802)
Financing activities			
Distribution paid to unitholders		(219,050)	(225,955)
Payment for buy-back of units		–	(2,928)
Proceeds from new bank borrowings		355,000	523,196
Proceeds from issuance of medium term notes		–	297,525
Repayment of bank borrowings		(355,000)	(755,000)
Interest paid		(46,173)	(40,297)
Other borrowing cost paid		–	(4,348)
Net cash used in financing activities		(265,223)	(207,807)
Net increase / (decrease) in cash and cash equivalents		258,377	(26,292)
Cash and cash equivalents at the beginning of the period	16	233,373	373,920
Effect of foreign exchange rate changes		2	4
Cash and cash equivalents at the end of the period	16	491,752	347,632

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

Notes to the Condensed Interim Financial Statements

(Expressed in Hong Kong dollars)

1 General

Sunlight REIT is a Hong Kong collective investment scheme constituted as a unit trust by the Trust Deed and is authorised under section 104 of the Securities and Futures Ordinance. Sunlight REIT is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**SEHK**”).

The principal activity of Sunlight REIT and its subsidiaries (collectively referred to as the “**Group**”) is to own and invest in income-producing office and retail properties in Hong Kong with the objective of providing unitholders with regular and stable cash distributions with the potential for sustainable long term growth of such distributions and enhancement in value of the property portfolio. It has its principal place of business at 30th Floor, Dah Sing Financial Centre, 248 Queen’s Road East, Wan Chai, Hong Kong.

2 Basis of preparation

These condensed interim financial statements have been prepared in accordance with the relevant disclosure provisions of the REIT Code and the Rules Governing the Listing of Securities on the SEHK (the “**Listing Rules**”) as if the relevant disclosure provisions of the Listing Rules were applicable to Sunlight REIT, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issuance on 15 February 2022.

These condensed interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2020/21 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021/22 annual financial statements. Details of the changes in accounting policies are set out in note 3.

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

These condensed interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020/21 annual financial statements. The condensed interim financial statements do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

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

2 Basis of preparation (continued)

The financial information relating to the financial year ended 30 June 2021 that is included in the condensed interim financial statements as being previously reported information does not constitute Sunlight REIT's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 30 June 2021 are available from Sunlight REIT's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 7 September 2021.

3 Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group, of which the following is relevant to the Group's condensed interim 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**").

During the period ended 31 December 2021, 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 periods.

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

Notes to the Condensed Interim Financial Statements (continued)

(Expressed in Hong Kong dollars)

4 Segment reporting

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

Segment results

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

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

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

4 Segment reporting (continued)

Segment results (continued)

Information regarding the Group's reportable segments as provided to the Manager's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below :

	Six months ended 31 December					
	2021 (Unaudited)			2020 (Unaudited)		
	Office properties \$'000	Retail properties \$'000	Total \$'000	Office properties \$'000	Retail properties \$'000	Total \$'000
Revenue						
– Rental income	166,345	156,783	323,128	163,279	159,770	323,049
– Car park income	2,351	15,260	17,611	1,920	14,122	16,042
– Rental related income	31,710	31,877	63,587	28,993	31,450	60,443
	200,406	203,920	404,326	194,192	205,342	399,534
Property operating expenses	(35,920)	(45,020)	(80,940)	(35,580)	(44,456)	(80,036)
Net property income	164,486	158,900	323,386	158,612	160,886	319,498
Administrative expenses	(25,879)	(22,038)	(47,917)	(26,201)	(22,488)	(48,689)
Segment results	138,607	136,862	275,469	132,411	138,398	270,809
Net increase / (decrease) in fair value of investment properties	(8,623)	58,335	49,712	(8,119)	(372,090)	(380,209)
Finance costs on interest-bearing liabilities			(50,120)			(45,619)
Income tax			(38,293)			(38,429)
Interest income			3,432			4,740
Unallocated net expenses			(5,959)			(5,418)
Profit / (loss) after taxation and before transactions with unitholders			234,241			(194,126)
Depreciation	5	7	12	1	7	8

