SUNLIGHT REIT

Sunlight Real Estate Investment Trust

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

(Stock Code : 435)

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

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2018

The board of directors (the "**Board**") of Henderson Sunlight Asset Management Limited (the "**Manager**") is pleased to announce the final results of Sunlight Real Estate Investment Trust ("**Sunlight REIT**") for the year ended 30 June 2018 (the "**Year**"). The final results and the consolidated financial statements for the Year have been reviewed by the Audit Committee and the Disclosures Committee of the Manager and were approved by the Board on 4 September 2018.

FINANCIAL HIGHLIGHTS

(in HK$' million, unless otherwise specified)

	2018	2017	Change (%)
For the year ended 30 June :			
Revenue	**817.4**	788.1	3.7
Net property income	**646.1**	623.4	3.6
Cost-to-income ratio (%)	**21.0**	20.9	N/A
Profit after taxation	**1,442.3**	743.5	94.0
Annual distributable income	**450.5**	434.5	3.7
Distribution per unit (HK cents) Note	**26.5**	33.0	(19.7)
Payout ratio (%) Note	**96.7**	124.3	N/A
At 30 June :			
Portfolio valuation	**18,754.8**	17,062.4	9.9
Net asset value	**14,857.0**	13,899.5	6.9
Net asset value per unit (HK$)	**9.03**	8.49	6.4
Gearing ratio (%)	**21.8**	21.5	N/A

Note : A special distribution of HK 7.5 cents was included in 2017. Excluding the special distribution, distribution per unit for the Year would imply a growth of 3.9% and the payout ratio in 2017 would have been 96.1%.

PORTFOLIO STATISTICS

Property	Operational Statistics						Property Financials				
	Occupancy at 30 June (%)		Passing Rent[1] at 30 June (HK$/sq. ft.)		Rental Reversion[2] (%)		Net Property Income (HK$'000)		Capitalization Rate at 30 June 2018 (%)		Appraised Value at 30 June 2018 (HK$'000)
	2018	2017	2018	2017	FY2017/18	FY2016/17	FY2017/18	FY2016/17	Office	Retail	
Office											
Grade A											
Sunlight Tower	98.5	99.1	38.2	36.4	10.4	11.9	170,628	167,385	3.75	3.65	5,046,000
Grade B											
Bonham Trade Centre	93.0	96.1	29.8	28.9	9.1	11.5	36,065	36,734	3.45	3.80	1,251,000
Fung Shun Commercial Building[3]	100.0	N/A	47.3	N/A	N/A	N/A	10,284	N/A	3.00	2.75	664,000
Winsome House Property	100.0	85.9	42.8	42.9	4.0	11.2	17,321	17,204	3.45	3.60	630,100
135 Bonham Strand Trade Centre Property	100.0	100.0	27.6	26.6	8.6	5.0	18,648	17,302	3.45	3.80	624,000
Righteous Centre	98.8	93.4	34.5	34.7	(15.1)	7.7	19,368	23,007	3.75	3.40	587,000
235 Wing Lok Street Trade Centre	96.0	98.9	21.7	20.8	8.1	10.3	11,509	11,557	3.45	3.80	414,000
Java Road 108 Commercial Centre	94.2	96.1	24.7	24.1	8.0	8.5	8,965	8,761	3.75	4.00	300,000
On Loong Commercial Building	100.0	92.0	30.4	30.9	5.5	6.3	8,742	8,401	3.65	3.70	280,000
Sun Fai Commercial Centre Property	100.0	100.0	21.6	21.7	(2.3)	1.6	5,613	5,607	3.80	4.05	184,000
Wai Ching Commercial Building Property	100.0	94.5	14.5	13.8	8.8	10.3	2,195	2,081	3.55	3.90	80,700
Sub-total/Average	**97.8**	**97.3**	**33.8**	**32.0**	**6.9**	**10.1**	**309,338**	**298,039**			**10,060,800**
Retail											
New Town											
Sheung Shui Centre Shopping Arcade	98.9	91.7	115.9	118.4	3.8	3.9	161,204	163,093	N/A	4.30	4,277,000
Metro City Phase I Property	99.8	98.7	55.8	54.1	10.5	14.5	133,062	121,700	N/A	4.40	3,127,000
Kwong Wah Plaza Property	100.0	100.0	52.1	49.6	21.8	(3.7)	35,958	33,672	3.65	3.60	1,114,000
Urban											
Beverley Commercial Centre Property	82.9	96.7	44.5	45.1	(6.2)	(14.2)	3,485	3,952	N/A	4.10	106,300
Supernova Stand Property	100.0	100.0	54.0	54.0	N/A	15.0	2,637	2,342	N/A	3.80	69,700
Sub-total/Average	**99.2**	**96.7**[4]	**73.9**	**72.4**[4]	**8.0**	**5.3**[4]	**336,346**	**324,759**			**8,694,000**
Total/Average	**98.2**	**97.1**[4]	**46.5**	**45.0**[4]	**7.4**	**7.1**[4]	**645,684**	**622,798**			**18,754,800**
Palatial Stand Property							377	648			
Total							**646,061**	**623,446**			

Notes :
1. Passing rent is calculated on the basis of average rent per sq. ft. for occupied gross rentable area on the relevant date.
2. Rental reversion is calculated on the basis of change in effective rent of the leases renewed and commenced during the relevant year.
3. The property was acquired on 15 December 2017 for a consideration of HK$658.0 million.
4. Adjusted for Palatial Stand Property which was disposed of on 25 January 2018 at HK$101.0 million.

