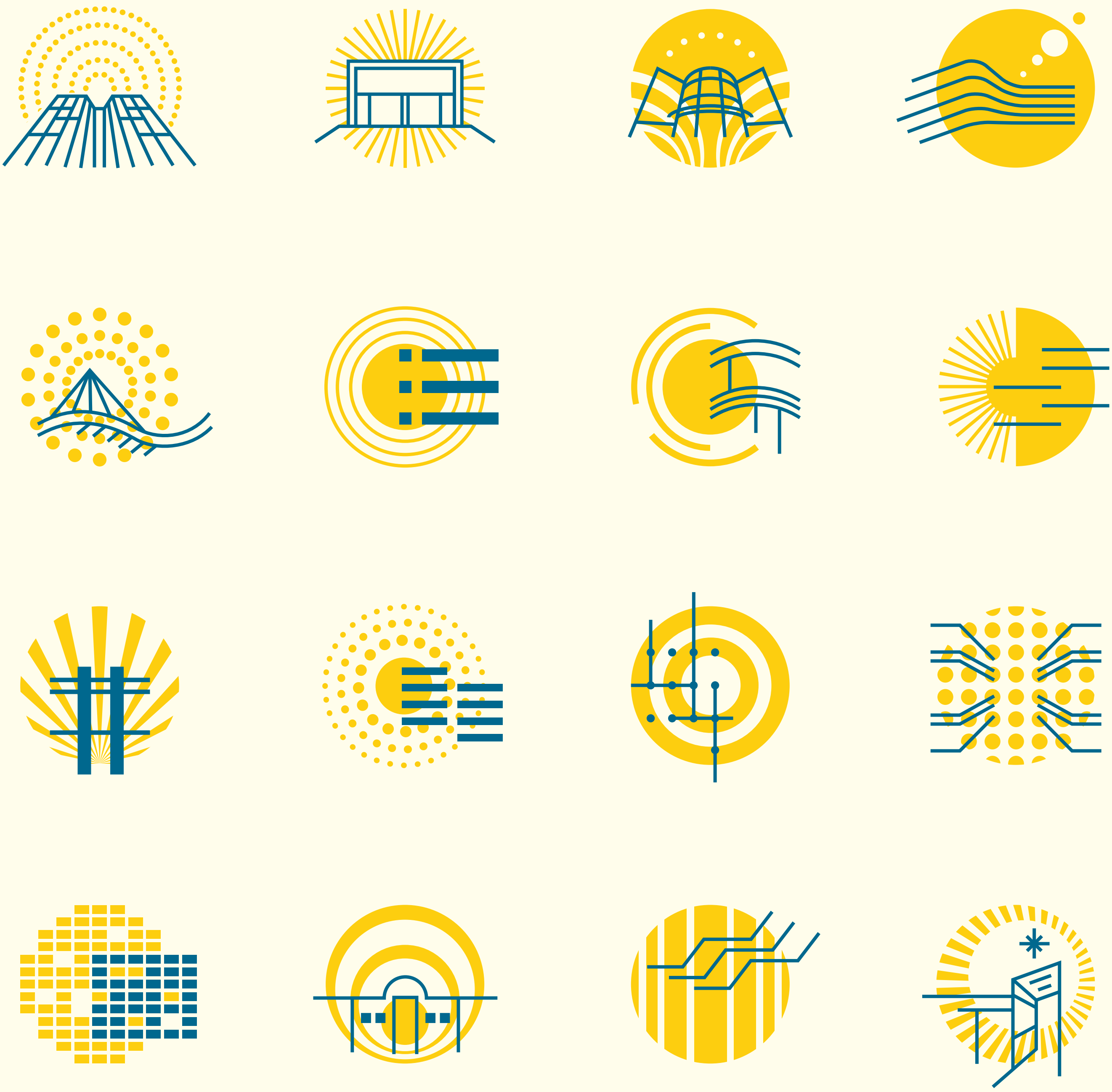
SUNLIGHT REIT

STOCK CODE : 435

CRAFTING A BRIGHTER FUTURE

ANNUAL REPORT 2021/22



OUR PROPERTIES

Dah Sing
Financial Centre

Sheung Shui Centre
Shopping Arcade

Metro City
Phase I Property

Strand 50

Kwong Wah
Plaza Property

The Harvest

135 Bonham Strand
Trade Centre
Property

Winsome House
Property

Righteous
Centre

235 Wing Lok Street
Trade Centre

Java Road 108
Commercial Centre

On Loong
Commercial Building

Sun Fai
Commercial Centre
Property

Wai Ching
Commercial Building
Property

Beverley
Commercial Centre
Property

Supernova Stand
Property

Highlights of the Year

Despite significant business disruptions unleashed by the fifth wave of COVID-19 in the second half of the Year, Sunlight REIT managed to deliver relatively stable operating results, supported by a high level of occupancy and strict cost control.

Decent leasing demand from mid-sized office and eatery tenants was a bright spot during the Year, contributing to a satisfactory retention rate for the overall portfolio.

The success in securing a spate of sustainability-linked loans illustrates Sunlight REIT's credit strength and its firm commitment to sustainability.

Appraised property value
(HK$' million)

30 June 2022	18,095
30 June 2021	18,342

Revenue
(HK$' million)

FY2021/22	802.9
FY2020/21	799.3

Net property income
(HK$' million)

FY2021/22	641.9
FY2020/21	639.7

Distribution per unit
(HK cents)

FY2021/22	25.0
FY2020/21	25.6

Net asset value per unit
(HK$)

30 June 2022	8.36
30 June 2021	8.45

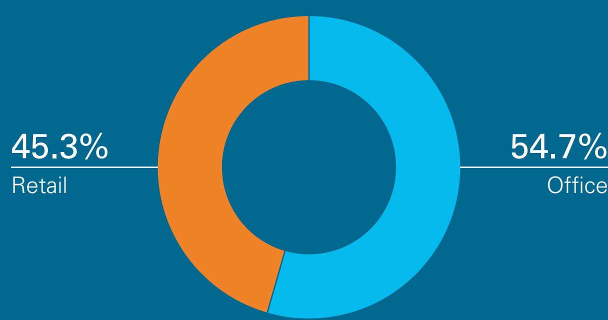
Gearing
(%)

30 June 2022	23.3
30 June 2021	23.0

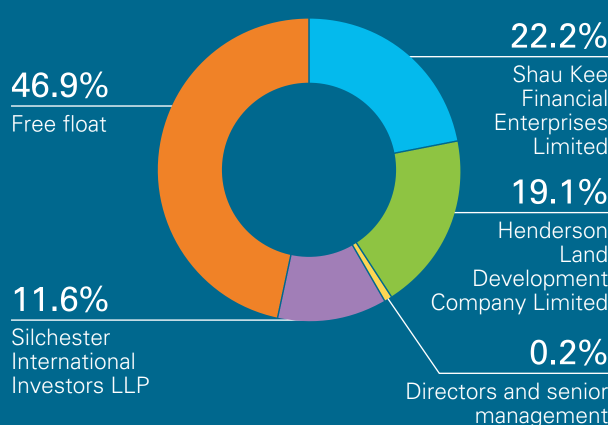
Annualized total return to investors since listing

9.7%

Portfolio composition by appraised value
(30 June 2022)



Unitholding structure
(30 June 2022)



Contents

Forward-looking Statements

This annual report contains certain statements and terminologies that are forward-looking. These statements are made on the basis of the current beliefs, assumptions, expectations and projections of the board of directors (the "**Board**") and senior management of Henderson Sunlight Asset Management Limited (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.

Who We Are : In Brief

Our Business

Sunlight Real Estate Investment Trust ("**Sunlight REIT**") is a real estate investment trust authorized by the Securities and Futures Commission (the "**SFC**"), and constituted by the amended and restated trust deed dated 10 May 2021 (the "**Trust Deed**"). The trustee of Sunlight REIT (the "**Trustee**") is HSBC Institutional Trust Services (Asia) Limited.

Listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 21 December 2006, the market capitalization of Sunlight REIT was approximately HK$6,138 million at 30 June 2022.

Sunlight REIT offers investors the opportunity to invest in a diversified portfolio of 11 office and five retail properties in Hong Kong with a total gross rentable area ("**GRA**") of over 1.2 million sq. ft.. The office properties are primarily located in core business areas, including Wan Chai and Sheung Wan/Central, as well as in decentralized business areas such as Mong Kok and North Point. The retail properties are situated in regional transportation hubs and new towns including Sheung Shui, Tseung Kwan O and Yuen Long, as well as in urban areas with high population density. At 30 June 2022, Sunlight REIT's portfolio was appraised by its principal valuer, CBRE Limited (the "**Principal Valuer**") at HK$18,095.2 million, with office and retail properties accounting for 54.7% and 45.3% of this valuation respectively.

Our Management

The Manager's main responsibility is to manage Sunlight REIT and all of its assets in accordance with the Trust Deed in the sole interest of the unitholders of Sunlight REIT ("**Unitholders**"). It is also responsible for ensuring compliance with the Code on Real Estate Investment Trusts (the "**REIT Code**"), the Trust Deed, applicable provisions of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), as well as other relevant laws and regulations.

Henderson Sunlight Property Management Limited (the "**Property Manager**") has been delegated the responsibilities of providing property management, lease management and marketing services solely and exclusively for the properties of Sunlight REIT located in Hong Kong, subject to the overall management and supervision of the Manager.

The Manager and the Property Manager are both indirect wholly-owned subsidiaries of Henderson Land Development Company Limited ("**HLD**").

Our Strategy

The key objectives of the Manager are to provide Unitholders with regular and stable cash distributions, and the potential for sustainable growth of such distributions and long-term enhancement in capital value of the properties. The Manager has identified the following business areas for which proactive strategies have been implemented to ensure the accomplishment of these objectives :

Operational management and asset enhancement

The Manager works closely with the Property Manager to develop proactive leasing strategies, cost saving solutions and asset enhancement initiatives aimed at improving the rental income and unlocking the value of the properties.

Investment and acquisition growth

The Manager seeks to acquire income-producing investment properties which have the potential to provide attractive total returns to Unitholders through accretion in distribution yield, sustainable growth in distributions and/or long-term enhancement in capital value. The Manager also considers from time to time fine-tuning the portfolio through divestment of non-core assets for more attractive investment alternatives.

Capital and business management

In support of the operational and acquisition growth strategies of Sunlight REIT, the Manager has in place an efficient capital management strategy, characterized by the appropriate use of equity and leverage. It has also established a solid business management framework which includes sound corporate governance practices, effective risk management and internal control systems, reliable management information systems as well as an experienced workforce.

Our Culture

A good and healthy corporate culture can reinforce the sustainability framework of Sunlight REIT, enabling it to become more resilient and to thrive even in most trying times.

The Manager is therefore committed to cultivating and upholding a culture of strong corporate governance, characterized by a high level of professional integrity and ethical values, while fostering a culture of care, learning and responsibility with regard to the environment and stakeholders.

The corporate culture of Sunlight REIT contains four CORE VALUES, namely :

Accountability | **Care** | **Innovation** | **Integrity**

Please refer to "Corporate Governance Report" on page 78 for details.

Chairman's Statement

Considering the onslaught of multiple shocks both at home and abroad throughout the Year, the performance of Sunlight REIT should be deemed solid.

AU Siu Kee, Alexander
Chairman

On behalf of the Board, I present the financial results of Sunlight REIT for the year ended 30 June 2022 (the "**Year**").

Contrary to previous economic prognosis, global inflationary pressures have proved more painful and persistent, sparking a series of interest rate hikes by major central banks, which have stoked nervousness among businesses, investors and consumers. This has posed an additional challenge to Hong Kong, whose domestic economy was already debilitated by a fierce fifth wave of COVID-19 infections that emerged in early 2022.

Despite such formidable headwinds, Sunlight REIT's net property income ("**NPI**") for the Year still registered a mild improvement of 0.4% from the preceding year to HK$641.9 million. Annual distributable income dropped a slight 1.7% to HK$431.1 million, reflecting a moderate increase in interest expenses during the Year.

The Board has resolved to declare a final distribution of HK 12.8 cents per unit. Together with an interim distribution of HK 12.2 cents per unit, the total distribution per unit ("**DPU**") for the Year would amount to HK 25.0 cents. The implied payout ratio is 97.4%, compared with 97.5% for FY2020/21.

At 30 June 2022, the value of Sunlight REIT's property portfolio was appraised by the Principal Valuer at HK$18,095.2 million, representing a decrease of 1.3% compared with a year ago. As a result, its net asset value was down marginally by 0.5% to HK$14,051.4 million, or HK$8.36 per unit (30 June 2021: HK$8.45 per unit).

Compound annual growth since listing

Net property income

5.6%

Net asset value

6.4%

Considering the onslaught of multiple shocks both at home and abroad throughout the Year, the performance of Sunlight REIT should be deemed solid. This was attributable to a firm foundation laid over the years through continued investments in enhancing asset quality, proactive engagement with existing and potential tenants, and prudent financial management which was especially important in light of a sharp reversal of the highly accommodative monetary stance previously adopted by central banks worldwide.

Looking ahead, given the linked exchange rate system, Hong Kong is obliged to follow the footsteps of the US to embark on a rate hike cycle in the near term. Nevertheless, in view of the reasonable liquidity cushion in the banking system and manageable capital outflows, the overall credit environment in Hong Kong is expected to remain largely intact, which should bode well for economic stability.

Meanwhile, we are pleased that The Government of the HKSAR (the "**Government**") has somewhat eased its social distancing restrictions in the territory; however, it remains to be seen if Hong Kong's pandemic control strategy can be shaped in a way to enable and encourage the resumption of business travel and tourist activities (particularly inbound tourism) in the foreseeable future.

Against a fast-evolving external environment, we will keep increasing the capability of Sunlight REIT to stand strong in the face of adversities. Meanwhile, part of our Environmental, Social and Governance ("**ESG**") initiatives involving the adoption of green and energy-efficient practices should dovetail with our drive to achieve a reduction in energy consumption. We will also strive to maintain financial flexibility via an efficient capital management strategy.

Once again, I would like to express my deepest gratitude to my fellow directors, the management team and all staff for their diligence, perseverance and reliability as we rise to a wide array of challenges, converting many limitations into possibilities. I look forward to continuing our close partnership in the year ahead.

AU Siu Kee, Alexander
Chairman
6 September 2022

CEO's Report

The series of challenging external events over the past few years have sharpened our adaptability and agility to embrace and tackle the unknown. With great stamina and teamwork, we will strive to craft a brighter future.

WU Shiu Kee, Keith
Chief Executive Officer

We have emphasized in the interim report that uncertainties would continue to prevail in the macro environment, and yet in retrospect, the headwinds in the second half of the Year turned out to be more disruptive than expected, thus exerting stronger pressure on the full-year results of Sunlight REIT.

While China's economy was facing growth risks owing to a beleaguered real estate market and more rigorous regulatory scrutiny of selected sectors such as technology, its resolute response to the pandemic has further prolonged the global supply chain bottlenecks, intensifying the inflation woes caused by the outbreak of the Russo-Ukrainian war. Concurrently, the US Federal Reserve and most other central banks have withdrawn monetary stimulus and raised interest rates, with a flattened and upwardly shifted yield curve illustrating sharply tighter financial conditions. Bond and equity prices have therefore trended lower, sapping market sentiment.

Operating performance

The retail sector had just started to stage a nascent recovery in late 2021 when Hong Kong was mired into an extended period of economic malaise between January and April 2022 due to stringent anti-pandemic measures imposed to contain the spread of the highly infectious Omicron variant. As domestic consumption took a hit, retail leasing activities have also been severely affected. Moreover, additional rental concessions were granted to key affected trades, while the majority of retail tenants have been allowed to defer rental payments under a "rental enforcement moratorium" introduced by the Government. At 30 June 2022, the retail portfolio of Sunlight REIT registered an overall occupancy rate of 94.5%, compared with 96.5% a year earlier. Rental reversion for the Year was negative at 5.0%.

Hong Kong retail sales (January - June 2022)

(2.6)% year on year

Hong Kong unemployment rate (April - June 2022)

4.8%

Source : Census and Statistics Department

The performance of the office market has also been far from encouraging in light of an uncertain global business environment, as the average vacancy rate of Hong Kong's Grade A offices hovered around 10%[Note] throughout the Year. The overall occupancy rate of Sunlight REIT's office portfolio stood at 94.8% at 30 June 2022 (30 June 2021: 92.4%), with a negative rental reversion of 5.5% for the Year.

Amidst challenges on multiple fronts, the resilient operating performance of Sunlight REIT amply reflects the robustness of its property portfolio. A clear bright spot during the Year was the decent demand from mid-sized tenants looking for office expansion and upgrade. This was well exemplified by the satisfactory performances of Strand 50 and Righteous Centre. Meanwhile, the re-letting of the area vacated by a retail bank tenant at The Harvest has made good progress, with its occupancy rate rebounding to nearly 85% in August 2022, notably following the successful securing of the ground floor lease with a popular confectionary store.

Capital management

The refinancing exercise in respect of Sunlight REIT's term loans due for the Year has been favourably concluded. Following the unwinding of HK$500 million worth of interest rate swaps ("**IRSs**") in June 2022, approximately 68% of its total indebtedness is currently anchored to fixed rates, representing a reasonably good hedge against a tightening credit environment.

ESG achievements

We have continued to actively pursue the sustainability agenda of Sunlight REIT. In particular, substantial inroad has been made into green building certification, as nearly 80% of the properties under management (by GRA) have been given recognition by BEAM Society Limited (based on Comprehensive or Selective Scheme) at 30 June 2022, versus 30.4% a year ago.

Meanwhile, a total of HK$1,300 million in sustainability-linked loans ("**SLLs**") were concluded during the Year, increasing such proportion to over 60% of Sunlight REIT's total borrowings, in line with our projected target mentioned in the interim report. We are grateful for the continued support from banking partners to implement Sunlight REIT's sustainability strategy on a holistic basis.

Prospects

The overriding concern in the near term is whether a global slowdown or even recession is in prospect, as policymakers in major economies have been combating inflation with aggressive monetary tightening. Worse still, with the complications of supply-side constraints and geopolitical conflicts, the rally in energy and commodity prices may persist and tip the world into a scenario of stagflation.

Note : Based on the statistics provided by the Principal Valuer.

While local retail sales have received a welcome boost from the disbursement of consumption vouchers by the Government, a sustainable recovery in consumer spending will hinge on the trajectory of COVID-19 and attendant public-health responses regarding curbs on social gatherings and border controls. Although leasing demand for community malls is stabilizing, tenants have in general become more prudent, particularly on expansion. The retail premises of Sunlight REIT are witnessing a shift in trade mix, with food and beverage outlets as well as grocery stores more inclined to renew their leases or commit new spaces.

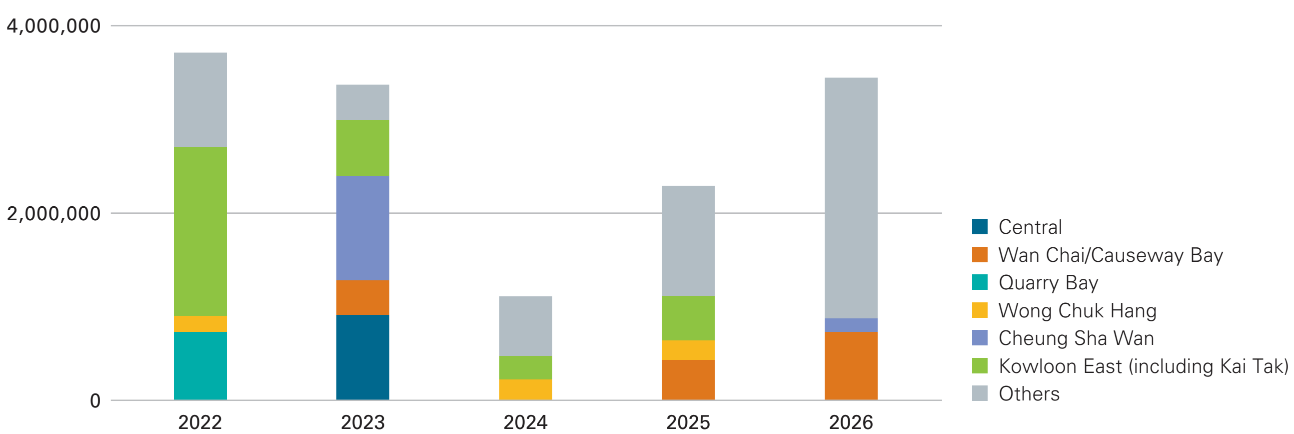
For offices, the odds still appear to be stacked against landlords. Rental performance will be constrained by a combination of high vacancy, substantial new office supply, sluggish demand from multinational corporations and Mainland Chinese companies yet to return to a more aggressive expansion mode. In addition, on the back of business digitization and continuation of work-from-home arrangements, financial institutions may curtail their space requirements ahead.

In FY2022/23, leases representing approximately 36.8% and 45.7% of office and retail spaces will expire respectively. As tenants are gradually regaining their composure, we are hopeful of achieving a respectable retention rate with a lower incidence of rental concessions. However, negative reversion may remain a possible feature, particularly for leases entered into prior to the onset of the pandemic. Nonetheless, we are hopeful of a gradual improvement in retail occupancy as our efforts in proactive management and marketing continue to step up.

Sunlight REIT's healthy credit profile, as demonstrated by a comfortable gearing ratio of 23.3%, also helps it stay resilient against a tight credit environment. Barring unforeseen circumstances, we are optimistic about the upcoming loan refinancing activities as well as the prospect for raising additional funding for the purpose of acquisition. Meanwhile, we continue to measurably invest in asset enhancement initiatives. In this regard, phase one of the refurbishment of Metro City Phase I Property ("**MCPI**") will begin shortly, the scope of which mainly comprises enhancement of key common facilities and layout reconfiguration on the upper floor of the shopping arcade, with an estimated budget of around HK$20 million. We will also actively explore opportunities to expand the portfolio of Sunlight REIT. In light of rising funding costs, however, higher required returns on investment will be incorporated in our consideration to ensure that new acquisitions are yield-accretive in a sustainable manner.

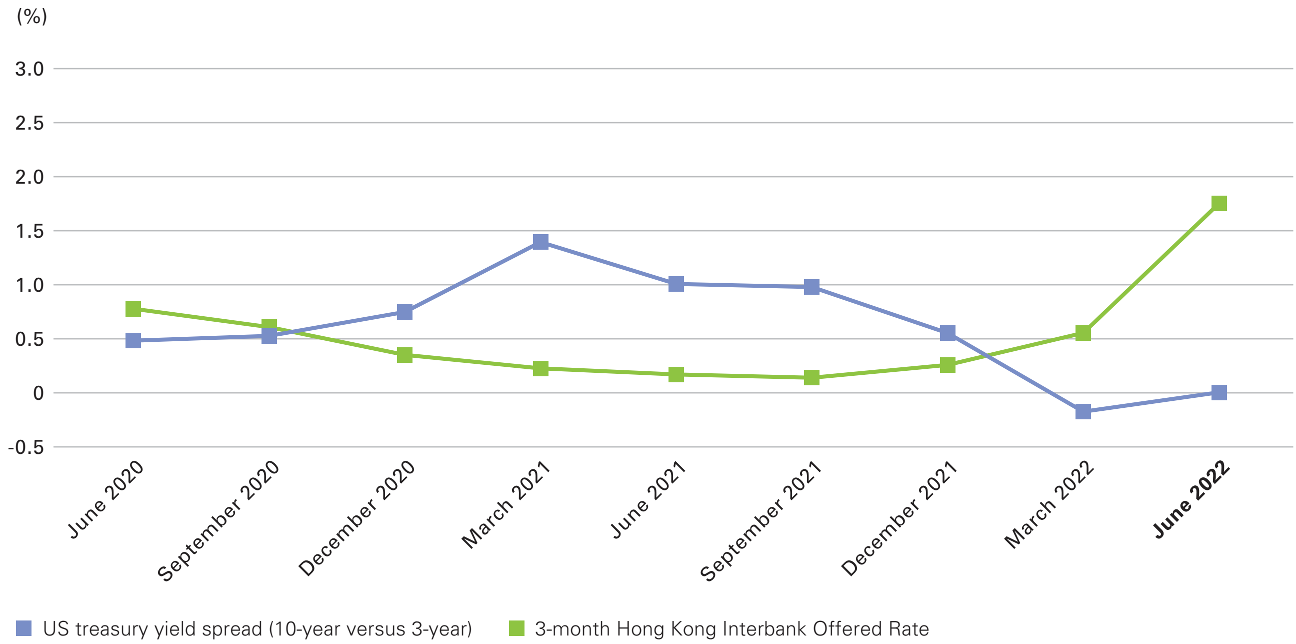
Hong Kong Grade A office supply

(sq. ft. net floor area)



Source : CBRE Limited

US treasury yield spread and Hong Kong Interbank Offered Rate



Source : Bloomberg

Post-pandemic journey

For more than two years, a great deal of management time and resources have inevitably been devoted to coping with the twists and turns of the COVID-19 pandemic. We have strived to balance the interests of various stakeholders while maintaining the momentum of pursuing our strategic goal with patience, prudence and pragmatism. Although it may be premature to predict when the coronavirus will eventually recede, given a much higher vaccination rate and the availability of efficacious treatments, and assuming the absence of new lethal variants, it seems reasonable to start looking beyond the pandemic, not least because fresh challenges are emerging.

Conceivably, uncertainties in the macro environment are unlikely to subside soon. But this should be no cause for pessimism. Sunlight REIT has been strengthening its portfolio by proactively divesting non-core assets, making rewarding additions and undertaking enhancement initiatives that raise the quality and value of key properties. Its defensiveness is further fortified by a prudent capital management strategy. The series of challenging external events over the past few years have sharpened our adaptability and agility to embrace and tackle the unknown. With great stamina and teamwork, we will strive to craft a brighter future.

WU Shiu Kee, Keith
Chief Executive Officer
6 September 2022

Portfolio at a Glance

Top three properties

1. Dah Sing Financial Centre
2. Sheung Shui Centre Shopping Arcade
3. Metro City Phase I Property

Sheung Wan/Central office properties

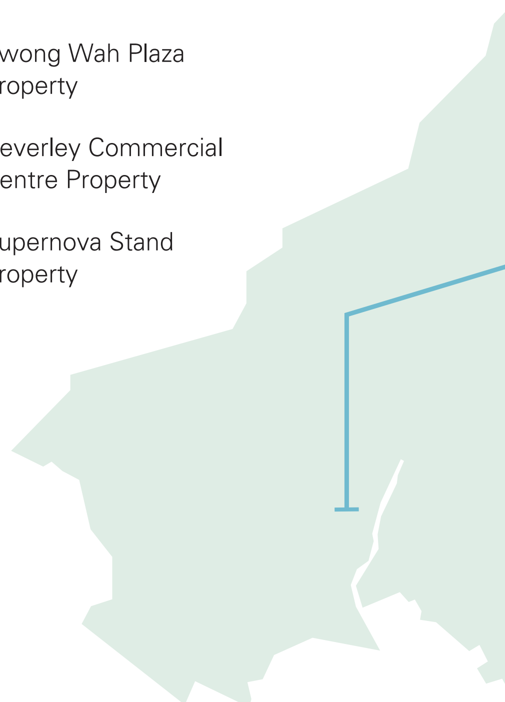
4. Strand 50
5. 135 Bonham Strand Trade Centre Property
6. Winsome House Property
7. 235 Wing Lok Street Trade Centre

Other office properties

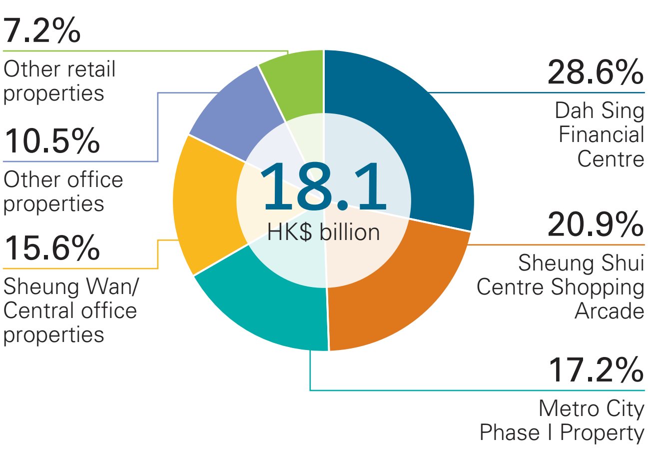
8. The Harvest
9. Righteous Centre
10. Java Road 108 Commercial Centre
11. On Loong Commercial Building
12. Sun Fai Commercial Centre Property
13. Wai Ching Commercial Building Property

Other retail properties

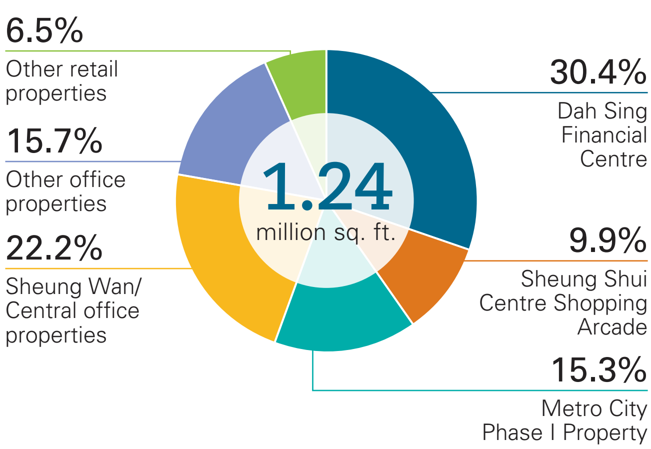
14. Kwong Wah Plaza Property
15. Beverley Commercial Centre Property
16. Supernova Stand Property



Valuation



Gross rentable area



11 Office Properties

5 Retail Properties

Portfolio Statistics

Property	Location	Year of completion	No. of car park spaces	GRA (sq. ft.) Office	Retail	Total	No. of leases at 30 June 2022	2021
Office								
Grade A								
Dah Sing Financial Centre[4]	Wan Chai	1998	46	369,891	6,490	376,381	65	61
Grade B								
Strand 50	Sheung Wan	1998	0	108,506	9,403	117,909	68	67
The Harvest	Mong Kok	1981	0	23,024	11,627	34,651	17	16
135 Bonham Strand Trade Centre Property	Sheung Wan	2000	0	60,844	3,071	63,915	71	68
Winsome House Property	Central	1999	0	37,937	2,177	40,114	24	24
Righteous Centre	Mong Kok	1996	0	41,004	10,763	51,767	64	64
235 Wing Lok Street Trade Centre	Sheung Wan	2000	0	47,481	4,804	52,285	71	66
Java Road 108 Commercial Centre	North Point	1998	0	35,694	2,229	37,923	38	36
On Loong Commercial Building	Wan Chai	1984	0	25,498	1,708	27,206	37	37
Sun Fai Commercial Centre Property	Mong Kok	1998	0	23,817	2,334	26,151	47	48
Wai Ching Commercial Building Property	Yau Ma Tei	1997	0	14,239	2,082	16,321	33	31
Sub-total/Average			**46**	**787,935**	**56,688**	**844,623**	**535**	**518**
Retail								
New Town								
Sheung Shui Centre Shopping Arcade	Sheung Shui	1993	297	0	122,339	122,339	118	123
Metro City Phase I Property	Tseung Kwan O	1996	452	0	188,889	188,889	112	115
Kwong Wah Plaza Property	Yuen Long	1998	0	42,670	25,741	68,411	36	37
Urban								
Beverley Commercial Centre Property	Tsim Sha Tsui	1982	0	0	7,934	7,934	21	22
Supernova Stand Property	North Point	2001	0	0	4,226	4,226	2	2
Sub-total/Average			**749**	**42,670**	**349,129**	**391,799**	**289**	**299**
Total/Average			**795**	**830,605**	**405,817**	**1,236,422**	**824**	**817**

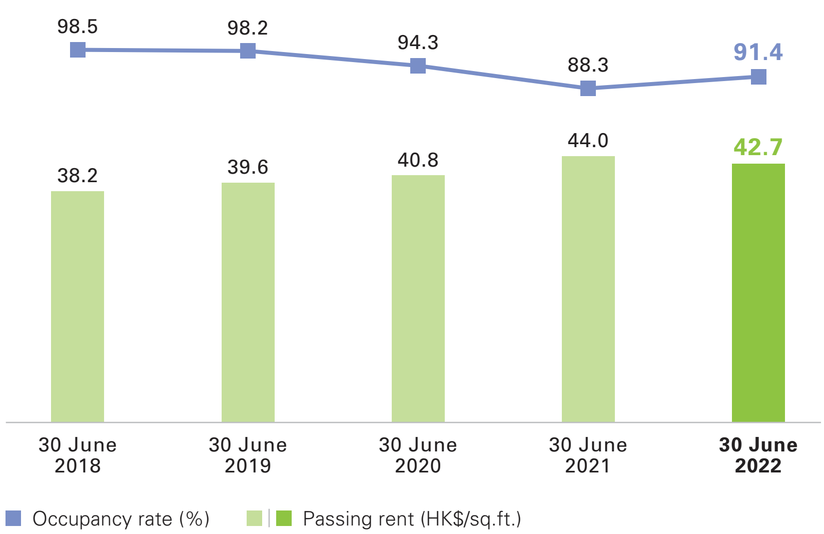
Notes :
1. Passing rent is calculated on the basis of average rent per sq. ft. for occupied GRA on the relevant date.
2. Rental reversion is calculated on the basis of change in effective rent of the leases renewed and commenced during the relevant year.
3. Please refer to "Valuation Report" on pages 106 to 123 for further details.
4. The property was previously known as Sunlight Tower (renamed with effect from 8 March 2021).