Notes to the Condensed Interim Financial Statements (continued)

(Expressed in Hong Kong dollars)

5 Revenue

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

	Six months ended 31 December	
	2021 (Unaudited) \$'000	2020 (Unaudited) \$'000
Rental income	323,128	323,049
Car park income	17,611	16,042
Rental related income	63,587	60,443
	404,326	399,534

6 Property operating expenses

	Six months ended 31 December	
	2021 (Unaudited) \$'000	2020 (Unaudited) \$'000
Building management fee	30,540	30,149
Property Manager's fees	23,748	22,125
Government rent and rates	15,076	14,920
Marketing and promotion expenses	2,428	3,463
Car park operating costs	3,121	3,244
Other direct costs	6,027	6,135
	80,940	80,036

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

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

	Six months ended 31 December	
	2021 (Unaudited) \$'000	2020 (Unaudited) \$'000
(a) Finance costs on interest-bearing liabilities		
Interest on bank and other borrowings	46,650	41,452
Other borrowing costs	2,842	3,262
	49,492	44,714
Interest rate swaps - cash flow hedges		
– Reclassified from net assets attributable to unitholders	–	483
– Net fair value loss of ineffective cash flow hedges	628	422
	628	905
	50,120	45,619

Other borrowing costs represent various financing charges and amortisation of debt establishment fees for bank and other borrowings and discount on issuance of medium term notes (see note 18).

	Six months ended 31 December	
	2021 (Unaudited) \$'000	2020 (Unaudited) \$'000
(b) Other items		
Interest income	(3,432)	(4,740)
Manager's fees	46,440	47,057
Property Manager's fees (notes (i) & (ii))	23,748	22,125
Trustee's remuneration and charges	2,310	2,339
Auditor's remuneration		
– Audit services	753	752
– Other services	750	497
Valuation fee payable to principal valuer	224	206
Legal and other professional fees	1,892	2,159
Commission to property agents	2,031	741
Bank charges	153	150
Net foreign exchange gain	(432)	(39)

Notes :

- (i) Included rental commission of \$4,956,000 (2020 : \$6,344,000).
- (ii) During the period ended 31 December 2020, the property manager waived an amount of \$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.
- (iii) Sunlight REIT does not appoint any director and the Group does not engage any employee. No employee benefit expense was incurred in the period accordingly.

Notes to the Condensed Interim Financial Statements (continued)

(Expressed in Hong Kong dollars)

8 Income tax

	Six months ended 31 December	
	2021 (Unaudited) \$'000	2020 (Unaudited) \$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	32,300	32,165
Deferred tax		
Origination and reversal of temporary differences	5,993	6,264
	38,293	38,429

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

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

The basic earnings per unit before transactions with unitholders for the six months ended 31 December 2021 amounted to \$0.14 (2020 : basic loss per unit before transactions with unitholders of \$0.12). The calculation of basic earnings / (loss) per unit before transactions with unitholders is based on the Group's profit after taxation and before transactions with unitholders of \$234,241,000 (2020 : loss after taxation and before transactions with unitholders of \$194,126,000) and the weighted average of 1,673,913,317 units (2020 : 1,663,480,781 units) in issue during the period.

Diluted earnings / (loss) per unit before transactions with unitholders for the six months ended 31 December 2021 and 2020 are not presented as there was no potential dilution of earnings / (loss) per unit before transactions with unitholders.