PERFORMANCE HIGHLIGHTS

Bolstered by an upswing in Hong Kong's retail sector and a robust trend toward office decentralization, Sunlight REIT recorded a 3.6% year-on-year increase in net property income ("**NPI**") to HK$646.1 million for the Year, while annual distributable income rose 3.7% to HK$450.5 million.

The Board has resolved to declare a final distribution of HK 13.9 cents per unit. Coupled with an interim distribution of HK 12.6 cents per unit, the total distribution per unit ("**DPU**") for the Year amounts to HK 26.5 cents, representing a payout ratio of 96.7%. Excluding the special distribution of HK 7.5 cents per unit paid in the previous financial year, DPU for the Year would imply a growth of 3.9%.

Reflecting the positive dynamics of the commercial property sector and the acquisition of Fung Shun Commercial Building ("**FSCB**"), the value of Sunlight REIT's property portfolio at 30 June 2018 was appraised by Knight Frank Petty Limited at HK$18,754.8 million, 9.9% higher than a year ago. The net asset value of Sunlight REIT consequently rose 6.9% to HK$14,857.0 million at 30 June 2018, which was equivalent to HK$9.03 per unit (30 June 2017: HK$8.49 per unit).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

The overall portfolio of Sunlight REIT recorded an average occupancy rate of 98.2% at 30 June 2018 (30 June 2017: 97.1% [Note]). The occupancies of the office and retail portfolios were 97.8% and 99.2% (30 June 2017: 97.3% and 96.7% [Note]) respectively, while their corresponding retention rates stood at 74% and 80% (FY2016/17: 68% and 73% [Note]).

Average passing rent of the office portfolio was HK$33.8 per sq. ft. at 30 June 2018, up 5.6% year on year, while that of the retail portfolio was HK$73.9 per sq. ft., 2.1% higher than a year ago. During the Year, rental reversions of 6.9% and 8.0% were secured by the office and retail portfolios respectively. Stripping out the renewal of a ground floor shop at Righteous Centre, the rate of rental reversion for the office portfolio would have been 9.0%.

The Manager maintained a high level of discipline in cost control. While higher expenses were incurred for repairs and maintenance as well as rental commission attributable to more leasing activities, the overall cost-to-income ratio of 21.0% was in line with the previous financial year's 20.9%.

Sunlight Tower

A beneficiary of the favourable Grade A office leasing market, this flagship property of Sunlight REIT continued to exhibit a fine performance during the Year, enjoying a rental reversion of 10.4%, a high retention rate of 85%, and an occupancy rate of 98.5% at 30 June 2018. Despite a faster growth in tenancy related expenses (largely due to increased rental commission), NPI of the property still managed to grow by 1.9% to HK$170.6 million.

Sunlight Tower has a balanced and diversified tenant base. At 30 June 2018, there were a total of 72 leases, of which 17.2% and 17.8% by gross rentable area ("**GRA**") will expire in each of the next two financial years respectively. This desirable positioning will continue to provide stability to the overall income of Sunlight REIT.

Note : Adjusted to reflect the disposal of Palatial Stand Property.

Sheung Shui Centre Shopping Arcade ("SSC")

Underpinned by a recovery in retail spending and a full-year contribution from the space reconfiguration exercise, SSC displayed a solid performance in both income and occupancy. Excluding the one-off income received in FY2016/17 (in respect of an early lease termination), NPI grew by more than 7% year on year, while occupancy rate rose to 98.9% at 30 June 2018 (30 June 2017: 91.7%). In addition, a satisfactory retention rate of 73% was recorded for the Year.

The almost HK$40.0 million capital expenditure spent over the past few years has clearly improved the cost efficiency and invigorated the ambience of SSC, which now offers customers a more attractive trade mix. The pop-up stores concept introduced in late 2017 has also proven to be rewarding in terms of footfall, which helps to sustain the competitiveness of this property.

Metro City Phase I Property ("MCPI")

A retail complex well positioned for non-discretionary shopping, dining and services, MCPI has once again turned in a reassuring performance. With almost full occupancy and a high retention rate of 84%, NPI of the property rose by 9.3% year on year on the back of a satisfactory rental reversion of 10.5%.

During the Year, the Manager devoted considerable effort into improving the cost-to-income efficiency of MCPI, while diligently addressing its environmental footprint. In addition to the introduction of more attractive eateries, the period under review also saw the replacement of the existing chiller plants. The new system has been operational since late April 2018 and is expected to provide both cost and environmental benefits to MCPI.

Acquisition and Disposal of Properties

During the Year, the Manager is delighted to have fended off formidable competition and concluded the purchase of FSCB for HK$658.0 million. Situated a stone's throw from Righteous Centre, the rationale for this well-timed acquisition needs no further elaboration. Besides, the Manager also successfully disposed of Palatial Stand Property at a consideration of HK$101.0 million, representing a premium of 133% over its appraised value at 31 December 2017.

Financial Review

Operating Results and Financial Ratios

Sunlight REIT recorded a 3.7% growth in revenue for the Year to HK$817.4 million. After deducting property operating expenses of HK$171.3 million, NPI came in at HK$646.1 million, up 3.6% year on year. Finance costs were down 30.2% year on year to HK$74.6 million, mainly attributable to the absence of a write-off in debt establishment fees and lower interest expenses, reflecting the full year benefit of the loan refinancing exercise. In tandem with rising interest rates, however, the magnitude of interest savings declined to HK$1.9 million in the second half of the Year (versus HK$8.4 million reported in the first six months of the year). Taking into account the fair value gain on investment properties of HK$996.1 million, profit after taxation for the Year was HK$1,442.3 million (FY2016/17: HK$743.5 million).

