

The Securities and Futures Commission of Hong Kong, Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



SUNLIGHT REIT

Sunlight Real Estate Investment Trust

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

(Stock Code : 435)

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

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2023

The board of directors (the “**Board**”) of Henderson Sunlight Asset Management Limited (the “**Manager**”) announces the final results of Sunlight Real Estate Investment Trust (“**Sunlight REIT**”) for the year ended 30 June 2023 (the “**Year**”).

FINANCIAL HIGHLIGHTS

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

	2023	2022	Change (%)
For the year ended 30 June :			
Revenue	783.3	802.9	(2.4)
Net property income	624.0	641.9	(2.8)
(Loss)/profit after taxation ^{Note}	(28.4)	102.9	N/A
Annual distributable income	380.3	431.1	(11.8)
Distribution per unit (HK cents)	22.0	25.0	(12.0)
Payout ratio (%)	97.9	97.4	N/A
At 30 June :			
Portfolio valuation	18,512.2	18,095.2	2.3
Net asset value	13,669.2	14,051.4	(2.7)
Net asset value per unit (HK\$)	8.06	8.36	(3.6)
Gearing ratio (%)	26.1	23.3	N/A

Note : Included a decrease in fair value of investment properties of HK\$354.4 million (versus a decrease in fair value of HK\$263.9 million for the year ended 30 June 2022).

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 2023 (%)		Appraised Value at 30 June 2023 (HK\$'000)
	2023	2022	2023	2022	FY2022/23	FY2021/22	FY2022/23	FY2021/22	Office	Retail	
Office											
Grade A											
Dah Sing Financial Centre	90.4	91.4	41.8	42.7	(7.4)	(7.1)	170,465	178,432	3.80	3.70	5,023,000
Grade B											
Strand 50	94.4	99.7	31.0	32.4	2.2	0.4	39,878	39,876	3.55	3.85	1,266,700
135 Bonham Strand Trade Centre Property	100.0	99.1	26.6	27.1	(1.6)	(5.7)	18,414	17,987	3.65	3.85	558,200
Winsome House Property	83.0	97.2	38.8	39.9	0.4	(7.8)	14,657	17,038	3.65	3.65	536,200
Righteous Centre	97.4	100.0	35.2	34.5	5.1	(1.3)	20,252	20,372	3.75	3.50	535,000
The Harvest	95.7	80.4	41.2	36.7	(0.2)	0.0	13,629	13,753	3.55	3.40	534,000
235 Wing Lok Street Trade Centre	96.7	96.8	19.7	19.8	(2.4)	(3.4)	11,145	11,097	3.65	3.85	355,100
Java Road 108 Commercial Centre	100.0	100.0	24.7	25.0	(0.8)	(1.1)	10,156	10,210	3.85	4.05	268,400
On Loong Commercial Building	100.0	100.0	27.9	27.6	(2.0)	(17.0)	8,372	8,374	3.75	3.75	238,700
Sun Fai Commercial Centre Property	91.0	98.5	22.0	21.4	(0.1)	(4.9)	5,509	5,934	3.90	4.10	163,200
Wai Ching Commercial Building Property	91.7	97.2	16.9	17.0	(0.3)	(4.5)	2,287	2,760	3.65	3.95	77,800
Sub-total/Average	93.1	94.8	34.6	35.1	(2.1)	(5.5)	314,764	325,833			9,556,300
Retail											
New Town											
Sheung Shui Centre Shopping Arcade	97.6	92.9	96.0	100.6	(4.3)	(5.0)	135,362	139,522	N/A	4.35	3,760,000
Metro City Phase I Property	92.2	94.6	53.8	54.7	(0.4)	(4.9)	124,671	135,400	N/A	4.35	3,050,000
Kwong Wah Plaza Property	95.4	98.4	54.6	50.5	(1.4)	(4.7)	38,335	37,189	3.70	3.65	1,152,000
Urban											
West 9 Zone Kids ³	85.7	N/A	55.7	N/A	14.5	N/A	5,724	N/A	N/A	4.25	845,000
Supernova Stand Property	100.0	100.0	57.3	57.2	4.0	N/A	2,677	2,751	N/A	3.80	75,000
Beverly Commercial Centre Property	100.0	81.9	29.8	30.6	2.3	(10.2)	2,443	1,204	N/A	4.15	73,900
Sub-total/Average	93.5	94.5	65.6	67.6	(2.5)	(5.0)	309,212	316,066			8,955,900
Total/Average	93.3	94.7	45.4	45.4	(2.3)	(5.2)	623,976	641,899			18,512,200

Notes : 1. Passing rent is calculated on the basis of average rent per sq. ft. for occupied gross rentable area on the relevant date.

2. Rental reversion is calculated on the basis of change in effective rent of the leases renewed and commenced during the relevant year.