10 Investment properties

	31 December 2021 (Unaudited) \$'000	30 June 2021 (Audited) \$'000
At 1 July 2021 / 1 July 2020	18,341,700	18,918,000
Movement during the period / year		
– Additions through acquisition of investment properties	–	17,226
– Other additions	5,488	11,634
– Net increase / (decrease) in fair value	49,712	(605,160)
	18,396,900	18,341,700

(a) Valuation

The investment properties were appraised at 31 December 2021 by the Group's principal valuer, CBRE Limited ("**CBRE**"), an independent firm that has key personnel who are fellows or members of The Hong Kong Institute of Surveyors or the Royal Institute of Chartered Surveyors (Hong Kong Branch) with recent experience in the location and category of property being valued. Valuation methodologies adopted by CBRE were the same as those adopted by Colliers International (Hong Kong) Limited ("**Colliers**"), the Group's previous principal valuer, in carrying out the valuation for 30 June 2021. As a result of the valuation, a net gain of \$49,712,000 (2020 : net loss of \$380,209,000) has been recognised in profit or loss for the period in respect of investment properties.

Notes to the Condensed Interim Financial Statements (continued)

(Expressed in Hong Kong dollars)

10 Investment properties (continued)

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

	31 December 2021 (Unaudited) \$'000	30 June 2021 (Audited) \$'000
In Hong Kong		
– Long leases	8,679,900	8,680,300
– Medium-term leases	9,717,000	9,661,400
	18,396,900	18,341,700

(c) Certain investment properties of the Group have been mortgaged to secure banking facilities granted to the Group (see note 18).

11 Reimbursement rights

The amount represents the reimbursement rights recognised pursuant to the tax indemnity under the relevant deeds of tax covenant dated 21 December 2006 provided by the vendors (comprising certain subsidiaries of Shau Kee Financial Enterprises Limited (“**SKFE**”), Henderson Land Development Company Limited (“**HLD**”), Henderson Investment Limited, Henderson Development Limited and Jetwin International Limited) (collectively referred to as the “**Vendors**”) to the extent of the deferred tax liabilities in respect of possible clawback of depreciation allowances claimed by the Vendors prior to the date of acquisition in connection with the listing of Sunlight REIT in December 2006.

12 Derivative financial instruments

	31 December 2021 (Unaudited)			30 June 2021 (Audited)		
	Assets \$'000	Liabilities \$'000	Net amount \$'000	Assets \$'000	Liabilities \$'000	Net amount \$'000
Interest rate swaps and cross currency interest rate swap – cash flow hedges						
Current portion	–	(46,111)	(46,111)	–	(52,964)	(52,964)
Non-current portion	451	(40,346)	(39,895)	–	(61,174)	(61,174)
	451	(86,457)	(86,006)	–	(114,138)	(114,138)

The Group uses interest rate swaps (“**IRSs**”) (2020 : supplemented by interest rate basis swaps (“**Basis Swaps**”) in some cases) to hedge against the interest rate risk in relation to its floating rate term loans.

The Group also uses a cross currency interest rate swap (“**CCIRS**”) to hedge against the interest rate risk and foreign currency risk in relation to its floating rate term loan denominated in Japanese yen.

At 31 December 2021, the Group assessed the effectiveness of its cash flow hedges and identified certain ineffectiveness. As a result, fair value loss of ineffective hedges amounting to \$628,000 (2020 : \$422,000) was charged to profit or loss for the period. During the six months ended 31 December 2020, the net unrealised losses on those IRSs redesignated upon entering into Basis Swaps in prior years amounting to \$120,000 and net cumulative unrealised losses of expired IRSs amounting to \$363,000 were reclassified from net assets attributable to unitholders to profit or loss.

For the six months ended 31 December 2021, the increase in the effective portion of changes in fair value of cash flow hedges of \$28,760,000 (2020 : a decrease of \$22,715,000) and a reclassification adjustment in respect of unrealised exchange difference on foreign currency borrowing of \$39,108,000 (2020 : nil) recognised in other comprehensive income were included in the net assets attributable to unitholders.

At 31 December 2021, the Group had IRSs with an aggregate notional amount of \$2,700,000,000 (30 June 2021 : \$2,700,000,000) and CCIRS with notional amount of \$513,196,000 (30 June 2021 : \$513,196,000) and their net cumulative unrealised fair value changes were included in the net assets attributable to unitholders. These swaps will mature between September 2022 to October 2027 (30 June 2021 : between September 2022 to October 2027).