Occupancy rate at 30 June (%)		Passing rent[1] at 30 June (HK$/sq. ft.)		Rental reversion[2] (%)		NPI (HK$ '000)		Capitalization rate at 30 June 2022 (%)		Appraised value at 30 June 2022[3] (HK$ '000)
Operational statistics						**Property financials**				
2022	2021	2022	2021	FY2021/22	FY2020/21	FY2021/22	FY2020/21	Office	Retail	
91.4	88.3	42.7	44.0	(7.1)	(2.2)	178,432	170,556	3.75	3.65	5,172,000
99.7	95.8	32.4	32.1	0.4	(1.1)	39,876	38,224	3.45	3.80	1,316,900
80.4	100.0	36.7	53.2	0.0	(10.7)	13,753	19,765	3.30	3.10	597,000
99.1	93.1	27.1	27.9	(5.7)	(9.1)	17,987	17,561	3.55	3.80	578,400
97.2	94.3	39.9	42.7	(7.8)	(11.0)	17,038	16,833	3.55	3.60	556,200
100.0	100.0	34.5	33.9	(1.3)	(6.0)	20,372	19,220	3.75	3.50	537,000
96.8	88.6	19.8	20.9	(3.4)	(11.5)	11,097	10,734	3.55	3.80	367,800
100.0	96.1	25.0	24.9	(1.1)	(9.1)	10,210	9,927	3.75	4.00	276,200
100.0	100.0	27.6	31.2	(17.0)	(9.8)	8,374	8,717	3.65	3.70	246,600
98.5	100.0	21.4	21.7	(4.9)	(9.7)	5,934	5,976	3.80	4.05	165,700
97.2	91.7	17.0	17.4	(4.5)	(0.4)	2,760	2,717	3.55	3.90	80,100
94.8	**92.4**	**35.1**	**36.7**	**(5.5)**	**(5.3)**	**325,833**	**320,230**			**9,893,900**
92.9	95.3	100.6	104.2	(5.0)	(8.4)	139,522	142,571	N/A	4.30	3,780,000
94.6	97.6	54.7	56.7	(4.9)	(9.0)	135,400	133,173	N/A	4.30	3,107,000
98.4	97.7	50.5	53.5	(4.7)	6.4	37,189	38,649	3.60	3.60	1,165,000
81.9	77.5	30.6	32.8	(10.2)	(32.5)	1,204	2,302	N/A	4.10	75,100
100.0	100.0	57.2	57.2	N/A	(10.7)	2,751	2,728	N/A	3.80	74,200
94.5	**96.5**	**67.6**	**70.4**	**(5.0)**	**(7.2)**	**316,066**	**319,423**			**8,201,300**
94.7	**93.7**	**45.4**	**47.7**	**(5.2)**	**(6.2)**	**641,899**	**639,653**			**18,095,200**

Dah Sing Financial Centre

- Despite lacklustre demand from multinational corporations given the enduring pandemic situation, the occupancy rate of Dah Sing Financial Centre ("**DSFC**") remained stable with a high retention rate.
- A desirable Grade A office destination, its occupancy rate is expected to correlate positively with the gradual recovery of international business activities.

Occupancy rate and passing rent



The enduring pandemic situation has continued to curtail office leasing demand in a structural manner, as multinational corporations were hesitant about expansion amidst the various geopolitical economic uncertainties confronting global businesses. Together with the merit of work-from-home arrangements which have become a new norm, most corporations continued to put downsizing and cost-saving at the forefront of priorities. In the case of DSFC, it recorded a negative reversion rate of 7.1% but achieved a high retention rate of 96% for the Year.

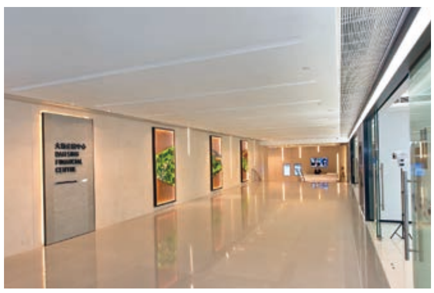
Benefitting from an increase in car park income and a relatively stable occupancy rate of 91.4% at 30 June 2022, NPI of DSFC registered a year-on-year improvement of 4.6% to HK$178.4 million. This flagship property of Sunlight REIT continued to incorporate numerous green and proptech elements during the Year, and has again been awarded the highest platinum-rated BEAM Plus certification (Comprehensive Scheme) in December 2021.

DSFC has a well-balanced and diversified tenant base, including financial institutions, government-related organizations and multinational corporations from various business sectors. At 30 June 2022, the number of leases at DSFC was 65 (30 June 2021: 61).

Valuation
5.2
HK$ billion

Rental reversion
(7.1)%

Retention rate
96%



Expiry profile (30 June 2022)

By GRA (%)

24.5
FY2022/23

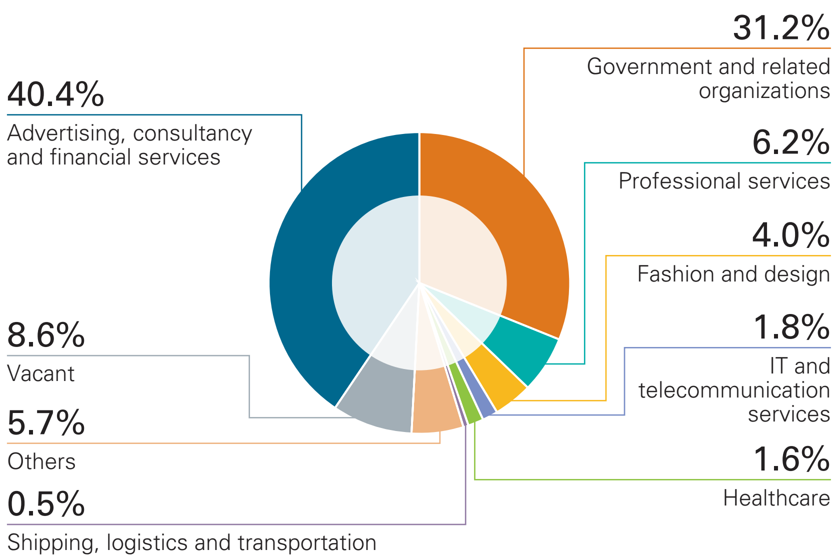
25.0
FY2023/24

By average rent (HK$/sq. ft.)

44.5
FY2022/23

37.7
FY2023/24

Tenant mix*

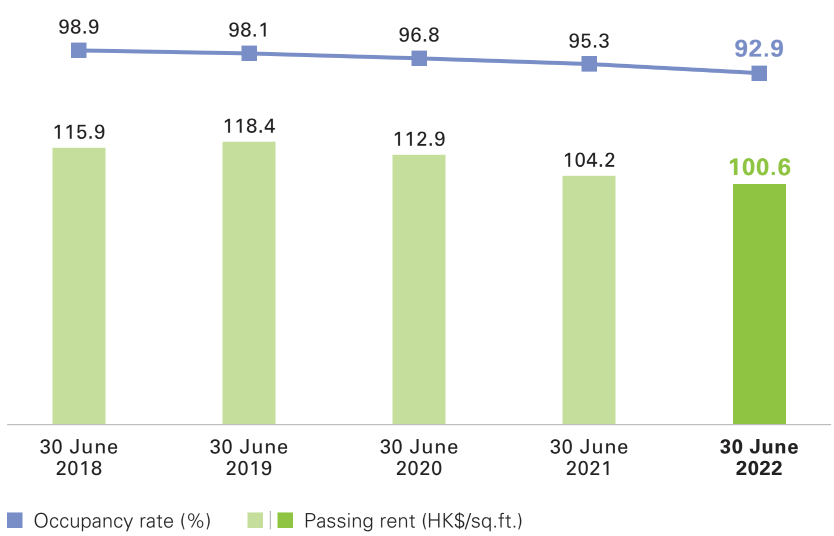


* Tenant mix charts on pages 15 to 19 are expressed as a percentage of total GRA of the relevant property at 30 June 2022.

Sheung Shui Centre Shopping Arcade

- A mild decline in NPI was mainly attributable to a lower occupancy rate and negative rental reversion given the absence of patronage from Mainland tourists.
- Gratifyingly, certain vacated spaces have been taken up by trades focusing on domestic consumption such as food and beverage and grocery stores.

Occupancy rate and passing rent



Valuation

3.8
HK$ billion

Rental reversion

(5.0)%

Retention rate

76%

A promising trend in terms of footfall and tenants' sales witnessed at Sheung Shui Centre Shopping Arcade ("**SSC**") in the first half of the Year was reversed by the emergence of the fifth wave of COVID-19 which brought retail leasing activities to a virtual standstill between January and April 2022. Consequently, SSC reported a lower occupancy rate of 92.9% at 30 June 2022 (30 June 2021: 95.3%) with a negative rental reversion of 5.0%. NPI recorded a mild 2.1% decline to HK$139.5 million, while passing rent stood at HK$100.6 per sq. ft. (30 June 2021: HK$104.2 per sq. ft.).

While it may take more time to restore the consumption benefits derived from Mainland tourists, the Manager remains sanguine about the prospects for domestic spending, particularly in light of the fact that SSC's accessibility has been greatly enhanced by the opening of the MTR East Rail Line Cross-Harbour Extension which has shortened the commuting time from Sheung Shui to Admiralty to approximately 40 minutes. Given its superior location, the Manager remains optimistic about the medium-term prospects of SSC, which stands to benefit from stable non-discretionary spending and may capitalize on any rebound in cross-border travel.

Expiry profile (30 June 2022)

By GRA (%)

50.0
FY2022/23

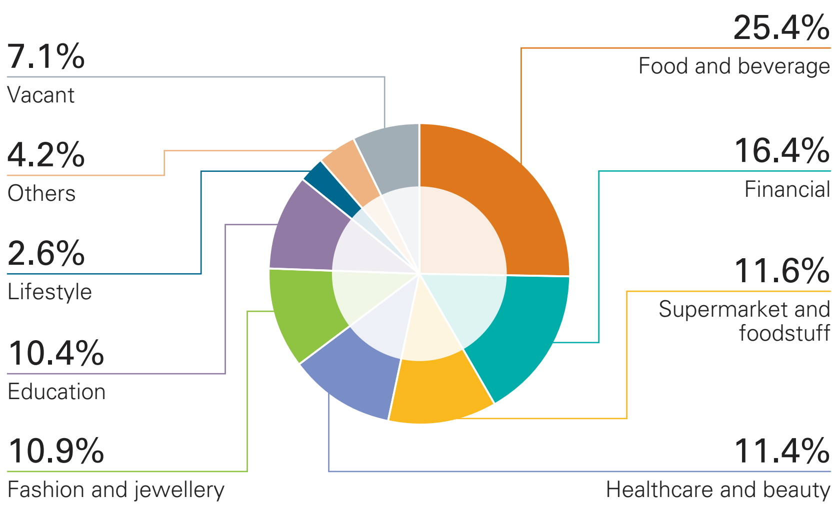
24.9
FY2023/24

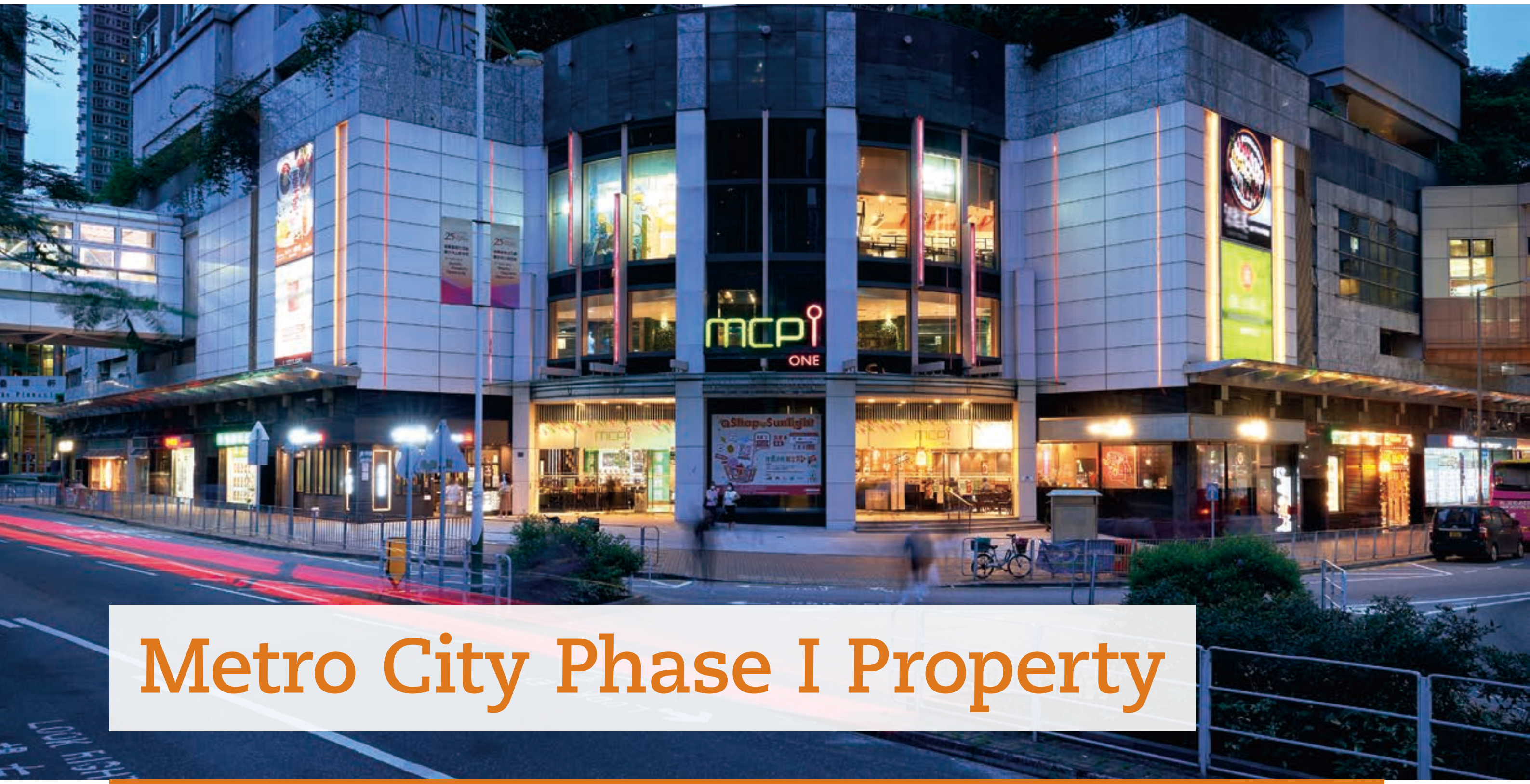
By average rent (HK$/sq. ft.)

117.9
FY2022/23

100.1
FY2023/24

Tenant mix

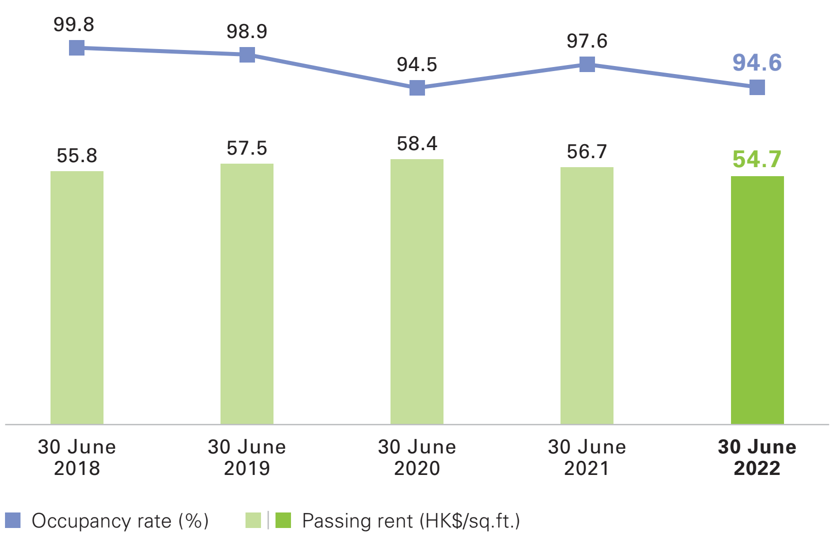




Metro City Phase I Property

- MCPI recorded a slight improvement in NPI which was mainly attributable to a relatively high retention rate, an increase in car park income and disciplined cost control.
- The multi-phase asset enhancement plan is aimed at revitalizing the image of the property and strengthening its competitive position as an attractive shopping destination. The Manager is confident that the project will reap respectable long-term returns in terms of rental income and asset value.

Occupancy rate and passing rent



Valuation

3.1
HK$ billion

Rental reversion

(4.9)%

Retention rate

73%

MCPI was not immune to the significant adverse impact caused by the fifth wave of COVID-19, but thanks to its fine performance in the first half of the Year, NPI for the Year was up 1.7% to HK$135.4 million. Reflecting the cautious business sentiment, however, a negative rental reversion of 4.9% was recorded for the Year, which led to a lower passing rent of HK$54.7 per sq. ft. at 30 June 2022 (30 June 2021: HK$56.7 per sq. ft.). Occupancy rate also dropped to 94.6% as compared to 97.6% a year ago.

In view of the competitive business environment with more new shopping malls emerging in the Tseung Kwan O district, the Manager has decided to launch a two-phase asset enhancement plan for MCPI with a view to strengthening its position as an attractive shopping destination.

Artist's impression

Expiry profile (30 June 2022)

By GRA (%)

47.3
FY2022/23

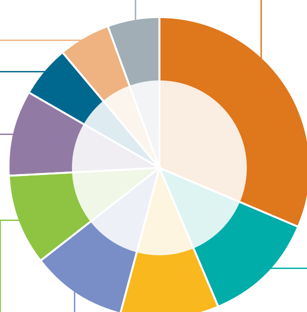
21.6
FY2023/24

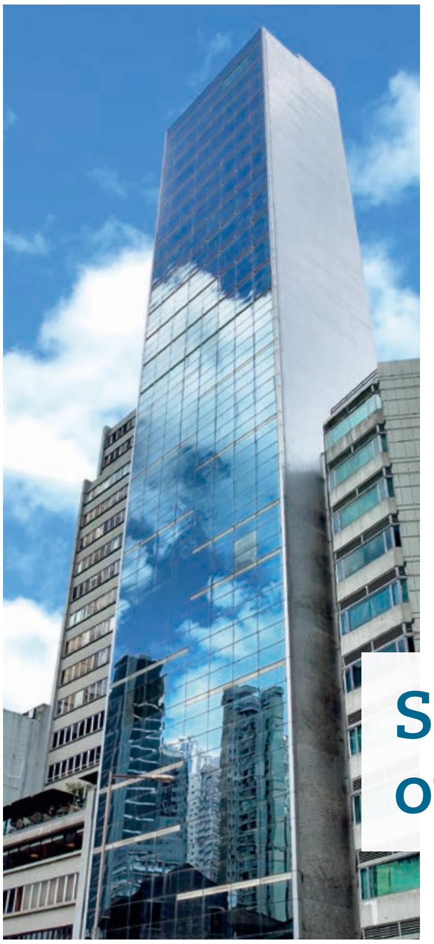
By average rent (HK$/sq. ft.)

48.3
FY2022/23

63.8
FY2023/24

Tenant mix





Winsome House Property

Strand 50

Sheung Wan/Central office properties

Valuation

2.8
HK$ billion

Rental reversion

(3.5)%

Retention rate

77%

The Sheung Wan/Central portfolio of Sunlight REIT comprised four properties with a combined GRA of over 250,000 sq. ft.. Office leasing demand for mid-sized floor plates with affordable rentals remained solid throughout the Year. Accordingly, overall NPI of this sub-portfolio registered a mild 3.2% improvement to HK$86.0 million.

Strand 50 continued to be the growth engine of the Sheung Wan/Central portfolio and it showcases our successful and timely asset enhancement initiative which has repositioned this property as an appealing workplace in the neighbourhood. The property was almost fully let at 30 June 2022, with a slight increase in passing rent to HK$32.4 per sq. ft.. Meanwhile, thanks to relatively steady leasing demand from trades focusing on domestic consumption, occupancy rates of the remaining Grade B office properties also stayed at a high level.

Other office properties

Righteous Centre (left) & The Harvest (right)

Valuation
1.9 HK$ billion

Rental reversion
(5.4)%

Retention rate
75%

The remaining six office properties are mainly located at decentralized areas such as North Point and Mong Kok, contributing approximately 10% of Sunlight REIT's NPI for the Year. Tenants of these properties are mostly location-driven and engaged in a diverse mix of service-related businesses, including healthcare and beauty, education and professional services. While the tightened social distancing restrictions in the second half of the Year which led to business suspensions and disruptions for certain trades, it is gratifying to see that the level of occupancy remained satisfactory, which helped to ensure a sustainable income stream for Sunlight REIT.

Regarding The Harvest, a longer rent void period (in respect of the retail/office space vacated by a bank tenant) was unavoidable given the unexpected pandemic situation in the first half of 2022, causing occupancy rate to reach a lower level of 80.4% at 30 June 2022.

Kwong Wah Plaza Property

Other retail properties

The other retail properties, comprising Kwong Wah Plaza Property and a few street shops or retail spaces in residential or commercial buildings, contributed 6% of Sunlight REIT's NPI for the Year. Overall occupancy rate of these properties stood at 96.9% at 30 June 2022 while an average negative rental reversion of 5.1% was recorded.

Given its prominent location, the scarcity of office properties in its vicinity and the growing population of Yuen Long, Kwong Wah Plaza Property continued to perform well with a high occupancy rate of 98.4% at 30 June 2022. However, the temporary business closure order promulgated by the Government had clearly disrupted the business of its service-trade tenants, and rental support was granted to afflicted tenants during such a difficult period.

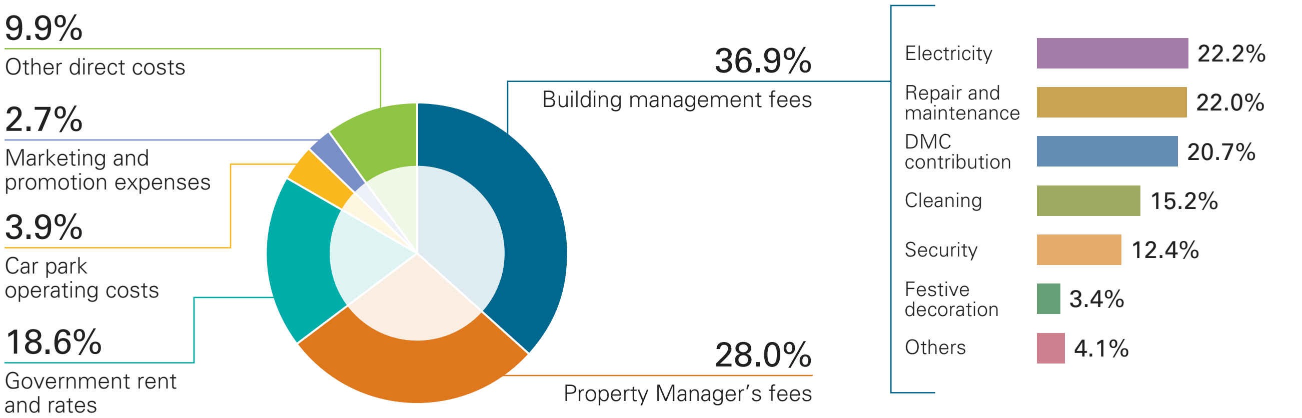
The performance of Beverley Commercial Centre Property was severely dampened by disruptions to wedding ceremonies and banquets throughout the entire pandemic period, with a relatively low occupancy rate of 81.9%. In contrast, the Supernova Stand Property was fully occupied at 30 June 2022.

Valuation
1.3 HK$ billion

Rental reversion
(5.1)%

Retention rate
86%

Components of property operating expenses



Operational statistics

The overall portfolio of Sunlight REIT recorded an average occupancy rate of 94.7% at 30 June 2022 (30 June 2021: 93.7%), with the office and retail portfolios exhibiting high retention rates of 82% and 77% (FY2020/21: 53% and 67%) respectively. Occupancy rate of the office portfolio was 94.8% (30 June 2021: 92.4%), while the corresponding figure of the retail portfolio was 94.5% (30 June 2021: 96.5%).

Average passing rents of the office and retail portfolios were HK$35.1 per sq. ft. and HK$67.6 per sq. ft. at 30 June 2022, down 4.4% and 4.0% respectively from a year ago. During the Year, they also recorded negative rental reversions of 5.5% and 5.0% respectively, resulting in a 5.2% average negative rental reversion of the overall portfolio.

At 30 June 2022, the weighted average lease length in terms of GRA was 3.2 years for the overall portfolio. Leases expiring in FY2022/23 account for 36.8% of office GRA and 45.7% of retail GRA. Average rents for the expiring office and retail leases are HK$33.0 per sq. ft. and HK$71.6 per sq. ft. respectively.

Tenancy base

Sunlight REIT has maintained a diverse tenancy base with 824 tenancies at 30 June 2022. The largest tenant accounted for 7.5% of total revenue for the Year and occupied 7.2% of total GRA at 30 June 2022, while the corresponding figures for the top five tenants were 17.8% and 14.9%.

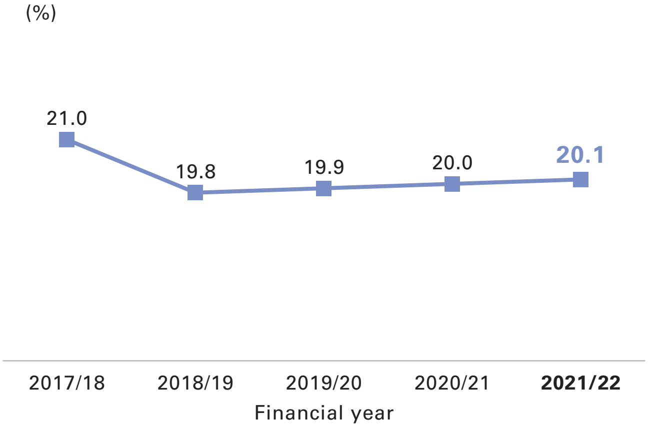
Car park income

Sunlight REIT holds a total of 795 car park spaces at three properties, namely DSFC, SSC and MCPI. Despite extensive work-from-home arrangements of office tenants and a decline in vehicular traffic to our shopping malls during the fifth wave of COVID-19, this car park portfolio still managed to report a mild income growth of 3.5% year on year to HK$33.6 million for the Year.

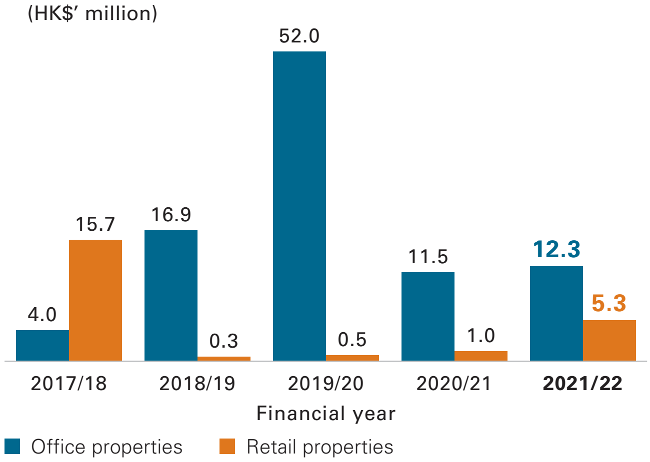
Cost control and capital expenditure

The Manager continued to maintain a high level of discipline in cost control particularly by minimizing non-essential operating expenses. However, in view of the deferred rental payments by tenants, the Manager has increased the provision for credit losses on rental receivables by HK$4.5 million. On the whole, thanks to lower rental commissions and repair and maintenance expenses, cost-to-income ratio for the Year was almost unchanged at 20.1%.

Cost-to-income ratio



Captial expenditure[Note]



Capital expenditure ("**CAPEX**") (excluding the costs for property acquisition) for the Year amounted to HK$17.6 million (FY2020/21: HK$12.5 million), while contracted capital commitments at 30 June 2022 were HK$4.2 million.

Environmental, Social and Governance

The Manager continued to devote substantial resources to enhancing the ESG performance of Sunlight REIT in a holistic manner.

During the Year, various ESG initiatives were successfully implemented, notably including policy formulation, green building certification, supply chain management, sustainable finance participation and active stakeholder engagement. In the first place, with a view to providing clear directions for specific ESG matters, the Board has further reviewed and approved two ESG policies on health and safety and indoor air quality management. Meanwhile, capitalizing on the green building certification experience of DSFC, the Manager has successfully obtained various BEAM Plus certifications for the core properties, representing nearly 80% of the GRA of Sunlight REIT's portfolio. In respect of our relationship with suppliers, we have developed a green procurement system with reference to ISO 20400 Sustainable Procurement Guidelines and global best practices. On the financial front, significant progress has been achieved on sustainable finance, as over 60% of Sunlight REIT's total borrowings at 30 June 2022 were SLLs.

On the social aspect, the Manager conducted an employee satisfaction and well-being survey during the Year to solicit feedback on health and safety in addition to well-being concerns. Meanwhile, the Manager has upgraded the content of the tenant satisfaction survey, through which fruitful recommendations have been received, which would help facilitating the setting up of a comprehensive action plan targeted for FY2022/23.

During the Year, Sunlight REIT and the Manager complied with all relevant laws and regulations in relation to ESG. Details regarding the environmental and social performances of Sunlight REIT, the Manager and the Property Manager are set out in the Performance Summary of our "Environmental, Social and Governance Report" on pages 59 to 60.

Note : Excluding the costs for property acquisition.

Financial Review

Financial highlights

(in HK$' million, unless otherwise specified)	2022	2021	2020	2019	2018
For the year ended 30 June :					
Revenue	**802.9**	799.3	854.6	850.7	817.4
Property operating expenses	**161.0**	159.6	169.9	168.2	171.3
NPI	**641.9**	639.7	684.7	682.5	646.1
Cost-to-income ratio (%)	**20.1**	20.0	19.9	19.8	21.0
Profit / (loss) after taxation	**102.9**	(233.7)	(751.4)	1,591.1	1,442.3
Annual distributable income	**431.1**	438.3	467.0	467.3	450.5
DPU (HK cents)	**25.0**	25.6	26.8	27.3	26.5
Payout ratio (%)	**97.4**	97.5	95.2	96.4	96.7
At 30 June :					
Portfolio valuation	**18,095.2**	18,341.7	18,918.0	20,002.5	18,754.8
Total assets	**18,960.4**	19,199.7	19,674.1	20,805.8	19,631.3
Total liabilities	**4,909.0**	5,075.4	4,902.9	4,813.9	4,774.3
Net asset value	**14,051.4**	14,124.3	14,771.2	15,991.9	14,857.0
Net asset value per unit (HK$)	**8.36**	8.45	8.89	9.68	9.03
Gearing ratio (%)	**23.3**	23.0	21.6	20.4	21.8

Operating results

The revenue of Sunlight REIT rose 0.5% for the Year to HK$802.9 million, thanks to a higher average occupancy rate and lower amortized rental concessions (of HK$6.2 million). After deducting property operating expenses of HK$161.0 million, NPI was HK$641.9 million, up 0.4%.

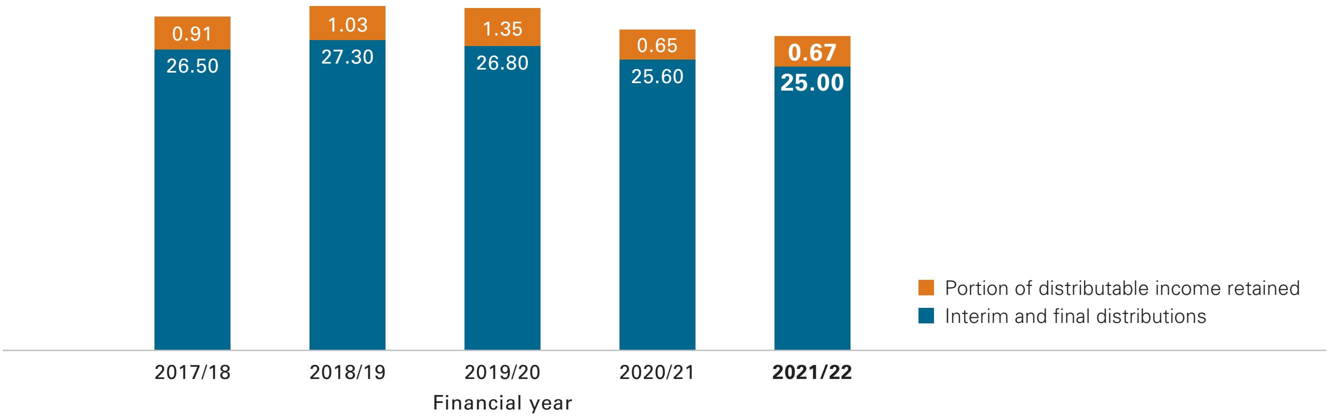
Finance costs increased 5.0% year on year to HK$98.4 million, reflecting higher funding costs and increased average borrowings as compared with the preceding year. Together with lower interest income mainly due to a smaller bond portfolio, net interest expenses increased 10.1% to HK$85.5 million. Taking into account a decrease in fair value of investment properties of HK$263.9 million, a profit after taxation of HK$102.9 million for the Year was reported, (FY2020/21: a loss after taxation of HK$233.7 million).

Distribution

Total distributions for the Year amounted to HK$419.9 million, down 1.8% year on year. The full-year DPU of HK 25.0 cents represented a distribution yield of 6.8% based on the closing price of HK$3.65 on the last trading day of the Year.

Distribution at a glance

(HK cents)



Financial position

Sunlight REIT's portfolio was appraised by the Principal Valuer at HK$18,095.2 million at 30 June 2022, representing a decrease of 1.3% from a year ago. Consequently, the gross assets and net assets of Sunlight REIT were HK$18,960.4 million and HK$14,051.4 million respectively (30 June 2021: HK$19,199.7 million and HK$14,124.3 million). Net asset value per unit was HK$8.36 (30 June 2021: HK$8.45).