3. The property was acquired on 13 April 2023 for a consideration of HK\$748 million (before adjustments).

PERFORMANCE HIGHLIGHTS

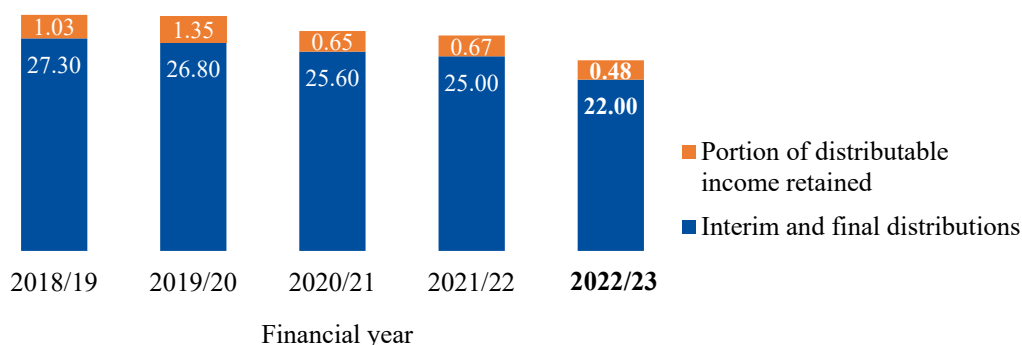
While the Hong Kong economy staged a rebound in the second half of the Year, the performance of Sunlight REIT was somewhat marred by a cyclical downswing of the commercial property market, notably the office sector. Consequently, net property income (“NPI”) exhibited a mild 2.8% year-on-year decrease to HK\$624.0 million. Given a steep increase in interest rates which resulted in a significant surge in interest expense, annual distributable income for the Year was down 11.8% year on year to HK\$380.3 million.

The Board has resolved to declare a final distribution of HK 11.0 cents per unit. Coupled with an interim distribution of HK 11.0 cents per unit, total distribution per unit for the Year would amount to HK 22.0 cents, representing a payout ratio of 97.9% versus 97.4% in the preceding year, while the distribution yield was 7.6% based on the closing price of HK\$2.88 on the last trading day of the Year.

With a maiden contribution from the acquisition of West 9 Zone Kids (“W9Z”) completed in April 2023, the value of Sunlight REIT’s property portfolio as appraised by the principal valuer^{Note} increased to HK\$18,512.2 million at 30 June 2023. Its net asset value was HK\$13,669.2 million at 30 June 2023, or HK\$8.06 per unit.

Distribution at a glance

(HK cents)



MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

In tandem with China’s reversal of its stringent anti-pandemic policies towards the end of 2022, Hong Kong’s international travel and inbound tourism have substantially revived since the early part of 2023. The benefits to the retail portfolio of Sunlight REIT have gradually been emerging, particularly for Sheung Shui Centre Shopping Arcade (“SSC”). In sum, the occupancy rate of the retail portfolio stood at 93.5% at 30 June 2023, compared with 94.5% a year earlier, while rental reversion of negative 2.5% was recorded for the Year, versus negative 5.0% in FY2021/22.

Note : CBRE Limited.

In contrast, the Grade A office market in Hong Kong continued to be blighted by a yawning gap between supply and demand during the Year, as evidenced by an average vacancy rate of 15.7%^{Note} at 30 June 2023. However, NPI decline for the office portfolio of Sunlight REIT was not material as the merits of effective cost control and resilient contributions from certain service trade-oriented Grade B office buildings helped mitigate the downswing. At 30 June 2023, the portfolio registered an occupancy rate of 93.1% (30 June 2022: 94.8%). Rental reversion for the Year was negative 2.1%, versus negative 5.5% recorded in the previous financial year.

The overall portfolio of Sunlight REIT registered an occupancy rate of 93.3% at 30 June 2023 (30 June 2022: 94.7%), with the office and retail portfolios exhibiting satisfactory retention rates of 74% and 79% (FY2021/22: 82% and 77%) respectively. Their corresponding average passing rents were HK\$34.6 per sq. ft. and HK\$65.6 per sq. ft. respectively at 30 June 2023, down 1.4% and 3.0% as compared to a year ago.

Dah Sing Financial Centre

Against the unfavourable office market dynamics, NPI of Dah Sing Financial Centre (“DSFC”) for the Year was down 4.5% to HK\$170.5 million, while the passing rent at 30 June 2023 registered a 2.1% decline against a year ago to HK\$41.8 per sq. ft.. While tenant retention rate stayed at a satisfactory 72%, downsizing and cost-saving initiatives remained as a dominant feature, resulting in a rental reversion of negative 7.4% (FY2021/22: negative 7.1%).

The Manager is nevertheless encouraged by the positive impact arising from post-COVID business normalcy at the turn of 2023, as the occupancy rate of DSFC exhibited a mild rebound from six months ago to 90.4% at 30 June 2023, mainly attributable to the inception of a co-working space collaboration with theDesk.