The above derivatives are measured at fair value at the end of the reporting period. Their fair values are determined based on the discounted cash flow model.

Notes to the Condensed Interim Financial Statements (continued)

(Expressed in Hong Kong dollars)

13 Other financial assets

	31 December 2021 (Unaudited) \$'000	30 June 2021 (Audited) \$'000
Financial assets measured at amortised cost		
Debt securities		
– Listed in Hong Kong	40,593	79,262
– Listed outside Hong Kong	51,611	51,513
– Unlisted	10,068	10,118
	102,272	140,893

14 Other non-current assets

The balance represented the amounts incurred relating to the progress billings for the improvement works carried out on certain investment properties of the Group which were in progress at the end of the reporting period and, if applicable, the acquisition of investment properties.

15 Trade and other receivables

	31 December 2021 (Unaudited) \$'000	30 June 2021 (Audited) \$'000
Rental receivables	41,744	46,569
Deposits and prepayments	9,911	5,571
Other receivables	1,681	2,017
Amounts due from related companies	688	789
	54,024	54,946

Included unamortised rent-free and rental concession, deposits and prepayment of \$32,599,000 (30 June 2021 : \$29,953,000) which are expected to be recovered or recognised as expenses after one year. Apart from the above, all of the balances are expected to be recovered or recognised as expenses within one year.

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 :

	31 December 2021 (Unaudited) \$'000	30 June 2021 (Audited) \$'000
Current	34,096	39,103
Less than 1 month overdue	4,240	4,033
More than 1 month and up to 3 months overdue	2,201	1,697
More than 3 months and up to 6 months overdue	169	920
More than 6 months overdue	1,038	816
	41,744	46,569

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.

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

Notes to the Condensed Interim Financial Statements (continued)

(Expressed in Hong Kong dollars)

16 Cash and bank balances

	31 December 2021 (Unaudited) \$'000	30 June 2021 (Audited) \$'000
Deposits with original maturity within three months	451,191	194,843
Cash at bank and in hand	40,561	38,530
Cash and cash equivalents in the condensed consolidated cash flow statement	491,752	233,373
Deposits with original maturity over three months	125,200	389,928
Cash and bank balances in the consolidated statement of financial position	616,952	623,301

17 Trade and other payables

	31 December 2021 (Unaudited) \$'000	30 June 2021 (Audited) \$'000
Creditors and accrued charges	39,057	41,145
Manager's fees payable (note 23(b)(ii))	23,236	22,102
Amounts due to related companies	7,945	8,146
	70,238	71,393

All creditors and accrued charges are due within one month or on demand and expected to be settled within one year.

Manager's fees payable is due within four months and payable in the form of cash and units.

The amounts due to related companies are unsecured, interest-free and have no fixed terms of repayment except for the amount due to the Trustee of \$1,149,000 (30 June 2021 : \$1,115,000) which is due within 30 days.

18 Bank and other borrowings

	31 December 2021 (Unaudited) \$'000	30 June 2021 (Audited) \$'000
Bank loans (note (i))		
– Secured	1,948,366	2,301,693
– Unsecured	2,120,992	1,804,003
	4,069,358	4,105,696
Medium term notes – unsecured (note (ii))	295,642	295,094
	4,365,000	4,400,790
The bank and other borrowings were repayable as follows :		
Within 1 year	2,004,033	2,002,645
After 1 year but within 2 years	598,387	597,786
After 2 years but within 5 years	1,291,813	1,290,772
After 5 years	470,767	509,587
	2,360,967	2,398,145
	4,365,000	4,400,790

Notes :

- (i) The Group entered into IRSs and CCIRS, details of which are set out in note 12.