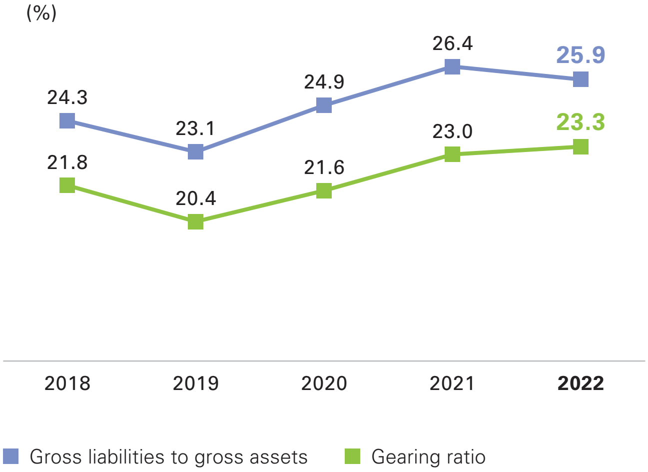
At 30 June 2022, the gearing ratio of Sunlight REIT (defined as total borrowings as a percentage of gross assets) was 23.3% (30 June 2021: 23.0%), while the percentage of gross liabilities to gross assets was 25.9% (30 June 2021: 26.4%).

The EBITDA[Note] of Sunlight REIT was almost unchanged at HK$541.3 million. In light of the increase in interest expenses, interest coverage ratio decreased to 5.8 times as compared with 6.3 times recorded in the previous financial year.

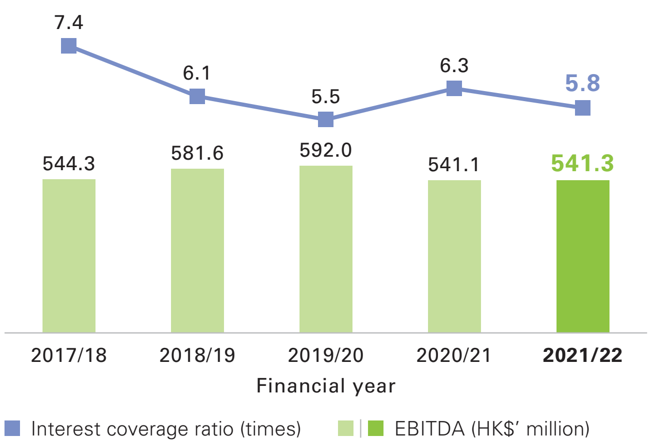
Gearing ratio and gross liabilities to gross assets

(at 30 June)

(%)



EBITDA and interest coverage ratio



Note : EBITDA represents net earnings before change in fair value of investment properties, interest expenses, taxation, depreciation and amortization. Gain on disposals of investment properties and subsidiaries is excluded from the calculation.

Interest margin of term loan facilities

0.79%
per annum
(over HIBOR)

Weighted average interest rate for fixed rate borrowings

2.51%
(including interest margin, if applicable)

Weighted average funding cost

2.1%
(FY2020/21: 2.0%)

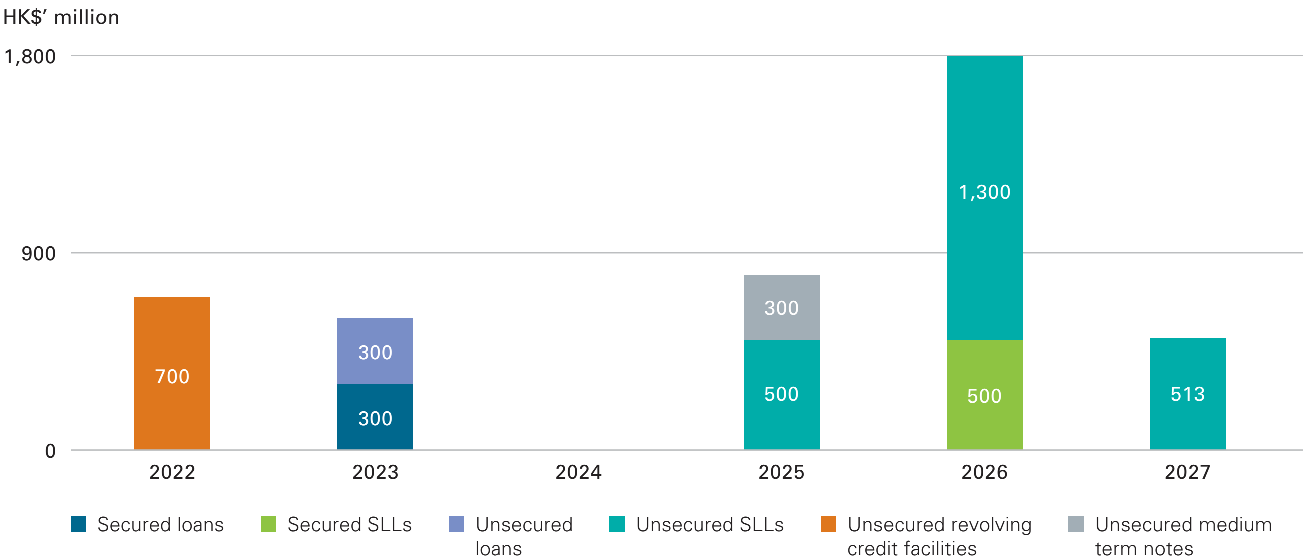
Capital and interest rate management

During the Year, Sunlight REIT successfully raised HK$1,300 million through SLLs, the proceeds of which had been applied towards the refinancing of bank loans due in the Year.

At 30 June 2022, Sunlight REIT had total borrowings of HK$4,413 million (30 June 2021: HK$4,418 million), comprising secured loans of HK$800 million and unsecured borrowings of HK$3,613 million, with a weighted debt maturity period of 2.9 years. The borrowing profile reflects the Manager's intention to reduce Sunlight REIT's reliance on secured lending. In tandem with this strategy, the Manager released an office property from the pool of securities for the secured loans in April 2022, with the appraised value of the (remaining) pledged properties standing at HK$5,096.9 million at 30 June 2022.

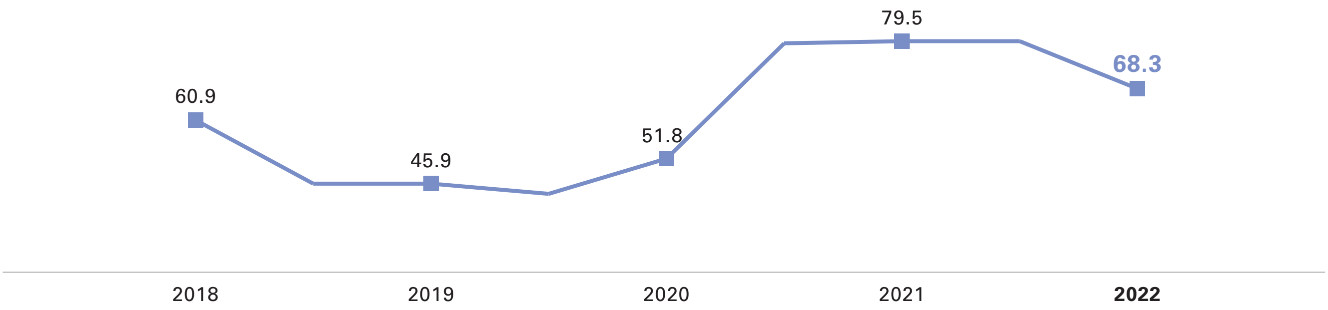
In June 2022, the Manager captured a window of opportunity to restructure the IRS profile of Sunlight

Maturity profile of total borrowings
(at 30 June 2022)



Fixed rate borrowings as a % of total borrowings

(at 30 June)
(%)



REIT by unwinding certain IRSs with an aggregate notional amount of HK$500 million. Consequently, the proportion of Sunlight REIT's fixed rate borrowings at 30 June 2022 was reduced to approximately 68% (30 June 2021: 80%). The weighted average interest rate (including loan interest margin, if applicable) for the fixed rate borrowings was 2.51% per annum, while the floating rate portion of the borrowings carried an average interest margin of 0.79% per annum over Hong Kong Interbank Offered Rate ("**HIBOR**"). Weighted average funding cost for the Year was 2.1%, compared to 2.0% recorded in the preceding financial year.

Liquidity management and currency exposure

The Manager is permitted to place funds as bank deposits and to invest in Relevant Investments[Note], with an overall maturity profile compatible with projected funding requirements. At 30 June 2022, Sunlight REIT had total cash and bank balances of HK$631 million and maintained a portfolio of Relevant Investments with an aggregate book value of HK$104.5 million. It also had revolving credit facilities of HK$1,200 million, of which HK$500 million remained undrawn at the end of the Year. Taking into consideration the recurrent income generated from its operations, the current cash position, the sources of funding available, and the liquidity risk associated with the Relevant Investments, the Manager is of the view that Sunlight REIT has sufficient financial resources to meet its working capital, distribution payment and CAPEX requirements.

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

Note : As defined in paragraph 7.2B of the REIT Code.

Environmental, Social and Governance Report

About the ESG Report

Reporting scope

This Environmental, Social and Governance ("**ESG**") Report covers the performance of Sunlight REIT, the Manager and the Property Manager, taking into consideration the percentage of ownership and level of operational control of the premises when defining the reporting boundaries in order to illustrate the major environmental and social impacts of our operations. The environmental key performance indicators ("**KPIs**") apply to a selected portfolio of managed properties[Note].

Reporting standard and reporting principles

This ESG Report has been prepared in accordance with the requirements stipulated in the ESG Reporting Guide set out in Appendix 27 of the Listing Rules. It provides details of the management approach and the ESG performance of Sunlight REIT for the Year, while establishing a channel to communicate our ESG-related policies and initiatives to our stakeholders. The application of the reporting principles is elaborated as follows :

Materiality

- We have identified the ESG topics that matter most to us through a materiality assessment and focused on material ESG topics for disclosure.

Quantitative

- We have disclosed the standards, calculation methodologies and source of conversion factors adopted for the reporting of carbon emissions and energy consumption. Please refer to the Performance Summary on pages 59 to 60 for details.

Balance

- We have presented our environmental and social performance on an impartial basis to provide an objective picture.

Consistency

- The methodology adopted for disclosing key environmental and social performance indicators is consistent with that of the previous years.

Independent report assurance

Sunlight REIT has formulated internal controls and management procedures to ensure that the disclosure in this ESG Report is materially accurate and reliable. This ESG Report has been reviewed by our ESG Committee and approved by the Board in September 2022.

Sunlight REIT has commissioned the British Standards Institution, an independent third party, to verify the contents of this ESG Report and the corresponding environmental disclosure, including energy, water, greenhouse gas and waste, in accordance with the ESG Reporting Guide set out in Appendix 27 of the Listing Rules. The assurance, scope of work and conclusions can be found in the Independent Assurance Opinion Statement on pages 62 to 65.

Contact us

We welcome your feedback on our ESG Report and management. Please share your thoughts with us at ir@HendersonSunlight.com.

Note : Data of energy consumption, greenhouse gas emissions and waste management cover all wholly-owned properties, including Dah Sing Financial Centre, Sheung Shui Centre Shopping Arcade, Metro City Phase I Property, Strand 50, The Harvest, Righteous Centre, 235 Wing Lok Street Trade Centre, Java Road 108 Commercial Centre and On Loong Commercial Building. Water consumption data cover Dah Sing Financial Centre, Sheung Shui Centre Shopping Arcade, Metro City Phase I Property, Strand 50, Righteous Centre, 235 Wing Lok Street Trade Centre, Java Road 108 Commercial Centre and On Loong Commercial Building.

Our Sustainability Approach

Board statement

The Board has the ultimate responsibility and accountability for ESG issues and sustainability advancement. Recognizing the growing importance of integrating ESG principles and values into business decision-making processes, it plays an active role with direct oversight of the ESG performance of Sunlight REIT.

To ensure effective implementation of management system and initiatives, ESG-related matters are incorporated in the agenda of the Board meetings and our key governance process. The ESG Committee has been established with the responsibility for devising the strategic directions, policies and practices on ESG matters, including climate-related risks and corporate culture.

The list of material ESG issues is regularly identified, assessed and reviewed through engaging with our stakeholders and monitoring market trends to ensure appropriate risk mitigation plans and control measures are in place. Goals and targets are derived from ESG issues which have material impacts on the business. All sustainability disclosures and internal policies are reviewed and endorsed by the Board, while targets and performance are assessed on a timely basis.

Sustainability governance structure

A comprehensive and effective governance structure is crucial for the successful execution of our sustainability strategy. We have adopted a three-tier top-down governance structure to manage ESG issues and performance. The Board is responsible for overseeing and approving the ESG framework and strategy proposed by the ESG Committee. It also takes a leading role in assessing the impacts of material ESG-related risks and opportunities as well as their associated business implications for Sunlight REIT in the long run.

The ESG Committee is in place to define the strategy and guide the sustainability directions and priorities of Sunlight REIT. Chaired by the Chief Executive Officer with senior representatives from the Manager and the Property Manager, the ESG Committee conducts meetings regularly to discuss matters relating to ESG. In respect of the social aspect, the ESG Committee works closely with the Corporate Social Responsibility ("**CSR**") Committee on community investment and involvement, while fostering connections with our stakeholders.

The Board

- Oversee and approve ESG strategy, work plans, performance and reporting
- Evaluate, prioritize and manage material ESG-related risks and explore opportunities
- Review progress towards achieving ESG-related goals and targets

ESG Committee

- Report to the Disclosures Committee and the Board; work closely with the CSR Committee and operating units to formulate and implement the ESG strategy of Sunlight REIT
- Establish ESG goals and objectives, conduct performance reviews

CSR Committee

- Initiate and implement community programmes which align with social responsibility principles

Operating Units

- Execute sustainability-related initiatives and report progress to the ESG Committee

Message from CEO

Despite the profound impacts of the COVID-19 pandemic and global geopolitical tensions, business enterprises have continued to forge ahead and put the advancement of sustainability on the forefront of their agenda. Sunlight REIT has also been fully committed in this regard, striving to create sustainable value for its stakeholders, the community and society at large. Entering the final phase of our three-year sustainability roadmap, we take a step back to review and refine our performance targets and to assess the effectiveness of the management approach we have adopted in our sustainability journey.

The priority and urgency of climate change mitigation has clearly gained further traction. The Government of the HKSAR (the "**Government**") has announced Hong Kong's Climate Action Plan 2050 which outlines the strategies and targets for combating climate change. As a responsible landlord, Sunlight REIT is a staunch supporter of decarbonization and has played a growingly active role in achieving carbon neutrality by building a greener portfolio via asset upgrades and retrofits as well as the application of proptech. Our strenuous efforts to keep abreast of evolving industry standards are well recognized - during the Year, seven properties (representing almost 80% of the total GRA) have been awarded green building certifications (BEAM Plus Comprehensive or Selective Scheme).

Sustainable finance is another key ESG pursuit of Sunlight REIT, being amply illustrated by the fact that sustainability-linked loans ("**SLLs**") currently representing over 60% of the total borrowings of Sunlight REIT. This important milestone reflects our commitment to establish a strong linkage between capital management and good ESG practices.

The Year under review witnessed the excruciating fifth wave of COVID-19 developed at the turn of 2022. Given the pandemic's stubbornness, it is our top priority to ensure the health and safety of our tenants and employees. The deployment of proptech devices to enhance the indoor air quality ("**IAQ**") of our properties, and the implementation of split team and work-from-home arrangements for our employees were among the key initiatives that will remain in place to cater for unforeseen circumstances.

Although the year ahead may again be fraught with uncertainties and challenges, we remain confident about the prospects for Sunlight REIT. As highlighted by the theme of this annual report, "***Crafting A Brighter Future***", we will strive to overcome multiple hurdles while strengthening our ability to operate sustainably, promoting staff welfare, and empowering our partnerships with various stakeholders for the benefit of the community.

WU Shiu Kee, Keith
Chief Executive Officer
6 September 2022

Highlights of Major ESG Achievements

Hong Kong Sustainability Award 2020/21

by Hong Kong Management Association

Sunlight REIT has attained the following awards in recognition of its outstanding performance in sustainability management :

- Hong Kong Sustainability Award (Mid Cap)
- Special Recognition for Best Response to COVID-19
- Special Recognition for Innovation
- Special Recognition for Outstanding Sustainability Initiatives :
  - Economic Dimension
  - Social Dimension

BEAM Plus EB V2.0 Comprehensive Scheme – Final Platinum Rating

by The Hong Kong Green Building Council

Sunlight REIT has received this certification, exemplifying our commitment in building operation and management at Dah Sing Financial Centre ("**DSFC**").

BEAM Plus EB V2.0 Selective Scheme – Excellent Grade

by The Hong Kong Green Building Council

Sunlight REIT has received the following certifications, exemplifying our dedicated effort in various aspects :

Materials and Waste aspect, and Indoor Environmental Quality aspect

- Strand 50

Site Aspects

- Sheung Shui Centre Shopping Arcade ("**SSC**"), Metro City Phase I Property ("**MCPI**"), Righteous Centre, 235 Wing Lok Street Trade Centre and Kwong Wah Plaza Property

Indoor Air Quality Certificates – Excellent & Good Class

by Indoor Air Quality Information Centre, Environmental Protection Department, The Government of the HKSAR

Sunlight REIT has received the following certifications, exemplifying our dedicated effort in constructing a healthy indoor environment for tenants and visitors at the following properties :

- DSFC (Excellent Class)
- MCPI (Good Class)
- SSC (Good Class)
- Strand 50 (Good Class)

Sustainability strategy framework

Sustainability is a motto of Sunlight REIT – it is the cornerstone of our business. Accordingly, we have established a sustainability strategy framework to help us operate responsibly across all aspects of our business. Guided by our 2030 Sustainability Vision, the sustainability strategy framework is structured with the following core elements in place :

- **Strategic pillars** : Indispensable building blocks for business continuity where ESG risks and opportunities shall be addressed and considered.
- **Focus areas** : ESG priorities upon which our sustainability aspirations are built.
- **Business foundations** : Good corporate governance is fundamental to long-term business viability while "capital" and "relationship" represent the two facets reflecting our core business foundations.

Three-year sustainability roadmap

Following the formulation of our sustainability strategy framework and the establishment of key sustainability-related policies and targets, our main focus for the Year was on tracking the progress of implementation and assessing our overall performance.

Phase 1
Strategy formulation

Establishing the sustainability strategy lays the groundwork for strengthening our sustainability management.

Projects completed were :

- Enhanced internal awareness through capacity building and engagement exercises
- Developed a sustainability strategy framework to drive ESG performance

Phase 2
Target setting

Putting emphasis on improving the management system by reinforcing governance and setting targets.

Projects completed were :

- Established four sustainability-related policies
- Set sustainability targets in each focus area

Phase 3
Progress tracking

During the Year, we focused on implementation and effectiveness tracking.

Projects completed were :

- Reviewed the progress of implementing the sustainability strategy
- Tracked and analyzed how far sustainability targets have been achieved
- Engaged stakeholders to identify gaps and respective action plans

Looking ahead, we shall continue to closely keep up with market developments and changes, regulatory requirements and investors' needs and expectations, while moving forward our ESG journey with another three-year roadmap with particular emphasis on investor-oriented rating requirements such as MSCI ESG Ratings and GRESB, as well as strengthening our efforts on climate action and related disclosure.

Sustainability Targets[Note]

We have formulated 21 sustainability goals across four strategic pillars in a specific, attainable and measurable manner to accomplish the 2030 Sustainability Vision. We regularly review our performance in relation to the targets and devise action plans to align with our vision.

Land

Green buildings

Target	Status	Progress in FY2021/22
Obtain green building certifications for four properties (DSFC, SSC, MCPI and Strand 50) by FY2025/26	**Achieved**	All the **four** properties obtained green building certifications : • **DSFC** : BEAM Plus EB V2.0 Comprehensive Scheme | Final Platinum Rating • **Strand 50** : BEAM Plus EB V2.0 Selective Scheme (Materials and Waste aspect, and Indoor Environmental Quality aspect) | Excellent Grade • **SSC** and **MCPI** : BEAM Plus EB V2.0 Selective Scheme (Site Aspects) | Excellent Grade Another three properties also obtained green building certifications : • **Righteous Centre**, **235 Wing Lok Street Trade Centre** and **Kwong Wah Plaza Property** : BEAM Plus EB V2.0 Selective Scheme (Site Aspects) | Excellent Grade
Obtain good class or above IAQ certificates for 50% of properties (in terms of total GRA) by FY2025/26	**Achieved**	**65%** of properties (in terms of total GRA) obtained good class or above IAQ certificates : • **DSFC** : Excellent Class • **SSC**, **MCPI** and **Strand 50** : Good Class
Adopt one building innovation and/or ESG-related proptech annually	**Achieved**	Adopted solar panels at rooftop of SSC with power analyzers and energy analysis platform

Note : The sustainability targets cover Sunlight REIT's wholly-owned properties and operations of the Manager and the Property Manager. The baseline year for energy consumption and carbon emissions as well as water consumption is FY2015/16, while the corresponding baseline year for training hours per employee, volunteering hours and CSR budget is FY2017/18.

Energy and carbon emissions

Reduce 25% energy consumption and carbon emissions by FY2030/31	**In progress**	Reduced **18%** energy consumption and **47%** carbon emissions
Conduct carbon audit by FY2025/26	**In progress**	Conducted carbon audit at DSFC

Waste and water

Divert 25% waste from landfill by FY2030/31	**In progress**	Diverted **6%** waste from landfill
Reduce 25% water consumption by FY2030/31	**In progress**	Reduced **14%** water consumption
Develop policy and system to record quantity of certain recyclables[Note] for selected wholly-owned properties by FY2021/22	**Achieved**	• Established waste and water policy as well as waste management guideline in FY2020/21 • Added more recycling bins in wholly-owned properties • Recorded the quantity of certain recyclables for two additional wholly-owned properties (The Harvest and Righteous Centre)
Conduct water risk assessment by FY2021/22	**Achieved**	Divided the water risk assessment of wholly-owned properties into two phases and all completed the first phase by FY2021/22. The second phase of the assessment will be conducted based on the result found in the first phase in order to seize opportunities for performance improvement

Climate change

Adopt Task Force on Climate-related Financial Disclosures (TCFD) framework for climate-related disclosure by FY2025/26	**In progress**	Reviewed ESG governance and corporate risk management structure to ensure the climate-related issues are integrated in business strategies and risk management framework

Note : Recyclables comprise glass bottles, rechargeable batteries and waste electrical and electronic equipment.

Human

Employee well-being

Target	Status	Progress in FY2021/22
Conduct annual employee well-being survey by FY2022/23	**In progress**	Integrated as part of employee satisfaction survey to understand employee well-being

Health and safety

Target	Status	Progress in FY2021/22
Evaluate occupational health and safety training needs of employees by FY2025/26	**In progress**	Made first attempt to include occupational health and safety related questions as part of employee satisfaction survey

Training and development

Target	Status	Progress in FY2021/22
Increase 30% training hours per employee by FY2030/31	**In progress**	Increased **12.5%** training hours per employee
Develop employee learning and development plan by FY2025/26	**In progress**	Conducted employee training survey to facilitate the training plan development

Partnership

Tenant satisfaction and well-being

Target	Status	Progress in FY2021/22
Establish a green lease programme by FY2025/26	**In progress**	• Provided green tips and green fitting-out guidelines for tenants to collaborate on environmental protection • Reviewed relevant green leasing practices and partnership programmes in current real estate market

Supply chain management

Target	Status	Progress in FY2021/22
Develop supply chain risks assessment system by FY2025/26	**In progress**	• Developed supplier self-assessment form to evaluate the ESG performance of suppliers
Develop and implement green procurement system by FY2025/26	**Achieved**	• Established sustainable procurement policy in FY2020/21 • Revised green procurement guideline in FY2021/22 • Reviewed the implementation of green procurement system in FY2021/22

Sustainable financing

Target	Status	Progress in FY2021/22
Develop sustainable finance framework by FY2025/26	**In progress**	• Completed three SLLs with an aggregate amount of over HK$1.5 billion in FY2020/21 • Completed a SLL and a second tranche of existing SLL with an aggregate amount of HK$1.3 billion in FY2021/22

Strategic partnerships with NGOs

Target	Status	Progress in FY2021/22
Conduct impact measurement for major corporate social responsibility initiatives by FY2030/31	**In progress**	In planning stage to start the community impact measurement

Neighbourhood

Community investment

Target	Status	Progress in FY2021/22
Increase 50% volunteering hours by FY2030/31	**In progress**	Decreased **49%**[Note] volunteering hours
Increase 100% CSR budget by FY2030/31	**In progress**	Increased **14%** CSR budget

Note : The decrease in total volunteering hours as compared to the baseline year was mainly due to the cancellation of CSR activities attributable to the COVID-19 outbreak in Hong Kong. We will scale up our efforts in community partnership programmes and take part in volunteering services once the pandemic situation has become more stable.

Stakeholder engagement and materiality

Stakeholder engagement

Regular communications and engagement with various stakeholders is an integral part of our business – by understanding their needs, concerns and expectations in respect of our daily operations and ESG standards, the Manager can refine the operating strategy to help facilitate the long-term business growth and enhance the ESG performance of Sunlight REIT.

Key communications with stakeholders

Employees

- Staff activities
- Staff handbook
- Employee satisfaction surveys
- Education and training
- Employee performance appraisals

Tenants

- Bi-annual newsletters
- Tenant satisfaction surveys
- Tenant visits
- Community events

Media and the public

- Media interviews and press conferences
- Press releases
- Emails and phone calls
- Corporate website

Investors / Unitholders

- Annual/interim reports, announcements, circulars and other forms of corporate communication
- Investor presentations
- Meetings and conference calls
- Post results and non-deal roadshows
- Corporate website

Suppliers and business partners

- Suppliers screening and performance assessments
- Procurement and tendering
- Suppliers site inspections and checks

Government and regulators

- Documents submission
- Meetings with regulatory authorities
- Site investigations
- Forums, seminars/webinars and conferences

Materiality assessment

According to the reporting principle of "Materiality", it is essential to identify material ESG topics that may impact the business of Sunlight REIT and its stakeholders in order to formulate a robust ESG framework supported by good reporting disclosure. We have undertaken the materiality assessment via the following three-step process :

Identification

Review the list of sustainability issues identified against the Stock Exchange's ESG Reporting Guide, peers' disclosures and international reporting standards.

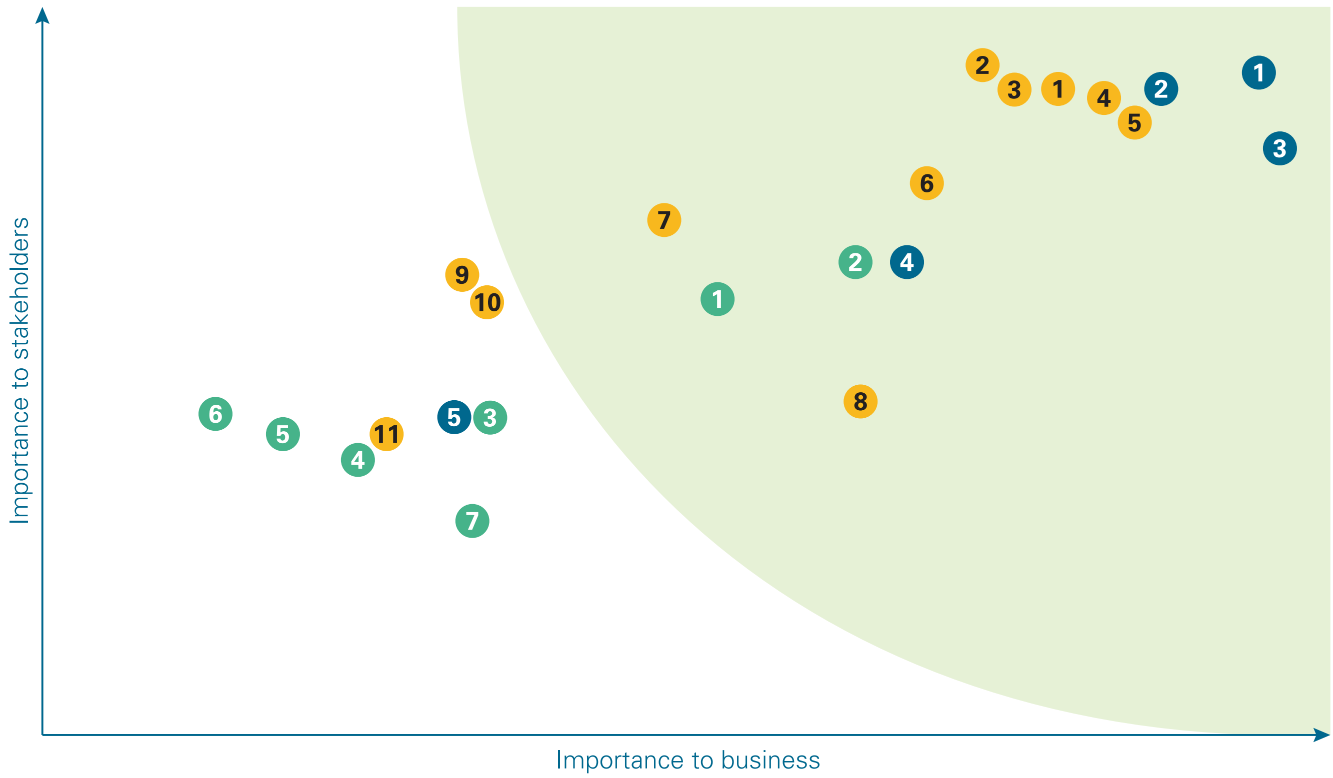
Prioritization

Take into consideration the business operations, industry development trends and ESG-related standards and guidelines to analyze the priority of each sustainability issue based on stakeholders' feedback in surveys and interviews. A materiality matrix is generated for management review and validation.

Validation

Validate the list of material sustainability issues presented to senior management and the Board.

With reference to the result of the materiality assessment conducted in the prior year, and taking into account the business nature and operations of Sunlight REIT, the Manager takes a cautious review and prioritizes the material ESG issues of the Year. A materiality matrix illustrating the relative importance of the 23 sustainability topics is summarized below.



Environment

1. Energy consumption
2. Green buildings
3. Materials use
4. Waste management
5. Greenhouse gas emissions
6. Water consumption
7. Climate change

Social

1. Customer privacy protection
2. Quality assurance and customer satisfaction
3. Occupational health and safety
4. Customer health and safety
5. Employee well-being
6. Talent attraction and retention
7. Staff training and development
8. Employment practices
9. Diversity and inclusion
10. Supply chain management
11. Community investment

Governance

1. Legal compliance
2. Anti-corruption
3. Ethics and integrity
4. Risk management
5. Stakeholder engagement

Based on our internal review and ESG market trends, it has been agreed that green buildings, health and safety, and employee well-being – are being identified as critical sustainability issues with respect to both our business and stakeholders. Given the priority of these three sustainability issues, we will ensure to allocate sufficient resources to enhance the performances in each aspect.

Land

As the Manager of Sunlight REIT, we strive to support land use and real estate practices that contribute to the development of a resilient community, and to construct a green portfolio which helps to foster a sustainable environment. We have strictly complied with all applicable local regulations and standards[Note] relating to air quality and greenhouse gas ("GHG") emissions, effluent discharges and the handling of hazardous and non-hazardous waste materials in our operations.

Green buildings

Aspiration : We operate our properties in accordance with a holistic set of green building principles and benchmarks and target for measurable improvement of our green performance.

We recognize that the properties which we manage and operate could exert significant impacts on the environment. Through effective management, responsible operation and sound maintenance that incorporate environmental considerations, we are dedicated to continuously enhancing our buildings' performances in line with rigorous green building principles and standards widely recognized in Hong Kong.

Maintaining high standards of management and operations across various aspects, our flagship property, DSFC has been awarded by the BEAM Society Limited the highest Platinum Rating in HK-BEAM and subsequently BEAM Plus since 2011. The Final Platinum Rating achieved in the latest BEAM Plus for Existing Buildings V2.0 during the Year is a testament to our continued commitment to advocating green buildings. Strand 50 at Sheung Wan, as one of our core office properties, was also awarded Excellent Grade in BEAM Plus for Existing Buildings V2.0 (Selective Scheme) in Materials and Waste aspect as well as Indoor Environmental Quality aspect. In addition, SSC, MCPI, Righteous Centre, 235 Wing Lok Street Trade Centre and Kwong Wah Plaza Property were awarded Excellent Grade in BEAM Plus for Existing Buildings V2.0 (Selective Scheme) in Site Aspects.

Case Study | Adoption of proptech at SSC

A 122,000-square feet shopping mall completed in 1993 in the northern part of the New Territories, SSC has implemented various proptech measures to strengthen its operational efficiency. Notably, public hygiene is being placed at the forefront of property management, and we have accordingly utilized disinfection robot to help conduct daily disinfection at the premises. Meanwhile, IAQ sensors are installed in the mall to monitor air quality. Finally, we have successfully set up our maiden solar panels on the rooftop of SSC and have engaged with the Feed-in Tariff Scheme of CLP Power Hong Kong Limited from April 2022 onwards.


Solar panel


IAQ sensor


Disinfection robot

Note : Including but not limited to Air Pollution Control Ordinance (Chapter 311), Waste Disposal Ordinance (Chapter 354), Water Pollution Control Ordinance (Chapter 358) and Noise Control Ordinance (Chapter 400).