Sheung Shui Centre Shopping Arcade

Capitalizing on a resurgence of same-day travelers from Mainland since border reopening, SSC has successfully attracted a spate of quality tenants to re-establish their presence in this well-located retail property, while a high retention rate of 91% was recorded as well. As a result, the occupancy rate of SSC achieved a nice rebound to 97.6% at 30 June 2023. However, this has yet to translate into a meaningful impact on SSC’s NPI for the Year, which recorded a 3.0% year-on-year decline to HK\$135.4 million, while the passing rent also decreased by 4.6% to HK\$96.0 per sq. ft. at 30 June 2023. Reflecting downward rental adjustments from high-margin trades such as banks and property agencies, SSC recorded a rental reversion of negative 4.3% for the Year, versus negative 5.0% for the previous financial year.

Metro City Phase I Property

The performance of Metro City Phase I Property (“MCPI”) for the Year was slightly below expectations as its NPI registered a 7.9% year-on-year decline to HK\$124.7 million. This was mainly attributable to the unforeseen renovation delay and the departure of certain bank tenants. Its occupancy rate recorded a drop to 92.2%, while the passing rent was HK\$53.8 per sq. ft., down 1.6% as compared to a year ago. On the bright side, local consumer sentiment remained solid as rental reversion further narrowed to negative 0.4% (FY2021/22: negative 4.9%), while tenant retention rate improved to 79%.

Note : Statistics provided by the principal valuer.

Supported by a capital outlay of approximately HK\$17 million, phase one of MCPI's asset enhancement project was substantially completed in July 2023. Under the theme of "Care and Conserve", the Manager aims to provide customers with a refreshing and inclusive shopping environment. In addition to the provision of new kids-friendly lavatory facilities and an upgraded recycle corner, the renovation has also incorporated certain sustainable features such as the utilization of certified eco-friendly tiles and recycled materials for seating areas and art pieces. Further, the construction of a new corridor is expected to enhance accessibility to the shuttle lift, while improving the overall footfall circulation of the shopping mall. In parallel with the enhancement works, the Manager is proactively enriching the tenant mix with new retail operators and eateries, with a view to offering a greater variety of shopping and dining alternatives for the vicinity.

Financial Review

The revenue of Sunlight REIT decreased 2.4% year on year to HK\$783.3 million. After deducting property operating expenses of HK\$159.3 million, NPI dropped 2.8% to HK\$624.0 million, implying a steady cost-to-income ratio of 20.3%.

Reflecting a higher interest rate environment and increased borrowings as compared with the preceding year, finance costs rose 34.5% year on year to HK\$132.3 million, with the adverse impact being partially mitigated by a sharp increase in interest income to HK\$20.8 million. Taking into account a decrease in fair value of investment properties of HK\$354.4 million, a loss after taxation of HK\$28.4 million was reported for the Year.

Given the additional borrowings incurred for the acquisition of W9Z, the gearing ratio of Sunlight REIT (defined as total borrowings as a percentage of gross assets) rose to 26.1% at 30 June 2023 (30 June 2022: 23.3%), while the percentage of gross liabilities to gross assets was 28.9% (30 June 2022: 25.9%).

The EBITDA^{Note} of Sunlight REIT recorded a mild decrease of 2.9% to HK\$525.7 million. In light of the sharp rise in interest expense, interest coverage ratio was 3.9 times as compared with 5.8 times recorded in the previous financial year.

Capital and Interest Rate Management

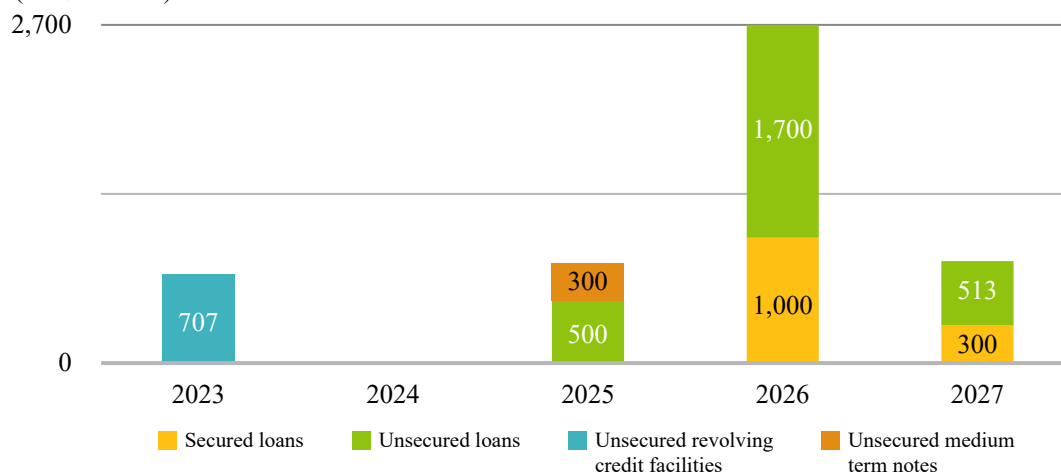
During the Year, Sunlight REIT raised a total of HK\$1,307 million of bank borrowings for the purposes of refinancing existing bank loans and the acquisition of W9Z, of which HK\$700 million were sustainability-linked loans ("SLLs"). Consequently, Sunlight REIT had total borrowings of HK\$5,020 million at 30 June 2023 (30 June 2022: HK\$4,413 million), comprising secured loans of HK\$1,300 million and unsecured borrowings of HK\$3,720 million, with a weighted debt maturity period of 2.6 years.