All bank borrowings are guaranteed by the Trustee (in its capacity as trustee of Sunlight REIT), and in some cases together with Sunlight REIT Holding Limited, the holding company of all other subsidiaries of the Group, on a joint and several basis. In addition, the secured bank borrowings are secured by, among others, the following :

- mortgages over the investment properties with a fair value of \$10,413,500,000 at 31 December 2021 (30 June 2021 : \$10,445,300,000) (note 10); and
- first fixed charge over all present and future rights, title and interest in and to, all present and future shares in Sunlight REIT Finance Limited and Sunlight REIT Holding Limited, both being subsidiaries of the Group, and dividends and distributions thereof.

- (ii) The Group has a US\$1,000,000,000 (30 June 2021 : US\$1,000,000,000) Medium Term Note Programme (“**MTN programme**”). At 31 December 2021, notes with nominal amount of \$300,000,000 (30 June 2021 : \$300,000,000) were issued by Sunlight REIT MTN Limited under the MTN programme with fixed coupon rate of 2.00% (30 June 2021 : 2.00%) per annum. The notes are guaranteed by the Trustee (in its capacity as trustee of Sunlight REIT).
- (iii) The effective interest rate of the bank and other borrowings at the end of the reporting period was 2.11% per annum (30 June 2021 : 2.10% per annum).
- (iv) At 31 December 2021, the Group’s committed revolving credit facility of \$245,000,000 (30 June 2021 : nil) and uncommitted revolving credit facilities of \$600,000,000 (30 June 2021 : \$600,000,000) remained undrawn.

Notes to the Condensed Interim Financial Statements (continued)

(Expressed in Hong Kong dollars)

19 Units in issue

	Number of units	
	31 December 2021 (Unaudited)	30 June 2021 (Audited)
At 1 July 2021 / 1 July 2020	1,672,133,484	1,661,429,036
Movement during the period / year		
– Issuance of units	5,038,298	12,204,448
– Units bought back	–	(1,500,000)
	1,677,171,782	1,672,133,484

Details of units issued during the period / year as payment of the Manager's fees are as follows :

Payment of the Manager's fees for the period / year	Average issue price per unit determined based on the Trust Deed \$	Aggregate amount of units issued \$'000	Number of units issued
For the six months ended 31 December 2021 (Unaudited)			
1 April 2021 to 30 June 2021	4.542	11,561	2,545,429
1 July 2021 to 30 September 2021	4.654	11,602	2,492,869
		23,163	5,038,298
For the year ended 30 June 2021 (Audited)			
1 April 2020 to 30 June 2020	3.922	11,921	3,039,588
1 July 2020 to 30 September 2020	3.710	11,869	3,199,200
1 October 2020 to 31 December 2020	3.756	11,660	3,104,221
1 January 2021 to 31 March 2021	4.084	11,686	2,861,439
		47,136	12,204,448

19 Units in issue (continued)

During the six months ended 31 December 2021, no unit was bought back by the Manager on behalf of Sunlight REIT.

For the year ended 30 June 2021, the Manager, pursuant to the general mandate granted to the Manager by unitholders, bought back on behalf of Sunlight REIT a total of 1,500,000 units on the SEHK at an aggregate consideration of \$5,937,000.

Details of the units buy-backs were as follows :

	Number of units bought back	Price per unit		Aggregate consideration \$'000
		Highest \$	Lowest \$	
For the year ended 30 June 2021 (Audited)				
Month of buy-back				
November 2020	800,000	3.68	3.60	2,919
May 2021	700,000	4.33	4.29	3,018
	<u>1,500,000</u>			<u>5,937</u>
Total buy-back expenses				<u>20</u>
				5,957

All bought back units were cancelled during that year.

