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 2019

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 2019 (the "**Year**").

FINANCIAL HIGHLIGHTS

(in HK$' million, unless otherwise specified)

	2019	2018	Change (%)
For the year ended 30 June :			
Revenue	**850.7**	817.4	4.1
Net property income	**682.5**	646.1	5.6
Cost-to-income ratio (%)	**19.8**	21.0	N/A
Profit after taxation	**1,591.1**	1,442.3	10.3
Annual distributable income	**467.3**	450.5	3.7
Distribution per unit (HK cents)	**27.3**	26.5	3.0
Payout ratio (%)	**96.4**	96.7	N/A
At 30 June :			
Portfolio valuation	**20,002.5**	18,754.8	6.7
Net asset value	**15,991.9**	14,857.0	7.6
Net asset value per unit (HK$)	**9.68**	9.03	7.2
Gearing ratio (%)	**20.4**	21.8	N/A

PORTFOLIO STATISTICS

Property	Operational Statistics						Property Financials				
	Occupancy Rate at 30 June (%)		Passing Rent[1] at 30 June (HK$/sq. ft.)		Rental Reversion[2] (%)		Net Property Income (HK$'000)		Capitalization Rate at 30 June 2019 (%)		Appraised Value at 30 June 2019 (HK$'000)
	2019	**2018**	**2019**	**2018**	**FY2018/19**	**FY2017/18**	**FY2018/19**	**FY2017/18**	**Office**	**Retail**	
Office											
Grade A											
Sunlight Tower	98.2	98.5	39.6	38.2	13.5	10.4	181,162	170,628	3.75	3.65	5,294,300
Grade B											
Bonham Trade Centre[3]	68.4[4]	93.0	31.8	29.8	10.6	9.1	32,532	36,065	3.45	3.80	1,311,400
The Harvest[5]	96.4	100.0	51.2	47.3	N/A	N/A	16,643	10,284	3.10	2.90	730,800
135 Bonham Strand Trade Centre Property	100.0	100.0	29.4	27.6	12.6	8.6	18,681	18,648	3.45	3.80	671,000
Winsome House Property	100.0	100.0	43.8	42.8	6.5	4.0	19,040	17,321	3.45	3.60	652,700
Righteous Centre	100.0	98.8	36.3	34.5	8.5	(15.1)	20,523	19,368	3.75	3.40	621,700
235 Wing Lok Street Trade Centre	93.8	96.0	22.6	21.7	9.2	8.1	12,330	11,509	3.45	3.80	432,600
Java Road 108 Commercial Centre	96.1	94.2	26.4	24.7	7.1	8.0	10,112	8,965	3.75	4.00	321,200
On Loong Commercial Building	100.0	100.0	31.6	30.4	8.6	5.5	9,132	8,742	3.65	3.70	294,600
Sun Fai Commercial Centre Property	100.0	100.0	22.7	21.6	9.1	(2.3)	5,856	5,613	3.80	4.05	193,800
Wai Ching Commercial Building Property	97.2	100.0	16.1	14.5	20.8	8.8	2,019	2,195	3.55	3.90	85,100
Sub-total/Average	**94.0**	**97.8**	**35.5**	**33.8**	**11.4**	**6.9**	**328,030**	**309,338**			**10,609,200**
Retail											
New Town											
Sheung Shui Centre Shopping Arcade	98.1	98.9	118.4	115.9	13.4	3.8	172,310	161,204	N/A	4.30	4,617,200
Metro City Phase I Property	98.9	99.8	57.5	55.8	11.5	10.5	139,913	133,062	N/A	4.40	3,332,610
Kwong Wah Plaza Property[6]	100.0	100.0	54.3	52.1	9.6	21.8	36,972	35,958	3.60	3.60	1,257,600
Urban											
Beverley Commercial Centre Property	62.9	82.9	45.6	44.5	(0.2)	(6.2)	2,674	3,485	N/A	4.10	111,200
Supernova Stand Property	100.0	100.0	54.5	54.0	7.7	N/A	2,638	2,637	N/A	3.80	74,700
Sub-total/Average	**98.1**	**99.2**	**75.8**	**73.9**	**11.4**	**8.0**	**354,507**	**336,346**			**9,393,310**
Total/Average	**95.3**	**98.2**	**48.6**	**46.5**	**11.4**	**7.4**	**682,537**	**645,684**			**20,002,510**
Palatial Stand Property							N/A	377			
Total							**682,537**	**646,061**			

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 has been renamed Strand 50 with effect from 1 September 2019.
4. Excluding the renovated area, the occupancy rate would have been 95.4%.
5. The property was previously known as Fung Shun Commercial Building.
6. Additional office units with gross rentable areas of 1,870 sq.ft. and 644 sq.ft. were acquired on 7 September 2018 and 25 April 2019 for approximately HK$29 million and HK$10 million respectively.