Note : EBITDA represents net earnings before change in fair value of investment properties, interest expense, taxation, depreciation and amortization.

Maturity Profile of Total Borrowings

(at 30 June 2023)

(HK\$' million)



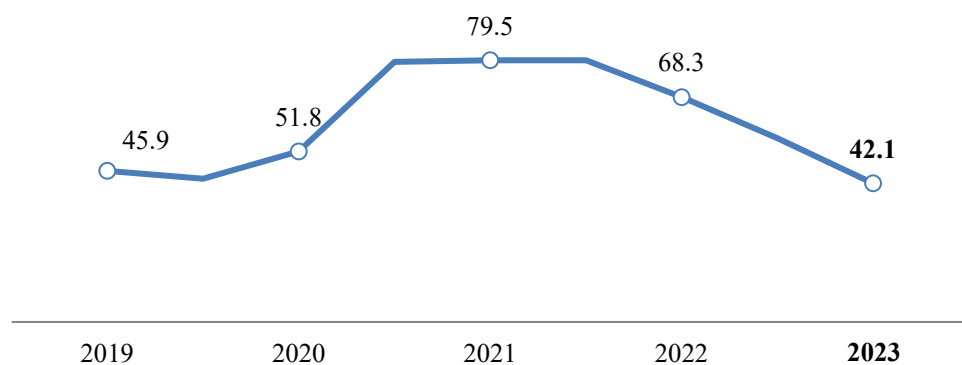
With the natural expiry of certain interest rate swaps, the proportion of Sunlight REIT's fixed rate borrowings at 30 June 2023 was reduced to approximately 42% (30 June 2022: 68%). The weighted average interest rate for the fixed rate borrowings was 2.27% per annum, while the floating rate portion of the borrowings carried a blended interest margin of 0.79% per annum over Hong Kong Interbank Offered Rate. The weighted average funding cost for the Year was 2.9%, compared to 2.1% recorded in the preceding financial year.

During the Year, the Manager executed two forward-start interest rate swaps with an aggregate notional amount of HK\$200 million, both of which will be effective in the first half of FY2023/24.

Fixed Rate Borrowings as a % of Total Borrowings

(at 30 June)

(%)



Subsequent to the end of the Year, Sunlight REIT entered into a HK\$700 million unsecured SLL facility agreement with a bank on 5 September 2023 for a tenure of two years, based on which the proceeds will be drawn in full on or before 15 September 2023 for refinancing its existing bank borrowings.

Environmental, Social and Governance

As the year under review marked the introduction of the second three-year sustainability roadmap, the Manager is pleased to have delivered an encouraging environmental, social and governance performance through participation in GRESB Assessment and continued involvement in sustainable finance. In particular, Sunlight REIT attained a two-star rating in its first attempt at the 2022 GRESB Real Estate Assessment, while about 70% of its total borrowings at 30 June 2023 were SLLs.

OUTLOOK

The key strategic risks to Sunlight REIT are interest rates and market liquidity. Financial institutions are likely to remain conservative in extending credit in the foreseeable future, while borrowing costs may stay high in light of the aggressive monetary stance of major central banks, principally led by the US. Accordingly, the interest outlay of Sunlight REIT is expected to rise further in FY2023/24, not least because the recent addition of W9Z to its portfolio was predominantly debt financed. This will constitute the principal swing factor for the distributable income of Sunlight REIT in the near term.

Notwithstanding, unitholders should be assured that the gearing ratio of Sunlight REIT at 30 June 2023 remained manageable at 26.1%, while no refinancing exercise will take place until the middle of 2025 when credit conditions may become more benign.

Moreover, as part of an ongoing asset recycling initiative, the Manager is constantly reviewing individual asset performance and may consider the disposal of selected non-core assets to unlock their intrinsic values while buttressing the capital position of Sunlight REIT.

On the operation front, despite a more promising outlook for the Hong Kong economy after shaking off the shackles of the pandemic, the commercial leasing market appears set to show mixed fortunes. In particular, it is difficult to foresee a noticeable upswing for the Grade A office market, with double-digit vacancies poised to become a “new normal” given persistently tepid leasing appetite and ample new office supply in the pipeline. In contrast, the Grade B buildings in Mong Kok and Yuen Long are expected to perform reasonably well as they have attracted tenants engaging in semi-retail trades that are benefiting from a revival in domestic consumption.