The existing structures of some properties may pose obstacles to installing additional green facilities to optimize their performances in energy, waste and water management. Despite these limitations, we have devoted substantial effort to upgrading existing building facilities to more resource-efficient models and implementing green procurement principles, and have adopted multiple measures and assessments, such as energy and carbon audits, lighting simulation, acoustic measurement and freshwater quality measurement, to ensure effective green property management practices. We are planning to launch a programme to conduct routine technical building and water assessments, with the objective of capturing any opportunities to increase the energy and resource efficiency of our portfolio.

We have acquired valuable and rewarding experiences in improving the environmental performance of our buildings, and our efforts have been demonstrated by a spate of green achievements during the Year. Looking ahead, we will continue to extend similar management and operational approaches to other smaller properties and explore the feasibility of obtaining green building certifications for them at the same time.

Energy and carbon emissions

Aspiration : We actively optimize energy efficiency and minimize carbon footprint of the properties under management by promoting best management practices and innovations.

As energy consumption is the major source of GHG emissions for our business, we have been devoting substantial efforts to improving our buildings' energy performance and reducing energy consumption and carbon emissions from time to time.

We are maintaining efficient communication with building managers, operation and maintenance personnel as well as end-users to achieve effective energy management. There are energy management plans which contain standardized practices and reference manuals concerning the operations of electrical and mechanical systems of various building types in our portfolio. They also provide guidelines and procedures for conducting energy audits, formulating and performing remedial actions, evaluating energy-saving initiatives and keeping records. These plans are reviewed on an annual basis in a bid to keep enhancing the energy efficiency of our properties.

We are pleased with the notable progress made in reducing the energy consumption at DSFC throughout the last 3 years, with its energy management plan first formulated in 2019 in accordance with BEAM Plus standards. Riding on the success at DSFC, we have formulated and launched energy management plans for SSC and MCPI respectively in February 2022. We will continue to extend similar practices to other properties in our portfolio to minimize carbon footprint.

Solar panel at SSC

Exploring the use of renewable energy

At DSFC and Strand 50, we have installed self-sufficient solar-powered lighting based on the solar energy collected during the daytime from outdoor landscape areas. As mentioned earlier, the solar photovoltaic system at SSC has been in operation since April 2022 with the amount of power generation recorded under the Feed-in Tariff Scheme of CLP Power Hong Kong Limited.

Upgrading building installations to increase efficiency

Air-conditioning accounts for a considerable part of energy consumption in most buildings of Hong Kong. Since FY2020/21, we have engaged in an enhancement scheme by replacing obsolete split-type air-conditioning units with energy-efficient ones in selected office properties to minimize our environmental impacts.

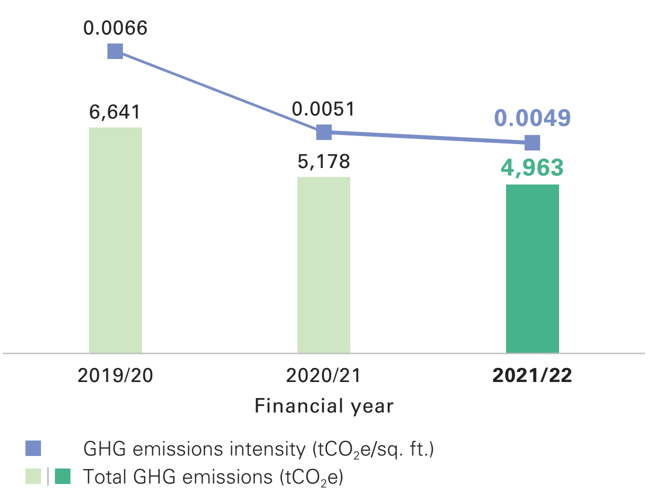
In addition to the extensive use of LED lighting which is more energy efficient and eco-friendly across our portfolio, we have also installed an intelligent lighting system in the lobby of DSFC, through which 24/7 monitoring and light usage can be automatically adjusted in accordance with the traffic of the designated area.

Power analyzer at Java Road 108 Commercial Centre

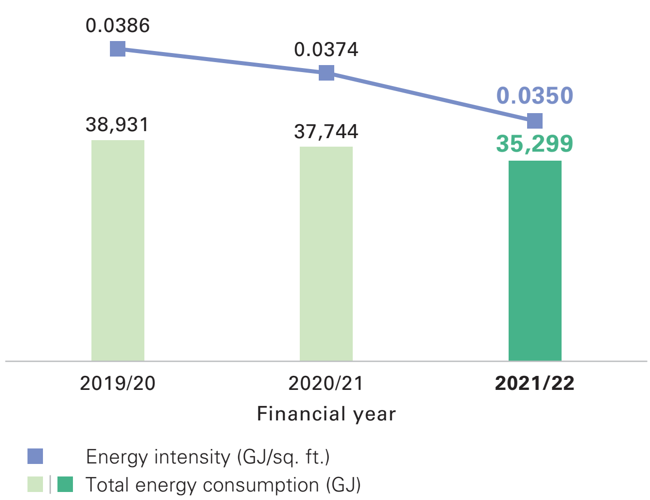
Conducting comprehensive data collection and analysis

To enhance the quality and efficiency of environmental data collection, monitoring and reporting, we have adopted leading-edge IoT devices connecting energy meters at DSFC. With real-time data streaming to Cloud Building OS, the meters can facilitate comprehensive and efficient data collection and analysis. Smart energy analyzers will also be installed at Strand 50, Righteous Centre, Java Road 108 Commercial Centre, 235 Wing Lok Street Trade Centre, On Loong Commercial Building and The Harvest shortly.

GHG emissions and intensity



Energy consumption[Note] and intensity



Note : Starting from FY2019/20, total energy consumption refers to both direct energy consumption (i.e. the use of diesel for emergency generators) and indirect electricity consumption (i.e. purchased electricity) at properties.

Waste and water

Aspiration : We monitor the waste generated and water consumed in our operations to look for reduction opportunities to protect our environment.

In our daily operations, we strive to cut down on the volume of waste materials and to encourage water conservation. A **waste and water management policy** has been developed to elaborate on the procedures and practices to be adopted for related initiatives to achieve our established targets. Effective waste and water management not only brings benefits to the environment and human health but also helps reduce operating costs.

Waste management

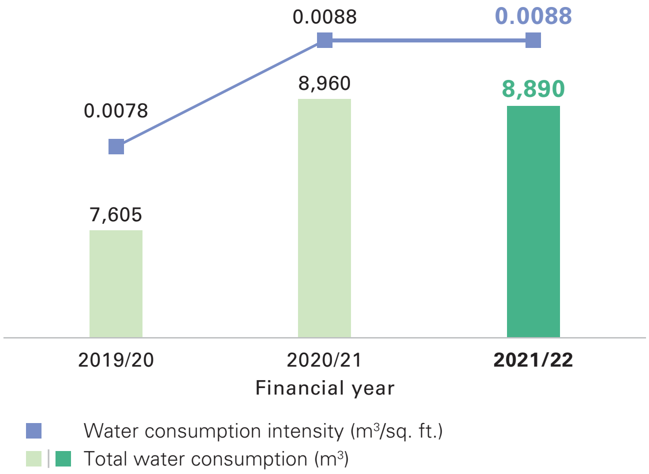
With landfill space being considered as one of Hong Kong's most precious assets, moving away from the reliance on landfills for direct waste disposal is one of our priorities. Guided by the 3R approach (Reduce, Reuse, Recycle), we continue to undertake recycling campaigns and initiatives to reduce municipal waste generation. As we provide sufficient waste sorting facilities at various properties, our tenants, visitors and staff can recycle at their convenience.

Besides, we have been maintaining proper records of the waste generated and recycled at our wholly-owned properties with a waste monitoring mechanism. We are actively considering extending the practices to other suitable properties and exploring more feasible measures for waste reduction. By evaluating our waste management approach and regularly monitoring the progress made in respect of our waste reduction target, we are committed to nurturing a habit of recycling and upcycling, therefore avoiding unnecessary waste generation among our staff, tenants and shoppers.

Water conservation

Water is indispensable to our business operations; however, global warming has aggravated the shortage of water resources. Hence, we strive to optimize water efficiency and support water conservation. For instance, we have installed water-efficient fixtures or flow regulators and dual flush systems at lavatories to reduce water usage. Meanwhile, through regularly monitoring water usage data and analyzing consumption trends, we can carry out investigations and remedial actions immediately upon detecting abnormal usage patterns to prevent wastage due to water leakage. To raise the awareness among our tenants and encourage them to develop water conservation habits, we also distribute guidelines for efficient water consumption. During the Year, we engaged external consultants to conduct water risk assessments for our wholly-owned properties to evaluate our exposure to water-related risks, to explore mitigation alternatives and improvement areas for long-term water conservation for certain aging properties.

Water consumption[Note] and intensity



Climate change

Aspiration : We communicate the risks associated with climate change to our business partners and develop a policy to enhance the resilience of our business and stakeholders.

Higher frequency and intensity of heat extremes, droughts but heavier precipitation, reductions in snow cover and permafrost, to name a few, are clear examples of the increasingly precarious situation of global warming, which urgently requires more immediate attention from operating entities across industries. The warming of our atmosphere is principally caused by the release of greenhouse gases, and the most prevalent of these gases being carbon dioxide.

With the release of "Hong Kong's Climate Action Plan 2050" and the corresponding target to achieve carbon neutrality by 2050, there are directions for identifying and managing climate risks for our city. As the Manager of Sunlight REIT, we have been engaging our stakeholders to rally support for environmental protection through the entire business chain, and will strive to strengthen our preparedness and put together mitigation measures ahead of time to cope with upcoming climate risks.

In FY2020/21, the Board approved and adopted a **climate change policy** for Sunlight REIT, which outlines our commitment to managing relevant risks across our operations and to developing mitigation, adaptation and resilience strategies to address such risks. Our risk management framework, which assesses ESG risks regularly, has included climate-related risks under the corporate risk register, allowing us to keep track of any potential climate-related issues which would cause financial and operational disruptions.

Note : The water consumption data for FY2020/21 was adjusted to reflect the actual consumption, while the corresponding data for FY2021/22 is projected based on actual billings received during the Year. The increase in total water consumption for FY2020/21 and FY2021/22 is reflective of the more frequent and comprehensive disinfection work conducted at the various premises of Sunlight REIT given the COVID-19 situation.

During the Year, we continued to monitor and manage climate issues relevant to our business. The identified physical and transition risks and our responses to address their likely impacts on our business operations are illustrated as follows :

Physical risks

Acute risk :

- The increased intensity of extreme weather conditions may cause severe damage to our building envelopes (such as broken windows, damaged glass doors and water leakage), resulting in disruptions to business operations and losses of revenue.

Chronic risk :

- Higher level of energy consumption at our properties to maintain room temperature at a comfortable level under heatwaves, and the change of rainfall patterns which may lead to flooding. Extreme weather events will likely increase operating and maintenance costs.

Transition risk

Policy risk :

- More stringent policy requirements from the Government and official institutions regarding climate change, emission regulations and reporting requirements, which may potentially increase operating costs.

Our Responses

- Conduct asset enhancement initiatives to prevent and alleviate the impacts arising from extreme weather events.
- Conduct regular reviews and analyses of local and international reporting requirements.
- Improve the portfolio's environmental performances with various building enhancement works and green management practices.

Going forward, we will continue to evaluate the relevance and materiality of climate-related risks and opportunities on an annual basis, while leveraging on the use of proptech to detect physical risks and raise the operational efficiency of our property management services, with the aim of enhancing our capability for monitoring and cushioning the potential impacts of climate change on our business in the future.

Please refer to "Climate Change" under Sustainability of our corporate website for more details.

Human

We firmly believe that Sunlight REIT's sustainable development greatly relies on the contributions of employees. We treat employees with respect and dignity and provide them with a safe and harmonious working environment. By constantly reviewing and refining our human resources policies, caring for employees' welfare, conducting vocational training and organizing team building activities, we strive to enhance employees' sense of belonging with a view to building a unified workforce to realize the core vision and values of Sunlight REIT.

Our staff handbook and other human resources policies outline the management and requirements related to compensation, recruitment and promotion, working hours, rest periods, dismissal, professional ethics and integrity, diversity, equal opportunity, anti-discrimination, as well as other benefits and welfare. We respect employee differences and strive to provide equal opportunities in the workplace, regardless of sex, race, age, family status and disability. During the Year, we have complied with the laws and regulations[Note] relating to equal opportunities and other employment and labour practices, including but not limited to compensation and dismissal, recruitment and promotion, working hours, rest periods, diversity, anti-discrimination, child labour and forced labour.

Employee well-being

Aspiration : We endeavour to provide our employees with a quality working environment and to ensure that they are satisfied and engaged at work.

We offer competitive remuneration packages to our employees, covering basic salary, discretionary bonus, medical and other allowances, leaves in particular to birthday, vaccination and compassionate leaves and in-patient insurance, to attract and retain talents and maintain our competitiveness and a stable workforce.

We review employee remuneration and benefits on an annual basis, with reference to the prevailing regional market standards, industry benchmarks and employees' individual performances, such that our staff are rewarded with fair and competitive compensation. Salary adjustments, promotion and discretionary bonuses are offered to employees in recognition of their contributions. In addition, we have launched an ESG bonus scheme for employees with notable contributions to ESG, an initiative to incentivize our employees to devote more of their time and effort in this respect.

Note : Including but not limited to Employment Ordinance (Chapter 57), Inland Revenue Ordinance (Chapter 112), Sex Discrimination Ordinance (Chapter 480), Mandatory Provident Fund Schemes Ordinance (Chapter 485), Personal Data (Privacy) Ordinance (Chapter 486), Disability Discrimination Ordinance (Chapter 487), Family Status Discrimination Ordinance (Chapter 527), Race Discrimination Ordinance (Chapter 602) and Minimum Wage Ordinance (Chapter 608).

Committed to creating a cohesive and supportive workplace for our employees, we offer various kinds of initiatives, including the provision of lunch and refreshments, month-end special tea arrangements, casual wear on Fridays, seasonal holiday celebrations, lucky draws and other leisure activities. To foster a people-centred and caring work culture, we offer flexible working hours options for office staff in order to facilitate their balance between work and family responsibilities.

During the Year, we conducted our first annual satisfaction survey of all employees to understand their workplace experiences and solicit their viewpoints for identifying potential areas for improvement. The survey covers various aspects, such as employees' views on organizational setup, management transparency, workplace environment, job satisfaction, career development, teamwork, benefits and welfare, remuneration, and employee well-being. We value the feedback from employees and the chance to grow with them together.

Health and safety

Aspiration : It is our duty to look after employees' health and safety in the workplace and implement preventive measures to manage risks and emergency events.

Employee health and well-being are the cornerstones of organizational development and success. With a firm commitment to maintaining a healthy and safe environment for our employees, tenants and communities, our **health and safety policy** guides us for (a) identifying and managing potential occupational health and safety risks and hazards across all our day-to-day operations, (b) collaborating with our employees and contractors in cultivating a safe and responsible working culture and (c) continually improving our safety performance to achieve zero injuries and accidents in workplace as our ultimate goal.

Our workplace safety guidelines also provide our property management team with the standardized operational procedures, in-house safety rules and instructions to identify and mitigate potential risks and hazards with a view to minimizing work-related injuries in the workplace and properties under management. Our property management team carries out regular safety inspections to ensure the effectiveness of relevant precautionary safety measures and practices and implement corrective measures where appropriate. During the Year, we have strictly complied with the relevant laws and regulations[Note] related to employee safety, and there was no non-compliance with the relevant health and safety laws and regulations.

Internal and external training courses are regularly offered to our colleagues, with the objective of enhancing our employees' awareness of workplace health and safety issues. In addition, we have organized a series of employee well-being activities, such as (a) "Wellness November", (b) webinars on the following topics : air quality, radio wave radiation, identification of harmful ingredients in products and healthy diets, and (c) High-Intensity Interval Training (HIIT), which help equip our employees with sound knowledge of health and safety during their work and encourage them to develop healthy living habits.

Note : Including but not limited to the Employees' Compensation Ordinance (Chapter 282) and the Occupational Safety and Health Ordinance (Chapter 509).

"Wellness November"

Number and rate of work-related fatalities & lost days due to work injury

Number of work-related fatalities	Rate of work-related fatalities	Lost days due to work injury
Nil	N/A	15

Amid a significant upsurge of infection cases during the fifth wave of COVID-19 in early 2022, we have closely monitored the pandemic situation and made swift responses and contingency plans to protect our employees. Work-from-home and split-team arrangements have been introduced since the early stage of the outbreak. Regular disinfection measures have been taken continuously to ensure a safe workplace for our staff. We have also provided rapid antigen test kits, personal hygiene supplies and anti-pandemic tips for our colleagues to help contain the spread of virus and protect the workplace. Free pre-vaccination health check and vaccination leave are offered to encourage more staff members to get vaccinated.

Training and development

Aspiration : We invest in our employees to develop and motivate talents so as to achieve our operating objectives.

We attach great importance to providing our colleagues with opportunities for growth and make constant efforts to enhance their essential skills and knowledge to adapt to an ever-changing business environment. Our **education and professional bodies allowance policy** provides subsidies to staff for professional training and relevant professional certifications and charters. A staff development fund has also been set up to support enrolments in designated training programmes, ranging from seminars and short courses to bachelor's degrees and master's programmes.

We assess staff's development needs annually and facilitate training in specific areas that are considered necessary. During the Year, we conducted a training needs assessment survey of our employees to understand the types of skills that would benefit them and their work. In response to the survey results, a series of general on-the-job training courses in occupational health, corporate culture, management system and cybersecurity were provided to all employees. Moreover, based on differences in job nature and positions/grades, specific training programmes were arranged both internally and externally on workflow automation, data analytics enhancement and understanding the essence of rental enforcement moratorium (promulgated by the Government). In light of the pandemic situation, a hybrid of online and offline training platforms were made available to offer flexible and effective learning experiences.

Total training hours completed by employees

2,473 hours

Percentage of employees trained by gender

97% Male

100% Female

Anti-corruption and integrity

We are dedicated to conducting business in an ethical manner and maintaining a high level of integrity with no tolerance for corruption and bribery activities. The **anti-money laundering policy**, the **anti-fraud policy** and the **conflicts of interest policy** are in place, which state clearly the standards and behavioural requirements for all employees regarding bribery and corruption, fraud and conflicts of interest in daily business activities. Further, our code of conduct for staff also stipulates the requirements of preventing corruption in the workplace, while the **whistleblowing policy**[1] sets out the guidelines about irregularity reporting procedures. We encourage employees and business partners to report suspected misconduct and malpractice through various communication channels such as dedicated hotline and email.

We regularly review our internal control systems to ensure relevant policies and guidelines are strictly enforced, and actively manage the identification, review and monitoring of risks at different operational levels. Meanwhile, heads of departments and operating units are responsible for conducting systematic fraud risk assessments and imposing mitigation controls on identified fraud risks.

We organize regular ICAC anti-corruption and anti-bribery training sessions for our colleagues to raise their awareness of corruption-prone areas and potential traps in business activities. During the Year, 35% of employees attended and completed the refresher training, covering the anti-money laundering policy, the whistleblowing policy and other compliance policies, and the overview of the anti-money laundering and counter-terrorist financing regimes. We also mandate anti-corruption training for new hires.

We have complied with the local laws and regulations relating to corruption, bribery, extortion, fraud and money laundering[2]. During the Year, there were no concluded legal cases regarding corrupt, bribery, extortion, fraud and money laundering practices brought against the Manager or its employees.

Notes :

1. The whistleblowing policy was previously known as policy of reporting of irregularities.
2. Including but not limited to Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615) and the Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Corporations) issued by the SFC.

Partnership

Sunlight REIT seeks to create shared values by promoting enduring and reciprocal relationships with business partners along its value chain. As we are committed to providing quality services and spaces to our tenants, we also aim to achieve excellence in our business operations and contribute to the sustainable development of the community at large together with our suppliers, financial institutions and non-governmental organizations ("NGO") partners.

Tenant satisfaction and well-being

Aspiration : We strive to develop a trusting landlord-tenant relationship supported by the provision of high-quality properties and services.

We take tenants' needs and opinions seriously as strong landlord-tenant relationships are essential to building up our competitiveness in the industry. With the prolonged economic woes and social distancing measures that may cause disruptions to sales and operations, we have been mobilizing useful resources to support our tenants, including our rental support scheme as well as various sales-driven marketing activities which serve to complement the Government's consumption voucher scheme in stimulating local consumption.

Tenant satisfaction

Aiming to construct a green and sustainable community, Sunlight REIT provides tenants with a fit-out guide encouraging them to consider sustainability initiatives from multiple perspectives, ranging from design management to certification and rating tools, aftercare and maintenance plans, use of resources, and site work and management. We are also planning to implement green leases in the future to galvanize tenant engagement with our sustainability initiatives.

For general operations, we have provided staff with extensive customer service training, while providing a Customer Service Manual to ensure that the standard of property management services shall be acceptable and continue to improve. When there are customer complaints, clear guidelines and instructions are in place for our employees to handle and resolve them promptly. To foster communication, we issue newsletters on a semi-annual basis as a channel to provide updates on Sunlight REIT's latest business and ESG-related initiatives.

In addition, we conduct tenant satisfaction surveys annually to collect and gauge tenants' feedback on our services and shall ensure that their needs and concerns are addressed in a timely manner. During the Year, we collected opinions and suggestions from tenants regarding preference for ESG activities, and their views on how the building environment and indoor atmosphere are correlated with tenants' well-being. Sunlight REIT will endeavour to further improve the quality of its properties and services.

Overall satisfaction rate – Property management services[Note]

98.4%

Note : A total of 387 completed questionnaires were received from our tenants.

Tenant health and safety

The Manager believes that it is highly important to safeguard the health and safety of tenants as well as the shoppers and visitors of our properties. We have continued to make good use of proptech to help combat the pandemic. For example, UV-C disinfection robots have been deployed at each of SSC and MCPI to enhance the process of sterilization. More frequent and comprehensive disinfection work has also been undertaken particularly in our shopping malls and common areas of our core office properties.

Furthermore, we have placed extra effort into improving IAQ. Currently, all of our core properties, namely DSFC, SSC, MCPI and Strand 50, have obtained good class or above IAQ certificates. We have introduced IAQ sensors in SSC and MCPI to monitor air quality, such as the levels of carbon dioxide and PM2.5. Our **IAQ management policy** contains details about IAQ goal setting, allocation of responsibilities, implementation of work plans, management and education, standardizing IAQ management procedures for buildings across Sunlight REIT's portfolio. We will continue to consider other measures and strive to provide our tenants and staff with a green and healthy indoor environment.

Customer data security and privacy

Customer data security and privacy is of paramount importance in the digital age. We recognize our responsibility to ensure that all data and private information are properly protected in compliance with our **privacy policy statement**, which is posted on our website and updated on the basis of the Personal Data (Privacy) Ordinance (Chapter 486) in Hong Kong.

We take all necessary steps and measures to preserve the confidentiality and security of customer data in our daily operations. For instance, we restrict the access of sensitive customer information to authorized personnel only. No personal customer data will be retained and used for marketing purposes unless proper authorization or consent from tenants and customers is received. Frontline staff are trained in collecting, handling and using customer information to ensure the safeguarding of data privacy and compliance with regulatory requirements. Regular reviews of customer data handling guidelines are arranged to minimize the risk of data leakage. In tandem with the launch of our eShop platform, we have implemented additional precautionary measures to handle our customer data and strengthened staff awareness of cybersecurity through proper training. During the Year, we did not identify any non-compliance with the laws and regulations relating to data privacy.

Supply chain management

Aspiration : We work with our suppliers to ensure we operate on the basis of a sustainable value chain.

Sunlight REIT values strategic cooperation with its suppliers to achieve mutual sustainable business development. To maintain our quality of services and ensure smooth operations, we have established a series of stringent management approaches in supplier assessment and procurement management. We also make particular effort to identify possible reputational, social and environmental risks that our suppliers might be associated with.

Our **procurement policy** and the procedures for evaluation and selection of suppliers set out the standards of managing suppliers, including the selection of new suppliers and contractors and performance reviews, as well as the procurement process. Background checks are put in place as we take into account various criteria, such as qualifications, capability, quality of services and previous business and compliance track records, to ensure their competency for providing reliable products and services. To manage our ESG risks along the supply chain, we give preference to suppliers and contractors that can demonstrate their commitment to occupational health and safety as well as environmental management. The supplier/contractor self-assessment questionnaires and regular performance evaluations of our existing suppliers and contractors, in terms of ESG performance, product and service quality, delivery time and after-sale services, are conducted to ensure that their performances consistently meet our standards and expectations. We expect all our partners on the supply chain to maintain adequate environmental and occupational health and safety management control procedures, to comply with applicable laws and regulations, and to minimize environmental and social risks in their business operations.

We have developed a green procurement system with reference to ISO 20400 Sustainable Procurement Guidelines and global best practices to manage supply chain risks across our operations. We have also formulated sustainable procurement guidelines according to our portfolio's context, to provide standardized and practical procedures when making purchasing decisions. We tend to procure products and services that are sourced locally, are environmentally and socially responsible, and are conducive to the health and wellness of our stakeholders. We regularly review our green procurement processes and communicate our environmental and social requirements and expectations with our major suppliers.

Sustainable financing

Aspiration : We collaborate with financial institutions to explore financing opportunities that can gauge and contribute to sustainability initiatives.

Sunlight REIT is committed to integrating sustainability into its capital and treasury management. Being one of the focus areas in our 2030 Sustainability Vision, we actively support the transition to a low-carbon, more resilient economy through sustainable financing.

During the Year, we secured Sunlight REIT's fourth SLL from The Hongkong and Shanghai Banking Corporation Limited amounting to HK$500 million, and concluded the drawdown of HK$800 million SLL from Bank of China (Hong Kong) Limited, being the second tranche of an overall HK$1,300 million SLL commitment. These moves marked a significant milestone in our sustainability journey, with SLLs now exceeding 60% of our total borrowings. It also demonstrates the support from our banking partners for the advancement of our sustainability agenda.

The key performance targets for evaluating sustainability performance in these SLLs include energy consumption, IAQ, employee training, education and youth career development. If the agreed sustainability targets under the loan agreement have been achieved, Sunlight REIT will be entitled to certain interest savings which could be ploughed back into its ESG initiatives and projects to further promote the well-being of the community.

Highlights of sustainability-linked loans

	Sustainability-linked loans				
Lender	Sumitomo Mitsui Banking Corporation	DBS Bank Ltd., Hong Kong Branch	Bank of China (Hong Kong) Limited		The Hongkong and Shanghai Banking Corporation Limited
Drawdown date	October 2020	April 2021	1st tranche : June 2021	2nd tranche : June 2022	February 2022
Loan size	Japanese yen 7,000 million (equivalent to approximately HK$513 million)	HK$500 million	HK$500 million	HK$800 million	HK$500 million
Tenure	7 years	5 years	4 years	4 years	4.5 years
Sustainability performance targets	The targets focus on environmental and social aspects, comprising energy consumption, IAQ, employee training, education and youth career development.				
Use of proceeds	For refinancing and other general corporate purposes.				

Year 2022 Credentials of Green Deposit with Compliments

We have also received the Year 2022 Credentials of Green Deposit with Compliments from Hang Seng Bank Limited, recognizing our support in making deposits towards funding eligible environmentally beneficial business and projects towards a greener world.

Looking ahead, on top of SLLs, we will also explore the development of Sunlight REIT's green financing framework with reference to international principles, with a view to reinforcing our commitment to the sustainability through capital management.

Neighbourhood

We believe that the continued success of our business is intrinsically linked to the well-being of the neighbourhood. A core component of our ESG strategy is contributing positively to the communities in which we operate. Through active engagement, we strive to understand and respond to the needs of these communities.

Community investment

Aspiration : We aspire to create positive impacts on the community, trusting that when the neighbourhood in which we operate thrives, so do we.

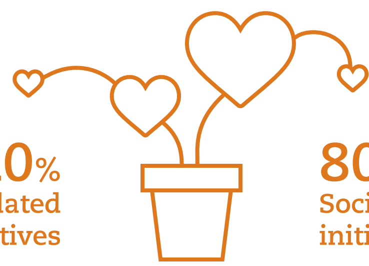
Sunlight REIT engages in active dialogues with various stakeholders and brings the community to a brighter and sustainable future by lifting the lives of people around. The CSR Committee has been established to initiate and implement CSR programmes. During the Year, the committee members met regularly to discuss major CSR events carried out, upcoming CSR plans and the corresponding budget. A **community investment policy** is in place to enable us to evaluate and prioritize initiatives which are relevant to our business and can optimize the impacts on Sunlight REIT's neighbourhood. The Manager collaborates with our employees, tenants and community partners, and maintains a continuous focus on enhancing youth education and addressing the needs of the underprivileged to build an inclusive and sustainable community.

Total volunteering hours

93 hours

Percentage of CSR initiatives by category

20% Environment-related initiatives



80% Social integration-related initiatives

Over 160 participants joined in the activity

Caring for families

The popularity of and dependency on digital devices may cause estrangement between family members. During the Year, we organized the "Unplug to Reconnect" activity with the intention of fostering intergenerational inclusion and parent-child relationship. It provided an opportunity for participants to re-examine the role of mobile phones and the proper use of technology in interpersonal relationships and interactions. Through a series of activities, we hope that families can treasure their time together and spend more time on face-to-face communication with each other.

"Unplug to Reconnect"

"Green. Art. Connect"

More than 150 parents and children participated in the programme

With our ongoing partnership with Evangelical Lutheran Church Social Service – Hong Kong, we have launched an eight-month programme to offer a series of green education activities for underprivileged families in Kwai Chung District. With the theme of "Green. Art. Connect", the programme brought together a group of female carers, primary school children and children with special educational needs through community and green arts, while raising public awareness of resources conservation, community care and waste recycling.

Caring for the elderly

In light of a significant upsurge of infection cases during the fifth wave of COVID-19, certain sectors in the community such as the elderly living alone, disable persons, low-income families, patients, etc. were short of pandemic prevention products and daily necessities. We endeavour to allocate our resources to provide special care for groups in need under such emergency circumstances. During the Year, we partnered with St. James' Settlement to distribute 800 anti-pandemic bags with rapid self-test kits, hand sanitizing gel, disinfectant bleach and food supplies to three elderly centres in March 2022. We hope that this would help support the elderly in overcoming the difficulties under the pandemic, while expressing our respect and appreciation to this generation.

Distribution of anti-pandemic bags

Caring for the youth

Facilitating experience and knowledge transfer nurtures and inspires the younger generation to find their career paths. During the Year, we continued to support the "Career Sparkle – Career Live" programme organized by St. James' Settlement to motivate students to plan for their career goals and cultivate good work ethics. The programme provided an opportunity for adolescents and youth to explore future career options and apply their skills and knowledge to career-specific tasks through a series of career experience games, school services and education.

459 students have participated in the programme since it was launched in FY2020/21

Going forward, we will continue to join hands with our employees and NGO partners to serve the community by initiating and participating in various social projects, with a view to promoting volunteerism and strengthening our ties with the society.

Performance Summary

		Unit	FY2021/22	FY2020/21	FY2019/20
Environmental					
(1)	**Energy consumption and GHG emissions[1]**				
(a)	**Direct energy consumption**				
(i)	Diesel by emergency generation	L	389	413	471
(b)	**Indirect energy consumption**				
(i)	Purchased electricity	MWh	9,801	10,480	10,809
(c)	**Total energy consumption**				
(i)	Total energy consumption	GJ	35,299	37,744	38,931
(ii)	Energy intensity	GJ /sq. ft.	0.0350	0.0374	0.0386
(iii)	Total energy consumption	MWh	9,805	10,484	10,814
(iv)	Energy intensity	MWh /sq. ft	0.0097	0.0104	0.0107
(d)	**GHG emissions[2]**				
(i)	Direct emissions (Scope 1)	tCO_2e	1.02	1.08	1.23
(ii)	Energy indirect emissions (Scope 2)	tCO_2e	4,958	5,174	6,637
(iii)	Other indirect emissions (Scope 3)[3]	tCO_2e	3.80	3.60	3.06
(iv)	Total GHG emissions	tCO_2e	4,963	5,178	6,641
(v)	GHG emissions intensity	tCO_2e/sq. ft.	0.0049	0.0051	0.0066
(2)	**Waste management**				
(a)	**Waste generation[4]**				
(i)	Non-hazardous waste[5]	'000 kg	1,084	902	–
(ii)	Non-hazardous waste intensity	kg/sq. ft.	1.1	0.9	–
(b)	**Waste recycling[6]**				
(i)	Paper	'000 kg	62	74	82
(ii)	Plastic	kg	388	1,008	343
(iii)	Metal	kg	387	567	320
(iv)	Fluorescent lamps and tubes[7]	kg	3,010	225	225
(3)	**Water consumption[8]**				
(a)	**Total water consumption**	m^3	8,890	8,960	7,605
(b)	**Water consumption intensity**	m^3/sq. ft.	0.0088	0.0088	0.0078
Social					
(1)	**Profile of workforce[9]**				
(a)	**Total workforce**	Number	137	140	142
(i)	**By gender**				
	Male	Number (%)	78 (57%)	82 (59%)	80 (56%)
	Female	Number (%)	59 (43%)	58 (41%)	62 (44%)
(ii)	**By employment type**				
	Full-time	Number (%)	136 (99%)	139 (99%)	141 (99%)
	Part-time	Number (%)	1 (1%)	1 (1%)	1 (1%)
(iii)	**By age group**				
	Below 30	Number (%)	9 (7%)	11 (8%)	10 (7%)
	30-50	Number (%)	77 (56%)	79 (56%)	83 (58%)
	Over 50	Number (%)	51 (37%)	50 (36%)	49 (35%)
(iv)	**By employee category**				
	General	Number (%)	57 (42%)	58 (42%)	60 (42%)
	Supervisory	Number (%)	47 (34%)	48 (34%)	48 (34%)
	Managerial	Number (%)	33 (24%)	34 (24%)	34 (24%)
(v)	**By geographical region**				
	Hong Kong	Number (%)	137 (100%)	140 (100%)	142 (100%)

Notes :

1. The coverage of energy consumption and greenhouse gas emissions included all nine wholly-owned properties of Sunlight REIT.
2. References for the calculation of our Scope 1, Scope 2 and Scope 3 emissions include the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 edition), emission intensity published by CLP Power Hong Kong Limited in 2021, The Hong Kong Electric Company, Limited in 2021 and Water Supplies Department in FY2020/21, and the Greenhouse Gas Protocol : A Corporate Accounting and Reporting Standard.
3. Other indirect emissions (Scope 3) data for FY2020/21 was adjusted to reflect the actual emission in accordance with the corresponding adjustment of water consumption data.
4. The non-hazardous waste generation data has been reported starting from FY2020/21. Hazardous waste includes fluorescent lamps and tubes while non-hazardous waste includes paper, plastic and metal. The coverage of the data included all nine wholly-owned properties of Sunlight REIT. The assumption for the weight of a 660-litre waste bin is 60kg. The hazardous waste generated in our properties is consigned to licensed service providers for collecting, handling and proper disposal.
5. We started to measure and report the amount of food waste generated in MCPI in FY2021/22. This resulted in the slight increase of the total amount of non-hazardous waste during the Year.
6. The coverage of paper, plastic and metal recycling included DSFC, SSC, MCPI and Strand 50. The coverage of fluorescent lamps and tubes recycling included DSFC, SSC and Strand 50 only.
7. We started to measure and report the amount of fluorescent lamps and tubes recycled in MCPI in FY2021/22.
8. The coverage of water consumption included eight wholly-owned properties of Sunlight REIT, excluding The Harvest, in which all water points are located within tenants' area and under tenants' control. The water consumption data for FY2020/21 was adjusted to reflect the actual consumption, while the corresponding data for FY2021/22 is projected based on actual billings received during the Year. The increase in total water consumption for FY2020/21 and FY2021/22 is reflective of the more frequent and comprehensive disinfection work conducted at the various premises of Sunlight REIT given the COVID-19 situation.
9. The profile of workforce data was compiled based on the number of employees at the end of each reporting year.