PERFORMANCE HIGHLIGHTS

Sunlight REIT delivered a satisfactory set of results amidst a whirlwind of global economic uncertainty, as reflected by a 5.6% year-on-year rise in net property income ("**NPI**") to HK$682.5 million. Annual distributable income recorded a 3.7% growth to HK$467.3 million.

The Board has resolved to declare a final distribution of HK 14.1 cents per unit. Coupled with an interim distribution of HK 13.2 cents per unit, the total distribution per unit ("**DPU**") for the Year amounts to HK 27.3 cents, up 3.0% year on year. The implied payout ratio is 96.4%, compared with 96.7% in the preceding year.

At 30 June 2019, Sunlight REIT's property portfolio was appraised by the principal valuer [Note] at HK$20,002.5 million, 6.7% higher than a year ago. Net asset value consequently rose 7.6% to HK$15,991.9 million at 30 June 2019, or HK$9.68 per unit (30 June 2018: HK$9.03 per unit).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

The overall portfolio of Sunlight REIT recorded an average occupancy rate of 95.3% at 30 June 2019 (30 June 2018: 98.2%). The occupancy rates of the office and retail portfolios were 94.0% and 98.1% (30 June 2018: 97.8% and 99.2%) respectively, while their corresponding retention rates stood at 64% and 74% (FY2017/18: 74% and 80%).

Average passing rent of the office portfolio was HK$35.5 per sq. ft. at 30 June 2019, up 5.0% year on year, while that of the retail portfolio rose 2.6% to HK$75.8 per sq. ft.. Average rental reversion of the portfolio was 11.4%.

The Manager maintained a high level of discipline in cost control. The cost-to-income ratio improved from 21.0% to 19.8%, partly due to lower rental commissions reflecting relatively fewer leasing activities during the Year.

Sunlight Tower

Wan Chai/Causeway Bay remained an appealing choice for corporate tenants. Sunlight Tower, as an award-winning Grade A office property situated at the south side of Wan Chai, continued to benefit from the office decentralization momentum and stable leasing environment. This flagship property of Sunlight REIT achieved an encouraging rental reversion of 13.5% with a high retention rate of 78%, contributing to a 6.2% year-on-year growth in NPI to HK$181.2 million. At 30 June 2019, its occupancy rate was 98.2%, while passing rent rose 3.7% to HK$39.6 per sq. ft..

Sunlight Tower has maintained a well-balanced tenant base, including government-related organizations and a diverse range of multinational enterprises. At 30 June 2019, the total number of leases at Sunlight Tower was 70 (30 June 2018: 72).

Note : Colliers International (Hong Kong) Limited

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

SSC achieved a stable growth in revenue and NPI amidst a retrenchment in consumer spending. Supported by a 13.4% rental reversion and effective cost-saving measures, NPI grew 6.9% year on year to HK$172.3 million. Occupancy rate stood at 98.1% while passing rent rose 2.2% to HK$118.4 per sq. ft. at 30 June 2019.

Looking forward, 47.4% of SSC's gross rentable area will expire in the next financial year, mainly relating to the area which was revamped in late 2016. The Manager will continue to fine-tune the tenant mix to maintain SSC as one of the most reputable shopping malls in the northern New Territories.

Metro City Phase I Property ("MCPI")

MCPI registered a 5.1% growth in NPI to HK$139.9 million on the back of a rental reversion of 11.5%; passing rent rose 3.0% year on year to HK$57.5 per sq. ft.. The steady performance reflected the continued efforts in trade mix optimization, effectively positioning MCPI as a defensive service-oriented retail destination in the district. At 30 June 2019, the occupancy rate was 98.9% (30 June 2018: 99.8%).

The replacement of the chiller plant system in April 2018 made a meaningful contribution to cost savings. Despite an increase in electricity tariff and a higher average temperature, the Manager managed to reduce the electricity costs at MCPI by approximately 11% for the Year.

Strand 50 [Note]

Due to the asset enhancement works which commenced in April 2019, NPI of Strand 50 dropped by 9.8%, while occupancy rate declined to 68.4% at 30 June 2019, or 95.4% if the area vacated for renovation were excluded. However, the property was able to register a rental reversion of 10.6% while the passing rent rose 6.7% to HK$31.8 per sq. ft.. Based on the long term lease signed with theDesk and the renovation budget of HK$50 million, a return on investment of approximately 15% is currently expected.