Notes to the Condensed Interim Financial Statements (continued)

(Expressed in Hong Kong dollars)

20 Fair value measurement of financial instruments

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

HKFRS 13, *Fair value measurement*, requires the fair value of financial instruments measured at the end of the reporting period on a recurring basis to be categorised into the three-level fair value hierarchy as defined in HKFRS 13. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows :

- Level 1 valuations : Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations : Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations : Fair value measured using significant unobservable inputs

At 31 December 2021 and 30 June 2021, the Group's only financial instruments carried at fair value are the IRSs and CCIRS (see note 12), which fall under Level 2 of the fair value hierarchy described above.

During the six months ended 31 December 2021 and the year ended 30 June 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of IRSs and CCIRS is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

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

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values at 31 December 2021 and 30 June 2021.

21 Capital commitments

Capital commitments outstanding at 31 December 2021 not provided for in the condensed interim financial statements are as follows :

	31 December 2021 (Unaudited) \$'000	30 June 2021 (Audited) \$'000
Contracted for	6,148	6,175
Authorised but not contracted for	15,432	17,378
	21,580	23,553

22 Contingent liabilities

At 30 June 2021, the Group provided a guarantee to a commercial bank for its issuance of bank guarantees in lieu of deposit to electricity companies in the total amount of \$4,585,000. The guarantee was not recognised in the Group's consolidated statement of financial position as its fair value is considered immaterial and initial transaction price was nil. During the six months ended 31 December 2021, the guarantee has been cancelled as the deposits to electricity companies were paid in cash.

Notes to the Condensed Interim Financial Statements (continued)

(Expressed in Hong Kong dollars)

23 Connected party transactions and material related party transactions

In addition to the transactions and balances disclosed elsewhere in the condensed interim financial statements, the Group entered into the following transactions with certain connected persons and related parties, as defined under the REIT Code and HKAS 24 (Revised), *Related party disclosures*, during the period :

(a) Nature of relationship with connected persons / related parties

Connected person / related party	Relationship with the Group
SKFE and other members of its group (collectively referred to as " SKFE Group ")	Substantial holders of Sunlight REIT and their associates
HLD and other members of its group (collectively referred to as " HLD Group ")	Substantial holders of Sunlight REIT and their associates
HSBC Institutional Trust Services (Asia) Limited (the " Trustee ")	The Trustee of Sunlight REIT
The Hongkong and Shanghai Banking Corporation Limited and other members of its group (collectively referred to as " HSBC Group ")	Associates of the Trustee
Henderson Sunlight Asset Management Limited (the " Manager ")	The Manager of Sunlight REIT and a member of HLD Group
Henderson Sunlight Property Management Limited (the " Property Manager ")	The Property Manager of Sunlight REIT and a member of HLD Group
Colliers and other members of its group (collectively referred to as " Colliers Group ")	The previous principal valuer of Sunlight REIT and its associates (note (v))

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

(b) Transactions with connected persons / related parties

	Six months ended 31 December	
	2021 (Unaudited) \$'000	2020 (Unaudited) \$'000
Rental and rental related income received / receivable from (note (i)) :		
– HLD Group	5,223	5,470
– HSBC Group	9,642	11,123
Property management expenses paid / payable to (note (i)) :		
– HLD Group	(6,943)	(8,048)
Facilities leasing expenses paid / payable to (note (i)) :		
– HLD Group	(60)	(60)
Manager's fees (note (ii))	(46,440)	(47,057)
Property Manager's fees (note (iii))	(23,748)	(22,125)
Trustee's remuneration and charges (note (iv))	(2,310)	(2,339)
Interest expenses and security trustee fees on bank borrowings and other charges paid / payable to (note (i)) :		
– HSBC Group	(2,278)	(6,030)
Net interest expenses on IRSs paid / payable to (note (i)) :		
– HSBC Group	(12,719)	(9,609)
Interest income on bank deposits received / receivable from (note (i)) :		
– HSBC Group	–	519
Valuation fee paid / payable to (notes (i) and (v)) :		
– Colliers Group	–	(176)
Promotional income received / receivable from (note (i)) :		
– HLD Group	1,785	1,411

Notes to the Condensed Interim Financial Statements (continued)

(Expressed in Hong Kong dollars)

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

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

Notes :

- (i) In the opinion of the Manager, these transactions were carried out on normal commercial terms and in the ordinary course of business.
- (ii) The Manager's fees are calculated as the aggregate of a base fee of 0.4% per annum of the value of all the properties of the Group and a variable fee of 3% per annum of the Group's Net Property Income (as defined in the Trust Deed).