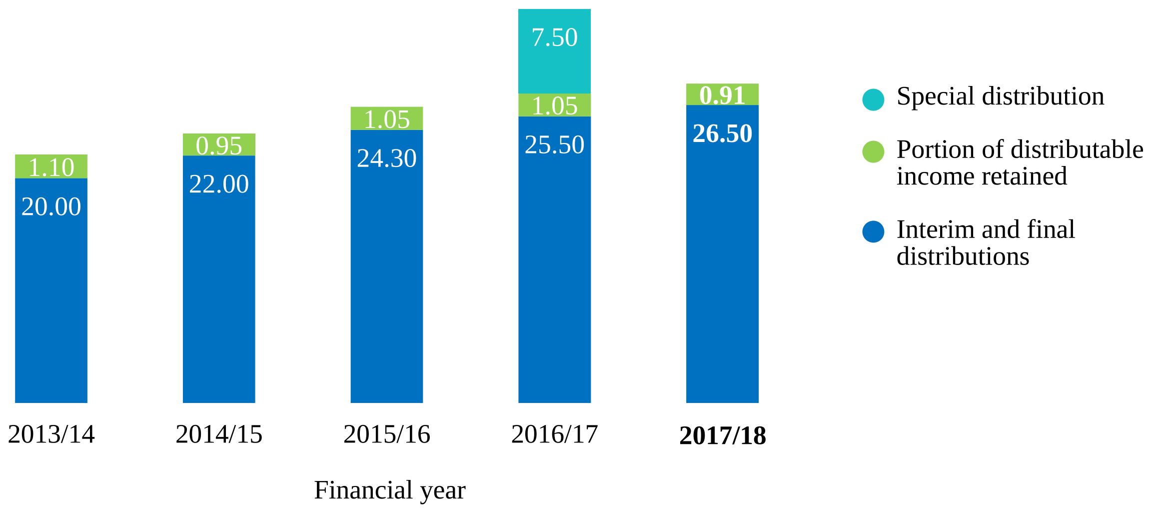
Reflecting the additional borrowing incurred in respect of the acquisition of FSCB, the gearing ratio of Sunlight REIT (defined as total borrowings as a percentage of gross assets) rose slightly to 21.8% at 30 June 2018 (30 June 2017: 21.5%), while gross liabilities[1] as a percentage of gross assets also showed mild advances to 24.3% (30 June 2017: 24.0%).

The EBITDA[2] of Sunlight REIT grew 1.9% year on year to HK$544.3 million. Together with lower interest expenses as mentioned earlier, the interest coverage ratio[3] for the Year improved to 7.4 times as compared with 6.3 times recorded in the previous financial year.

Distribution Analysis

Total distributions for the Year was HK$435.5 million, down 19.4% year on year given the absence of special distribution. Excluding the special distribution, total distributions would have posted an increase of 4.4%. The full-year DPU of HK 26.5 cents represented a distribution yield of 4.9% based on the closing unit price of HK$5.42 on the last trading day of the Year.

Distribution at a Glance (HK cents)



Capital and Interest Rate Management

Following the drawdown of a new three-year secured term loan facility of HK$325.0 million during the Year, Sunlight REIT had total loan facilities of HK$4,550.0 million in place at 30 June 2018, comprising term loan facilities of HK$4,250.0 million ("**Term Loan Facilities**") which had all been drawn, and an unsecured revolving credit facility of HK$300.0 million, HK$280.0 million of which remains undrawn.

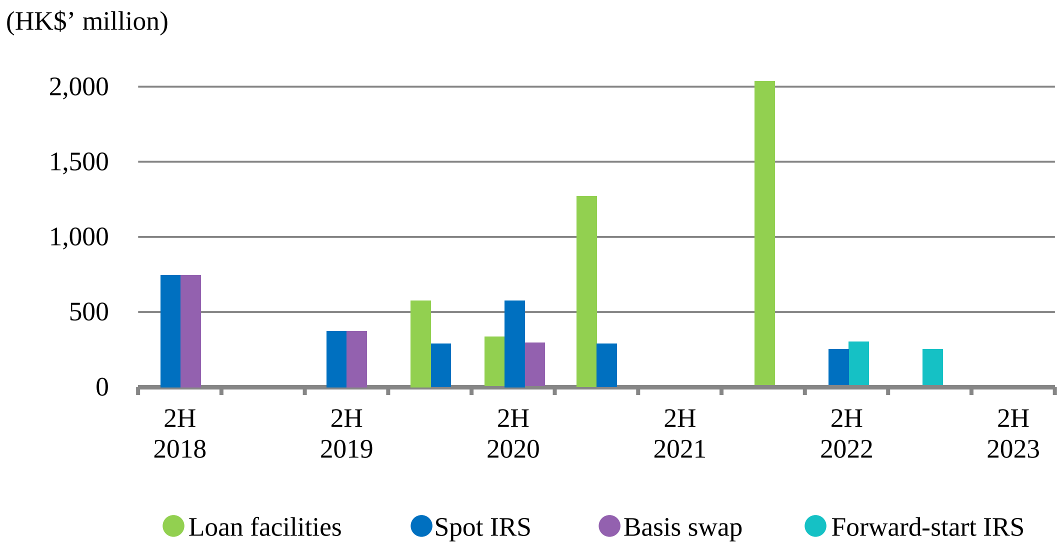
Notes :
1. Gross liabilities include total borrowings, tenants' deposits and other liabilities.
2. EBITDA represents net earnings before change in fair value of investment properties, interest expenses, taxation, depreciation and amortization. Any gain on disposals of investment properties and subsidiaries would be excluded from the calculation.
3. Interest coverage ratio is calculated by dividing EBITDA by interest expenses incurred on total borrowings.