Financial Review

Operating Results and Financial Ratios

Sunlight REIT recorded a 4.1% growth in revenue for the Year to HK$850.7 million. Property operating expenses were HK$168.2 million which gave rise to an NPI of HK$682.5 million, up 5.6% year on year.

Finance costs increased 38.2% year on year to HK$103.1 million, of which cash interest expenses went up 29.3% to HK$95.7 million. A higher interest rate environment, the expiry of certain low-cost interest rate swaps ("**IRSs**") and the additional funding costs relating to the acquisition of The Harvest were the major factors for the increase. However, interest income rose 69.1% to HK$16.8 million, partly the result of an expanded bond portfolio.

Note : The property was previously known as Bonham Trade Centre.

Taking into account the fair value gain on investment properties of HK$1,194.0 million, profit after taxation for the Year was HK$1,591.1 million (FY2017/18: HK$1,442.3 million).

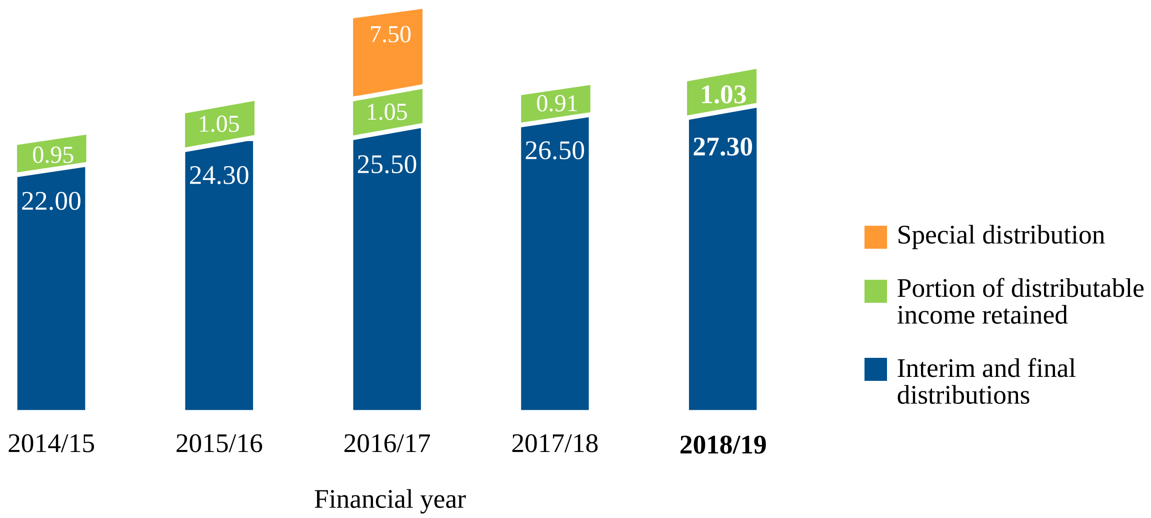
At 30 June 2019, the gearing ratio of Sunlight REIT (defined as total borrowings as a percentage of gross assets) improved to 20.4% (30 June 2018: 21.8%), while gross liabilities[1] as a percentage of gross assets dropped to 23.1% (30 June 2018: 24.3%).

The EBITDA[2] of Sunlight REIT grew 6.9% year on year to HK$581.6 million. In light of the faster increase in interest expenses, the interest coverage ratio for the Year decreased to 6.1 times as compared with 7.4 times recorded in the previous financial year.

Distribution

Total distributions for the Year amounts to HK$450.3 million, up 3.4% year on year. The full-year DPU of HK 27.3 cents represents a distribution yield of 4.6% based on the closing price of HK$5.99 on the last trading day of the Year.

Distribution at a Glance
(HK cents)



Capital and Interest Rate Management

Sunlight REIT had loan facilities of HK$4,850.0 million in place at 30 June 2019, comprising term loan facilities of HK$4,250.0 million ("**Term Loan Facilities**") which had all been drawn, and uncommitted revolving credit facilities of HK$600.0 million that remained undrawn.