		Unit	FY2021/22	FY2020/21	FY2019/20
Social					
(2)	**Employee turnover**				
(a)	**Turnover rate[10]**	%	16	16	16
(b)	**Total number of turnover**	Number	22	22	23
(i)	**By gender**				
	Male	Number (%)	11 (14%)	9 (11%)	12 (15%)
	Female	Number (%)	11 (19%)	13 (22%)	11 (18%)
(ii)	**By age group**				
	Below 30	Number (%)	6 (67%)	5 (45%)	7 (70%)
	30-50	Number (%)	14 (18%)	15 (19%)	7 (8%)
	Over 50	Number (%)	2 (4%)	2 (4%)	9 (18%)
(3)	**Health and safety**				
(a)	**Number of work-related fatalities**	Number	Nil	Nil	Nil
(b)	**Rate of work-related fatalities**	%	N/A	N/A	N/A
(c)	**Lost days due to work injury**	Days	15	Nil	6
(4)	**Development and training**				
(a)	**Percentage of employees trained**	%	100	80	71
(b)	**Total training hours completed by employees**	Hours	2,473	1,465	1,088
(i)	**By gender**				
	Male	%	97	79	70
	Female	%	100	82	72
(ii)	**By employee category**				
	General	%	89	61	56
	Supervisory	%	100	90	71
	Managerial	%	100	100	100
(c)	**Average training hours completed per employee**	Hours	18	10	8
(i)	**By gender**				
	Male	Hours	17	10	5
	Female	Hours	20	11	11
(ii)	**By employee category**				
	General	Hours	4	5	4
	Supervisory	Hours	25	16	9
	Managerial	Hours	34	10	13
(5)	**Supply chain management**				
(a)	**Total number of suppliers[11]**	Number	274	275	–
(i)	**By geographical region**				
	Hong Kong	Number	272	274	–
	Overseas	Number	2	1	–
(6)	**Complaints received**				
(a)	**Number of service-related complaints received[12]**	Number	12	15	–
(7)	**Anti-corruption and integrity**				
(a)	**Number of concluded legal cases regarding corrupt practices brought against the Manager or its employees**	Number	Nil	Nil	Nil
(8)	**Community investment**				
(a)	**Total volunteering hours[13]**	Hours	93	112	148

Notes :

10. The turnover rates cover voluntary resignations, retirements and dismissals during the corresponding reporting year.
11. The number of suppliers has been reported starting from FY2020/21.
12. The number of service-related complaints received has been reported starting from FY2020/21.
13. The decrease of total volunteering hours in FY 2021/22 was mainly due to the cancellation of planned face-to-face CSR activities attributable to the fifth wave of COVID-19 outbreak in Hong Kong.

Awards and Certificates in FY2021/22

Awards/Certificates	Participating entities/Properties	Awarding bodies
Overall		
Hong Kong Sustainability Award 2020/21 (Mid Cap)	Sunlight REIT	The Hong Kong Management Association
Environmental		
Corporate Environmental Leadership Award 2021	The Property Manager : Metro City Phase I Property	Bank of China (Hong Kong)
Commendation Scheme on Source Separation of Commercial and Industrial Waste – Certificate of Merit (Shopping Mall/Arcade)	The Property Manager : 1. Sheung Shui Centre Shopping Arcade 2. Metro City Phase I Property	Environmental Protection Department, The Government of the HKSAR
Enterprises Cherish Water Charter 2022	The Property Manager : Dah Sing Financial Centre	Water Supplies Department, The Government of the HKSAR
Energy Saving Charter 2021	The Property Manager : Dah Sing Financial Centre	Environment and Ecology Bureau, Electrical and Mechanical Services Department, The Government of the HKSAR
Green Office Award Labelling Scheme (GOALS)	The Property Manager : 1. Sheung Shui Centre Shopping Arcade 2. Metro City Phase I Property	World Green Organisation
BEAM Plus EB V2.0 Comprehensive Scheme (Final Platinum Rating)	The Property Manager : Dah Sing Financial Centre	The Hong Kong Green Building Council
BEAM Plus EB V2.0 Selective Scheme (Materials and Waste aspect, and Indoor Environmental Quality aspect) (Excellent Grade)	The Property Manager : Strand 50	The Hong Kong Green Building Council
BEAM Plus EB V2.0 Selective Scheme (Site Aspects) (Excellent Grade)	The Property Manager : 1. Sheung Shui Centre Shopping Arcade 2. Metro City Phase I Property 3. Righteous Centre 4. 235 Wing Lok Street Trade Centre 5. Kwong Wah Plaza Property	The Hong Kong Green Building Council
Indoor Air Quality Certificate (Excellent Class)	The Property Manager : Dah Sing Financial Centre	Indoor Air Quality Information Centre, Environmental Protection Department, The Government of the HKSAR
Indoor Air Quality Certificate (Good Class)	The Property Manager : 1. Sheung Shui Centre Shopping Arcade 2. Metro City Phase I Property 3. Strand 50	Indoor Air Quality Information Centre, Environmental Protection Department, The Government of the HKSAR
Special Recognition for Innovation 2020/21	Sunlight REIT	The Hong Kong Management Association
The HKIFM Excellence in Facility Management Awards 2021 – Office Building (Excellence Award)	The Property Manager : Dah Sing Financial Centre	The Hong Kong Institute of Facility Management
The HKIFM Excellence in Facility Management Awards 2021 – Retail (Excellence Award)	The Property Manager : 1. Sheung Shui Centre Shopping Arcade 2. Metro City Phase I Property	The Hong Kong Institute of Facility Management
Social and Governance		
Caring Company	1. The Manager 2. The Property Manager	The Hong Kong Council of Social Service
Good MPF Employer	1. The Manager 2. The Property Manager	Mandatory Provident Fund Schemes Authority
Happy Company	1. The Manager 2. The Property Manager	Promoting Happiness Index Foundation
Special Recognition for Best Response to COVID-19 2020/21	Sunlight REIT	The Hong Kong Management Association
Special Recognition for Outstanding Sustainability Initiative (Economic Dimension) 2020/21	Sunlight REIT	The Hong Kong Management Association
Special Recognition for Outstanding Sustainability Initiative (Social Dimension) 2020/21	Sunlight REIT	The Hong Kong Management Association

Independent Assurance Opinion Statement

Statement No. : **SRA-HK 776571**

Sunlight Real Estate Investment Trust ("Sunlight REIT") Environmental, Social and Governance Report FY2021/22

The British Standards Institution is independent of Sunlight REIT and Henderson Sunlight Asset Management Limited (the "**Manager**"), as the manager of Sunlight REIT, has no financial interest in the operation of Sunlight REIT other than for the assessment and assurance of Sunlight REIT for its Environmental, Social and Governance Report for the year ended 30 June 2022 (the "**Report**").

This independent assurance opinion statement has been prepared for Sunlight REIT solely for the purposes of assuring its statements relating to the Report, more particularly described in the scope below. It was not prepared for any other purpose. The British Standards Institution will not, in providing this independent assurance opinion statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used, or towards any person by whom the independent assurance opinion statement may be read. This statement is intended to be used by stakeholders of Sunlight REIT and management of the Manager of Sunlight REIT.

This independent assurance opinion statement is prepared on the basis of review by the British Standards Institution of information presented to it by the Manager. The review does not extend beyond such information and is solely based on it. In performing such review, the British Standards Institution has assumed that all such information is complete and accurate.

Any queries that may arise by virtue of this independent assurance opinion statement or matters relating to it should be addressed to the Manager only.

Scope

The scope of engagement agreed upon with the Manager includes the following :

1. The assurance covers the whole Report and focuses on systems and activities of Sunlight REIT in Hong Kong, which include management of its assets, during the period from 1 July 2021 to 30 June 2022 (the "**Reporting Year**"). The Report is prepared in accordance with Environmental, Social and Governance Reporting Guide ("**ESG Reporting Guide**") in Appendix 27 of the Rules Governing the Listing of Securities issued by the Hong Kong Exchanges and Clearing Limited ("**HKEX**").

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2. Type 1 Moderate Level of Assurance evaluates the nature and extent of Sunlight REIT and/or the Manager's adherence to four reporting principles : Inclusivity, Materiality, Responsiveness and Impact. The specified sustainability performance information/data disclosed in the Report has been evaluated.

Opinion statement

We conclude that the Report provides a fair view of Sunlight REIT's sustainability programmes and performance in the Reporting Year. We believe that the social and environmental performance indicators are fairly represented in the Report, in which Sunlight REIT's efforts to pursue sustainable development are widely recognized by its stakeholders.

Our work was carried out by a team of sustainability report assurors. We planned and performed this part of our work to obtain the necessary information and explanations. We considered Sunlight REIT and the Manager have provided sufficient evidence that Sunlight REIT's self-declaration of compliance with the HKEX's ESG Reporting Guide was fairly stated.

Methodology

Our work was designed to gather evidence on which our conclusion is based. We undertook the following activities :

- A top level review of issues raised by external parties that could be relevant to Sunlight REIT's policies to check on the appropriateness of statements made in the Report;
- Discussion with senior executives on Sunlight REIT's approach to stakeholder engagement. We had no direct contact with external stakeholders;
- Interview with staff involved in sustainability management, report preparation and provision of report information;
- Review of key organizational developments;
- Review of supporting evidence for claims made in the Report including raw data and supporting evidence of the sustainability information; and
- An assessment of Sunlight REIT's reporting and management processes concerning reporting against the principles of Inclusivity, Materiality, Responsiveness and Impact.

Conclusions

A detailed review against the Principles of Inclusivity, Materiality, Responsiveness and Impact, and the ESG Reporting Guide is set out below.

Inclusivity

The Report has reflected the fact that Sunlight REIT and the Manager engage with its significant stakeholders through various channels such as staff activities; staff handbook; employee satisfaction surveys; education and training; employee performance appraisals; bi-annual newsletters; tenant satisfaction surveys; tenant visits; community events; media interviews and press conferences; press releases; emails and phone calls; corporate website; annual/interim reports, announcements, circulars and other forms of corporate communication; investor presentations; meetings and conference calls; post-results and non-deal roadshows; suppliers screening and performance assessment; procurement and tendering; suppliers site inspections and checks; strategic cooperation negotiations; documents submission; meetings with regulatory authorities; site investigations; forums, seminars/webinars and conferences; and more.

Sunlight REIT's operation involves various methods of engaging its stakeholders on an on-going basis. The Report covers economic, social and environmental aspects of concern to its stakeholders with a fair level of disclosure. In our professional opinion, Sunlight REIT adheres to the principle of Inclusivity. Areas for enhancement of the Report were adopted by Sunlight REIT and/or the Manager before the issuance of this opinion statement.

Materiality

Sunlight REIT publishes sustainability information that enables its stakeholders to make informed judgments about Sunlight REIT's management and performance. In our professional opinion, the Report adheres to the principle of Materiality and identifies Sunlight REIT's material aspects by using appropriate methods of materiality analysis and demonstrating material issues in a matrix form. Areas for enhancement of the Report were adopted by Sunlight REIT and/or the Manager before the issuance of this statement.

Responsiveness

Sunlight REIT and the Manager have implemented practices that respond to the expectations and perceptions of its stakeholders. These include various surveys and feedback mechanisms for both internal and external stakeholders. In our professional opinion, Sunlight REIT adheres to the principle of Responsiveness. Areas for enhancement of the Report were adopted by Sunlight REIT and/or the Manager before the issuance of this statement.

Impact

Sunlight REIT and the Manager have established processes to understand, measure and evaluate its impacts in qualitative and quantitative way. These processes enable Sunlight REIT and/or the Manager to assess its impact and disclose them in the Report. In our professional opinion, Sunlight REIT adheres to the principle of Impact. Areas for enhancement of the Report were adopted by Sunlight REIT and/or the Manager before the issuance of this statement.

HKEX's ESG Reporting Guide

Based on our verification review, we are able to confirm that social responsibility and sustainable development key performance indicators and disclosures in the two ESG subject areas : Environmental and Social, are reported in accordance with the HKEX's ESG Reporting Guide.

In our professional opinion, the Report covers Sunlight REIT's social responsibility and sustainability issues. Areas for enhancement of the Report were adopted by Sunlight REIT and/or the Manager before the issuance of this statement.

Assurance level

The Type 1 Moderate Level of Assurance provided in our review is defined by the scope and methodology described in this statement.

Responsibility and limitations

It is the responsibility of the Manager's senior management to ensure that the information being presented in the Report is accurate. The assurance is limited by information presented by the Manager. Our responsibility is to provide an independent assurance opinion statement to stakeholders giving our professional opinion based on the scope and methodology described.

Competency and independence

The assurance team was composed of lead assurors, who are experienced in the industrial sector, and trained in a range of sustainability, environmental and social standards including GRI G3, GRI G3.1, GRI G4, GRI Standards, AA1000, HKEX's ESG Reporting Guide, UNGC's Ten Principles, ISO 20121, ISO 14064, ISO 14001, OHSAS 18001, ISO 45001, ISO 9001, and ISO 10002, etc. British Standards Institution is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI Fair Trading Code of Practice.

For and on behalf of BSI :

Mr. Stephen Yu
Chief Operating Officer – Hong Kong
China Operational Resilience Director

Verifier of the Report :

Mr. Aaron Chim
Lead Assuror

Hong Kong
16 September 2022

ESG Reporting Guide Contents Index

Mandatory Disclosure Requirements	Corresponding Section
Governance Structure	
A statement from the board containing the following elements : (i) a disclosure of the board's oversight of ESG issues;	Our Sustainability Approach – Sustainability governance structure
(ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritize and manage material ESG-related issues (including risks to the issuer's businesses); and	Stakeholder Engagement and Materiality – Materiality assessment
(iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	
Reporting Principles	
A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report : **Materiality** : The ESG report should disclose : (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. **Quantitative** : Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed. **Consistency** : The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	About the ESG Report – Reporting standard and reporting principles
Reporting Boundary	
A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	About the ESG Report – Reporting scope

Aspect	KPI	Description	Corresponding Section
A. Environment			
A1 Emissions	A1	General disclosure	Land – Introduction, Energy and carbon emissions, Waste and water
	A1.1	The types of emissions and respective emissions data	Due to the business nature of Sunlight REIT, air pollutant emissions are not considered to be material issues
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity	Land – Energy and carbon emissions; Performance Summary
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity	Performance Summary
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity	Performance Summary
	A1.5	Description of emission target(s) set and steps taken to achieve them	Sustainability Targets; Land – Energy and carbon emissions
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	Sustainability Targets; Land – Waste and water
A2 Use of resources	A2	General disclosure	Land – Introduction, Green buildings, Energy and carbon emissions, Waste and water Due to the business nature of Sunlight REIT, raw materials are not considered to be material issues
	A2.1	Direct and/or indirect energy consumption by type in total (kWh in '000s) and intensity	Land – Energy and carbon emissions; Performance Summary
	A2.2	Water consumption in total and intensity	Land – Waste and water; Performance Summary
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	Sustainability Targets; Land – Energy and carbon emissions
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	Sustainability Targets; Land – Waste and water No issue in sourcing water since it is provided by the Water Supplies Department, The Government of the HKSAR
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Due to the business nature of Sunlight REIT, packaging material is not considered to be a material issue
A3 The environment and natural resources	A3	General disclosure	Land – Introduction, Green buildings, Energy and carbon emissions, Waste and water, Climate change
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Land – Green buildings, Energy and carbon emissions, Waste and water, Climate change
A4 Climate change	A4	General disclosure	Land – Climate change
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	Sustainability Targets; Land – Climate change

Aspect	KPI	Description	Corresponding Section
B. Social			
B1 Employment	B1	General disclosure	Human – Introduction
	B1.1	Total workforce by gender, employment type, age group and geographical region	Human – Introduction; Performance Summary
	B1.2	Employee turnover rate by gender, age group and geographical region	Performance Summary
B2 Health and safety	B2	General disclosure	Human – Health and safety
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	Human – Health and safety; Performance Summary
	B2.2	Lost days due to work injury	Human – Health and safety; Performance Summary
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Human – Employee well-being, Health and safety
B3 Development and training	B3	General disclosure	Human – Training and development; Performance Summary
	B3.1	The percentage of employees trained by gender and employee category	Human – Training and development; Performance Summary
	B3.2	The average training hours completed per employee by gender and employee category	Human – Training and development; Performance Summary
B4 Labour standards	B4	General disclosure	Human – Introduction Due to the business nature of Sunlight REIT, child and forced labour is not considered to be a material issue
	B4.1	Description of measures to review employment practices to avoid child and forced labour	Due to the business nature of Sunlight REIT, child and forced labour is not considered to be a material issue
	B4.2	Description of steps taken to eliminate such practices when discovered	Due to the business nature of Sunlight REIT, child and forced labour is not considered to be a material issue
B5 Supply chain management	B5	General disclosure	Partnership – Supply chain management
	B5.1	Number of suppliers by geographical region	Performance Summary
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Partnership – Supply chain management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	Partnership – Supply chain management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	Partnership – Supply chain management

Aspect	KPI	Description	Corresponding Section
B. Social			
B6 Product responsibility	B6	General disclosure	Partnership – Tenant satisfaction and well-being Due to the business nature of Sunlight REIT, advertising and labelling are not considered to be material issues
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Due to the business nature of Sunlight REIT, product recall and methods of redress are not applicable to the business
	B6.2	Number of products and service related complaints received and how they are dealt with	Partnership – Tenant satisfaction and well-being; Performance summary
	B6.3	Description of practices relating to observing and protecting intellectual property rights	Due to the business nature of Sunlight REIT, intellectual property rights are not considered to be material issues
	B6.4	Description of quality assurance process and recall procedures	Partnership – Tenant satisfaction and well-being Due to the business nature of Sunlight REIT, recall procedures are not applicable to the business
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Partnership – Tenant satisfaction and well-being
B7 Anti-corruption	B7	General disclosure	Human – Anti-corruption and integrity
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Human – Anti-corruption and integrity; Performance Summary
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Human – Anti-corruption and integrity
	B7.3	Description of anti-corruption training provided to directors and staff	Human – Anti-corruption and integrity
B8 Community investment	B8	General disclosure	Neighbourhood – Community investment
	B8.1	Focus areas of contribution	Neighbourhood – Community investment; Performance Summary
	B8.2	Resources contributed to the focus area	Neighbourhood – Community investment; Performance Summary

Board of Directors and Senior Management

Board of Directors

Mr. AU Siu Kee, Alexander

OBE, FCA, FCCA, FCPA, AAIA, FCIB, FHKIB
Chairman and Non-Executive Director

Mr. Au, aged 75, has been the Chairman and Non-Executive Director of the Manager since 2010. Mr. Au was an executive director and the Chief Financial Officer of HLD from December 2005 to June 2011. In July 2011, he stepped down from the position of Chief Financial Officer and was re-designated as a non-executive director of HLD. He was further re-designated in December 2012 as an independent non-executive director of HLD until his retirement in June 2015. In December 2018, Mr. Au rejoined HLD as an independent non-executive director. Currently, Mr. Au is also an independent non-executive director of Henderson Investment Limited, Miramar Hotel and Investment Company, Limited and Wharf Real Estate Investment Company Limited, and a non-executive director of Hong Kong Ferry (Holdings) Company Limited, the shares of all of which are listed on the Main Board of the Stock Exchange.

A banker by profession, Mr. Au was the Chief Executive Officer of Hang Seng Bank Limited from October 1993 to March 1998 and of Oversea-Chinese Banking Corporation Limited in Singapore from September 1998 to April 2002. Mr. Au previously served as an independent non-executive director of The Wharf (Holdings) Limited and was formerly a non-executive director of a number of leading companies including The Hongkong and Shanghai Banking Corporation Limited, MTR Corporation Limited and Hang Lung Group Limited. An accountant by training, Mr. Au is a fellow of the Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. WU Shiu Kee, Keith

BS, MS, FHKIoD
Chief Executive Officer and Executive Director

Mr. Wu, aged 58, has been the Chief Executive Officer, Executive Director and a responsible officer of the Manager since 2006. He has over 30 years of experience encompassing the fields of property investment, corporate finance, asset management and investment research.

From 1997 to 2005, Mr. Wu was an executive director of a listed company engaged in property development and investment. Prior to this appointment, he worked in the banking industry and held senior research and asset management positions with several international financial institutions in Hong Kong.

Mr. Wu holds a Master of Science degree in Engineering-Economic Systems (since renamed Management Science and Engineering) from Stanford University in the United States and a Bachelor of Science degree in Economics and Statistics (High Distinction) from the University of Toronto in Canada. He is a fellow of The Hong Kong Institute of Directors.

Mr. KWOK Ping Ho

B.Sc., M.Sc., Post-graduate Diploma in Surveying, FRICS, ACIB
Non-Executive Director

Mr. Kwok, aged 69, has been a Non-Executive Director of the Manager since 2006. He has also been an executive director of HLD, a company listed on the Main Board of the Stock Exchange, since December 1993.

Mr. Kwok holds a Bachelor of Science (Engineering) (Civil Engineering Group) Honours degree from the University of London, a Master of Science degree in Administrative Sciences from Cass Business School, City, University of London as well as a Post-graduate Diploma in Surveying (Real Estate Development) from The University of Hong Kong. He is a Fellow of the Royal Institution of Chartered Surveyors as well as an Associate of The Chartered Institute of Bankers of the United Kingdom. He had previously been a Part-time Lecturer for the MBA programme of The University of Hong Kong and presently serves as an Adjunct Professor of the Department of Real Estate and Construction, Faculty of Architecture of The University of Hong Kong.

Mr. Kwok has over 35 years of experience in the finance and business management areas which include responsibilities in the corporate investment, finance and treasury as well as project management activities of the HLD group of companies since 1987, including group re-organization, privatization proposals and corporate acquisitions.

Mr. KWAN Kai Cheong

BAcc, FCA (Aust.), FCPA, FHKIoD
Independent Non-Executive Director

Mr. Kwan, aged 72, has been an Independent Non-Executive Director of the Manager since 2006. He previously worked for Merrill Lynch & Co., Inc. and was the president for its Asia Pacific region. He is presently the Managing Director of Morrison & Company Limited, a business consultancy firm. He is also the chairman of the board of G.T. Land Holdings Limited, a commercial property company in the People's Republic of China.

He is a non-executive director of China Properties Group Limited and an independent non-executive director of Win Hanverky Holdings Limited, Greenland Hong Kong Holdings Limited and CK Life Sciences Int'l., (Holdings) Inc.. He is also an independent non-executive director of HK Electric Investments Manager Limited in its capacity as the trustee-manager of HK Electric Investments and HK Electric Investments Limited. Mr. Kwan was previously an independent non-executive director of Beijing Energy International Holding Co., Ltd. from April 2011 until June 2021. All the above are companies/trust listed on the Main Board of the Stock Exchange.

Mr. Kwan holds a Bachelor of Accountancy (Honours) degree from the University of Singapore (since renamed National University of Singapore). He is also a fellow of the Institute of Chartered Accountants in Australia, the Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Directors. He completed the Stanford Executive Program in 1992.

Board of Directors and Senior Management

Dr. TSE Kwok Sang

BSc, MBA, MSc, PhD, ASA, MHKIoD, JP
Independent Non-Executive Director

Dr. Tse, aged 65, has been an Independent Non-Executive Director of the Manager since 2006. He is currently a Principal Lecturer and Programme Director, Faculty of Business and Economics of The University of Hong Kong.

Dr. Tse has published widely on the subject of real estate finance and economics, financial regulations and capital markets and investments. He is a director of HKU School of Professional and Continuing Education and a member of the CFP Examination Committee. Dr. Tse is also an Ex Officio member of the Executive Committee of the New Territories Heung Yee Kuk and a Justice of the Peace.

Dr. Tse is currently an independent non-executive director of Wing Lee Property Investments Limited. He served as an independent non-executive director of GTI Holdings Limited until 2 November 2020, and of China Bozza Development Holdings Limited until 31 January 2022. The shares of the above companies are listed on the Main Board of the Stock Exchange.

Dr. Tse holds a Ph.D. in Finance from Michigan State University in the United States. He is an associate of the Society of Actuaries and a member of The Hong Kong Institute of Directors.

Mr. KWOK Tun Ho, Chester

BA, FHKIoD
Independent Non-Executive Director

Mr. Kwok, aged 59, has been an Independent Non-Executive Director of the Manager since 2016. Mr. Kwok holds a Bachelor of Arts degree from the University of Cambridge. He had been working in the banking industry since 1989 and has over 30 years of experience in corporate finance and investment and commercial banking in Hong Kong and in Asia. Prior to his retirement from the banking business in October 2015, he had held senior positions in a number of international financial institutions, including Credit Suisse and Standard Chartered Bank.

Mr. Kwok is an independent non-executive director of Yixin Group Limited and SF REIT Asset Management Limited, the manager of SF Real Estate Investment Trust, which are company/real estate investment trust listed on the Main Board of the Stock Exchange respectively. He is a fellow of The Hong Kong Institute of Directors and is currently a member of the Process Review Panel of the SFC.

Ms. Helen ZEE

BSc, AICPA
Independent Non-Executive Director

Ms. Zee, aged 55, has almost 20 years of experience in investment banking and corporate finance, and held various senior positions including Deputy Chief Executive Officer and Managing Director of Haitong International Capital Limited from 2013 to 2019. Ms. Zee currently holds various positions in public service, including a member of Mandatory Provident Fund Schemes Advisory Committee, the Process Review Panel of the Securities and Futures Commission, Estate Agents Authority, University Grants Committee and Cyberport Advisory Panel. She is also a member of as well as chairperson of Investment Committee of the Hong Kong Deposit Protection Board, and a member of Police Children's Education Trust Investment Advisory Board and Police Education and Welfare Trust Investment Advisory Board.

Ms. Zee holds a Bachelor of Science, Business Administration degree from University of California, Berkeley, and is a member of the American Institute of Certified Public Accountants.

Senior Management

1. Ms. YIP May Ling, Vivian
2. Mr. WONG Chi Ming
3. Ms. PO Chin Fei, Kathy
4. Ms. LO Yuk Fong, Phyllis
5. Ms. YU Hoi Zin
6. Mr. HAH Yick Yat, Kelvin
7. Ms. CHUNG Siu Wah
8. Mr. WU Shiu Kee, Keith

Mr. WU Shiu Kee, Keith

Chief Executive Officer, Executive Director and Responsible Officer

Mr. Wu is responsible for the implementation of the strategy and objectives as set by the Board, ensuring that Sunlight REIT is operating in accordance with the stated strategies, policies and regulations. In addition, he takes charge of the day-to-day management and operations of the Manager.

Details of his experience are set out in "Board of Directors" on page 70.

Ms. LO Yuk Fong, Phyllis

Chief Financial Officer and Responsible Officer

Ms. Lo is principally responsible for supervising the overall financial management of Sunlight REIT, including but not limited to financial reporting, taxation and cash flow management, monitoring of capital expenditure, reviewing of and making recommendation on financing matters and budget preparation. She is also a director of certain special purpose vehicles of Sunlight REIT.

Ms. Lo has over 30 years of experience in financial management and company secretarial functions. Prior to joining the Manager, Ms. Lo was the Chief Financial Officer of a media company previously listed in Singapore.

Ms. Lo holds a Bachelor of Business Administration degree from The Chinese University of Hong Kong. She is a fellow of the Institute of Chartered Accountants in England & Wales, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Board of Directors and Senior Management

Mr. WONG Chi Ming

General Manager – Asset Management and Responsible Officer

Mr. Wong is responsible for, among other matters, driving the operating performance of Sunlight REIT's property portfolio, planning and developing asset enhancement strategies for recommendation to the Chief Executive Officer and to the Board, and directing the development and implementation of marketing strategies and business development plans for Sunlight REIT. He is also a director of certain special purpose vehicles of Sunlight REIT.

Mr. Wong has over 30 years of experience in the leasing and property management fields. Between 2006 and April 2010, Mr. Wong was the Chief Leasing Administration Manager of the Property Manager. Prior to joining the Property Manager, Mr. Wong was a leasing manager of HLD from 2005 to 2006, and worked for Hang Lung Properties Limited from 1990 to 2005.

Mr. Wong holds a Bachelor of Engineering degree from The University of Hong Kong and a Master of Corporate Governance degree from The Open University of Hong Kong (now retitled Hong Kong Metropolitan University). He is a holder of Estate Agent's Licence (Individual).

Ms. YIP May Ling, Vivian

General Manager – Investment and Investor Relations and Responsible Officer

Ms. Yip is responsible for, among other matters, formulating and implementing the Manager's investment plans, strategy and policy for Sunlight REIT, identifying and evaluating potential acquisition or divestment opportunities consistent with the investment strategy of Sunlight REIT. She is also responsible for communication with Unitholders, investors and other key stakeholders.

Ms. Yip has over 15 years of experience in corporate finance, investment and audit. Prior to joining the Manager, she was the Finance Director and Deputy Investment Director of Henderson (China) Investment Co. Ltd., a wholly-owned subsidiary of HLD. Between 2010 and 2014, she was an Investment Director of China Everbright Limited.

Ms. Yip holds a Master of Science (Investment Management) degree from The Hong Kong University of Science and Technology and a Bachelor of Business Administration degree from The Chinese University of Hong Kong. She is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. HAH Yick Yat, Kelvin

Assistant General Manager – Human Resources and Operations

Mr. Hah is responsible for, among other matters, human resources management, procurement and office administration, supporting the Manager's core management functions through the provision of ancillary back-office services and ensuring the optimal efficiency and operation of the information technology systems.

Mr. Hah has over 20 years of experience in the finance and administration areas; in particular, he was the Finance and Administration Officer of Eastar Technology Limited, a subsidiary of Henderson Cyber Limited between 2000 and 2003.

Mr. Hah holds a Master of Science degree in Financial Management from the University of London, a Professional Diploma in Marketing from the University of California, Berkeley, in the United States and a Bachelor of Arts degree in Economics from The University of British Columbia in Canada.

Ms. PO Chin Fei, Kathy

Manager – Internal Audit

Ms. Po is responsible for, among other things, planning and conducting audits on compliance, operational control and risk management and facilitating design and operation of the internal control system.

Ms. Po has over 15 years of experience in financial statement audit and internal audit. Prior to joining the Manager, Ms. Po was an internal audit manager of CK Hutchison Holdings Limited from 2005 to 2017.

Ms. Po holds a Bachelor of Engineering degree from The University of Hong Kong. She is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Ms. YU Hoi Zin

Compliance Manager

Ms. Yu is responsible for, among other things, the design and implementation of adequate internal control and systems, so as to ensure that both Sunlight REIT and the Manager are in compliance with all relevant laws, rules and regulations.

Ms. Yu has over 15 years of experience in compliance, company secretarial, finance and auditing. Prior to joining the Manager, she was the Compliance Manager and Company Secretary of the manager of a real estate investment trust previously listed in Hong Kong. Ms. Yu holds a Bachelor of Business Administration in Global Business and Accounting from The Hong Kong University of Science and Technology. She is a member of the Hong Kong Institute of Certified Public Accountants, a Chartered Financial Analyst and an associate of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.

Ms. CHUNG Siu Wah

Company Secretary

Ms. Chung joined the Manager in 2008 and served as the Company Secretary since November 2011. Ms. Chung has over 25 years of experience in the company secretarial field. Prior to joining the Manager, she was the Assistant Company Secretary of a company previously listed on the Main Board of the Stock Exchange.

Ms. Chung holds a Bachelor of Arts degree in Accountancy from the City University of Hong Kong. She is an associate of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.

Mr. LEE Kiu Ming

General Manager

Mr. Lee is responsible for formulating and implementing business plans and strategies and business development of the Property Manager. Mr. Lee has over 30 years of marketing, leasing and property management experience in the property field in Hong Kong. Prior to joining the Property Manager, he was a leasing manager in the Portfolio Leasing Department of HLD.