Carrying a blended interest margin of 0.69% per annum over Hong Kong Interbank Offered Rates ("**HIBOR**") and a weighted loan maturity period of 3.3 years, the Term Loan Facilities consist of secured loans of HK$2,930.0 million and unsecured loans of HK$1,320.0 million. The secured tranche is backed by a pool of securities (shared on a pari passu basis) including, among others, a mortgage over certain properties held by Sunlight REIT with an appraised value of HK$10,574.0 million at 30 June 2018.

At 30 June 2018, approximately 61% (30 June 2017: 79%) of the Term Loan Facilities were hedged to fixed rates with a weighted average tenure of 1.7 years. The weighted average interest rate (before loan interest margin) for the fixed rate portion of Sunlight REIT's borrowings was 1.38% per annum (30 June 2017: 1.16% per annum).

Given the expiry of HK$500.0 million worth of interest rate swaps ("**IRSs**") in June 2018 and another HK$750.0 million due to expire before the end of 2018, the Manager executed a combination of spot and forward-start IRSs with an aggregate notional amount of HK$850.0 million during the Year.

Maturity profile at a glance



In light of the special distribution made in FY2016/17 and the acquisition of FSCB, cash resources allocated to unit buy-back has been reduced. During the Year, the Manager repurchased (and subsequently cancelled) a total of 1,300,000 units at an average price of approximately HK$5.29 per unit, representing a discount of over 41% to the net asset value per unit of Sunlight REIT at 30 June 2018.

Liquidity Management

The Manager has increased the size of the investment portfolio with a view to enhancing return from surplus cash of Sunlight REIT, while providing an alternative to interest rate hedging. At 30 June 2018, Sunlight REIT had total cash and bank balances of HK$641.9 million, and maintained a bond portfolio with an aggregate book value of HK$108.8 million.

OUTLOOK

The prospect of higher interest rates, jittery stock market sentiment and growing concerns regarding international trade all portend to an escalating risk premium for investment. The Manager is, therefore, well aware of the importance of remaining vigilant, yet proactive, in charting the roadmap of Sunlight REIT. The theme of this year's annual report, *Embedding Agility*, illustrates the Manager's aspiration to respond more swiftly to changing market conditions, and to gather the pace of asset and capital recycling in order to create more value for unitholders. Agility, however, also embraces prudence and patience.

Echoing the continued monetary tightening of the US Federal Reserve, the recent uptick in HIBOR appears sustainable and will no doubt result in an increase in interest outlay for Sunlight REIT, particularly when considering the expiry of a total of HK$1,250 million worth of IRSs between June and December this year. Proactive capital and treasury management will, therefore, be at the forefront of the Manager's policy to mitigate this cost pressure.

The Manager will continue to place a high priority on conducting acquisitions, as Sunlight REIT is well positioned to capture buying opportunities given its strong financial position. In view of the persistently low capitalization rates for commercial properties and rising funding costs, however, the Manager will remain prudent and only execute acquisitions that benefit unitholders from the prospects of distribution and asset enhancement.

For FY2018/19, the expiring GRA for the office and retail properties of Sunlight REIT will constitute approximately 33.9% and 28.2% of total GRA respectively. Given the prevailing market environment, the Manager is hopeful that positive rental reversion for the overall portfolio would be an achievable target in the forthcoming financial year.

Despite the guarded optimism, the Manager is mindful of the risks and challenges facing Sunlight REIT in the year ahead. For example, while the Manager considers that the upward recovery in retail spending is sustainable, the Manager shall monitor the overall impact that e-commerce is having on individual retail categories and make adjustments to the trade mix as necessary. Meanwhile, the concept of pop-up stores, which has worked well to enhance trade diversity while giving vendors an opportunity to test performance, will be further promoted in relevant properties.

Reflecting the strategy to invest in asset enhancement, the Manager shall dedicate substantial resources in transforming Bonham Trade Centre ("**BTC**"), the fourth largest property of Sunlight REIT. In particular, the Manager is finalizing a plan that would involve the upgrading and rebranding of the property to satisfy the needs of both co-working and institutional tenants. Given this initiative, the vacancy of BTC may rise in FY2018/19 to accommodate necessary construction works, currently targeted to take place in the middle of 2019. The Manager is excited about this project and believes it will greatly enhance the competitiveness, as well as the income and capital value of the property.

In addition, minor facility enhancements have also been earmarked for FSCB. The fact that the (sole) office tenant of the property did not exercise the option to renew their lease (pursuant to a sale and leaseback arrangement signed at the time of acquisition) actually presents an opportunity for the Manager to execute the intended enhancement works and diversify the trade profile of the property. In light of its prime location and the Manager's wealth of leasing experience in the vicinity, the prospects of FSCB should remain sanguine.

By adhering to the commitment to agility, Sunlight REIT is well positioned to withstand potential turbulence in the marketplace and even capitalize on investment opportunities that may arise. Barring unforeseen circumstances, the Manager is reasonably confident that Sunlight REIT is on the right track to maintain steady progress in the coming year.