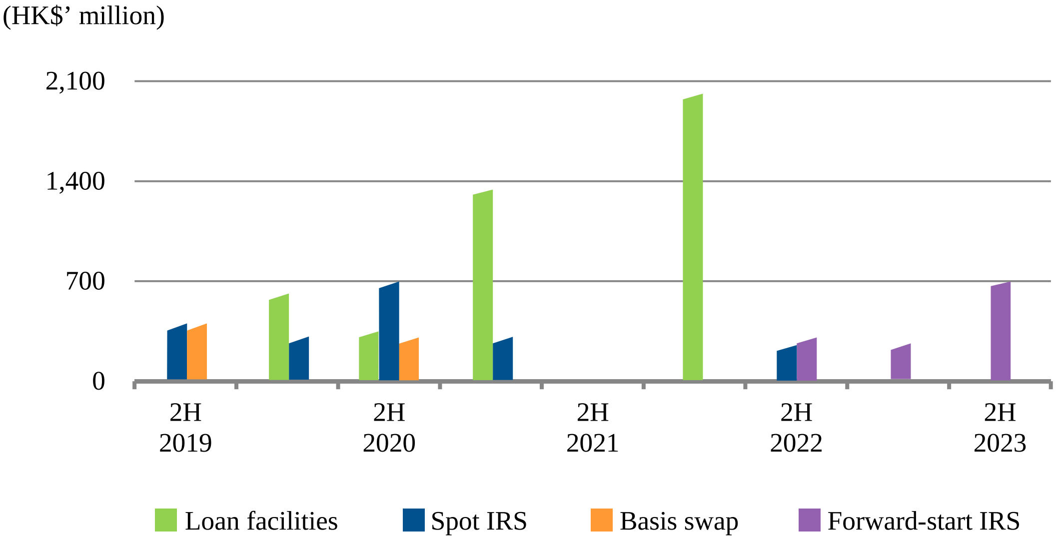
Notes :
1. Gross liabilities include total borrowings, tenants' deposits and other liabilities.
2. EBITDA represents net earnings before change in fair value of investment properties, interest expenses, taxation, depreciation and amortization. Any gain on disposals of investment properties and subsidiaries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

The Term Loan Facilities consist of secured loans of HK$2,930.0 million and unsecured loans of HK$1,320.0 million, with the secured tranche 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$11,222.9 million at 30 June 2019.

At 30 June 2019, the weighted loan maturity period of the Term Loan Facilities was 2.3 years, with a blended interest margin of 0.69% per annum over the Hong Kong Interbank Offered Rate ("**HIBOR**"). Approximately 46% (30 June 2018: 61%) of the Term Loan Facilities were hedged to fixed rates with a weighted average tenure of 1.2 years. The weighted average interest rate (before loan interest margin) for the fixed rate portion of Sunlight REIT's borrowings was 1.52% per annum (30 June 2018: 1.38% per annum).

With a view to recalibrating the IRS profile of Sunlight REIT given the changing interest rate environment, the Manager further executed a series of forward-start IRSs during the Year and subsequent to year-end, bringing the total forward-start IRSs to HK$1,250.0 million at 31 August 2019. Together with the spot IRSs already in place, the fixed rate portion of the Term Loan Facilities is expected to stay above 33% over the next two financial years.

Maturity Profile at a Glance



During the Year, the Manager bought back (and cancelled) a total of 2,565,000 units for Sunlight REIT at an average price of HK$5.00 per unit.

Liquidity Management

In light of higher returns from fixed income securities while providing an alternative to interest rate hedging, the Manager has increased the size of the portfolio of Relevant Investments [Note]. At 30 June 2019, Sunlight REIT had total cash and bank balances of HK$550.0 million and maintained a portfolio of Relevant Investments with an aggregate book value of HK$136.4 million.

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

OUTLOOK

Uncertainties on the macro-economic landscape, led by the US-China trade tensions, will continue to cloud the outlook of the global economy. The swift change in the monetary stance of the US exemplifies the view that positive consumer sentiment may succumb to waning business confidence, thus impeding economic expansion.

Meanwhile, the business environment of Hong Kong is becoming more precarious in light of the ongoing social unrest which will exacerbate the slowdown in retail spending and put further pressure on economic growth.

On the monetary front, as an interest rate hike has become less of a threat in the short-to-medium term, the prolonged weakness of HIBOR seems to have run its course. While it may be premature to establish a view on the liquidity environment of Hong Kong, there is a likelihood of higher Hong Kong dollar funding costs in spite of lower interest rates in the US.

The Manager considers the downside risk of the office portfolio to be relatively low, as decentralization is expected to support Grade A office demand in business areas where Sunlight REIT has a meaningful presence. Moreover, the ongoing asset enhancement exercises at Strand 50 and The Harvest will serve as engines for growth.

Prospects for the retail sector are clearly less certain. In addition to the acute impact triggered by the social unrest, increasing reliance on e-commerce shopping will continue to affect certain traditional trades such as fashion and electrical/electronic appliances. Moreover, the Manager is aware of a rise in supply of new retail space, notably in areas such as Tsuen Wan and Tseung Kwan O. In sum, the scenario of lower rental reversion (possibly negative for selected trades) and longer rent void cannot be ruled out.