Pursuant to the Trust Deed, the Manager is entitled to make an election for the payment of the Manager's fees, only to the extent that it is related to the Group's Properties (as defined in the Trust Deed), to be made in the form of cash and/or units.

On 16 June 2020, the Manager made an election for the base fee and the variable fee for the financial year ended 30 June 2021 to be paid 50% in the form of cash and 50% in the form of units. On 12 July 2021, the Manager has elected to keep the split unchanged for the financial year ending 30 June 2022.

- (iii) Under the property management agreement entered into between the Manager and the Property Manager dated 29 November 2006 (as subsequently renewed on amended terms and conditions by five supplemental agreements) (the "**Property Management Agreement**"), the Property Manager is entitled to receive a fee not exceeding 3% per annum of the Gross Property Revenue (as defined in the Property Management Agreement).

The Property Manager is also entitled to receive a commission equivalent to :

- one month's base rent or licence fee for securing a tenancy or licence of three years or more;
- one-half month's base rent or licence fee for securing a tenancy or licence of less than three years;
- one-half month's base rent or licence fee for securing a renewal of tenancy or licence irrespective of the duration of the renewal term;
- an amount not exceeding the lower of one-half month's base rent or licence fee, or 10% (or a lower percentage as mutually agreed between the Manager and the Property Manager from time to time) of the total rent or licence fee for securing a tenancy, licence or renewal of tenancy or licence for a duration of less than 12 months; and
- one-fourth month's base rent or licence fee (as reviewed), for handling each rent or licence review during the term of a tenancy or licence provided for in the tenancy or licence agreement.

In addition to the above fees, the Property Manager is also reimbursed by relevant property companies for staff costs incurred for the management of properties of the Group.

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

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

Notes : (continued)

Under the fifth supplemental agreements to the Property Management Agreement, with effect from 1 July 2021, one of the Property Manager's entitlements has been amended as follows :

- The Manager and the Property Manager may mutually agree in writing from time to time to revise the rate of the commission payable to the Property Manager for the marketing services provided that the revised rate shall not exceed the relevant rate as stated above.
- (iv) The Trustee's remuneration is calculated at rates ranging from 0.02% per annum to 0.03% per annum on the total assets of the Group, subject to minimum fees of \$50,000 per month. In accordance with the Trust Deed, the Trustee's remuneration may be increased, without obtaining unitholders' approval subject to one month's written notice to unitholders, to a maximum of 0.06% per annum of the total assets of the Group.
- The Trustee is also entitled to charge additional fees for duties undertaken by the Trustee which are of an exceptional nature or otherwise outside the scope of the Trustee's normal duties in the ordinary and normal course of business of Sunlight REIT, including but not limited to any services in relation to the acquisition of real estate by Sunlight REIT.
- (v) On 4 December 2020, principal valuer is no longer connected person of the Group as defined under the REIT Code when its amendments became effective on the same date. The valuation fee paid to Colliers Group, the previous principal valuer, from 1 July 2020 to 3 December 2020 was \$176,000.