DISTRIBUTION ENTITLEMENT AND CLOSURE OF REGISTER OF UNITHOLDERS

The ex-distribution date and record date for the final distribution are Wednesday, 19 September 2018 and Wednesday, 26 September 2018 respectively. The register of unitholders will be closed from Friday, 21 September 2018 to Wednesday, 26 September 2018, both days inclusive, during which period no transfer of units will be effected. In order to qualify for the final distribution, completed transfer forms accompanied by the relevant unit certificates must be lodged for registration with the unit registrar of Sunlight REIT, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Thursday, 20 September 2018. Payment of the final distribution will be made to unitholders on Thursday, 11 October 2018.

CORPORATE GOVERNANCE

The Manager is committed to upholding a high standard of corporate governance. Since its inception, Sunlight REIT has established, and continuously refined, a robust corporate governance framework to ensure sustainable long-term growth and enhance the overall value of Sunlight REIT. Accordingly, the Manager has adopted a compliance manual (the "**Compliance Manual**") which sets out the key processes, systems, measures, corporate governance policies as well as other policies and procedures governing the management and operations of Sunlight REIT. Modifications to the Compliance Manual will be made if necessary or if relevant legislation or regulations have been enacted or amended.

During the Year, the Manager has complied with the provisions of the Compliance Manual.

Public Float

At 30 June 2018, based on information that is publicly available and within the knowledge of the directors of the Manager, Sunlight REIT has maintained a public float of not less than 25% of the outstanding units in issue as required by the Securities and Futures Commission.

New Units Issued

During the Year, an aggregate of 8,662,015 new units were issued to the Manager in October 2017 and April 2018 respectively, as payment of part of the Manager's fees.

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

Buy-back, Sale or Redemption of Units

Pursuant to the relevant general mandate to buy back units granted by unitholders, the Manager bought back on behalf of Sunlight REIT a total of 1,300,000 units on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the Year at an aggregate consideration of approximately HK$6.9 million (excluding buy-back expenses). All bought back units were cancelled prior to the end of the Year. Details of the buy-backs are as follows :

Month of Buy-back	Number of Units Bought Back	Highest Price Paid per Unit (HK$)	Lowest Price Paid per Unit (HK$)	Aggregate Consideration Paid* (HK$'000)
December 2017	250,000	5.30	5.22	1,310
March 2018	1,050,000	5.33	5.23	5,564
Total	**1,300,000**			**6,874**

* Excluding buy-back expenses.

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

Review of Final Results

The final results of Sunlight REIT for the Year have been reviewed by the Audit Committee and the Disclosures Committee of the Manager in accordance with their respective terms of reference.

The financial figures contained in the preliminary announcement of the results of Sunlight REIT for the Year have been compared by the auditor of Sunlight REIT, KPMG, Certified Public Accountants, to the amounts set out in the consolidated financial statements of Sunlight REIT for the Year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

Employees

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

ISSUANCE OF ANNUAL REPORT

The 2017/18 Annual Report of Sunlight REIT will be sent to unitholders on 20 September 2018.

FORWARD-LOOKING STATEMENTS

This announcement contains certain statements and terminologies that are forward-looking. These statements are made on the basis of the current beliefs, assumptions, expectations and projections of the Board and senior management of the Manager regarding the industry and sectors in which Sunlight REIT operates. They are subject to risks, uncertainties and other factors beyond the Manager's control, the emergence of which may cause actual results or performance to differ materially from those expressed or implied in such statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2018
(Expressed in Hong Kong dollars)

	Note	**2018** **$'000**	2017 $'000
Revenue	3 & 4	**817,389**	788,122
Property operating expenses	3 & 5	**(171,328)**	(164,676)
Net property income		**646,061**	623,446
Other income	6	**10,745**	10,893
Administrative expenses		**(112,518)**	(99,735)
Gain on disposal of investment properties	7	**56,358**	-
Net increase in fair value of investment properties		**996,130**	384,159
Profit from operations		**1,596,776**	918,763
Finance costs on interest bearing liabilities	8(a)	**(74,631)**	(106,899)
Profit before taxation and transactions with unitholders	8	**1,522,145**	811,864
Income tax	9	**(79,866)**	(68,364)
Profit after taxation and before transactions with unitholders		**1,442,279**	743,500

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018
(Expressed in Hong Kong dollars)

	2018	2017
	$'000	$'000
Profit after taxation and before transactions with unitholders	**1,442,279**	743,500
Other comprehensive income for the year		
Items that have been reclassified/may be reclassified subsequently to profit or loss (after tax) :		
- Effective portion of changes in fair value of cash flow hedges recognized during the year	**29,939**	37,274
- Net reclassification adjustments for amounts transferred to profit or loss in respect of finance costs on interest bearing liabilities	**(36)**	(5,564)
- Deferred tax charged to other comprehensive income	**(5,509)**	-
	24,394	31,710
Total comprehensive income for the year	**1,466,673**	775,210

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018
(Expressed in Hong Kong dollars)