Regarding capital management, the Manager's decision to reduce Sunlight REIT's fixed rate exposure in light of a persistently flat (and at times, inverted) yield curve during most of the Year has proved rewarding. Looking ahead, the Manager will proactively manage the interest rate profile of Sunlight REIT, and are prepared to deal with minor refinancing activities to address certain loans which will fall due in the next 12 months.

Given its strong financial war chest, Sunlight REIT is well positioned to consider acquisition opportunities that will complement the existing portfolio and can enhance portfolio return. However, given the recent market volatility and ongoing interest rate fluctuations, the Manager will stay prudent and only conduct acquisitions or disposals which are of clear benefit to unitholders.

Over the past five financial years, Sunlight REIT has achieved compounded annual growth rates of 5.0% and 6.8% in NPI and net asset value respectively, while its annualized return to unitholders (including distributions) surpassed 19%*. This is an enviable track record, particularly when considering the competitive operating environment and the vagaries of the global economy. However, there is little room for complacency given the formidable challenges ahead. Going forward, the Manager will endeavour to navigate the businesses of Sunlight REIT proactively and responsibly, with a view to infusing long-term and sustainable value for the stakeholders.

* Source : Bloomberg

CLOSURE OF REGISTER OF UNITHOLDERS

Distribution Entitlement

The ex-distribution date and record date for the final distribution are Thursday, 19 September 2019 and Wednesday, 25 September 2019 respectively. The register of unitholders will be closed from Monday, 23 September 2019 to Wednesday, 25 September 2019, both days inclusive, during which period no transfer of units will be effected. In order to qualify for the final distribution, completed transfer forms accompanied by the relevant unit certificates must be lodged for registration with the unit registrar of Sunlight REIT, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (the "**Unit Registrar**"), no later than 4:30 p.m. on Friday, 20 September 2019. Payment of the final distribution will be made to unitholders on Friday, 11 October 2019.

Annual General Meeting

The annual general meeting will be held on Wednesday, 30 October 2019, and notice convening the meeting will be issued on Monday, 23 September 2019. For the purpose of determining entitlements to attend and vote at the meeting, the register of unitholders will be closed from Friday, 25 October 2019 to Wednesday, 30 October 2019, both days inclusive, during which period no transfer of units will be effected. In order to be eligible to attend and vote at the meeting, completed transfer forms accompanied by the relevant unit certificates must be lodged for registration with the Unit Registrar no later than 4:30 p.m. on Thursday, 24 October 2019.

CORPORATE GOVERNANCE

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

During the Year, the Manager and Sunlight REIT have also complied with, to the extent applicable, the code provisions in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Public Float

Based on information that is publicly available and as far as the Manager is aware, not less than 25% of the outstanding units in issue of Sunlight REIT were held in public hands at 30 June 2019.

New Units Issued

During the Year, a total of 9,148,302 new units were issued to the Manager in October 2018 and April 2019, as payment of part of the Manager's fees.

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

Buy-back, Sale or Redemption of Units

Pursuant to the general mandate to buy back units granted by unitholders, the Manager, on behalf of Sunlight REIT, bought back a total of 2,565,000 units on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the Year for an aggregate consideration of approximately HK$12.8 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)**
October 2018	1,909,000	5.19	4.88	9,658
November 2018	656,000	4.89	4.70	3,167
Total	**2,565,000**			**12,825**

* Excluding buy-back expenses

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

Review of Final Results

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

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

Employees

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

ISSUANCE OF ANNUAL REPORT

The annual report of Sunlight REIT for the Year will be sent to unitholders on 23 September 2019.

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 2019
(Expressed in Hong Kong dollars)

	Note	**2019** **$'000**	2018 $'000
Revenue	3 & 4	**850,705**	817,389
Property operating expenses	3 & 5	**(168,168)**	(171,328)
Net property income		**682,537**	646,061
Other income	6	**17,808**	10,745
Administrative expenses		**(118,745)**	(112,518)
Gain on disposal of investment properties	7	**-**	56,358
Net increase in fair value of investment properties		**1,193,953**	996,130
Profit from operations		**1,775,553**	1,596,776
Finance costs on interest bearing liabilities	8(a)	**(103,129)**	(74,631)
Profit before taxation and transactions with unitholders	8	**1,672,424**	1,522,145
Income tax	9	**(81,323)**	(79,866)
Profit after taxation and before transactions with unitholders		**1,591,101**	1,442,279

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019
(Expressed in Hong Kong dollars)

	2019	2018
	$'000	$'000
Profit after taxation and before transactions with unitholders	**1,591,101**	1,442,279
Other comprehensive income for the year		
Items that have been reclassified/may be reclassified subsequently to profit or loss :		
- Effective portion of changes in fair value of cash flow hedges recognized during the year	**(53,892)**	29,939
- Net reclassification adjustments for amounts transferred to profit or loss in respect of finance costs on interest bearing liabilities	**1,918**	(36)
- Deferred tax credited/(charged) to other comprehensive income	**5,509**	(5,509)
	(46,465)	24,394
Total comprehensive income for the year	**1,544,636**	1,466,673