The theme of the 2022/23 annual report, “*Renovate, Recover, Recycle*”, illustrates the Manager’s belief that Sunlight REIT is well positioned to benefit from a recovery in consumer spending. Firstly, the completion of phase one of the renovation works at MCPI will enable the asset to deliver a more respectable rental performance in the coming year. Meanwhile, SSC is a notable beneficiary of the return of Mainland Chinese visitors. The Manager is thrilled to witness the renewed enthusiasm of quality tenants in leasing up strategic spaces at SSC, an initiative reflecting their optimism of a sustainable return of tourist spending going forward. Finally, the timely acquisition of W9Z will give impetus to NPI growth in FY2023/24 by making a full-year contribution.

Despite a much less serious threat from the pandemic, the operating environment will continue to face multiple challenges which would require robust responses. There are still a slew of uncontrollable factors, including the possibility of a global recession, an uncertain economic recovery in China, heightened geopolitical tensions and tight credit supply. Yet the proactive moves that were made in previous years should prove rewarding. The Manager will remain committed to managing the portfolio of Sunlight REIT prudently and productively, charting a course to create sustainable value for its stakeholders.

CLOSURE OF REGISTER OF UNITHOLDERS

Distribution Entitlement

The ex-distribution date and record date for the final distribution are Thursday, 21 September 2023 and Wednesday, 27 September 2023 respectively. The register of unitholders will be closed from Monday, 25 September 2023 to Wednesday, 27 September 2023, both days inclusive, during which period no transfer of units will be effected. In order to qualify for the final distribution, all transfer documents accompanied by the relevant unit certificates must be lodged for registration with the unit registrar of Sunlight REIT, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (the “**Unit Registrar**”) not later than 4:30 p.m. on Friday, 22 September 2023. Payment of the final distribution will be made to unitholders on Tuesday, 10 October 2023.

Annual General Meeting

The annual general meeting will be held on Tuesday, 14 November 2023, and notice convening the meeting will be issued on Tuesday, 3 October 2023. For the purpose of determining entitlements to attend and vote at the meeting, the register of unitholders will be closed from Thursday, 9 November 2023 to Tuesday, 14 November 2023, both days inclusive, during which period no transfer of units will be effected. In order to be eligible to attend and vote at the meeting, all transfer documents accompanied by the relevant unit certificates must be lodged for registration with the Unit Registrar not later than 4:30 p.m. on Wednesday, 8 November 2023.

CORPORATE GOVERNANCE

The Manager is committed to upholding a high standard of corporate governance. To ensure compliance with all relevant laws and regulations, it has established a robust corporate governance framework, and has adopted a compliance manual (the “**Compliance Manual**”) which sets out the key processes, internal control and system, corporate governance policies as well as other policies and procedures governing the management and operations of Sunlight REIT.

During the Year, the Manager has in material terms complied with the provisions of the Compliance Manual. In addition, the Manager and Sunlight REIT have, to the extent applicable, applied the principles and complied with the code provisions in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Public Float

Based on information that is publicly available and as far as the Manager is aware, 47.0% of the outstanding units in issue of Sunlight REIT were held in public hands at the date of this announcement, which satisfies the minimum public float requirement of 25% under the Listing Rules.

New Units Issued

During the Year, a total of 13,323,086 new units were issued to the Manager in October 2022 and April 2023 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

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

Employees

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

Review of Final Results

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

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

ISSUANCE OF ANNUAL REPORT AND SUSTAINABILITY REPORT

The annual report of Sunlight REIT for the Year will be sent to unitholders on 3 October 2023. The standalone version of the 2022/23 Sustainability Report of Sunlight REIT, which sets out its corporate responsibility and sustainability performance, will be published in electronic format only. Both reports will be accessible on the corporate website of Sunlight REIT (www.sunlightreit.com) by 3 October 2023.

FORWARD-LOOKING STATEMENTS

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2023

(Expressed in Hong Kong dollars)

	Note	2023 \$'000	2022 \$'000
Revenue	3 & 4	783,272	802,930
Property operating expenses	3 & 5	(159,296)	(161,031)
Net property income		623,976	641,899
Other net income	6	7,491	5,307
Administrative expenses		(105,973)	(105,813)
Net decrease in fair value of investment properties		(354,424)	(263,890)
Profit from operations		171,070	277,503
Finance costs on interest-bearing liabilities	7(a)	(132,294)	(98,396)
Profit before taxation and transactions with unitholders	7	38,776	179,107
Income tax	8	(67,208)	(76,163)
(Loss)/profit after taxation and before transactions with unitholders		(28,432)	102,944

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2023
(Expressed in Hong Kong dollars)

	2023 \$'000	2022 \$'000
(Loss)/profit after taxation and before transactions with unitholders	(28,432)	102,944
Other comprehensive income for the year		
<i>Items that have been reclassified/may be reclassified subsequently to profit or loss :</i>		
- Effective portion of changes in fair value of cash flow hedges recognized during the year	(12,103)	98,086
- Net reclassification adjustments for amounts transferred to profit or loss in respect of :		
- finance costs on interest-bearing liabilities	(4,904)	(16)
- unrealized exchange difference on foreign currency borrowing	24,752	108,323
- unwinding of swaps	(5,593)	(295)
	2,152	206,098
Total comprehensive (loss)/income for the year	(26,280)	309,042