	Note	2018 $'000	2017 $'000
Non-current assets			
Fixed assets			
- Investment properties		**18,754,800**	17,062,400
- Other fixed assets		**51**	72
		18,754,851	17,062,472
Deferred tax assets		**186**	435
Derivative financial instruments		**21,874**	7,374
Prepayments	11	**-**	1,587
Reimbursement rights		**37,436**	37,436
Other financial assets		**108,815**	61,377
		18,923,162	17,170,681
Current assets			
Trade and other receivables	11	**24,086**	18,673
Derivative financial instruments		**13,122**	2,238
Cash and bank balances		**641,919**	1,085,897
Tax recoverable		**29,023**	20,291
		708,150	1,127,099
Total assets		**19,631,312**	18,297,780
Current liabilities			
Tenants' deposits		**(202,201)**	(193,073)
Rent receipts in advance		**(13,419)**	(10,430)
Trade and other payables	12	**(63,644)**	(63,406)
Bank borrowings		**(20,000)**	-
Derivative financial instruments		**(6)**	(10,424)
Tax payable		**(69,879)**	(65,483)
		(369,149)	(342,816)
Net current assets		**339,001**	784,283
Total assets less current liabilities		**19,262,163**	17,954,964

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2018

(Expressed in Hong Kong dollars)

	2018	2017
	$'000	$'000
Non-current liabilities, excluding net assets attributable to unitholders		
Bank borrowings	**(4,231,497)**	(3,901,882)
Deferred tax liabilities	**(172,076)**	(153,351)
Derivative financial instruments	**(1,599)**	(252)
	(4,405,172)	(4,055,485)
Total liabilities, excluding net assets attributable to unitholders	**(4,774,321)**	(4,398,301)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	**14,856,991**	13,899,479
Number of units in issue	**1,645,139,777**	1,637,777,762
Net asset value attributable to unitholders per unit	**$9.03**	$8.49

DISTRIBUTION STATEMENT

For the year ended 30 June 2018
(Expressed in Hong Kong dollars)

	Note	2018 $'000	2017 $'000
Profit after taxation and before transactions with unitholders		**1,442,279**	743,500
Adjustments (note (i)) :			
- Gain on disposal of investment properties		**(56,358)**	-
- Net increase in fair value of investment properties		**(996,130)**	(384,159)
- Manager's fees paid or payable in the form of units		**46,639**	43,476
- Interest rate swaps - cash flow hedges	8(a)	**(4,552)**	(7,014)
- Non-cash finance costs on interest bearing liabilities		**5,179**	29,292
- Deferred tax	9	**13,465**	9,406
		(991,757)	(308,999)
Annual distributable income (note (i))		**450,522**	434,501
Interim distribution, paid (notes (ii) and (iv))		**206,870**	199,556
Distributions, to be paid to unitholders (notes (iii) and (iv)) :			
- Final distribution		**228,674**	217,825
- Special distribution		**-**	122,833
Total distributions for the year (note (i))		**435,544**	540,214
Payout ratio (note (iii))			
- Excluding special distribution		**96.7%**	96.1%
- Including special distribution		**N/A**	124.3%
Distribution per unit :			
Interim distribution per unit, paid		**12.6 cents**	12.2 cents
Distributions per unit, to be paid to unitholders :			
- Final distribution per unit		**13.9 cents**	13.3 cents
- Special distribution per unit		**-**	7.5 cents
		26.5 cents	33.0 cents

Notes :

(i) Pursuant to the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong (the "**REIT Code**") and the trust deed dated 26 May 2006 (as amended and supplemented by six supplemental deeds) (the "**Trust Deed**"), Sunlight REIT is in any event required to ensure that the total amounts distributed or distributable to unitholders shall be no less than 90% of annual distributable income for each financial year.

Annual distributable income means the amount calculated by the Manager as representing the consolidated profit after taxation and before transactions with unitholders of Sunlight REIT for the relevant financial year, as adjusted to eliminate the effects of certain adjustments (as defined in the Trust Deed) recorded in the consolidated statement of profit or loss for the relevant financial year. The adjustments for the current year included the adding back of non-cash finance costs on interest bearing liabilities of $5,179,000, or 0.31 cents per unit (which is regarded as an effective return of capital) resulting from amortization of debt establishment fees in respect of bank borrowings (2017: $29,292,000, or 1.79 cents per unit resulting from amortization and write-off of debt establishment fees in respect of bank borrowings).

(ii) The interim distribution of $206,870,000 for the six months ended 31 December 2017 (31 December 2016: $199,556,000) is calculated by multiplying the interim distribution per unit of 12.6 cents by 1,641,823,814 units in issue at 7 March 2018, the record date for FY2017/18 interim distribution (31 December 2016: 12.2 cents by 1,635,707,632 units in issue at 28 February 2017, the record date for FY2016/17 interim distribution).

(iii) The final distribution of $228,674,000 for the year ended 30 June 2018 (2017: the final distribution of $217,825,000 and special distribution of $122,833,000) is calculated by multiplying the final distribution per unit of 13.9 cents by 1,645,139,777 units* anticipated to be in issue at 26 September 2018, the record date for FY2017/18 final distribution (the "**Record Date**") (2017: the final distribution per unit of 13.3 cents and the special distribution per unit of 7.5 cents respectively by 1,637,777,762 units in issue at 26 September 2017, the record date for FY2016/17 final and special distributions).

Together with the interim distribution, the total distributions for the year ended 30 June 2018 represent a payout ratio of 96.7% (2017: 124.3% (or 96.1% if excluding the special distribution)) of Sunlight REIT's annual distributable income for the year.

(iv) The FY2017/18 interim distribution was paid to unitholders on 20 March 2018. The FY2017/18 final distribution is expected to be paid on 11 October 2018 to unitholders whose names appear on the register of unitholders on the Record Date.