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019
(Expressed in Hong Kong dollars)

	Note	**2019** **$'000**	2018 $'000
Non-current assets			
Fixed assets			
- Investment properties		**20,002,510**	18,754,800
- Other fixed assets		**42**	51
		20,002,552	18,754,851
Deferred tax assets		**136**	186
Derivative financial instruments		**21**	21,874
Reimbursement rights		**37,436**	37,436
Other financial assets		**136,405**	108,815
Other non-current assets		**5,955**	-
		20,182,505	18,923,162
Current assets			
Trade and other receivables	11	**24,597**	24,086
Derivative financial instruments		**5,122**	13,122
Cash and bank balances		**550,024**	641,919
Tax recoverable		**43,520**	29,023
		623,263	708,150
Total assets		**20,805,768**	19,631,312
Current liabilities			
Tenants' deposits		**(216,434)**	(202,201)
Rent receipts in advance		**(8,684)**	(13,419)
Trade and other payables	12	**(69,769)**	(63,644)
Bank borrowings		**(599,326)**	(20,000)
Derivative financial instruments		**(2,703)**	(6)
Tax payable		**(76,827)**	(69,879)
		(973,743)	(369,149)
Net current (liabilities)/assets		**(350,480)**	339,001
Total assets less current liabilities		**19,832,025**	19,262,163

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2019

(Expressed in Hong Kong dollars)

	2019	2018
	$'000	$'000
Non-current liabilities, excluding net assets attributable to unitholders		
Bank borrowings	**(3,637,960)**	(4,231,497)
Deferred tax liabilities	**(178,995)**	(172,076)
Derivative financial instruments	**(23,203)**	(1,599)
	(3,840,158)	(4,405,172)
Total liabilities, excluding net assets attributable to unitholders	**(4,813,901)**	(4,774,321)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	**15,991,867**	14,856,991
Number of units in issue	**1,651,723,079**	1,645,139,777
Net asset value attributable to unitholders per unit	**$9.68**	$9.03

DISTRIBUTION STATEMENT

For the year ended 30 June 2019
(Expressed in Hong Kong dollars)

	Note	2019 $'000	2018 $'000
Profit after taxation and before transactions with unitholders		**1,591,101**	1,442,279
Adjustments (note (i)) :			
- Gain on disposal of investment properties	7	**-**	(56,358)
- Net increase in fair value of investment properties		**(1,193,953)**	(996,130)
- Manager's fees paid or payable in the form of units		**50,217**	46,639
- Interest rate swaps - cash flow hedges	8(a)	**2,180**	(4,552)
- Non-cash finance costs on interest bearing liabilities		**5,297**	5,179
- Deferred tax	9	**12,478**	13,465
		(1,123,781)	(991,757)
Annual distributable income (note (i))		**467,320**	450,522
Interim distribution, paid (notes (ii) and (iv))		**217,422**	206,870
Final distribution, to be paid to unitholders (notes (iii) and (iv))		**232,893**	228,674
Total distributions for the year (note (i))		**450,315**	435,544
Payout ratio (note (iii))		**96.4%**	96.7%
Distribution per unit :			
Interim distribution per unit, paid		**13.2 cents**	12.6 cents
Final distribution per unit, to be paid to unitholders		**14.1 cents**	13.9 cents
		27.3 cents	26.5 cents

DISTRIBUTION STATEMENT (continued)

For the year ended 30 June 2019
(Expressed in Hong Kong dollars)

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 $5,297,000, or 0.32 cents per unit (2018: $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.

(ii) The interim distribution of $217,422,000 for the six months ended 31 December 2018 (31 December 2017: $206,870,000) is calculated by multiplying the interim distribution per unit of 13.2 cents by 1,647,139,077 units in issue at 7 March 2019, the record date for FY2018/19 interim distribution (31 December 2017: 12.6 cents by 1,641,823,814 units in issue at 7 March 2018, the record date for FY2017/18 interim distribution).

(iii) The final distribution of $232,893,000 for the year ended 30 June 2019 (2018: $228,674,000) is calculated by multiplying the final distribution per unit of 14.1 cents by 1,651,723,079 units** anticipated to be in issue at 25 September 2019, the record date for FY2018/19 final distribution (the "**Record Date**") (2018: 13.9 cents by 1,645,139,777 units in issue at 26 September 2018, the record date for FY2017/18 final distribution).