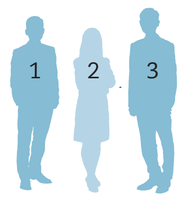
Mr. Lee holds a Bachelor of Social Science degree from The Chinese University of Hong Kong and a Bachelor of Science degree (Estate Management) from the University of Reading in the United Kingdom. He is a holder of Estate Agent's Licence (Individual).

Mr. POON Hung Tak

Deputy General Manager – Property Management

Mr. Poon works with the General Manager to oversee the building operations of the Property Manager.

Mr. Poon has over 30 years of experience in property management. Prior to joining the Property Manager, he was employed as Estate Manager in the Portfolio Leasing Department of HLD.



1. Mr. LEE Kiu Ming
2. Ms. HO Kuk Fong
3. Mr. POON Hung Tak

Mr. Poon holds a Master of Business Administration in Construction and Real Estate degree from the University of Reading in the United Kingdom, a Bachelor of Arts degree from The University of Hong Kong and a Professional Diploma in Real Estate Administration from the School of Professional and Continuing Education of The University of Hong Kong. He is also a professional member of the Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors.

Ms. HO Kuk Fong

Deputy General Manager – Leasing

Ms. Ho works with the General Manager to oversee the marketing and leasing administration of the Property Manager.

Ms. Ho has over 25 years of experience in property leasing. Prior to joining the Property Manager, she was the Senior Leasing Manager of Sun Hung Kai Real Estate Agency Limited.

Ms. Ho holds a Master of Science in Real Estate degree from The University of Hong Kong, a Post-graduate Diploma in Surveying (Real Estate Development) from The University of Hong Kong and a Diploma in Property Development from the School of Professional and Continuing Education of The University of Hong Kong. She is a holder of Estate Agent's Licence (Individual).

Corporate Governance Report

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 supported by five key elements, namely **checks and balances**, **risk management**, **internal control**, **communication and transparency**.

Checks and Balances

The Trustee and the Manager

Sunlight REIT

Trustee

The Trustee is a trust company registered under the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong), and is qualified under the REIT Code to act as a trustee for collective investment schemes authorized under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**").

The Trustee is responsible for, among other things, the safe custody of the assets of Sunlight REIT on behalf of Unitholders as well as overseeing the activities of the Manager to ensure compliance with the Trust Deed and regulatory requirements applicable to Sunlight REIT.

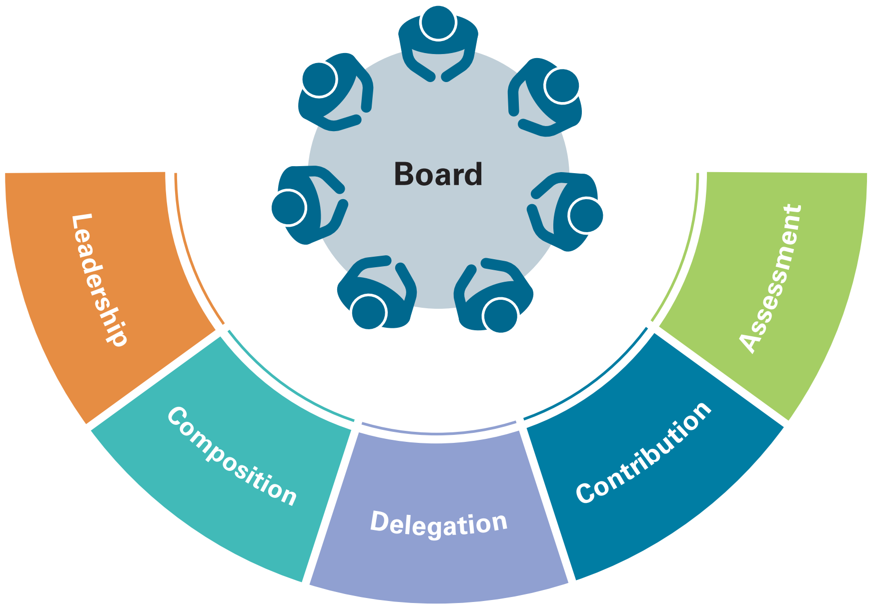
Manager

The Manager is licensed under Part V of the SFO and approved by the SFC to manage Sunlight REIT. It currently has five responsible officers in place.

The Manager is responsible for the management and operation of Sunlight REIT, ensuring that the financial and economic aspects of Sunlight REIT's assets are professionally managed in the sole interest of Unitholders.

The Board of the Manager

The Board is responsible for the overall management and corporate governance of the Manager, and the following core elements are embedded to ensure Board effectiveness :



Leadership

- The Board plays a leading role in setting out the corporate strategies and direction of Sunlight REIT. It oversees the day-to-day management functions and corporate governance of the Manager.
- The chairman of the Board (the "**Chairman**") provides leadership and ensures that the Board performs its responsibilities and that all key issues are discussed in a timely manner. A culture of openness is promoted to facilitate effective contributions from and communications among directors of the Manager (the "**Directors**").
- The Board (and/or relevant designated committees of the Board (the "**Board Committees**")) oversees the corporate governance policies of the Manager in relation to Sunlight REIT which include :

  (i) developing and reviewing the policies on corporate governance;

  (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management;

  (iii) reviewing and monitoring the compliance manual of the Manager ("**Compliance Manual**"); and

  (iv) reviewing and monitoring the policies and practices of Sunlight REIT, and ensuring that Sunlight REIT is in compliance with (a) applicable legal and regulatory requirements; and (b) the corporate governance code in Appendix 14 of the Listing Rules (the "**Corporate Governance Code**") and disclosure in the Corporate Governance Report.

Pursuant to the Corporate Governance Code, the Board is also responsible for setting the **corporate culture of Sunlight REIT** and plays a pivotal role in promoting, monitoring and assessing such culture. The senior management has been delegated by the Board with the responsibility to review the culture on regular intervals, ensuring that it aligns with the business strategy and organizational structure of Sunlight REIT.

As approved by the Board, the corporate culture of Sunlight REIT contains four core values, namely :

Accountability

- We have established an organizational structure with proper segregation of duties to govern our business operations and to ensure alignment with our corporate strategy and culture.
- We promote employee responsibility and engagement in maintaining our robust risk management framework and sound internal control system.
- We encourage teamwork and collaboration to develop trust and accountability.
- We believe in mentoring and coaching of our key talents, through which they can experience personal growth and become strategic and innovative thinkers, as well as future leaders of Sunlight REIT.

Care

- We aspire to accomplish our "2030 Sustainability Vision", with land and human being identified as strategic pillars in our sustainability framework.
- We have clear and comprehensive remuneration and performance management frameworks to motivate and support our employees.
- We nurture a strong sense of belonging and identity by extending care to employees, stakeholders, the community and the environment.

Innovation

- We support continuous learning by motivating our employees to engage in professional training and to share knowledge and experience with peers.
- We encourage and foster constant communication with our stakeholders to provide new ideas and suggestions in respect of our strategy and business.
- We embrace innovative ideas and inspire employees to walk an extra mile to propel our business.

Integrity

- We operate our business in a lawful, honest, fair and transparent manner with strong professional integrity and sound business ethics.
- We strive to inculcate sound moral and ethical values in the workplace with no tolerance for corruption, misconduct and malpractice.

Composition

- The Board currently has seven Directors, including one Executive Director ("**ED**") (who is also the Chief Executive Officer (the "**CEO**")), two Non-Executive Directors ("**NEDs**") (including the Chairman) and four Independent Non-Executive Directors ("**INEDs**").

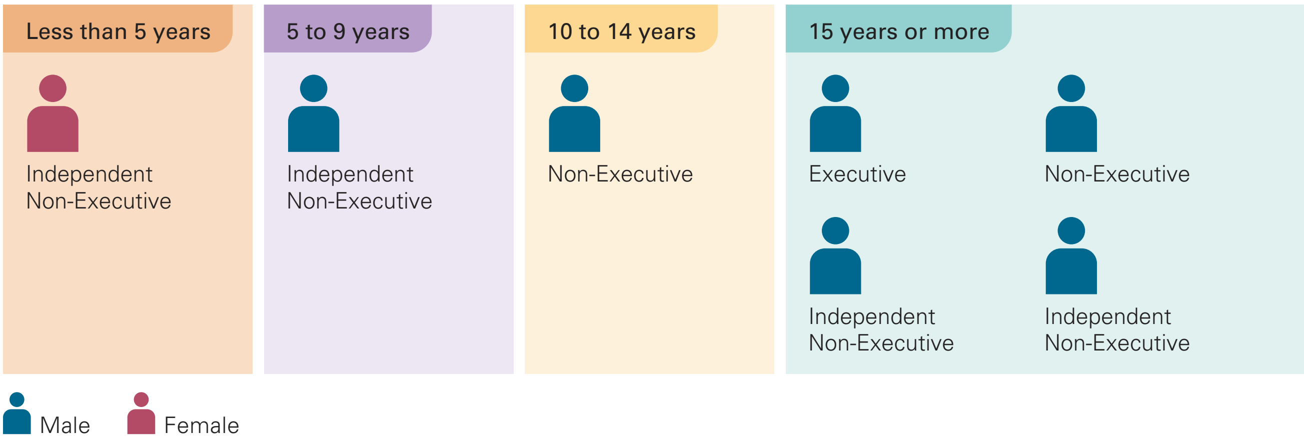
Balance of power and authority

- The roles of the Chairman and the CEO are separate and performed by two different individuals.
- There are no financial, business, family or other material/relevant relationships among the Directors and in particular, between the Chairman and the CEO.

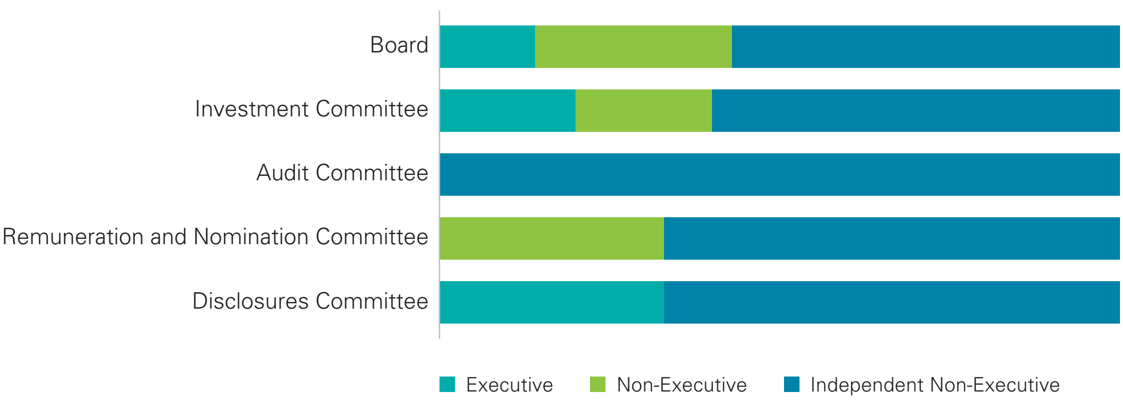
Board diversity

- The board diversity policy of the Manager (the "**Board Diversity Policy**") sets out the approach to achieve diversity on the Board. Selection of candidates is based on a number of factors, including but not limited to age, cultural and educational background, gender, knowledge, length of service and professional experience or skills. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The remuneration and nomination committee of the Board (the "**Remuneration and Nomination Committee**") monitors the implementation of this policy and reviews the policy on an annual basis, and where appropriate, make recommendations on changes to the Board to complement Sunlight REIT's corporate strategy and to ensure that the Board maintains a balanced diverse profile.
- With the appointment of Ms. Helen Zee as an additional INED, Sunlight REIT has in advance complied with the Listing Rules requirement and is in progress to attain its measurable objectives in respect of gender diversity.
- The Board also places a strong emphasis on skillset diversity – the diagram below provides a snapshot of the skills and experience of Board members :

Designation and years of service of Directors



Independence weighting of the Board and Board Committees



Nomination and appointment of Directors

- The nomination policy of the Manager (the "**Nomination Policy**") lists out the criteria in evaluating and selecting candidates for appointment and re-appointment as a Director, including but not limited to (i) relevant qualifications and experiences; (ii) ability to carry out duties competently, honestly and fairly; (iii) reputation, character, reliability and integrity; (iv) commitment as to whether sufficient time will be devoted to the Board; and (v) potential contributions and other attributes that the candidates can bring to the Board. The Remuneration and Nomination Committee may engage external consultants to assist the recruitment process as it deems necessary and shall conduct interviews with the candidates. It will then make recommendations to the Board.
- The NEDs and the INED appointed during the Year do not have a specific term of appointment, while the other INEDs have a current term of appointment of three years.
- All Directors shall retire from office at every annual general meeting of the Manager but shall be eligible for re-election in accordance with its articles of association. Further appointment of an INED who has served more than nine years is also subject to separate ordinary resolution to be approved by Unitholders.

Delegation

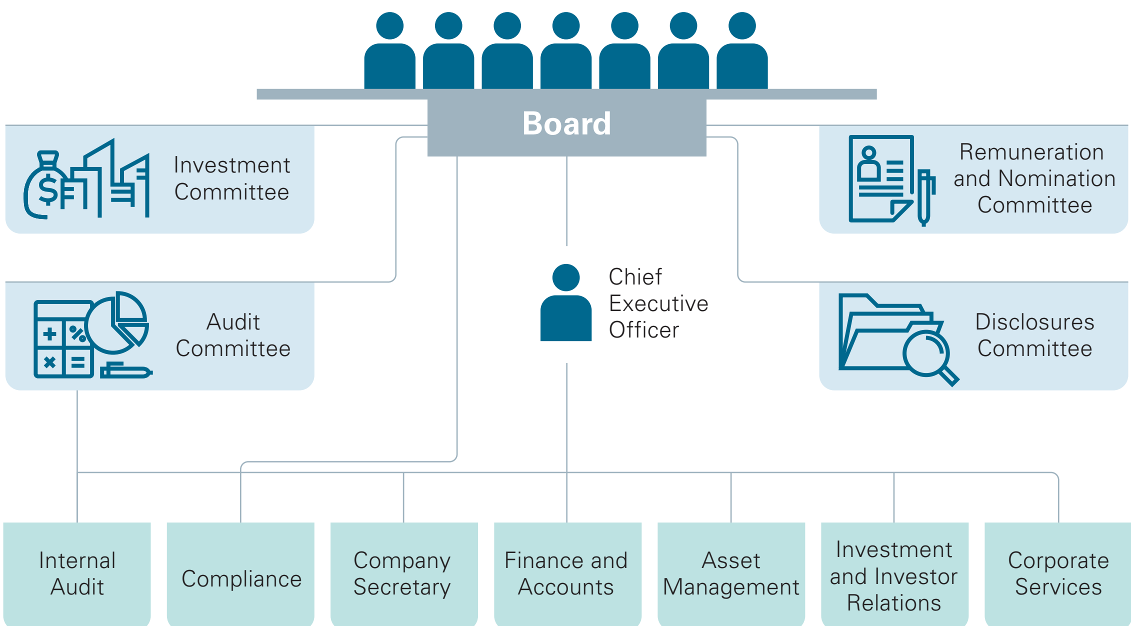
- Except for reserved matters as stated in the Compliance Manual which must first be considered by the full Board, the day-to-day management of the Manager is delegated to the Board Committees and the management team.

Board Committees

- The Board has established four Board Committees, namely the investment committee (the "**Investment Committee**"), the audit committee (the "**Audit Committee**"), the Remuneration and Nomination Committee and the disclosures committee (the "**Disclosures Committee**"). All Board Committees have clear terms of reference and each of which is to assist the Board in supervising specific issues and functions of Sunlight REIT and the Manager, and to report back to the Board their findings, decisions and recommendations.

Management

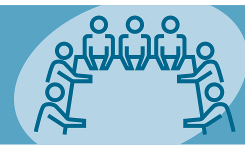
- The strategies and objectives set by the Board are implemented by the management team under the leadership of the CEO.
- Management functions of the Manager are delegated to seven departments, with a clear organizational structure formulated for delegation of key duties and functions as shown below. Apart from day-to-day communications among departments, management meetings are held regularly to oversee and facilitate implementation of strategies and business operations.



- Property management, lease management and marketing services are delegated to the Property Manager pursuant to a property management agreement entered into between the Manager and the Property Manager (as amended and supplemented).

Contribution

- Board meetings are held at least four times in each financial year at approximately quarterly intervals.
- At least 14 days' notice in writing is given to Directors for regular Board meetings. Board consents are adopted by way of majority votes at Board meetings, or by written resolutions signed by all Directors.
- The Chairman may, at the written request of any two Directors or the Company Secretary, convene a Board meeting.
- Board members are encouraged to make active contributions to the Board's affairs, to exercise independent and professional judgment on matters that require decision making, and to act in the best interests of Sunlight REIT and its Unitholders.
- Board members are encouraged to communicate their views and provide input to the Board and senior management.
- The major responsibilities and key work performed by the Board and Board Committees during the Year are set out below :



The Board

Responsibilities :

- Lead and guide the corporate strategy and direction of Sunlight REIT
- Oversee the management of Sunlight REIT and corporate governance of the Manager

Work performed :

- Approved financial results, distributions, business plans and budget and CAPEX proposal of Sunlight REIT
- Considered and approved the appointment and re-appointment of INEDs
- Reviewed the work performed by the ESG Committee, approved the ESG report and ESG-related strategy and policies of Sunlight REIT
- Approved the engagement of a new external consultant relating to ESG reporting of Sunlight REIT
- Reviewed the investor relations activities of Sunlight REIT
- Considered and approved the arranging of credit facilities for Sunlight REIT
- Approved the unwinding of IRSs
- Considered potential property acquisition opportunities and approved investment mandates as appropriate
- Approved updates in various corporate policies and guidelines
- Approved amendments to the Compliance Manual
- Reviewed the risk environment and factors affecting Sunlight REIT, including corresponding mitigating controls and changes in risk parameters and risk appetite statement and approved the revised risk universe
- Reviewed the internal control system of Sunlight REIT
- Approved the engagement of external consultants to review the risk management framework of Sunlight REIT
- Approved the rental assistance scheme relating to the fifth wave of COVID-19

Investment Committee

Responsibilities :

- Oversee investment and financial matters of Sunlight REIT
- Review investment strategies and proposals, as well as internal controls for investment and financial matters
- Review mitigation measures for investment and financial related risks
- Formulate treasury management and capital management policies

Work performed :

- Reviewed and considered financial results, operational statistics, business plans and budget of Sunlight REIT; recommended distributions, budget and CAPEX proposal for Board approval
- Evaluated potential property acquisition opportunities and made recommendations to the Board as appropriate
- Reviewed and assessed investment and financial risks of Sunlight REIT
- Reviewed and formulated capital and treasury management strategies, and approved amendments to relevant guidelines and policies

Audit Committee

Responsibilities :

- Ensure the quality and integrity of risk management and internal controls
- Recommend appointment of external auditor and review their performance
- Review completeness, accuracy, clarity and fairness of the financial statements
- Ensure compliance with applicable legal and regulatory requirements

Work performed :

- Reviewed internal audit activities reports and the effectiveness of internal audit function
- Reviewed interim and final results of Sunlight REIT
- Considered and recommended to the Board on the re-appointment of external auditor (and their audit fees)
- Assessed the risk environment of Sunlight REIT and considered corresponding mitigation measures, and approved amendments to the risk management policy
- Reviewed and considered the effectiveness of risk management and internal control systems
- Reviewed the business impact analysis and recommended changes to the contingency plan for Board approval
- Reviewed connected party transactions entered into by Sunlight REIT to ensure compliance with the requirements of the REIT Code, the Listing Rules and waivers granted by the SFC
- Reviewed adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting and financial reporting and internal audit functions
- Considered and recommended to the Board on amendments to the anti-money laundering policy and the guidelines on connected party transactions

Remuneration and Nomination Committee

Responsibilities :

- Oversee human resources strategy and policies of the Manager, including succession planning for Directors and the management team
- Review the structure, size and composition of the Board and Board Committees
- Evaluate performance of the Board and Board Committees, and review the independence qualification of INEDs

Work performed :

- Reviewed structure and diversity of the Board and evaluated performance of the Board, Board Committees and their members
- Considered and recommended to the Board on appointment and re-appointment of INEDs with reference to the Board Diversity Policy and Nomination Policy
- Reviewed and appraised overall staff performance
- Reviewed and approved employee benefits policies
- Considered and approved salary and bonus proposals

Disclosures Committee

Responsibilities :

- Review matters relating to disclosure of information of Sunlight REIT in corporate communications to Unitholders
- Ensure compliance with applicable legal requirements, and accurate and complete disclosure of information to the public and regulators
- Review matters relating to the ESG performance of Sunlight REIT

Work performed :

- Reviewed announcements, press releases, advertorials, interim and annual reports of Sunlight REIT and other corporate communications to Unitholders or investors
- Reviewed public regulatory filings to the applicable regulatory authorities
- Reviewed implication of amendments in rules and regulations to Sunlight REIT and its special purpose vehicles
- Reviewed the ESG-related matters of Sunlight REIT (including work performed by the ESG Committee and the ESG report of Sunlight REIT) and made recommendations to the Board
- Considered and approved amendments to the inside information policy and guidelines relating thereto

Assessment

- The Board's performance and effectiveness is regularly reviewed via the assistance of the Remuneration and Nomination Committee and the hiring of external consultants (as appropriate).
- All Directors shall participate in continuous professional training to develop and refresh their knowledge and skills, ensuring that their contribution to the Board remains informed and relevant. Membership of the Board and Board Committees, attendance record of Directors to the meetings and Directors' ongoing training and professional development activities held during the Year were as follows :

Type of meetings / Director (Designation)	Number of meetings attended/eligible to attend						Training and professional development activities
	Board of Directors	Investment Committee	Audit Committee	Remuneration and Nomination Committee	Disclosures Committee	2021 Annual General Meeting	
Mr. Au Siu Kee, Alexander (Chairman & NED)	6/6	5/5		3/3		1/1	√
Mr. Wu Shiu Kee, Keith (CEO & ED)	6/6	5/5			2/2	1/1	√
Mr. Kwok Ping Ho (NED)	6/6					1/1	√
Mr. Kwan Kai Cheong (INED)	6/6		4/4	3/3	2/2	1/1	√
Dr. Tse Kwok Sang (INED)	6/6	5/5	4/4		2/2	1/1	√
Mr. Kwok Tun Ho, Chester (INED)	6/6	5/5	4/4	3/3		1/1	√
Ms. Helen Zee (INED) (appointed with effect from 1 March 2022)	1/1	2/2	1/1				√

Chairman/chairman of the Board Committee/chairman of the general meeting   N/A

Risk Management

Background

Risk management forms an integral part of Sunlight REIT's operating processes and is fundamental to the achievement of its vision, mission and core values.

During the Year, KPMG was engaged to review and evaluate the risk management framework of Sunlight REIT. Based on its assessment and recommendations, the Manager has further enhanced the robustness of the risk management framework.

In response to the high volatility and rapid changes in the global and local business environment, the Manager conducted a business impact analysis for Sunlight REIT during the Year and updated the contingency plan accordingly. Top priority processes were identified and mapped against the top risks of Sunlight REIT, and those top priority processes having top risks would be monitored closely to ensure that the related top risks are within the risk tolerance of Sunlight REIT. The Manager believes that the enhanced risk management framework and business impact analysis will help strengthen the business resilience of Sunlight REIT, with a view to safeguarding the performance of Sunlight REIT and the well-being of its stakeholders.

Risk Value

The risk management framework of Sunlight REIT is established on the basis of achieving the following value propositions :

- Establish a risk savvy culture in Sunlight REIT so that strategic and operational decisions are consciously weighted against the associated risks to support the achievement of strategic and operational objectives.
- Maintain a robust governance framework under which all key risks are identified, assessed and accounted for as well as ensuring that such risks are managed to an acceptable level with reference to Sunlight REIT's overall goals and objectives.
- Enhance operational efficiency and effectiveness through regular process reviews.
- Protect people, assets, reputation and values of Sunlight REIT.
- Identify key risk indicators ("**KRIs**") to provide early warning signals on the risk levels which may potentially prevent Sunlight REIT from achieving its strategic objectives.

Approach and responsibilities

In enabling a consistent and holistic view of risk management, the Manager adopts a blended approach whereby application of the risk management framework encompasses day-to-day business activities to strategic planning processes at the Board level. The risk process involves collating and appraising bottom-up input from risk owners, with refinements and adjustments through top-down input by the CEO and heads of departments and/or operating units (excluding the Head of Internal Audit Department ("**IAD**")) as the Appointed Risk Leads ("**ARLs**"). The Risk Taskforce[Note] meets at approximately quarterly intervals to review the key risks of Sunlight REIT and to determine whether the proposed risk controls are adequate and sufficient. The ultimate responsibility for the management of risks is assumed by the Board, which shall ensure that appropriate and rigorous systems to manage and mitigate risks are in place. The Audit Committee, the Investment Committee and the Disclosures Committee are designated to assist the Board in risk governance by monitoring the risk assessment process and timely communicating to the Board on key risks where necessary, while the internal audit function is tasked with the responsibility of independently appraising Sunlight REIT's risk management framework and reporting the results annually to the Audit Committee.

The risk management framework of Sunlight REIT is summarized and illustrated by the 'Three Lines of Defence' model on page 87.

Note : The Risk Taskforce comprises the CEO, the Chief Financial Officer, the Assistant General Manager – Human resources and Operations and the Risk Manager (the role of which is assumed by the Compliance Manager) as core members and three rotational members from different departments and operating units.

Risk governance structure and process

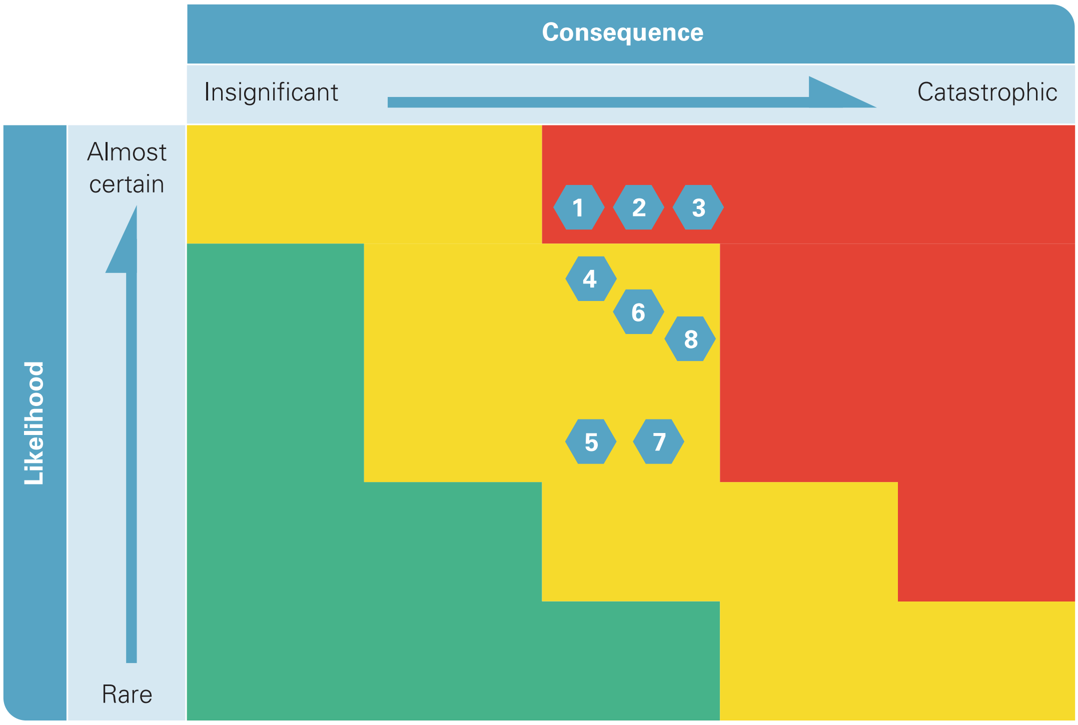
Board of Directors

Investment Committee	Disclosures Committee	Audit Committee

A summary of the review and findings will be presented to the Audit Committee, the Investment Committee and the Disclosures Committee as appropriate and further communicated to the Board for consideration.

1st line of defence	2nd line of defence	3rd line of defence
Risk ownership	**Risk control**	**Risk assurance**
Operational management	**Risk management and compliance**	**Internal audit**
Each department and/or operating unit will identify and submit their top five risks to the Risk Manager on a quarterly basis.	The Risk Manager will prepare a consolidated risk register of Sunlight REIT quarterly to the Risk Taskforce for review. The ESG Committee will review and monitor ESG risks (including climate-related risks) and make recommendations to the Risk Taskforce. The top risks of Sunlight REIT are determined by the Risk Taskforce after (i) reviewing, evaluating and prioritizing various risks relating to the operations of Sunlight REIT as consolidated by the Risk Manager; and (ii) assessing the risks to see if they are within the risk tolerance level of Sunlight REIT.	The Internal Audit Department will appraise the risk management system of Sunlight REIT and report the results to the Audit Committee annually.

Risk heat map at 30 June 2022



The risk heat map above provides an illustration of the top risks of Sunlight REIT at 30 June 2022 in terms of their likelihood and consequence. The risk tolerance level and the risk appetite statement of Sunlight REIT were reviewed and endorsed by the Board.

The Risk Taskforce has identified a list of strategic risks of Sunlight REIT at 30 June 2022, including but not limited to the macroeconomic risk regarding global inflation and increase in interest rates, political risk caused by the Russo-Ukrainian war and geopolitical tensions between China and the U.S. and sustainability risk relating to heightened regulations and stakeholders' expectations on ESG and climate-related matters, and have assessed their impact to Sunlight REIT as well as the mitigating controls. These strategic risks were considered when determining the top risks of Sunlight REIT.

Based on the recommendation from the Risk Taskforce, the Board has approved the top risks of Sunlight REIT at 30 June 2022, details of which are depicted on pages 89 to 90 of this annual report. Meanwhile, enhanced controls and procedures are formulated by the Manager to mitigate these new and amended risks.

Summary of the top risks of Sunlight REIT at 30 June 2022

Risk no.	Description	Nature	Major controls
1	Rental pressure and high vacancy rates due to the still difficult operating environment in Hong Kong	Financial and operational	• Closely monitor level of rental receivables
			• Provide more flexible leasing terms to tenants and offer competitive rental commission to leasing agents when necessary
			• Identify new tenants engaged in non-discretionary trades
			• Initiate early negotiations with existing and prospective tenants
			• Closely monitor the leasing market and review leasing terms from time to time
2 NEW	Rental collection risk	Financial	• Review outstanding rent, especially tenants in the specified sectors (as defined under the Temporary Protection Measures for Business Tenants (COVID-19 Pandemic) Bill)
			• Maintain continuous dialogues with tenants
3 AMENDED	Health and safety risk due to COVID-19	Human resources and operations	• Maintain effective and efficient communications with tenants and staff
			• Encourage vaccination, provide rapid antigen test kits, health and safety guidelines, and trainings for staff
			• Provide adequate information technology support to facilitate work-from-home arrangements
			• Maintain an effective contingency plan and review the plan from time to time
			• Strengthen inspection at properties
4	Structural changes in the pattern of work and consumer spending may reduce demand for office and retail spaces	Financial and operational	• Rebalance the trade mix of the tenancy portfolio to cope with the changes in the pattern of work and consumer behaviour
			• Launch creative promotional and marketing campaigns to enhance customer shopping experience and loyalty
			• Facilities improvement to maintain competitiveness of the properties
			• Closely monitor property acquisition/disposal opportunities to enhance the quality of the portfolio
			• Explore business opportunities and collaborations with new business partners

Risk no.	Description	Nature	Major controls
5	Cyber security and other IT risks	Operational	• Implement protective measures including installation of endpoint detection and response solutions as well as next-generation firewalls • Establish system backup mechanism for data recovery • Provide regular training to staff and conduct periodic phishing tests
6 **AMENDED**	ESG and operating performance may fall short of investors' expectations	Reputation	• Proactive communications with potential investors and Unitholders • Provide investors' feedback, performance benchmark and ESG updates to the Board regularly • Timely disclosure of material information
7	Aging portfolio leading to unforeseen facilities breakdown, substantial increase in insurance premium and difficulty in pursuing green objectives	Operational	• Conduct regular inspection and preventive maintenance for properties and facilities • Devote more resources to aging properties to lower the rate of facilities breakdown and number of damage incidents
8 **NEW**	Rise in interest rates may cause negative impact on DPU and increase hurdle rates for acquisition opportunities	Financial and investment	• Perform sensitivity analysis on interest rate fluctuations • Communicate with banks in advance and obtain standby credit facilities to meet acquisition funding needs if opportunity arises • Maintain an appropriate level of hedging for borrowings

Internal control

Internal control framework

The Audit Committee assists the Board in overseeing the effectiveness of Sunlight REIT's risk management and internal control systems. The IAD conducts independent reviews to ensure the adequacy, effectiveness and efficiency of operational processes and internal controls. Based on the three-year strategic audit plan approved by the Audit Committee, the IAD conducts financial, operations and compliance reviews, recurring and ad-hoc audits, fraud investigation and process efficiency reviews.

A summary report with key findings, improvement recommendations and implementation status is provided to the Audit Committee on a quarterly basis.