(c) Balances with connected persons / related parties are as follows :

	31 December 2021 (Unaudited) \$'000	30 June 2021 (Audited) \$'000
Net amount due to :		
– HLD Group	(31,145)	(30,354)
– HSBC Group (note)	(517,028)	(518,935)
Note :		
Deposits and cash placed with HSBC Group	40,190	38,207
Bank borrowings and interest payable to HSBC Group	(550,678)	(550,631)
Others	(6,540)	(6,511)
	(517,028)	(518,935)

24 Non-adjusting event after the reporting period

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

Auditor's Review Report



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

Introduction

We have reviewed the condensed interim financial statements set out on pages 20 to 49 which comprises the consolidated statement of financial position of Sunlight Real Estate Investment Trust as of 31 December 2021 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in net assets attributable to unitholders, distribution statement and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of condensed interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The Manager is responsible for the preparation and presentation of the condensed interim financial statements in accordance with Hong Kong Accounting Standard 34.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements as at 31 December 2021 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

15 February 2022

Performance Table

(Expressed in Hong Kong dollars, unless otherwise specified)

	Note	2021	2020	2019	2018	2017
At 31 December :						
Net asset value (\$ million)		14,230	14,350	15,839	15,476	14,526
Net asset value per unit		8.48	8.61	9.56	9.40	8.85
Market capitalisation (\$ million)		7,279	6,284	8,348	8,269	8,800
For the six months ended 31 December :						
Highest traded unit price		5.07	4.19	6.35	5.55	5.57
Highest premium of the traded unit price to net asset value per unit	1	N/A	N/A	N/A	N/A	N/A
Lowest traded unit price		4.11	3.29	4.84	4.66	4.98
Highest discount of the traded unit price to net asset value per unit (%)		51.5	61.8	49.4	50.4	43.7
Closing unit price		4.34	3.77	5.04	5.02	5.36
Distribution per unit (cents)		12.2	12.5	13.2	13.2	12.6
Payout ratio (%)		94.2	94.7	93.6	93.9	96.6
Distribution yield per unit (%)	2	2.8	3.3	2.6	2.6	2.4
Annualised distribution yield per unit (%)	2	5.6	6.6	5.2	5.3	4.7

Notes :

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

Corporate Information

Board of Directors of the Manager Chairman and Non-Executive Director

AU Siu Kee, Alexander

Chief Executive Officer and Executive Director

WU Shiu Kee, Keith

Non-Executive Director

KWOK Ping Ho

Independent Non-Executive Directors

KWAN Kai Cheong

TSE Kwok Sang

KWOK Tun Ho, Chester

Responsible Officers of the Manager

LO Yuk Fong, Phyllis

SHUM Chung Wah, Yulanda

WONG Chi Ming

WU Shiu Kee, Keith

YIP May Ling, Vivian

Company Secretary of the Manager

CHUNG Siu Wah

Registered Office of the Manager

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

Investor Relations

Tel : (852) 3669 2880

Fax : (852) 2285 9980

Email : ir@HendersonSunlight.com

Trustee

HSBC Institutional Trust Services (Asia) Limited

Auditor

KPMG

Certified Public Accountants and

Registered Public Interest Entity Auditor

Principal Valuer

CBRE Limited

Legal Adviser

Woo Kwan Lee & Lo

Principal Bankers

Bank of China (Hong Kong) Limited

Dah Sing Bank, Limited

DBS Bank Ltd., Hong Kong Branch

The Hongkong and Shanghai Banking
Corporation Limited

MUFG Bank, Ltd.

Sumitomo Mitsui Banking Corporation

Unit Registrar

Tricor Investor Services Limited

Level 54, Hopewell Centre,

183 Queen's Road East,

Hong Kong

Website

www.sunlightreit.com

Financial Calendar

(in respect of FY2021/22 interim results)

Interim results announcement

15 February 2022

Issuance of interim report

1 March 2022

Ex-distribution date

2 March 2022

for interim distribution

Closure of register of unitholders

4 March 2022 to 8 March 2022,
both days inclusive

for entitlement of interim distribution

Interim distribution payable

16 March 2022

HK 12.2 cents per unit

Sunlight Real Estate Investment Trust

Managed by Henderson Sunlight Asset Management Limited

陽光房地產投資信託基金

由恒基陽光資產管理有限公司管理

www.sunlightreit.com