Together with the interim distribution, the total distributions for the year ended 30 June 2019 represent a payout ratio of 96.4% (2018: 96.7%) of Sunlight REIT's annual distributable income for the year.

(iv) The FY2018/19 interim distribution was paid to unitholders on 20 March 2019. The FY2018/19 final distribution is expected to be paid on 11 October 2019 to unitholders whose names appear on the register of unitholders on the Record Date.

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

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

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

NOTES

(Expressed in Hong Kong dollars)

1. General

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

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

2. Basis of preparation

The final results set out in this announcement do not constitute the Group's statutory consolidated financial statements for the year ended 30 June 2019 but are extracted from those consolidated financial statements.

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

The HKICPA has issued the following new standards 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:

- HKFRS 9, *Financial instruments*

- HKFRS 15, *Revenue from contracts with customers*

(i) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

2. Basis of preparation (continued)

HKFRS 9 categorizes financial assets into three principal classification categories: measured at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss ("**FVPL**"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. The Group's investment in debt securities previously classified as held-to-maturity investment and measured at amortized cost under HKAS 39 is now classified as financial assets measured at amortized cost.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 July 2018 in accordance with the transition requirements. Since there has been no changes on the carrying amount of the investment in debt securities upon adoption of HKFRS 9, no adjustment is required to adjust the opening balance of net assets attributable to unitholders at 1 July 2018. Comparative information continues to be reported under HKAS 39.

The Group elected for the accounting policy choice to continue with the adoption of HKAS 39 on hedge accounting. The adoption of the expected credit loss model for impairment assessment on the Group's trade and other receivables and debt securities has no significant financial impact on the Group's consolidated statement of profit or loss for the current accounting period.

(ii) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces HKAS 18, *Revenue*, which covered revenue from rendering of service. Rental income from lease agreements is specifically excluded from the scope of the new standard. The adoption of HKFRS 15 does not have a significant impact on the amount and timing the Group recognizes rental related income.

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.

3. **Segment reporting (continued)**

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.

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 :

	2019			2018		
	Office properties $'000	**Retail properties $'000**	**Total $'000**	Office properties $'000	Retail properties $'000	Total $'000
Revenue						
- Rental income	**334,558**	**349,537**	**684,095**	317,459	338,012	655,471
- Car park income	**3,677**	**31,590**	**35,267**	3,678	29,144	32,822
- Rental related income	**64,625**	**66,718**	**131,343**	63,696	65,400	129,096
	402,860	**447,845**	**850,705**	384,833	432,556	817,389
Property operating expenses	**(74,830)**	**(93,338)**	**(168,168)**	(75,495)	(95,833)	(171,328)
Net property income	**328,030**	**354,507**	**682,537**	309,338	336,723	646,061
Administrative expenses	**(58,596)**	**(49,429)**	**(108,025)**	(55,143)	(45,664)	(100,807)
Segment results	**269,434**	**305,078**	**574,512**	254,195	291,059	545,254
Net increase in fair value of investment properties	**537,407**	**656,546**	**1,193,953**	501,260	494,870	996,130
Gain on disposal of investment properties	-	-	-	-	56,358	56,358
Finance costs on interest bearing liabilities			**(103,129)**			(74,631)
Income tax			**(81,323)**			(79,866)
Interest income			**16,794**			9,930
Unallocated net expenses			**(9,706)**			(10,896)
Profit after taxation and before transactions with unitholders			**1,591,101**			1,442,279
Depreciation	**6**	**18**	**24**	10	17	27

3. Segment reporting (continued)

Segment results, assets and liabilities (continued)

	2019			2018		
	Office properties $'000	**Retail properties $'000**	**Total $'000**	Office properties $'000	Retail properties $'000	Total $'000
Segment assets	**10,663,109**	**9,406,247**	**20,069,356**	10,108,755	8,705,474	18,814,229
Derivative financial instruments			**5,143**			34,996
Other financial assets			**136,405**			108,815
Cash and bank balances			**550,024**			641,919
Tax recoverable			**43,520**			29,023
Deferred tax assets			**136**			186
Unallocated assets			**1,184**			2,144
Total assets			**20,805,768**			19,631,312
Segment liabilities	**(148,131)**	**(140,170)**	**(288,301)**	(133,850)	(141,825)	(275,675)
Derivative financial instruments			**(25,906)**			(1,605)
Bank borrowings			**(4,237,286)**			(4,251,497)
Tax payable			**(76,827)**			(69,879)
Deferred tax liabilities			**(178,995)**			(172,076)
Unallocated liabilities			**(6,586)**			(3,589)
Total liabilities, excluding net assets attributable to unitholders			**(4,813,901)**			(4,774,321)
Capital expenditure incurred during the year	**16,948**	**42,779** *	**59,727** *	722,371*	15,718	738,089*

* Included acquisition of investment properties amounting to $42,504,000 (2018: $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 :

	2019	2018
	$'000	$'000
Rental income (note)	**684,095**	655,471
Car park income	**35,267**	32,822
Rental related income	**131,343**	129,096
	850,705	817,389

Note : Included additional rents based on business revenue of tenants amounting to $1,428,000 (2018: $1,103,000).