Internal control system

The risk management and internal control systems of Sunlight REIT are designed to manage rather than eliminate the risk of failure in achieving business objectives, and thus can only provide reasonable but not absolute assurance against material misstatements or losses. The key control components of the systems include :

Control environment	• A clear organizational structure is established with defined lines of responsibility and limits of delegated authority to facilitate segregation of duties and controls.
	• Code of conduct, anti-fraud policy and whistleblowing policy are adopted to emphasize the ethical standards and integrity of Directors and employees in all aspects of operations, and to establish mechanisms for reporting unethical conduct.
Risk assessment	• A risk management framework is in place to identify, assess and manage various types of risks that may have an impact on the achievement of business objectives. Please refer to "Risk Management" on pages 86 to 90 for more details.
	• A fraud risk register is established to identify specific fraud schemes and risks, and to assess their significance with relevant controls for ongoing monitoring.
	• ESG risks are integrated into the existing risk management framework and are monitored regularly by the ARLs, the ESG Committee, the Risk Taskforce and the Disclosures Committee.
Control activities	• A series of key policies and procedures are established to ensure that relevant management directives are carried out, and actions, including verifications and approvals, reviews and safeguarding of assets, are taken to address risks.
Information and communication	• Processes and systems are in place to capture and report operational, financial and compliance related information to enable effective communication within the organization and with external stakeholders.
	• An inside information policy is adopted to ensure that inside information is handled and disseminated to the public in an equal and timely manner in accordance with applicable laws and regulations. Procedures have been set up in respect of preservation and handling of inside information. Directors and employees of the Manager are prohibited from (i) making any unauthorized disclosure of confidential information, or (ii) making any use of such information for their own advantage or which may constitute conflicts of interest with the public and/or Sunlight REIT.
Monitoring activities	• Regular reviews of key risk areas are performed by the IAD to ascertain whether the controls are present and functioning, and to ensure compliance with internal policies and regulatory requirements. Internal control deficiencies are timely communicated to responsible parties for taking corrective actions.

Results of annual review of risk management and internal control systems

For the Year, the Audit Committee reviewed the effectiveness of Sunlight REIT's risk management and internal control systems, covering all material controls including financial, operational and compliance. The IAD assisted the Audit Committee in the review process by conducting regular reviews and providing annual appraisal of the risk management system, as well as reviewing the annual self-assessment of internal control and assurance on systems effectiveness submitted by different operational functions. Based on the recommendation of the Audit Committee, the Board confirmed that Sunlight REIT's risk management and internal control systems were effective and adequate with no significant areas of concern identified.

The Board, through the Audit Committee, also reviewed the resources, staff qualifications and experience, training and budgets of the Manager's accounting, financial reporting and internal audit functions, and considered that they were adequate.

Conflicts of interest and business competition

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

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

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

1. the Manager will not manage any real estate investment trust other than Sunlight REIT nor manage any other real estate assets other than those owned by Sunlight REIT;
2. the Manager has functional units and systems which operate independently of its shareholder(s);
3. the Manager has established internal control systems to ensure that Sunlight REIT's connected party transactions are monitored and undertaken in compliance with the REIT Code, the Listing Rules and waivers granted by the SFC, whereas any other situations of potential conflicts of interest are reported and monitored;
4. a Director with potential conflicts of interest shall disclose his/her interest to the Board and abstain from voting on the relevant matter, as well as not to be counted in the quorum for that resolution; and
5. registers of other directorships and senior positions held by the Directors are maintained and updated from time to time.

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

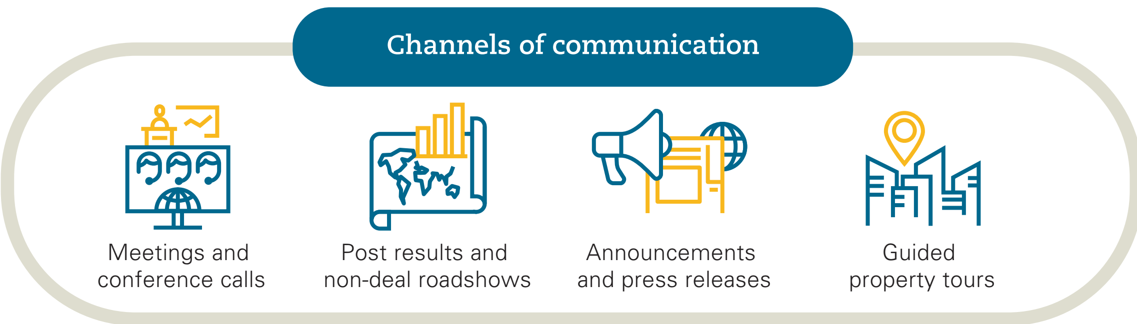
The Manager confirms that there were no transactions, arrangements or contracts of significance subsisting with Sunlight REIT during the Year in which a Director or an entity connected with the Director was materially interested.

Communication

Investor relations

The Manager is committed to providing open and effective communications, ensuring that Unitholders and the investment community at large are informed of the ongoing developments of Sunlight REIT. The Manager has an investor relations team which utilizes a range of interactive means to engage and maintain dialogues with investors and analysts. Investors' feedback and comments are reported to the Board regularly. The Manager believes that feedback and comments from the investment community are necessary in assisting the Board to map out the strategic direction of Sunlight REIT.

Communications with investors are conducted through various means as illustrated below :



In addition, investors and Unitholders may direct their enquiries to the Manager by email or by post. Please refer to "Corporate Information" on page 181 for contact details of the Manager.

The Manager has conducted a review of the implementation and effectiveness of the Unitholders' communication procedure during the Year, the purpose of which was to ascertain whether performance targets set in the prior financial year have been fulfilled. Based on both qualitative and quantitative assessments, the Manager considers that the Unitholders' communication procedure was effective during the Year.

General meetings

General meetings provide communication channels for Unitholders to obtain a better understanding of the business and operating performance of Sunlight REIT.

During the Year, the annual general meeting of Sunlight REIT was held on 10 November 2021 at which ordinary resolutions in relation to the granting of a general mandate to the Manager to buy back units (on-market) on behalf of Sunlight REIT and the re-appointment of each of Mr. Kwan Kai Cheong and Dr. Tse Kwok Sang as an INED were passed.

Transparency

Annual and interim reports

Financial statements of Sunlight REIT are prepared in accordance with accounting principles generally accepted in Hong Kong. Pursuant to the REIT Code, annual reports of Sunlight REIT are published and distributed to Unitholders within four months following the end of each financial year, and interim reports are published and distributed to Unitholders within three months following the end of the relevant period.

Results announcements and other information

Pursuant to the requirements of the REIT Code, results announcements of Sunlight REIT are released on a semi-annual basis.

It is customary for the Manager to conduct presentations with Unitholders, investors, analysts and/or the press immediately following the release of results announcements. The relevant presentation materials and results announcements are also available to the public on the website of Sunlight REIT.

To keep Unitholders abreast of the position of Sunlight REIT, public announcements on material information and developments of Sunlight REIT are made by the Manager on a timely basis in accordance with the applicable regulatory requirements. Briefings with analysts and the press may subsequently be convened by the Manager if necessary. The Manager also voluntarily releases the operational statistics of Sunlight REIT twice a year.

Other Compliance and Disclosure Matters

Compliance with the Compliance Manual and the Corporate Governance Code

The Manager has adopted 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.

Compliance with the Dealings Code

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

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

Changes in Board composition and Directors' information

During the Year, Ms. Helen Zee has been appointed as an additional INED and a member of each of the Audit Committee and the Investment Committee with effect from 1 March 2022.

Subsequent to the publication of the last interim report, the Manager has not been notified of any change in Directors' information.

Confirmation on independence

Each INED has provided an annual written confirmation of his/her independence by reference to the factors set out in the corporate governance policy of the Compliance Manual, inter alia, any cross-directorships or significant links with other Directors through involvement in other companies or bodies. Based on such confirmations, the Manager considered that the INEDs were independent.

Unitholders' rights

In accordance with the Trust Deed, at least 10 business days' notice of every meeting shall be given to Unitholders, except that at least 21 days' notice of the meeting shall be given to Unitholders where a special resolution is proposed for consideration at such meeting; and not less than 20 business days' notice shall be given to Unitholders for an annual general meeting. The place, date and time of the meeting, details of the electronic facilities for attendance and participation (in the case of hybrid meeting) and details of any resolution proposed will be specified in the meeting notice.

As required by the Trust Deed, any resolution put to the meeting shall be decided on a poll, except where the chairman of the meeting may, in good faith, exercise his/her discretion to allow a resolution which relates purely to a procedural or administrative matter to be decided on a show of hands. The voting results of the meeting shall be published by way of an announcement and will be posted on the websites of Sunlight REIT and the Stock Exchange.

Pursuant to the Trust Deed, not less than two Unitholders registered as holding together not less than 10% of the outstanding units in issue for the time being are entitled to request the Manager in writing to convene a meeting of Unitholders. Unitholders who wish to direct any such request to the Manager may refer to "Corporate Information" on page 181 for contact details of the Manager. The Trustee or the Manager may at any time convene a meeting of Unitholders.

Matters decided by Unitholders by special resolutions

In accordance with the Trust Deed, matters including but not limited to the following require specific approval of Unitholders by way of special resolutions :

- modification, variation, alteration or addition to the Trust Deed;
- removal of the Trustee;
- disposal of a real estate within two years from the date of its acquisition (except for disposal of a Non-qualified Minority-owned Property (the term as defined in the REIT Code));
- termination or merger of Sunlight REIT;
- changes in the investment policy and objective of Sunlight REIT; and
- increase in the maximum remuneration (other than any additional fee as allowed under the Trust Deed) or changes to the structure of the remuneration of the Trustee or the Manager.

Buy-back, sale or redemption of units

Pursuant to the general mandate to buy back units granted by Unitholders, the Manager bought back a total of 1,200,000 units on behalf of Sunlight REIT on the Stock Exchange during the Year for an aggregate consideration of approximately HK$4.6 million (excluding buy-back expenses). All the units bought back 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	Price paid per unit Highest (HK$)	Price paid per unit Lowest (HK$)	Aggregate consideration paid* (HK$'000)
April 2022	1,072,000	3.86	3.78	4,099
May 2022	128,000	3.87	3.86	495
Total	**1,200,000**			**4,594**

* 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.

The Manager conducted unit buy-back on the belief that it would lead to an enhancement of the net asset value per unit and/or distribution per unit, and when it would benefit Sunlight REIT and Unitholders as a whole.

Relevant Investments

The full investment portfolio of Relevant Investments, as defined in paragraph 7.2B of the REIT Code, of Sunlight REIT at 30 June 2022 is set out below :

Financial instruments[1] & issuers	Primary listing	Currency	Total cost (HK$'000)	Mark-to-market value (HK$'000)	% of gross asset value of Sunlight REIT[2,3]	Credit rating
CATHAY 4 7/8 08/17/26 Cathay Pacific MTN Financing (HK) Limited	Stock Exchange	USD	11,672	10,802	0.06	N/A
COGARD 5.4 05/27/25 Country Garden Holdings Company Limited	Singapore Exchange	USD	14,452	7,344	0.04	Fitch BBB-[5]
COGARD 3 1/8 10/22/25 Country Garden Holdings Company Limited	Singapore Exchange	USD	10,115	5,024	0.03	Moody's Ba1[4] Fitch BBB-[5]
GEELZ 3 03/05/25 Geely Finance (Hong Kong) Limited	Singapore Exchange	USD	15,373	14,852	0.08	S&P BBB-
NWDEVL 5 09/06/22 New World Capital Finance Limited	Unlisted	HKD	10,400	10,037	0.05	N/A
PANVA 4 04/26/27 TCCL (Finance) Limited	Stock Exchange	USD	4,623	4,595	0.02	S&P BBB+ Moody's Baa1
PCPDC 5 1/8 06/18/26 PCPD Capital Limited	Singapore Exchange	USD	11,639	11,104	0.06	N/A
ZHONAN 3 1/8 07/16/25 ZhongAn Online P & C Insurance Co., Ltd.	Stock Exchange	USD	28,743	26,561	0.14	Moody's Baa2
Total			**107,017**	**90,319**	**0.48**	

At 30 June 2022, the combined mark-to-market value of Relevant Investments, together with other ancillary investments of Sunlight REIT, represented approximately 4.5% of the gross asset value of Sunlight REIT.

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

Notes :

1. All financial instruments are bonds and their descriptions are quoted from Bloomberg.
2. The percentages are arrived at by comparing the mark-to-market value of the investments with the gross asset value of Sunlight REIT at 30 June 2022.
3. Gross asset value refers to the total assets after adjusted for the final distribution declared. Total assets and final distribution are stated on page 132 and page 135 of this annual report respectively.
4. Moody's has lowered the credit rating of this financial instrument from Baa3 to Ba1 with effect from 22 June 2022.
5. Fitch has lowered the credit rating of these financial instruments from BBB- to BB+ with effect from 15 August 2022.

Issue of further units

Further issue of units is subject to compliance with the pre-emption provisions contained in the REIT Code. Such provisions generally require that, unless the REIT Code otherwise permits, further issues of units shall be offered on a pro rata basis to existing Unitholders. If new units are not offered on a pro rata basis, the approval of Unitholders by way of an ordinary resolution is required unless the aggregate number of new units issued during the financial year does not increase the total number of units in issue at the end of the previous financial year by more than 20%.

During the Year, a total of 10,778,587 new units were issued to the Manager in October 2021 and April 2022, as payment of part of the Manager's fees. The payment of the Manager's fees by way of units is provided for in the Trust Deed and does not require specific prior approval of Unitholders pursuant to a waiver granted by the SFC. Under such waiver, the number of units issued to the Manager as payment of all or part of the Manager's fees for each financial year will be counted as part of the 20% of units outstanding at the end of the previous financial year that the Manager may issue in each financial year without requiring Unitholders' approval pursuant to paragraph 12.2 of the REIT Code.

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

Unitholder statistics

An analysis of the registered Unitholders at 30 June 2022 by type according to the register of Unitholders of Sunlight REIT was as follows :

Range of unitholdings	Number of registered Unitholders	Aggregate number of units held	% of unit holdings[Note]
1 – 10,000	2,369	3,750,107	0.22
10,001 – 100,000	286	10,852,486	0.65
100,001 – 1,000,000	61	18,566,592	1.10
1,000,001 or above	11	1,648,542,886	98.03

HKSCC Nominees Limited (through which most Unitholders hold their units) remained as the single largest registered Unitholder, holding 1,307,021,359 units (representing approximately 77.7%[Note] of units in issue) at 30 June 2022.

Save as disclosed in the "Disclosure of Interests" section of this annual report, there were no other members of the senior management holding units at 30 June 2022.

Public float

Based on information that is publicly available and as far as the Manager is aware, 46.9% of the outstanding units in issue of Sunlight REIT were held in public hands at the date of this annual report, which satisfies the minimum public float requirement of 25% under the Listing Rules.

Review of annual report

This annual report has been reviewed by the Audit Committee and the Disclosures Committee in accordance with their respective terms of reference.

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of Sunlight REIT and its subsidiaries for the Year.

Auditor's remuneration

During the Year, fees payable to the auditor amounted to HK$2,008,000 for audit and audit related services. Non-audit services fee payable to the auditor was HK$750,000 for services relating to the review of interim financial statements and risk management framework of Sunlight REIT.

Promotional expenses

Pursuant to the waiver granted by the SFC on 27 April 2009 from strict compliance with paragraph 9.13(b) of the REIT Code, certain expenses for advertising or promotional activities are allowed to be paid out of the deposited property of Sunlight REIT. A further waiver was granted by the SFC on 30 April 2012 to expand the scope of such expenses to include the fees, costs and expenses incurred in relation to any fund raising exercise by, any assets of or otherwise in connection with Sunlight REIT, and these expenses are collectively referred to as the "**Promotional Expenses**".

Note : The percentages are based on the total number of units in issue of 1,681,712,071 units at 30 June 2022.

Promotional Expenses incurred for the Year were HK$1,270,000. Having reviewed the supporting evidence as it may reasonably deem necessary, the Audit Committee, pursuant to the conditions of the above waivers, confirmed that these Promotional Expenses were incurred in accordance with the internal control procedures of the Manager, and solely for the purposes as set out in the relevant clauses of the Trust Deed relating to the Promotional Expenses.

Employees

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

Workforce diversity

The Manager is committed to ensuring that gender diversity is achieved in the workforce. At 30 June 2022, the Manager and the Property Manager's overall workforce comprises 57% males and 43% females.

Existing gender diversity in the Manager and the Property Manager's workforce (including senior management) is considered to be well-balanced and the Manager anticipates this diverse workforce will be maintained going forward.

Distribution entitlement and closure of register of Unitholders

The ex-distribution date and record date for the final distribution are Thursday, 22 September 2022 and Wednesday, 28 September 2022 respectively. The register of Unitholders will be closed from Monday, 26 September 2022 to Wednesday, 28 September 2022, 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 not later than 4:30 p.m. on Friday, 23 September 2022. Payment of the final distribution will be made to Unitholders on Tuesday, 11 October 2022.

Please refer to "Financial Calendar" on page 180 for key dates of Sunlight REIT.

Distribution policy

Pursuant to the Trust Deed, the total amounts distributed or distributable to Unitholders shall be no less than 90% of annual distributable income (i.e. the consolidated audited net profit after tax of Sunlight REIT subject to certain adjustments in accordance with the Trust Deed) for each financial year.

Top five real estate agents and contractors for the Year

Real estate agent and contractor[1]	Nature of services	Commission and value of contracts[2] (HK$'000)	% of total commission and value of contracts
Henderson Sunlight Property Management Limited[3]	Property management, lease management and marketing services	45,142	35.5
Hang Yick Properties Management Limited[3]	Building management and licence fee	9,707	7.7
Ngai Lik Cleaning Services Company Limited	Cleaning services	5,236	4.1
Dusservice Hong Kong Limited	Security services	4,698	3.7
Wah Kwong Electric Co.	Repairs, maintenance and electrical enhancement	3,682	2.9
Total		**68,465**	**53.9**

Notes :

1. Commission and value of contracts paid to all real estate agents and contractors for the Year amounted to HK$11.8 million and HK$115.3 million respectively, of which HK$10.2 million and HK$59.8 million were attributable to the top five real estate agents and the top five contractors.
2. Included commission and value of contracts for the supply of items or services which are of a capital nature.
3. Wholly-owned subsidiaries of HLD. HLD is interested in more than 5% of the total number of units of Sunlight REIT in issue.

Connected Party Transactions

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

Connected party transactions with the HLD Related Group

HLD and its subsidiaries ("**HLD Group**") hold an aggregate of approximately 19.1% of units in issue of Sunlight REIT. The Manager is an indirect wholly-owned subsidiary of HLD. Therefore, HLD and its subsidiaries and associates (which has the meaning given to it under the REIT Code) ("**HLD Related Group**", which for the avoidance of doubt, exclude the Sunlight REIT Group (as defined below)) are connected persons of Sunlight REIT. Accordingly, the transactions made between Sunlight REIT, special purpose vehicles owned and controlled by Sunlight REIT (the "**Sunlight REIT Group**") and members of the HLD Related Group constitute connected party transactions of Sunlight REIT.

The following agreements were entered into on 31 March 2021 by or on behalf of Sunlight REIT with members of the HLD Related Group, for a term of three years from 1 July 2021 to 30 June 2024 :

(i) A master leasing agreement entered into between the Manager and HLD (the "**Master Leasing Agreement**") to set out the framework terms governing all leasing and licensing transactions entered into by members of the HLD Related Group in respect of premises owned by the Sunlight REIT Group. With respect to the leasing and licensing transactions agreed to be provided during the term of the Master Leasing Agreement, the relevant members of the HLD Related Group and of the Sunlight REIT Group shall enter into separate definitive leasing agreement(s) setting out the detailed terms (including the fee and the payment terms).

The rental or licence fee payable under the definitive leasing agreements shall be negotiated on a case-by-case and an arm's length basis and shall be on normal commercial terms which, (a) from the Sunlight REIT Group's perspective, shall be no more favourable than those made available by the Sunlight REIT Group to its independent third party lessees, tenants or licensees; and (b) from the HLD Related Group's perspective, shall be no less favourable than those which the relevant members of the HLD Related Group could obtain from independent landlords or lessors of comparable premises.

(ii) A joint effort carparking agreement entered into between the Property Manager (as agent of the owner of the commercial development of Metro City Phase I, which is a member of the Sunlight REIT Group) and Henderson Leasing Agency Limited (as agent of the owners of commercial development of Metro City Phases II and III, which are wholly-owned by the HLD Group) (the "**Joint Effort Carparking Agreement**") in respect of sharing of fees and costs among such owners relating to free parking provided to customers of the shopping arcades in Metro City Phases I, II and III.

The determination of the sharing of fees and costs under the Joint Effort Carparking Agreement is based on an agreed formula which takes into account (a) the notional parking income that could have been received by each of the Sunlight REIT Group and HLD Group through the implied value of parking coupons utilised by the customers in respect of parking at their respective premises, and (b) the relevant parking expenses allocated between the parties with reference to the proportion of gross floor areas of the respective shopping arcades of Metro City Phases I, II and III.

(iii) A renewed property management agreement entered into between the Manager and the Property Manager (the "**Renewed Property Management Agreement**") to extend the term of appointment of the Property Manager under the Property Management Agreement (such term as defined in the announcement of Sunlight REIT dated 31 March 2021) to 30 June 2024.

The fees for property management services and lease management services pursuant to the Renewed Property Management Agreement shall not exceed 3% per annum of the gross property revenue of each relevant property of Sunlight REIT, whereas the commission for marketing services is based on the base rent or licence fee for the relevant tenancy or licence.

(iv) A master services agreement entered into between the Manager and HLD (the "**Master Services Agreement**") to set out the framework terms governing all service transactions relating to the management and operation of properties of the Sunlight REIT Group to be provided by the HLD Related Group, including the provision of security services and other property related ancillary services. With respect to the service transactions to be provided during the term of the Master Services Agreement, the relevant members of the HLD Related Group and of the Sunlight REIT Group (or the Property Manager as agent for, or at the costs of, the relevant members of the Sunlight REIT Group) shall enter into separate definitive service agreement(s) setting out the detailed terms (including the fee and the payment terms).

The terms of, and the fee payable under the definitive service agreements shall be negotiated on a case-by-case and an arm's length basis, and shall be on normal commercial terms which (a) from the Sunlight REIT Group's perspective, shall be no less favourable than those which the relevant members of the Sunlight REIT Group could obtain from independent contractors or suppliers of comparable services, and (b) from the HLD Related Group's perspective, shall be no more favourable than those made available by the relevant members of the HLD Related Group to their independent third party customers.

In addition, transactions with the DMC managers (which are members of the HLD Group) ("**Connected DMC Manager**") of certain properties of the Sunlight REIT Group currently appointed for maintenance and management of common areas and facilities as shared among different owners of the relevant property under the relevant deeds of mutual covenant (the "**Connected Deeds of Mutual Covenant**") constitute continuing connected party transactions of Sunlight REIT under the REIT Code. The principal terms of such relevant Connected Deeds of Mutual Covenant are summarised below :

Property owned by the relevant property holding company of the Sunlight REIT Group	Date of the Connected Deed of Mutual Covenant	Connected DMC Manager	Property holding company of the Sunlight REIT Group	Term of the appointment of the Connected DMC Manager under the Connected Deed of Mutual Covenant
1. Metro City Phase I Property	26 April 1997	Metro City Management Limited	Sunlight Crownwill Limited	Initially for a term of two years from the date of the first occupation permit in respect of any part of the estate and thereafter until the Connected DMC Manager resigns or is removed pursuant to the terms of the relevant Connected Deed of Mutual Covenant.
2. Sheung Shui Centre Shopping Arcade	3 March 1994	Sheung Shui Centre Management Limited	Bayman Limited	
3. Supernova Stand Property	15 December 2001	Hang Yick Properties Management Limited	United Glory Development Limited	Initially for a term not exceeding two years from the date of the Connected Deed of Mutual Covenant and thereafter until the Connected DMC Manager resigns or is removed pursuant to the terms of the relevant Connected Deed of Mutual Covenant.
4. Kwong Wah Plaza Property	3 July 1998 (supplemented by a sub-deed of mutual covenant dated 30 September 1999)	Hang Yick Properties Management Limited	Seiren Investment Limited and Sound Bright Investment Limited	Initially for a term of two years from the date of issue of the occupation permit and thereafter until the Connected DMC Manager resigns or is removed pursuant to the terms of the relevant Connected Deed of Mutual Covenant.

Property owned by the relevant property holding company of the Sunlight REIT Group	Date of the Connected Deed of Mutual Covenant	Connected DMC Manager	Property holding company of the Sunlight REIT Group	Term of the appointment of the Connected DMC Manager under the Connected Deed of Mutual Covenant
5. Winsome House Property	3 July 1999	Hang Yick Properties Management Limited	Grand Faith Development Limited	Initially for a term of two years from the date of issue of the occupation permit and thereafter until the Connected DMC Manager resigns or is removed pursuant to the terms of the relevant Connected Deed of Mutual Covenant.
6. Wai Ching Commercial Building Property	22 June 1998	Hang Yick Properties Management Limited	Gain Fortune Development Limited	
7. Sun Fai Commercial Centre Property	22 June 1998	Hang Yick Properties Management Limited	Yu Loy Development Company Limited	
8. 135 Bonham Strand Trade Centre Property	23 June 2000	Hang Yick Properties Management Limited	Tinselle Investment Limited	Initially for a term of two years from the date of issue of the occupation permit (which is 3 January 2000).[2]
9. Beverley Commercial Centre Property	8 November 1982	Hang Yick Properties Management Limited	Newcorp Development Limited	Initially for a term of five years from the date of issue of the occupation permit and thereafter until a management committee has been appointed under the Multi-Storey Building (Owners Incorporation) Ordinance or any statutory modification thereof for the time being in force.[3]

Notes :

1. In addition to the Connected DMC Manager and the relevant property holding company of the Sunlight REIT Group ("**Property Holding Company**"), there are numerous other parties which are bound by the aforesaid relevant Connected Deed of Mutual Covenant, including the first owner of the relevant building and the current owners of the portions of the relevant building not owned by the Sunlight REIT Group. Such other parties are not named in the above table.
2. The initial term of Hang Yick Properties Management Limited as the DMC manager of 135 Bonham Strand Trade Centre has ended and the Connected Deed of Mutual Covenant does not provide for any subsequent term of the DMC manager. After the expiry of the initial term, Hang Yick Properties Management Limited has continued to act as the DMC manager with no specified term. As the subject property is not wholly-owned by the Sunlight REIT Group, it is not entitled to fix the current term of such appointment until an owners' corporation is established and the relevant resolution in the general meeting is passed.
3. Hang Yick Properties Management Limited has continued to act as the DMC manager of Beverley Commercial Centre notwithstanding the appointment of the management committee of Incorporated Owners for the subject property. As the subject property is not majority-owned by the Sunlight REIT Group, it is not entitled to pass any resolution in the general meeting of the owners' corporation to fix the current term of such appointment.

The relevant Property Holding Companies as well as the other owners of the relevant building or development shall bear and pay due proportion of the building management fees and expenses to the Connected DMC Managers in accordance with the Connected Deeds of Mutual Covenant. The management fees and expenses payable by the relevant Property Holding Company to the relevant Connected DMC Manager ("**DMC Management Fee**") are generally calculated based on a Specified Portion (as defined below) of (i) annual budgeted management expenses prepared by the Connected DMC Manager in the management of the building or development in respect of the building, development or respective type/user of the property, and (ii) total remuneration receivable by the Connected DMC Manager from all owners of the relevant building or development (such remuneration amount not to exceed 10% or 15% of the annual management expenses). The "Specified Portion" represents the proportion of management units allocated to the property owned by the relevant Property Holding Company bears to the total management units allocated to the relevant building, development or respective type/user of the property. In addition, for Winsome House Property, Wai Ching Commercial Building Property, Sun Fai Commercial Centre Property and 135 Bonham Strand Trade Centre Property, if any management expenses incurred are solely relating to a specific portion or part of the building or development, such expenses shall be shared among the owners of the relevant portion or part of the building or development only.

In respect of the management and maintenance of Beverley Commercial Centre Property, the DMC Management Fee is calculated based on (i) a fixed sum of monthly expense specified under the Connected Deed of Mutual Covenant to be payable in respect of the shops owned by Newcorp Development Limited; and (ii) a Specified Portion of the management expenses incurred by the Connected DMC Manager in the management of the shops and offices of the entire development (which is inclusive of the remuneration receivable by the Connected DMC Manager).

Connected Party Transactions

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

Agreement	Income/(Expenses) for the Year (HK$'000)	Annual caps for the Year (HK$'000)
Master Leasing Agreement	10,651	20,310
Joint Effort Carparking Agreement	3,016	3,570
Renewed Property Management Agreement	(45,143)	(62,040)
Master Services Agreement	(590)	(7,230)
Connected Deeds of Mutual Covenant	(13,329)	(18,000)

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

Connected party transactions with the Trustee Connected Persons

The following table sets out information on all the connected party transactions entered into between Sunlight REIT and the Trustee and Trustee related connected persons of Sunlight REIT (including without limitation, the HSBC Group[1] (collectively, the "**Trustee Connected Persons**")) during the Year :

Name of connected person	Nature of the connected party transactions	Income/ (expenses) for the Year (HK$'000)	Rental and other deposits received/ (deposits paid) at 30 June 2022 (HK$'000)
Leasing transactions :			
The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**")	Leasing[2]	10,580	2,779
HSBC	Licensing[3]	336	84
Hang Seng Bank Limited ("**Hang Seng**")	Leasing[4]	8,362	2,100
Ordinary banking and financial services[5] :			
HSBC	Interest income received/receivable on bank deposits	0.06	N/A
HSBC	Interest expenses, debt establishment fee and security trustee fee on bank borrowings, net interest expenses on IRSs and other bank charges	(29,508)	N/A
HSBC	Proceeds from unwinding of IRSs	13,071	N/A
Hang Seng	Interest expenses on bank borrowings and other bank charges	(1,562)	N/A
Hang Seng	Interest income received/receivable on bank deposits	96	N/A
EPS Company (Hong Kong) Limited	Service fees	(93)	(2)
During the Year, unwinding of several IRSs with an aggregate notional amount of HK$400 million were conducted with HSBC.			

Notes :

1. HSBC Group means HSBC and its subsidiaries and, unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries (being the subsidiaries of the Trustee but excluding those subsidiaries formed in its capacity as the trustee of Sunlight REIT).
2. A lease in respect of Shop Nos. 1024-31 of SSC, with gross floor area of 5,390 sq. ft. from 4 November 2020 to 3 November 2022; and a lease in respect of Shop Nos. 1032-33 of SSC, with gross floor area of 1,171 sq. ft. from 15 August 2020 to 3 November 2022.
3. Licences in respect of (i) external wall signage Nos. 66-81, Level 1, and (ii) external wall signage Nos. 82-93, Level 1 respectively, of SSC.
4. A lease in respect of Shop No. 211 of MCPI, with gross floor area of 7,628 sq. ft. from 17 February 2021 to 16 February 2024.
5. In general, "ordinary banking and financial services" include bank deposits and interest earned therefrom, loan facilities and IRSs including interest and charges paid thereto and other banking or financial services.

Other disclosures under the REIT Code

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

During the Year, the aggregate amount of fees (in the form of cash and/or units) paid or payable by Sunlight REIT to the Manager and to the Trustee under the Trust Deed were approximately HK$91.6 million and HK$4.6 million respectively. Particulars of the services provided by the Manager and the Trustee are set out in notes 26(b)(i), (ii) and (iv) to the consolidated financial statements.

Confirmation by the INEDs

The INEDs confirmed that they have reviewed all the connected party transactions during the Year as disclosed in the paragraphs headed "Connected party transactions with the HLD Related Group" and "Connected party transactions with the Trustee Connected Persons" above and that they are satisfied that each transaction has been entered into :

(i) in the ordinary and usual course of business of Sunlight REIT;

(ii) on normal commercial terms or better (in the case of transactions with Trustee Connected Persons, on normal commercial terms to the extent that there are sufficient comparable transactions or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Sunlight REIT than terms readily available to or from (as appropriate) independent third parties); and

(iii) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of Sunlight REIT and the Unitholders as a whole.

Confirmation by the Auditor of Sunlight REIT

Pursuant to the Listing Rules and waiver granted by the SFC from strict compliance with the requirements under Chapter 8 of the REIT Code, the Manager has engaged KPMG, being the auditor of Sunlight REIT, to report on all the connected party transactions during the Year as disclosed in the paragraphs headed "Connected party transactions with the HLD Related Group" and "Connected party transactions with the Trustee Connected Persons" above in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unmodified letter containing its findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with the Rule 14A.56 of the Listing Rules (to the extent applicable to REITs) and waiver granted by the SFC. A copy of such auditors' letter has been provided to the SFC.

Disclosure of Interests

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

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

At 30 June 2022 and 31 December 2021, the interests in units of the Manager and the Directors or chief executive of the Manager as recorded in the register required to be kept by the Manager under Schedule C of the Trust Deed (the "**Register**"), were as follows :

	At 30 June 2022		At 31 December 2021	
Name	**Number of units interested**	**% of interest in units[1]**	**Number of units interested**	**% of interest in units[1]**
The Manager[2]	177,304,441	10.543	170,364,152	10.158
Au Siu Kee, Alexander[3]	2,300,000	0.137	2,300,000	0.137
Wu Shiu Kee, Keith[4]	930,000	0.055	930,000	0.055
Kwok Tun Ho, Chester[5]	62,000	0.004	12,000	0.001

Notes :

1. The percentages are based on the total number of units in issue of 1,681,712,071 units at 30 June 2022 and 1,677,171,782 units at 31 December 2021 (as the case may be).
2. During the Year, the Manager received 10,778,587 units as payment of part of the Manager's fees; and acquired 2,200,000 units in the open market. The Manager beneficially owned 177,304,441 units at 30 June 2022 (31 December 2021: 170,364,152 units).
3. Mr. Au Siu Kee, Alexander is the Chairman and NED of the Manager.
4. Mr. Wu Shiu Kee, Keith is the CEO and ED of the Manager.
5. Mr. Kwok Tun Ho, Chester is an INED of the Manager.

There were no short positions in units held by the Manager and the Directors or chief executive of the Manager at 30 June 2022.