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

(Expressed in Hong Kong dollars)

	Note	2023 \$'000	2022 \$'000
Non-current assets			
Fixed assets			
- Investment properties		18,512,200	18,095,200
- Other fixed assets		1,115	81
		18,513,315	18,095,281
Deferred tax assets		358	500
Derivative financial instruments		9,234	14,395
Reimbursement rights		37,436	37,436
Other financial assets		80,769	104,453
Other non-current assets		12,430	1,224
		18,653,542	18,253,289
Current assets			
Trade and other receivables	10	53,254	64,777
Derivative financial instruments		25,816	11,326
Cash and bank balances		485,242	630,990
Tax recoverable		8	-
		564,320	707,093
Total assets		19,217,862	18,960,382
Current liabilities			
Tenants' deposits		(206,358)	(201,406)
Rent receipts in advance		(15,765)	(7,469)
Trade and other payables	11	(75,434)	(69,372)
Bank and other borrowings		(707,000)	(1,298,987)
Derivative financial instruments		(8,829)	(11,386)
Tax payable		(58,635)	(65,568)
		(1,072,021)	(1,654,188)
Net current liabilities		(507,701)	(947,095)
Total assets less current liabilities		18,145,841	17,306,194

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2023

(Expressed in Hong Kong dollars)

	2023 \$'000	2022 \$'000
Non-current liabilities, excluding net assets attributable to unitholders		
Bank and other borrowings	(4,164,229)	(2,989,807)
Deferred tax liabilities	(241,557)	(217,627)
Derivative financial instruments	(70,851)	(47,341)
	<u>(4,476,637)</u>	<u>(3,254,775)</u>
Total liabilities, excluding net assets attributable to unitholders	<u>(5,548,658)</u>	<u>(4,908,963)</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>13,669,204</u>	<u>14,051,419</u>
Number of units in issue	<u>1,695,035,157</u>	<u>1,681,712,071</u>
Net asset value attributable to unitholders per unit	<u>\$8.06</u>	<u>\$8.36</u>

DISTRIBUTION STATEMENT

For the year ended 30 June 2023

(Expressed in Hong Kong dollars)

	Note	2023 \$'000	2022 \$'000
(Loss)/profit after taxation and before transactions with unitholders		(28,432)	102,944
Adjustments (note (i)) :			
- Net decrease in fair value of investment properties		354,424	263,890
- Manager's fees paid or payable in the form of units		45,161	46,244
- Interest rate swaps - cash flow hedges	7(a)	(5,384)	313
- Non-cash finance costs on interest-bearing liabilities		4,084	5,290
- Deferred tax	8	10,246	12,363
- Depreciation		173	25
		408,704	328,125
Annual distributable income (note (i))		380,272	431,069
Interim distribution, paid (notes (ii) and (iv))		185,712	204,615
Final distribution, to be paid to unitholders (notes (iii) and (iv))		186,454	215,259
Total distributions for the year (note (i))		372,166	419,874
Payout ratio (note (iii))		97.9%	97.4%
Distribution per unit :			
Interim distribution per unit, paid		11.0 cents	12.2 cents
Final distribution per unit, to be paid to unitholders		11.0 cents	12.8 cents
		22.0 cents	25.0 cents

DISTRIBUTION STATEMENT (continued)

For the year ended 30 June 2023

(Expressed in Hong Kong dollars)

Notes* :

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

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

In arriving at the amount available for distribution for the current year, adjustments have been made, among others, to add back the finance costs relating to the amortization of debt establishment fees for bank and other borrowings and discount on issuance of medium term notes of \$4,084,000 or 0.24 cent per unit (2022: \$5,290,000, or 0.31 cent per unit) (which is an effective return of capital), and to eliminate the effect of increase/decrease in fair value of investment properties.

- (ii) The interim distribution of \$185,712,000 for the six months ended 31 December 2022 (31 December 2021: \$204,615,000) is calculated by multiplying the interim distribution per unit of 11.0 cents by 1,688,295,340 units in issue at 8 March 2023, the record date for FY2022/23 interim distribution (31 December 2021: 12.2 cents by 1,677,171,782 units in issue at 8 March 2022, the record date for FY2021/22 interim distribution).
- (iii) The final distribution of \$186,454,000 for the year ended 30 June 2023 (2022: \$215,259,000) is calculated by multiplying the final distribution per unit of 11.0 cents by 1,695,035,157 units** anticipated to be in issue at 27 September 2023, the record date for FY2022/23 final distribution (the “**Record Date**”) (2022: 12.8 cents by 1,681,712,071 units in issue at 28 September 2022, the record date for FY2021/22 final distribution).

Together with the interim distribution, the total distributions for the year ended 30 June 2023 represent a payout ratio of 97.9% (2022: 97.4%) of Sunlight REIT’s annual distributable income for the year.