(v) The final distribution declared after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

* It is anticipated that no additional units will be bought back and cancelled before the Record Date.

** Certain figures in these notes to distribution statement have been rounded to the nearest thousand.

NOTES

(Expressed in Hong Kong dollars)

1. General

Sunlight REIT is a Hong Kong collective investment scheme constituted as a unit trust by the Trust Deed and is authorized under section 104 of the Securities and Futures Ordinance. Sunlight REIT is listed on the Main Board of the Stock Exchange.

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

2. Basis of preparation

The final results set out in this announcement do not constitute the Group's statutory consolidated financial statements for the year ended 30 June 2018 but are extracted from those consolidated financial statements.

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

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

- Amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*

- Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealized losses*

Under the amendments to HKAS 7, an entity is required to provide disclosures that enable users of financial statements to evaluate movements in the carrying amounts of items relating to financing activities during the financial year. Except for the aforementioned, none of these developments has had a material effect on the preparation or presentation of 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.

3. Segment reporting

The Manager manages the Group's business by divisions. In a manner consistent with the way in which information is reported internally to the Manager's most senior executive management for the purposes of resource allocation and performance assessment, the Manager has identified two reportable segments, which are "Office properties" and "Retail properties".

As all of the Group's activities are carried out in Hong Kong, no geographical information is presented.

Segment results, assets and liabilities

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

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

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

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

3. Segment reporting (continued)

Segment results, assets and liabilities (continued)

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

	2018			2017		
	Office properties $'000	**Retail properties $'000**	**Total $'000**	Office properties $'000	Retail properties $'000	Total $'000
Revenue						
- Rental income	**317,459**	**338,012**	**655,471**	300,970	333,117	634,087
- Car park income	**3,678**	**29,144**	**32,822**	3,854	27,021	30,875
- Rental related income	**63,696**	**65,400**	**129,096**	61,835	61,325	123,160
	384,833	**432,556**	**817,389**	366,659	421,463	788,122
Property operating expenses	**(75,495)**	**(95,833)**	**(171,328)**	(68,620)	(96,056)	(164,676)
Net property income	**309,338**	**336,723**	**646,061**	298,039	325,407	623,446
Administrative expenses	**(55,143)***	**(45,664)**	**(100,807)***	(46,229)	(43,811)	(90,040)
Segment results	**254,195**	**291,059**	**545,254**	251,810	281,596	533,406
Net increase in fair value of investment properties	**501,260**	**494,870**	**996,130**	329,196	54,963	384,159
Gain on disposal of investment properties	**-**	**56,358**	**56,358**	-	-	-
Finance costs on interest bearing liabilities			**(74,631)**			(106,899)
Income tax			**(79,866)**			(68,364)
Interest income			**9,930**			10,240
Unallocated net expenses			**(10,896)**			(9,042)
Profit after taxation and before transactions with unitholders			**1,442,279**			743,500
Depreciation	**10**	**17**	**27**	17	18	35

* Included costs relating to the acquisition of investment properties amounting to $3,980,000.

3. Segment reporting (continued)

Segment results, assets and liabilities (continued)

	2018			2017		
	Office properties $'000	**Retail properties $'000**	**Total $'000**	Office properties $'000	Retail properties $'000	Total $'000
Segment assets	**10,108,755**	**8,705,474**	**18,814,229**	8,882,445	8,236,304	17,118,749
Derivative financial instruments			**34,996**			9,612
Other financial assets			**108,815**			61,377
Cash and bank balances			**641,919**			1,085,897
Tax recoverable			**29,023**			20,291
Deferred tax assets			**186**			435
Unallocated assets			**2,144**			1,419
Total assets			**19,631,312**			18,297,780
Segment liabilities	**(133,850)**	**(141,825)**	**(275,675)**	(123,586)	(139,883)	(263,469)
Derivative financial instruments			**(1,605)**			(10,676)
Bank borrowings			**(4,251,497)**			(3,901,882)
Tax payable			**(69,879)**			(65,483)
Deferred tax liabilities			**(172,076)**			(153,351)
Unallocated liabilities			**(3,589)**			(3,440)
Total liabilities, excluding net assets attributable to unitholders			**(4,774,321)**			(4,398,301)
Capital expenditure incurred during the year	**722,371***	**15,718**	**738,089***	4,473	19,757	24,230

* Included acquisition of investment properties amounting to $718,423,000.

4. Revenue

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

	2018 $'000	2017 $'000
Rental income (note)	**655,471**	634,087
Car park income	**32,822**	30,875
Rental related income	**129,096**	123,160
	817,389	788,122

Note : Included additional rents based on business revenue of tenants amounting to $1,103,000 (2017: $1,445,000).

5. Property operating expenses

	2018	2017
	$'000	$'000
Building management fee	**59,157**	56,177
Property manager's fees	**52,601**	51,158
Government rent and rates	**34,873**	35,002
Marketing and promotion expenses	**5,344**	5,814
Car park operating costs	**6,131**	5,822
Other direct costs	**13,222**	10,703
	171,328	164,676

6. Other income

	2018	2017
	$'000	$'000
Bank interest income	**7,636**	8,158
Interest income from debt securities	**2,294**	2,082
Others	**815**	653
	10,745	10,893

7. Disposal of investment properties

During the year ended 30 June 2018, the Group completed the disposal of Palatial Stand Property at a consideration of $101,000,000, resulting in a gain of $56,358,000.