5. Property operating expenses

	2019	2018
	$'000	$'000
Building management fee	**59,772**	59,157
Property manager's fees	**52,216**	52,601
Government rent and rates	**33,737**	34,873
Marketing and promotion expenses	**5,042**	5,344
Car park operating costs	**6,365**	6,131
Other direct costs	**11,036**	13,222
	168,168	171,328

6. Other income

	2019	2018
	$'000	$'000
Bank interest income	**10,717**	7,636
Interest income from debt securities	**6,077**	2,294
Others	**1,014**	815
	17,808	10,745

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) :

	2019 $'000	2018 $'000
(a) Finance costs on interest bearing liabilities		
Interest on bank borrowings	**95,652**	74,004
Other borrowing costs	**5,297**	5,179
	100,949	79,183
Interest rate swaps - cash flow hedges		
- Reclassified from net assets attributable to unitholders	**1,918**	(36)
- Net fair value loss/(gain) of ineffective cash flow hedges	**262**	(4,516)
	2,180	(4,552)
	103,129	74,631

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

	2019 $'000	2018 $'000
(b) Other items		
Manager's fees	**100,433**	96,568
Property manager's fees (note (i))	**52,216**	52,601
Trustee's remuneration and charges	**4,943**	4,807
Auditor's remuneration		
- Audit services	**1,965**	1,905
- Other services	**488**	475
Fees payable to principal valuer		
- Valuation fees	**628**	525
Legal and other professional fees	**8,088**	6,934
Commission to property agents	**1,239**	4,010
Bank charges	**299**	283
Net foreign exchange loss/(gain)	**613**	(255)

Notes :

(i) Included rental commission of $12,569,000 (2018: $14,458,000).

(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 :

	2019	2018
	$'000	$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	**69,161**	66,865
Over-provision in respect of prior years	**(316)**	(464)
	68,845	66,401
Deferred tax		
Origination and reversal of temporary differences	**12,478**	13,465
	81,323	79,866

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

In prior years, the Inland Revenue Department ("**IRD**") raised additional profits tax assessments on certain subsidiaries of the Group, with one of the subsidiaries (the "**Particular Subsidiary**") covering the years of assessment up to 2016/17, and certain other subsidiaries covering the years of assessment up to 2011/12, in an aggregate amount of $28,425,000 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 2019, the IRD further raised profits tax assessments on certain other subsidiaries for the year of assessment 2012/13 in respect of such disallowance. Notices of objection were filed with the IRD against all the additional profits tax assessments raised to date, and tax reserve certificates in an aggregate amount of $43,267,000 have been purchased.

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

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 2018/19 would amount to approximately $97 million.

10. Earnings per unit before transactions with unitholders

The basic earnings per unit before transactions with unitholders for the year ended 30 June 2019 amounted to $0.97 (2018: $0.88). 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 $1,591,101,000 (2018: $1,442,279,000) and the weighted average of 1,647,392,160 units in issue during the year (2018: 1,641,090,508 units).

Diluted earnings per unit before transactions with unitholders for the years ended 30 June 2019 and 2018 are not presented as there was no potential dilution of earnings per unit before transactions with unitholders.

11. Trade and other receivables

	2019	2018
	$'000	$'000
Rental receivables	**16,385**	16,575
Deposits and prepayments	**5,117**	3,941
Other receivables	**2,229**	2,747
Amounts due from related companies	**866**	823
	24,597	24,086

$3,800,000 (2018: $3,561,000) 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.

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 :

	2019	2018
	$'000	$'000
Current	**14,014**	12,599
Less than 1 month overdue	**1,729**	1,827
More than 1 month and up to 3 months overdue	**431**	1,339
More than 3 months and up to 6 months overdue	**174**	716
More than 6 months overdue	**37**	94
	16,385	16,575

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

	2019	2018
	$'000	$'000
Creditors and accrued charges	**33,705**	31,059
Manager's fees payable	**27,362**	25,336
Amounts due to related companies	**8,702**	7,249
	69,769	63,644

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 $1,343,000 (2018: $1,248,000) which is due within 30 days.

13. Non-adjusting event after the reporting period

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

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

Hong Kong, 4 September 2019

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