- (iv) The FY2022/23 interim distribution was paid to unitholders on 16 March 2023. The FY2022/23 final distribution is expected to be paid on 10 October 2023 to unitholders whose names appear on the register of unitholders on the Record Date.
- (v) The final distribution declared after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

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

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

NOTES

(Expressed in Hong Kong dollars)

1. General

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

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

2. Basis of preparation

The final results set out in this announcement do not constitute the Group’s statutory consolidated financial statements for the year ended 30 June 2023 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 and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong, the relevant provisions of the Trust Deed and the relevant disclosure provisions set out in Appendix C of the REIT Code. The consolidated financial statements also comply with the relevant disclosure provisions of the Listing Rules as if those provisions were applicable to Sunlight REIT.

The HKICPA has issued a number of amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group.

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

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

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 increase/decrease in fair value 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 :

	2023			2022		
	Office properties \$'000	Retail properties \$'000	Total \$'000	Office properties \$'000	Retail properties \$'000	Total \$'000
Revenue						
- Rental income	315,776	302,311	618,087	331,286	311,497	642,783
- Car park income	4,967	29,661	34,628	4,392	29,200	33,592
- Rental related income	63,897	66,660	130,557	62,862	63,693	126,555
	384,640	398,632	783,272	398,540	404,390	802,930
Property operating expenses	(69,876)	(89,420)	(159,296)	(72,707)	(88,324)	(161,031)
Net property income	314,764	309,212	623,976	325,833	316,066	641,899
Administrative expenses	(49,277)	(45,759)	(95,036)	(51,141)	(43,457)	(94,598)
Segment results	265,487	263,453	528,940	274,692	272,609	547,301
Net decrease in fair value of investment properties	(345,203)	(9,221)	(354,424)	(140,768)	(123,122)	(263,890)
Finance costs on interest-bearing liabilities			(132,294)			(98,396)
Income tax			(67,208)			(76,163)
Interest income			20,820			7,153
Unallocated net expenses			(24,266)			(13,061)
(Loss)/profit after taxation and before transactions with unitholders			(28,432)			102,944
Depreciation	12	161	173	10	15	25

3. Segment reporting (continued)

Segment results, assets and liabilities (continued)

	2023			2022		
	Office properties \$'000	Retail properties \$'000	Total \$'000	Office properties \$'000	Retail properties \$'000	Total \$'000
Segment assets	9,617,297	8,995,708	18,613,005	9,964,831	8,232,101	18,196,932
Derivative financial instruments			35,050			25,721
Other financial assets			80,769			104,453
Cash and bank balances			485,242			630,990
Tax recoverable			8			-
Deferred tax assets			358			500
Unallocated assets			3,430			1,786
Total assets			<u>19,217,862</u>			<u>18,960,382</u>
Segment liabilities	(137,126)	(146,367)	(283,493)	(141,376)	(127,642)	(269,018)
Derivative financial instruments			(79,680)			(58,727)
Bank and other borrowings			(4,871,229)			(4,288,794)
Tax payable			(58,635)			(65,568)
Deferred tax liabilities			(241,557)			(217,627)
Unallocated liabilities			(14,064)			(9,229)
Total liabilities, excluding net assets attributable to unitholders			<u>(5,548,658)</u>			<u>(4,908,963)</u>
Capital expenditure incurred during the year	<u>6,996</u>	<u>755,653</u> *	<u>762,649</u> *	<u>12,367</u>	<u>5,293</u>	<u>17,660</u>

* Included acquisition of subsidiaries amounting to \$743,055,000 (see note 12).

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 :

	2023 \$'000	2022 \$'000
Rental income (note)	618,087	642,783
Car park income	34,628	33,592
Rental related income	<u>130,557</u>	<u>126,555</u>
	<u><u>783,272</u></u>	<u><u>802,930</u></u>

Note : Included additional rents based on business revenue of tenants amounting to \$1,495,000 (2022: \$1,244,000).

5. Property operating expenses

	2023 \$'000	2022 \$'000
Building management fee	63,944	59,487
Property manager's fees (note)	44,695	45,143
Government rent and rates	31,929	29,892
Marketing and promotion expenses	3,429	4,330
Car park operating costs	6,720	6,273
(Reversal of provision)/provision for credit losses on rental receivables (note 10(b))	(684)	6,180
Other direct costs	<u>9,263</u>	<u>9,726</u>
	<u><u>159,296</u></u>	<u><u>161,031</u></u>

Note : During the year ended 30 June 2023, the property manager waived an amount of \$788,000 (2022: \$399,000) from the reimbursement of staff costs incurred for the Group, reflecting the subsidies received from the Employment Support Scheme set up by The Government of the Hong Kong Special Administrative Region.