8. Profit before taxation and transactions with unitholders

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

	2018	2017
	$'000	$'000
(a) Finance costs on interest bearing liabilities		
Interest on bank borrowings	**74,004**	84,322
Other borrowing costs	**5,179**	29,591
	79,183	113,913
Interest rate swaps - cash flow hedges		
- Reclassified from net assets attributable to unitholders	**(36)**	(5,564)
- Net fair value gain of ineffective cash flow hedges	**(4,516)**	(1,450)
	(4,552)	(7,014)
	74,631	106,899

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

	2018	2017
	$'000	$'000
(b) Other items		
Manager's fees	**96,568**	86,953
Property manager's fees (note (i))	**52,601**	51,158
Trustee's remuneration and charges	**4,807**	4,426
Auditor's remuneration		
- Audit services	**1,905**	1,875
- Other services	**475**	458
Fees payable to principal valuer		
- Valuation fees	**525**	505
- Commission	**-**	52
Legal and other professional fees	**6,934**	3,818
Commission to property agents	**4,010**	2,058
Bank charges	**283**	389
Net foreign exchange gain	**(255)**	(472)

Notes :

(i) Included rental commission of $14,458,000 (2017: $14,529,000).

(ii) Sunlight REIT does not appoint any director and the Group does not engage any employee. No employee benefit expense was incurred in the year accordingly.

9. Income tax

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

	2018	2017
	$'000	$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	**66,865**	59,306
Over-provision in respect of prior years	**(464)**	(348)
	66,401	58,958
Deferred tax		
Origination and reversal of temporary differences	**13,465**	9,406
	79,866	68,364

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

In prior years, the Inland Revenue Department ("**IRD**") raised additional profits tax assessments on certain subsidiaries of the Group, with one of the subsidiaries (the "**Particular Subsidiary**") covering the years of assessment up to 2015/16, and certain other subsidiaries covering the years of assessment up to 2010/11, in an aggregate amount of $20,085,000 as the IRD disallowed the deductions of the management fees and property management fees and in some cases certain rental commission incurred by these subsidiaries. During the year ended 30 June 2018, the IRD further raised profits tax assessments on the Particular Subsidiary for the year of assessment 2016/17 and on certain other subsidiaries for the year of assessment 2011/12 in respect of such disallowance, bringing the aggregate amount to $28,425,000. Notices of objection were filed with the IRD against all the additional profits tax assessments raised to date, and an equivalent amount of tax reserve certificates have been purchased.

In April 2018, the IRD issued a determination in respect of the objections to the assessments on the Particular Subsidiary, which allowed the deduction of property management fees and rental commission while the management fees remained non-deductible. Based on the professional and positive advice of Sunlight REIT's legal and tax advisers, the Manager decided to strenuously contest the assessments raised and in May 2018, a notice of appeal against the written determination was submitted to the Board of Review.

If the management fees were finally determined as non-deductible for all the property holding companies under Sunlight REIT, the estimated total additional profits tax liabilities up to the year of assessment 2017/18 would amount to approximately $86 million.

10. Earnings per unit before transactions with unitholders

The basic earnings per unit before transactions with unitholders for the year ended 30 June 2018 amounted to $0.88 (2017: $0.45). The calculation of basic earnings per unit before transactions with unitholders is based on the Group's profit after taxation and before transactions with unitholders of $1,442,279,000 (2017: $743,500,000) and the weighted average of 1,641,090,508 units in issue during the year (2017: 1,636,531,197 units).

Diluted earnings per unit before transactions with unitholders for the years ended 30 June 2018 and 2017 are not presented as there was no potential dilution of earnings per unit before transactions with unitholders.

11. Trade and other receivables

	2018	2017
	$'000	$'000
Rental receivables	**16,575**	11,785
Deposits and prepayments	**3,941**	6,330
Other receivables	**2,747**	1,585
Amounts due from related companies	**823**	560
	24,086	20,260
Represented by :		
Current portion	**24,086**	18,673
Non-current portion	**-**	1,587
	24,086	20,260

At 30 June 2017, the balance under non-current portion represented progress payments for the improvement works carried out on certain investment properties of the Group which were in progress at the end of the reporting period.

$3,561,000 (2017: $3,919,000) included in deposits and prepayments is expected to be recovered after more than one year. Apart from the above, all of the balances are expected to be recovered or recognized as expense within one year.

11. Trade and other receivables (continued)

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

	2018	2017
	$'000	$'000
Current	**12,599**	9,149
Less than 1 month overdue	**1,827**	1,762
More than 1 month and up to 3 months overdue	**1,339**	449
More than 3 months and up to 6 months overdue	**716**	197
More than 6 months overdue	**94**	228
	16,575	11,785

The Group has no significant concentrations of credit risk. The Manager is of the opinion that monthly rents in respect of leasing properties are received in advance and there is no specific credit terms given to the tenants. Sufficient rental deposits are held to cover potential exposure to credit risk.

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

12. Trade and other payables

	2018	2017
	$'000	$'000
Creditors and accrued charges	**31,059**	33,451
Manager's fees payable	**25,336**	22,585
Amounts due to related companies	**7,249**	7,370
	63,644	63,406

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

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

The amounts due to related companies are unsecured, interest-free and have no fixed terms of repayment except for the amount due to the trustee of Sunlight REIT of $1,248,000 (2017: $1,149,000) which is due within 30 days.

13. Non-adjusting event after the reporting period

After the end of the reporting period, the Board declared a final distribution. Further details are disclosed in the "Distribution Statement" of this announcement.

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

Hong Kong, 4 September 2018

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