6. Other net income

	2023 \$'000	2022 \$'000
Bank interest income	17,162	2,991
Interest income from debt securities	3,658	4,162
Provision for credit losses on debt securities	(13,329)	(2,876)
Others	<u>-</u>	<u>1,030</u>
	<u><u>7,491</u></u>	<u><u>5,307</u></u>

7. Profit before taxation and transactions with unitholders

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

	2023 \$'000	2022 \$'000
(a) Finance costs on interest-bearing liabilities		
Interest on bank and other borrowings	133,594	92,684
Other borrowing costs	4,084	5,399
	<u>137,678</u>	<u>98,083</u>
Interest rate swaps – cash flow hedges		
- Reclassified from net assets attributable to unitholders	(4,904)	(16)
- Net fair value (gain)/loss of ineffective cash flow hedges	(480)	329
	<u>(5,384)</u>	<u>313</u>
	<u>132,294</u>	<u>98,396</u>

Other borrowing costs represent various financing charges and amortization of debt establishment fees for bank and other borrowings and discount on issuance of medium term notes.

	2023 \$'000	2022 \$'000
(b) Other items		
Manager's fees	91,800	91,638
Property manager's fees (note (i))	44,695	45,143
Trustee's remuneration and charges	4,709	4,570
Auditor's remuneration		
- Audit services	2,148	2,008
- Other services	512	750
Valuation fee payable to principal valuer	447	483
Legal and other professional fees	3,014	3,234
Commission to property agents	2,162	3,083
Bank charges	303	301
Net foreign exchange loss/(gain)	<u>136</u>	<u>(1,030)</u>

Notes :

(i) Included rental commission of \$9,485,000 (2022: \$8,692,000).

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

8. Income tax

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

	2023	2022
	\$'000	\$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	57,037	64,041
Over-provision in respect of prior years	(75)	(241)
	56,962	63,800
Deferred tax		
Origination and reversal of temporary differences	10,246	12,363
	67,208	76,163

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

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

The basic loss per unit before transactions with unitholders for the year ended 30 June 2023 amounted to \$0.02 (2022: basic earnings per unit before transactions with unitholders of \$0.06). The calculation of basic (loss)/earnings per unit before transactions with unitholders is based on the Group's loss after taxation and before transactions with unitholders of \$28,432,000 (2022: profit after taxation and before transactions with unitholders of \$102,944,000) and the weighted average of 1,687,367,291 units (2022: 1,676,368,004 units) in issue during the year.

Diluted (loss)/earnings per unit before transactions with unitholders for the years ended 30 June 2023 and 2022 are not presented as there was no potential dilution of (loss)/earnings per unit before transactions with unitholders.

10. Trade and other receivables

	2023	2022
	\$'000	\$'000
Rental receivables	37,606	51,697
Deposits and prepayments	11,452	10,288
Other receivables	3,567	1,856
Amounts due from related companies	629	936
	53,254	64,777

10. Trade and other receivables (continued)

Included unamortized rent-free and rental concession, deposits and prepayments of \$24,656,000 (2022: \$28,967,000) which are expected to be recovered or recognized as expenses after one year. Apart from the above, all of the balances are expected to be recovered or recognized as expenses within one year.

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

(a) Ageing analysis

At the end of the reporting period, the ageing analysis of rental receivables, based on the date of revenue recognition and net of provision for credit losses, is as follows :

	2023	2022
	\$'000	\$'000
Current	28,213	31,179
Less than 1 month overdue	5,730	8,728
More than 1 month and up to 3 months overdue	2,564	8,702
More than 3 months and up to 6 months overdue	114	2,517
More than 6 months overdue	985	571
	<u>37,606</u>	<u>51,697</u>

(b) Provision for credit losses on rental receivables

Provision for credit losses on rental receivables was assessed and made by the Group on a case-by-case basis, based on the historical default experience and forward-looking information that may impact the tenants' ability to repay the outstanding rental receivables. If the Group considered that the recovering of the rental receivable is remote, relevant provision for credit losses would be written off against the receivable directly.

The movement in the loss allowance for rental receivables during the year is as follows:

	2023	2022
	\$'000	\$'000
At the beginning of the year	7,182	2,031
(Reversal of provision)/provision for credit losses	(684)	6,180
Written off	(917)	(1,029)
	<u>5,581</u>	<u>7,182</u>

11. Trade and other payables

	2023 \$'000	2022 \$'000
Creditors and accrued charges	44,563	39,920
Manager's fees payable	22,666	21,960
Amounts due to related companies	8,205	7,492
	<u>75,434</u>	<u>69,372</u>

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

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

The amounts due to related companies are unsecured, interest-free and have no fixed terms of repayment except for the amount due to the trustee of Sunlight REIT of \$1,128,000 (2022: \$1,098,000) which is due within 30 days.

12. Acquisition of subsidiaries

On 11 January 2023, the Group (through a wholly-owned subsidiary) entered into a sale and purchase agreement with an independent third party to acquire the entire beneficial interest in a company which indirectly holds an investment property, currently known as "West 9 Zone Kids". Acquisition was completed on 13 April 2023 with total costs amounting to \$743,055,000.

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, 6 September 2023

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