Holdings of substantial Unitholders

At 30 June 2022 and 31 December 2021, the interests in units of the substantial Unitholders (other than the Manager), as recorded in the Register, were as follows :

	At 30 June 2022		At 31 December 2021	
Name	**Number of units interested**	**% of interest in units[1]**	**Number of units interested**	**% of interest in units[1]**
Lee Shau Kee[2]	688,349,177	40.93	688,349,177	41.04
Lee Financial (Cayman) Limited[2]	374,072,708	22.24	374,072,708	22.30
Leesons (Cayman) Limited[2]	374,072,708	22.24	374,072,708	22.30
Leeworld (Cayman) Limited[2]	374,072,708	22.24	374,072,708	22.30
Shau Kee Financial Enterprises Limited[2]	374,072,708	22.24	374,072,708	22.30
Uplite Limited[2]	224,443,625	13.35	224,443,625	13.38
Wintrade Limited[2]	149,629,083	8.90	149,629,083	8.92
Henderson Development Limited[2]	321,216,758	19.10	300,569,511	17.92
HLD[2]	321,216,758	19.10	300,569,511	17.92
Hopkins (Cayman) Limited[2]	321,216,758	19.10	300,569,511	17.92
Riddick (Cayman) Limited[2]	321,216,758	19.10	300,569,511	17.92
Rimmer (Cayman) Limited[2]	321,216,758	19.10	300,569,511	17.92
Silchester International Investors LLP[3]	200,482,150	11.92	200,482,150	11.95
Silchester International Investors International Value Equity Trust[3]	100,231,922	5.96	100,231,922	5.98

Notes :

1. The percentages are based on the total number of units in issue of 1,681,712,071 units at 30 June 2022 and 1,677,171,782 units at 31 December 2021 (as the case may be).
2. At 30 June 2022, 224,443,625 units were owned by Uplite Limited and 149,629,083 units were owned by Wintrade Limited. Uplite Limited and Wintrade Limited are wholly-owned subsidiaries of Financial Enterprise Properties Limited, which in turn is wholly-owned by Shau Kee Financial Enterprises Limited ("**SKFE**"). SKFE is wholly-owned by Lee Financial (Cayman) Limited as the trustee of a unit trust, the units of which are held by Leesons (Cayman) Limited and Leeworld (Cayman) Limited as the respective trustees of two discretionary trusts. Therefore, each of Lee Financial (Cayman) Limited, Leesons (Cayman) Limited and Leeworld (Cayman) Limited was taken to be interested in the total of 374,072,708 units owned by Uplite Limited and Wintrade Limited.

   Apart from the above, at 30 June 2022, 76,533,345 units were owned by Cobase Limited, 67,378,972 units were owned by Richful Resources Limited and 177,304,441 units were owned by the Manager. Cobase Limited and Richful Resources Limited are wholly-owned subsidiaries of Brightland Enterprises Limited. The Manager is a wholly-owned subsidiary of Latco Investment Limited. Brightland Enterprises Limited and Latco Investment Limited are wholly-owned subsidiaries of HLD. Henderson Development Limited ("**HD**") owned more than one-third of the issued share capital of HLD. HD is wholly-owned by Hopkins (Cayman) Limited ("**Hopkins**") as the trustee of a unit trust, the units of which are held by Rimmer (Cayman) Limited ("**Rimmer**") and Riddick (Cayman) Limited ("**Riddick**") as the respective trustees of two discretionary trusts. Therefore, as far as the Manager is aware, each of HD, HLD, Hopkins, Riddick and Rimmer was taken to be interested in the total of 321,216,758 units at 30 June 2022.

   At 30 June 2022, under Part XV of the SFO, by virtue of being the beneficial owner of the entire issued share capital of the trustees of the aforementioned unit trusts and discretionary trusts, Dr. Lee Shau Kee was taken to be interested in the total of 695,289,466 units. Whereas in the Register, Dr. Lee Shau Kee was recorded as having an interest in 688,349,177 units at 30 June 2022, as no notifiable interest arose on his part subsequent to his last disclosure of interest notification to the Stock Exchange.
3. At 30 June 2022, according to the Register, Silchester International Investors LLP ("**Silchester LLP**") in its capacity as investment manager, was interested in 200,482,150 units, and Silchester International Investors International Value Equity Trust ("**Silchester Trust**") beneficially owned 100,231,922 units. The Manager has subsequently been notified informally that at 30 June 2022, (i) Silchester LLP was interested in 194,412,150 units (representing approximately 11.56% of the total number of units in issue); and (ii) Silchester Trust was beneficially interested in 86,180,922 units (representing approximately 5.12% of the total number of units in issue), and such interest has been included as part of the interests (reported above) of Silchester LLP.

   On 1 September 2022, according to the Register, Silchester Trust's interest was reduced to 82,686,922 units (representing approximately 4.92% of the then total number of units in issue).

The units mentioned under notes 2 and 3 were beneficially held or interested in by connected persons of Sunlight REIT under the REIT Code. Based on the Register, there were no short positions in units held by substantial Unitholders at 30 June 2022.

Holdings of other connected persons

Save as disclosed above and as far as the Manager is aware, the holding of units of other connected person of Sunlight REIT at 30 June 2022 was as follows :

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

Notes :

1. The percentage is based on the total number of units in issue of 1,681,712,071 units at 30 June 2022.
2. Ms. Lo Yuk Fong, Phyllis is a connected person of Sunlight REIT as she is a director of certain subsidiaries of Sunlight REIT. She is also a member of the senior management of Sunlight REIT. Ms. Lo held 100,000 units at 31 December 2021.

Valuation Report

9 August 2022

CBRE Limited
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Admiralty, Hong Kong

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Estate Agent's Licence (Co) No. C-004065

HSBC Institutional Trust Services (Asia) Limited
(in its capacity as the Trustee of Sunlight Real Estate Investment Trust ("**Sunlight REIT**"))
6/F, Tower 1, HSBC Centre
1 Sham Mong Road, Kowloon

AND

Henderson Sunlight Asset Management Limited
(in its capacity as the Manager of Sunlight REIT)
30/F, Dah Sing Financial Centre
248 Queen's Road East, Wan Chai, Hong Kong

Dear Sirs,

Valuation of Portfolio held by Sunlight REIT (the "Properties")

We refer to the instruction from HSBC Institutional Trust Services (Asia) Limited (in its capacity as the Trustee of Sunlight REIT) (the ''**Trustee**") and Henderson Sunlight Asset Management Limited (in its capacity as the Manager of Sunlight REIT) (the "**Manager**") (the Manager and the Trustee collectively known as "**Instructing Party**" or "**Instructing Parties**") for us to carry out valuation of the market value of the Properties as at 30 June 2022 (the "**Date of Valuation**") for accounting and financial reporting purposes in compliance with the relevant requirements set out in the Code on Real Estate Investment Trusts (the "**REIT Code**") issued by the Securities and Futures Commission of Hong Kong (the "**SFC**"), the trust deed of Sunlight REIT and where applicable, the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). Details are set out in the attached valuation particulars. We confirm that we have made relevant investigations and enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties at the Date of Valuation. We have valued the Properties subject to existing tenancies and occupational arrangement and assumed they are free from encumbrances.

Valuation Basis and Assumptions

Unless otherwise specified in the report, the valuations are conducted in accordance with "the HKIS Valuation Standards 2020" published by the Hong Kong Institute of Surveyors and compliant with the requirements contained in the relevant provisions in Chapter 5 of the Listing Rules and Paragraph 6.8 of the REIT Code issued by the SFC. All valuations are undertaken by appropriately qualified professionals and the definition of market value and valuation methodologies are in line with the above standards unless otherwise specified.

Our valuation is made on the basis of Market Value ("**Market Value**"), which is defined under the HKIS Valuation Standards as "the estimated amount for which an asset or liability should exchange on the Date of Valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Market Value is understood as the value of an asset or liability estimated without regard to any cost of sale or purchase (or transaction), or deduction for any associated or potential taxes. Our valuation has been made on the assumption that the owner sells the Properties on the open market without the benefit and burden of any deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the value of the Properties.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their value.

Unless otherwise stated, we have valued the Properties on the assumption that they are freely disposable and transferable for the whole of the unexpired land lease term without any land premium payment.

The Properties

The Properties comprise 16 properties located in Hong Kong including 11 office properties and 5 retail properties. Details of the Properties are set out below :

No.	Property	Address
1	Dah Sing Financial Centre	No. 248 Queen's Road East, Wan Chai
2	Strand 50	No. 50 Bonham Strand, Sheung Wan
3	Righteous Centre	No. 585 Nathan Road, Mong Kok
4	Various Portions in 135 Bonham Strand Trade Centre	No. 135 Bonham Strand, Sheung Wan
5	Various Portions in Winsome House	No. 73 Wyndham Street, Central
6	Java Road 108 Commercial Centre	No. 108 Java Road, North Point
7	Various Portions in Sun Fai Commercial Centre	No. 576 Reclamation Street, Mong Kok
8	Various Portions in Wai Ching Commercial Building	No. 77 Wai Ching Street, Yau Ma Tei
9	235 Wing Lok Street Trade Centre	No. 235 Wing Lok Street, Sheung Wan
10	On Loong Commercial Building	Nos. 276-278 Lockhart Road, Wan Chai
11	The Harvest	No. 591 Nathan Road, Mong Kok
12	Commercial Development and Car Parks, Metro City Phase I	No. 1 Wan Hang Road, Tseung Kwan O
13	Commercial Development (including all shops, the restaurant and the kindergarten) and Car Parks in the Podium and Basement, Sheung Shui Centre	No. 3 Chi Cheong Road, Sheung Shui
14	Various Portions in Kwong Wah Plaza	No. 11 Tai Tong Road, Yuen Long
15	Various Shops Units on Ground Floor, Beverley Commercial Centre	Nos. 87-105 Chatham Road South, Tsim Sha Tsui
16	Shops 1 to 9 on Ground Floor and Commercial Common Areas and Facilities, Supernova Stand	No. 28 Mercury Street, North Point

Source of Information

We have obtained the Land Register records of the Properties from the Land Registry. However, we have not inspected the original documents to verify ownership or to ascertain the existence of any amendment which may not appear on the copies handed to us. We have not perused any original land documentation. We have assumed that there is no easement or encumbrance which may affect the value but is not shown in the Land Register records.

No on-site measurement has been taken. Dimension, measurement and area included in the valuation certificates are based on the information provided by the Manager, or the information contained in or our measurement of the plans and documents available to us. We have no reason to doubt the truth and accuracy of the information provided to us, which may be material to the valuation. Please note that all measurements are only approximations.

We have assumed that the Properties are erected within the lot boundary. No site investigation has been carried out to determine the suitability of the subsoil condition, services, etc. for development and we have assumed that these aspects are satisfactory. This report does not make any allowance for contamination or pollution of land, if any, which may have occurred as a result of past usage.

Site Inspection

We have conducted external inspections of the Properties in July 2022 to such extent that we consider necessary for the purpose of this valuation. Although not all areas in the Properties were accessible for viewing at the time of inspections, we have endeavoured to inspect all areas of the Properties. We were not instructed to undertake any structural surveys, test the services or arrange for any investigations to be carried out to determine whether any deleterious materials have been used in the construction of the Properties. Our valuation has therefore been undertaken on the basis that the Properties are in satisfactory repair and condition and contain no deleterious materials and that services function satisfactorily.

Valuation Methodology

We have adopted the Income Approach in this valuation.

In Income Approach, we take into account the rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate. Other income relating to advertising and promotion recoveries, casual leasing, sundry items and car parking revenue has additionally been incorporated within our calculations. Where appropriate, results of the Income Approach will be cross-checked by Direct Comparison Approach where reference has been made to the comparable sales evidence as available in the relevant markets.

Under the Direct Comparison Approach, a comparison is made based on unit prices realized on actual transactions of comparable properties. Comparable properties with high similarity to the subject are analyzed and weighed against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

Unless otherwise stated, all monetary amounts are stated in Hong Kong Dollars ("HK$").

Assumptions

We have made certain assumptions in the course of the valuation. These are noted as follows :

- **Information Provided.** We have relied to a considerable extent on the information provided by the Manager and have accepted the advice given to us on matters such as floor plans, number of units and car park, usage, licenses and all other relevant matters. The accuracy of the opinion reported herein may be affected should subsequently available information proved to be materially different.

- **Good title.** We have valued the Properties with the benefit of good titles and have assumed that all land premiums for the land grant and subsequent modifications and/or additions of the land grant conditions had been fully settled and paid.
- **Alienation.** We have assumed that the Properties are free of encumbrance and can be freely disposable and transferable in the market for their designated use for the whole of the unexpired term as granted.
- **Site Conditions.** We assumed that there are no hidden or unapparent conditions of the subject sites that would adversely affect the occupancy from an engineering, geological or environmental perspective.
- **Statutory Requirements.** We assumed that the uses of the Properties comply with the conditions of the relevant Government Leases, Outline Zoning Plans, Occupation Permits and other statutory requirements. We have further assumed that all necessary approvals and licenses for the Properties have been obtained from the relevant government authorities without onerous restrictions.
- **Land Tenure.** We assumed that all government leases and/or land grants will be renewed upon expiry under typical terms and arrangements.
- **Construction/User Compliance.** We have assumed that the Properties have been completed and used in accordance with relevant government regulations, ordinances and the approved building plans.
- **No Illegal/Unlicensed Business Activities.** We have assumed that all tenants and occupiers have obtained all relevant/required business licenses and that there are no illegal or unlicensed business operations within the Properties.
- **Rental and Management Fee Delinquency.** We have assumed that tenants would honour their obligations on their respective contractual lease terms, rents and management fees and there is no significant default in rental payment and management shortfall that would impact the values of the Properties. We have allowed for certain non-recoverable expenses for the assumed long term structural vacancy.
- **Unregistered Tenancies.** We have assumed that for those existing tenancy agreements that have not been registered with the relevant government departments, the legal effectiveness, validity and enforceability of those tenancies would not be affected.
- **Redevelopment.** Unless otherwise stated, we have not conducted any valuation on a redevelopment basis, nor study of possible alternative redevelopment options.

Confidentiality and Disclaimers

This valuation report will be for the sole use of the Manager, the Trustee and unitholders of Sunlight REIT (the "**Reliant Parties**"). We will not be liable for any loss arising from any unauthorized use or reliance upon this valuation report by anyone other than the Reliant Parties.

The Instructing Party is expected to keep the valuation report to itself (save and except where the valuation report is required to be published under the REIT Code, the Listing Rules and any other relevant laws and regulations) and not to disclose the report or any part of it to any third party.

This report and valuation shall be used only in its entirety and no part shall be used without making reference to the whole report. They may not be used for any purposes other than the intended purpose mentioned above. Neither the whole nor any part of the valuation report may be included in any other published document or circular without our prior written consent to the form and context in which they may appear (for the avoidance of doubt, save and except where the valuation report is required to be published under the REIT Code, the Listing Rules and any other relevant laws and regulations).

CBRE's liability associated with this report is limited as stated under the "Limitation of Liability" section of the letter of engagement signed between us and the Trustee dated 24 August 2021.

Market Volatility and Uncertainty – COVID-19

The COVID-19 pandemic continues to impact many aspects of daily life, and the global economy – with some real estate markets experiencing significantly lower levels of transactional activity and liquidity. Market volatility in the retail and office sector is likely to continue for some time due to the lack of/limited number of transactions and the uncertainty relating to income. Given this heightened uncertainty, a higher degree of caution should be exercised when relying upon our valuation. Value and incomes may change more rapidly and significantly than during standard market conditions and we recommend that you keep the valuation of these properties under frequent review.

Valuer's Interest

We hereby confirm that :

- We fulfil the qualification requirements set out in Paragraph 6.4 of the REIT Code.
- We have no present or prospective interest in the Properties and we are independent of Sunlight REIT, the Trustee, the Manager and each of the substantial holders of Sunlight REIT for the purpose of Paragraph 6.5 of the REIT Code.
- We are authorized to practice as valuers and have the necessary expertise and experience in valuing similar types of properties.
- The valuations have been prepared on a fair and unbiased basis.

The following staffs have provided professional assistance to the person signing this report.

Bill Zhang, Alan Cheng

We enclose herewith a summary of valuation, our valuation particulars, office market overview and retail market overview, which together with this covering letter, form our valuation report in the summary form. A full version is available for public inspection at the registered office of the Manager.

Yours faithfully,
For and on behalf of
CBRE Limited

Stephen Lin
MHKIS MRICS MCIREA RPS(GP) RICS Registered Valuer
Director
Valuation & Advisory Services

Mr. Stephen Lin is a Member of the Hong Kong Institute of Surveyors (HKIS), a Member of the Royal Institution of Chartered Surveyors (RICS), a Member of the China Institute of Real Estate Appraisers and Agents, Registered Professional Surveyor (General Practice Division) as well as a RICS Registered Valuer with over 14 years' experience in real estate valuation in Hong Kong.

Summary of valuation

No.	Property	Approximate GRA (sq. ft.)	No. of Parking Lots*	Market Value at 30 June 2022 (HK$)	Capitalisation Rate Adopted Retail (%)	Office (%)	Car Park & Others (%)	Estimated Net Property Yield (%)
1	Dah Sing Financial Centre	376,381	46	5,172,000,000	3.65	3.75	4.90	3.49
2	Strand 50	117,909	–	1,316,900,000	3.80	3.45	–	3.47
3	Righteous Centre	51,767	–	537,000,000	3.50	3.75	5.50	4.13
4	Various Portions in 135 Bonham Strand Trade Centre	63,915	–	578,400,000	3.80	3.55	–	3.56
5	Various Portions in Winsome House	40,114	–	556,200,000	3.60	3.55	–	3.36
6	Java Road 108 Commercial Centre	37,923	–	276,200,000	4.00	3.75	–	4.12
7	Various Portions in Sun Fai Commercial Centre	26,151	–	165,700,000	4.05	3.80	–	4.00
8	Various Portions in Wai Ching Commercial Building	16,321	–	80,100,000	3.90	3.55	–	4.05
9	235 Wing Lok Street Trade Centre	52,285	–	367,800,000	3.80	3.55	–	3.28
10	On Loong Commercial Building	27,206	–	246,600,000	3.70	3.65	–	3.65
11	The Harvest	34,651	–	597,000,000	3.10	3.30	–	2.05
12	Commercial Development and Car Parks, Metro City Phase I	188,889	452	3,107,000,000	4.30	–	5.00	4.45
13	Commercial Development (including all shops, the restaurant and the kindergarten) and Car Parks in the Podium and Basement, Sheung Shui Centre Shopping Arcade	122,339	297	3,780,000,000	4.30	–	5.50	3.96
14	Various Portions in Kwong Wah Plaza	68,411	–	1,165,000,000	3.60	3.60	4.60	3.51
15	Various Shops Units on Ground Floor, Beverley Commercial Centre	7,934	–	75,100,000	4.10	–	–	3.18
16	Shops 1 to 9 on Ground Floor and Commercial Common Areas and Facilities, Supernova Stand	4,226	–	74,200,000	3.80	–	–	3.91
	Total	**1,236,422**		**18,095,200,000**				

* Excluding motorcycle and bicycle spaces

Overview
Management Discussion and Analysis
Corporate Governance
Financial and Other Information

Valuation Particulars

Dah Sing Financial Centre

Dah Sing Financial Centre at 248 Queen's Road East, Wan Chai, Hong Kong

Description

Dah Sing Financial Centre is a 40-storey (including mechanical floor) commercial development in Wan Chai district with retail units on the G/F and car parking spaces on 1/F to 4/F. 5/F is designated for mechanical floor and 6/F to 42/F are designated for office uses. The development was completed in 1998. (14/F, 24/F, and 34/F are omitted from floor numbering)

The Property comprises the whole of the retail units and all office units in the development. The total gross rentable areas of the retail and office portions of the Property are 6,490 sq. ft. and 369,891 sq. ft. respectively, with a total of about 376,381 sq. ft. (34,966.65 sq. m.).

Tenure

Inland Lot No. 506 is held under Government Lease for a term of 999 years commencing on 16 November 1855. The Government rent for the lot is 36 pounds 10 shillings per annum.

Inland Lot No. 387 is held under Government Lease for a term of 999 years commencing on 16 March 1855. The Government rent for the lot is 20 pounds 4 shillings and 10 pence per annum.

Monthly rental income as at 30 June 2022

about HK$14,679,000 exclusive of rates, management and air conditioning charges but inclusive of turnover rent

Monthly car parking income as at 30 June 2022*

about HK$369,978 exclusive of operating expenses, rates, government rents and management fees

Monthly licence income as at 30 June 2022*

about HK$9,972 exclusive of rates and management fees

Market value in existing state as at 30 June 2022

HK$5,172,000,000

Estimated Net Property Yield

3.49%

* Monthly car parking income and monthly licence income are the average of the respective income from June 2021 to May 2022

Strand 50

Strand 50 at 50 Bonham Strand, Sheung Wan, Hong Kong

Description

Strand 50 is a 28-storey commercial development in Sheung Wan district. G/F and 1/F of the development are designated for shops and 2/F to 27/F are designated for office use. The development was completed in 1998.

The Property comprises the whole of the retail units and all office units of the development. The total gross rentable areas of the retail and office portions of the Property are 9,403 sq. ft. and 108,506 sq. ft. respectively, with a total of about 117,909 sq. ft. (10,954.01 sq. m.).

Tenure

Inland Lot No. 15 is held under Government Lease for a term of 999 years commencing on 26 December 1860. The Government rent for the remaining portion for the lot is HK$11.9 per annum.

Marine Lot No. 142 is held under Government Lease for a term of 981 years commencing on 26 December 1860. The Government Rent for the lot HK$41.96 per annum.

Marine Lot No. 144 is held under Government Lease for a term of 981 years commencing on 26 December 1860. The Government Rent for the lot is HK$82.84 per annum.

Monthly rental income as at 30 June 2022

about HK$3,805,000 exclusive of rates, management and air conditioning charges

Market value in existing state as at 30 June 2022

HK$1,316,900,000

Estimated Net Property Yield

3.47%

Righteous Centre

Righteous Centre at 585 Nathan Road, Mong Kok, Kowloon, Hong Kong

Description

Righteous Centre is a 26-storey (including mechanical floor) commercial development in Mong Kok district with retail units on G/F to 3/F. 4/F is designated for mechanical plant rooms and 5/F to 25/F are designated for office use. The development was completed in 1996.

The Property comprises the whole of the retail units and all office units in the development. The total gross rentable areas of the retail and office portions of the Property are 10,763 sq. ft. and 41,004 sq. ft. respectively, with a total of about 51,767 sq. ft. (4,809.27 sq. m.).

Tenure

Kowloon Inland Lot No. 6827 is held under Conditions of Renewal No. UB5654 for a term of 150 years commencing on 25 December 1887. The Government Rent for Section A of the lot is HK$78 per annum.

Kowloon Inland Lot No. 7097 is held under Conditions of Regrant No. 5759 for a term of 150 years commencing on 25 December 1887. The Government Rent for the lot is HK$150 per annum.

Monthly rental income as at 30 June 2022

about HK$1,785,000 exclusive of rates, management and air conditioning charges

Monthly licence income as at 30 June 2022*

about HK$61,967 exclusive of rates and management fees

Market value in existing state as at 30 June 2022

HK$537,000,000

Estimated Net Property Yield

4.13%

135 Bonham Trade Centre

Various Portions in 135 Bonham Strand Trade Centre, 135 Bonham Strand, Sheung Wan, Hong Kong

Description

135 Bonham Strand Trade Centre is a 25-storey (including mechanical floor) commercial development in Sheung Wan district with retail units on G/F and offices on 1/F to 2/F and 4/F to 24/F (3/F is designated for plant rooms). The development was completed in 2000.

The Property comprises Shop Nos. 1-2 and 6-7 on G/F and Office Nos. 1-5 on 1/F to 2/F and 6/F to 24/F. The total gross rentable areas of the retail and office portions of the Property are 3,071 sq. ft. and 60,844 sq. ft. respectively, with a total of about 63,915 sq. ft. (5,937.85 sq. m.).

Tenure

Marine Lot No. 173 is held under Government Lease for a term of 999 years commencing on 26 December 1860. The total Government Rent for Section A, Section B and Remaining Portion for the lot is HK$88 per annum.

Inland Lot No. 6896 is held under Government Lease for a term of 75 years commencing on 14 November 1952, renewable for 75 years thereafter. The Government Rent for the lot is HK$196 per annum.

Monthly rental income as at 30 June 2022

about HK$1,718,000 exclusive of rates, management and air conditioning charges

Market value in existing state as at 30 June 2022

HK$578,400,000

Estimated Net Property Yield

3.56%

* Monthly licence income is the average of the income from June 2021 to May 2022

Winsome House

Various Portions in Winsome House, 73 Wyndham Street, Central, Hong Kong

Description
Winsome House is a 27-storey commercial development in Central district with retail units on LG/F and UG/F. 1/F to 25/F are designated for office use. The development was completed in 1999.

The Property comprises Shop 1 on UG/F (together with the adjoining flat roof), Shop 3 (together with the flat roof above) and Shop 4 on LG/F, Offices Nos. 1 on 2/F to 7/F, 9/F, 10/F, 14/F to 17/F and 19/F to 21/F; Office No. 1 on 25/F; Offices Nos. 2 on 2/F to 7/F, 9/F, 10/F, 13/F to 17/F, 19/F to 21/F and 25/F. The total gross rentable areas of the retail and office portions of the Property are 2,177 sq. ft. and 37,937 sq. ft. respectively, with a total of about 40,114 sq. ft. (3,726.68 sq. m.). The flat roofs between the LG/F and UG/F are of about 393 sq. ft. (36.51 sq. m.).

Tenure
Inland Lot No. 5025 is held under Government Lease for a term of 999 years commencing on 26 June 1843. The Government Rent for the lot is HK$16 per annum.

Inland Lot No. 7968 is held under Conditions of Exchange No. 8224 for a term of 999 years commencing on 22 January 1844. The Government Rent for the lot is HK$30 per annum.

Inland Lot No. 994 is held under Government Lease for a term of 999 years commencing on 26 June 1843. The Government Rent for the lot is HK$130 per annum.

Monthly rental income as at 30 June 2022
about HK$1,558,000 exclusive of rates, management and air conditioning charges but inclusive of turnover rent

Market value in existing state as at 30 June 2022
HK$556,200,000

Estimated Net Property Yield
3.36%

Java Road 108 Commercial Centre

Java Road 108 Commercial Centre at 108 Java Road, North Point, Hong Kong

Description
Java Road 108 Commercial Centre is a 25-storey commercial development in North Point with retail units on G/F. 1/F to 24/F are designated for office use. The development was completed in 1998.

The Property comprises the whole of the retail units and office units in the development. The total gross rentable areas of the retail and office portions of the Property are 2,229 sq. ft. and 35,694 sq. ft. respectively, with a total of about 37,923 sq. ft. (3,523.13 sq. m.).

Tenure
Inland Lot No. 3539 is held under Government Lease for a term of 75 years commencing on 12 June 1933, renewable for 75 years thereafter. The Government Rents for Section C and Section D of the lot are HK$95,770 and HK$93,142 respectively.

Monthly rental income as at 30 June 2022
about HK$949,000 exclusive of rates, management and air conditioning charges

Market value in existing state as at 30 June 2022
HK$276,200,000

Estimated Net Property Yield
4.12%

Sun Fai Commercial Centre

Various Portions in Sun Fai Commercial Centre at 576 Reclamation Street, Mong Kok, Kowloon, Hong Kong

Description

Sun Fai Commercial Centre is a 15-storey commercial development in Mong Kok with retail units on G/F, 1/F to 14/F being designated for office use. The development was completed in 1998.

The Property comprises the whole of the retail units and Office Units A to E on 1/F to 3/F, 7/F to 9/F, 11/F and 14/F; Office Units A to D on 6/F, Office Units C and E on 10/F, Office Units A to C on 12/F and Office Units B to D on 13/F. The total gross rentable areas of the retail and office portions of the Property are 2,334 sq. ft. and 23,817 sq. ft. respectively, with a total of about 26,151 sq. ft. (2,429.49 sq. m.).

Tenure

Kowloon Inland Lot No. 10813 is held under Conditions of Lease Extension No. 12068 for a term commencing on 28 June 1985 and expiring on 30 June 2047 at an annual Government rent equivalent to 3% of the rateable value for the time being of the lot.

Kowloon Inland Lot No. 10814 is held under Conditions of Lease Extension No. 12269 for a term commencing on 28 June 1985 and expiring on 30 June 2047 at an annual Government rent equivalent to 3% of the rateable value for the time being of the lot.

Kowloon Inland Lot No. 10815 is held under Conditions of Lease Extension No. 12259 for a term commencing on 28 June 1985 and expiring on 30 June 2047 at an annual Government rent equivalent to 3% of the rateable value for the time being of the lot.

Monthly rental income as at 30 June 2022

about HK$552,000 exclusive of rates, management and air conditioning charges

Market value in existing state as at 30 June 2022

HK$165,700,000

Estimated Net Property Yield

4.00%

Wai Ching Commercial Building

Various Portions in Wai Ching Commercial Building at 77 Wai Ching Street, Yau Ma Tei, Kowloon, Hong Kong

Description

Wai Ching Commercial Building is a 19-storey commercial development in Mong Kok with retail units on G/F to 1/F. 2/F to 18/F are designated for office use. The development was completed in 1997.

The Property comprises Shop 2 on G/F, Office Units 1 to 2 on 1/F, 3/F to 7/F and 9/F to 18/F, and Office Unit 1 on 2/F. The total gross rentable areas of the retail and office portions of the Property are 2,082 sq. ft. and 14,239 sq. ft. respectively, with a total of about 16,321 sq. ft. (1,516.26 sq. m.).

Tenure

Kowloon Inland Lot No. 6167 is held under Government Lease for a term of 75 years commencing on 18 September 1974. The Government Rent for the lot is HK$28,696 per annum.

Kowloon Inland Lot No. 6168 is held under Government Lease for a term of 75 years commencing on 18 September 1974. The Government Rent for the lot is HK$28,870 per annum.

Monthly rental income as at 30 June 2022

about HK$270,000 exclusive of rates, management and air conditioning charges

Market value in existing state as at 30 June 2022

HK$80,100,000

Estimated Net Property Yield

4.05%

235 Wing Lok Street Trade Centre

235 Wing Lok Street Trade Centre at 235 Wing Lok Street, Sheung Wan, Hong Kong

Description

235 Wing Lok Street Trade Centre is a 26-storey commercial development in Sheung Wan district with retail units on G/F. 1/F is designated for both retail and office purposes; 2/F to 28/F are for office use (4/F, 14/F and 24/F have been omitted from floor numberings). The development was completed in 2000.

The Property comprises the whole of the retail units and all office units in the development. The total gross rentable areas of the retail and office portions of the Property are 4,804 sq. ft. and 47,481 sq. ft. respectively with a total of about 52,285 sq. ft. (4,857.40 sq. m.).

Tenure

Marine Lot No. 37A is held under Government Lease for a term of 979 years commencing on 26 December 1863. The Government Rents for Remaining Portion of Section A and Section B of the lot are HK$20 and HK$38 per annum respectively.

Monthly rental income as at 30 June 2022

about HK$1,004,000 exclusive of rates, management and air conditioning charges

Market value in existing state as at 30 June 2022

HK$367,800,000

Estimated Net Property Yield

3.28%

On Loong Commercial Building

On Loong Commercial Building at 276-278 Lockhart Road, Wan Chai, Hong Kong

Description

On Loong Commercial Building is a 23-storey commercial development in Wan Chai with retail units on G/F. The development was completed in 1984.

The Property comprises the whole of the retail units and all office units in the development. The total gross rentable areas of the retail and office portions of the Property are 1,708 sq. ft. and 25,498 sq. ft. respectively, with a total of about 27,206 sq. ft. (2,527.50 sq. m.).

Tenure

Inland Lot No. 7061 is held under Government Lease for a term of 99 years commencing on 11 May 1928, renewable for 99 years thereafter. The Government Rent for the lot is HK$10 per annum.

Inland Lot No. 7062 is held under Government Lease for a term of 99 years commencing on 11 May 1928, renewable for 99 years thereafter. The Government Rent for the lot is HK$10 per annum.

Monthly rental income as at 30 June 2022

about HK$751,000 exclusive of rates, management and air conditioning charges

Market value in existing state as at 30 June 2022

HK$246,600,000

Estimated Net Property Yield

3.65%

The Harvest

The Harvest at 591 Nathan Road, Mong Kok, Kowloon, Hong Kong

Description

The Harvest is a 22-storey (including basement) commercial development in Mong Kok district. B/F to 4/F of the development are designated for bank use according to the Alterations and Additions Plans; and 5/F to 20/F are designated for office use. The development was completed in 1981.

The Property comprises the whole of the retail units and all office units in the development. The total gross rentable areas of the retail and office portions of the Property are 11,627 sq. ft. and 23,024 sq. ft. respectively, with a total of about 34,651 sq. ft. (3,219.16 sq. m.).

Tenure

Kowloon Inland Lot No. 7891 is held under Conditions of Renewal No. 6372 for a term of 150 years commencing on 25 December 1887. The Government Rent for the lot is HK$152 per annum.

Monthly rental income as at 30 June 2022

about HK$1,021,000 exclusive of rates, management and air conditioning charges

Market value in existing state as at 30 June 2022

HK$597,000,000

Estimated Net Property Yield

2.05%

Metro City Phase I

Commercial Development and Car Parks in Metro City Phase I at 1 Wan Hang Road, Tseung Kwan O, Hong Kong

Description

Metro City Phase I is a commercial/residential development comprising 6 domestic tower blocks over a 4-level podium (including Ground Floor). The development was completed in 1996.

The Property comprises the whole of the retail units on G/F and Level 2 of the podium with a total gross rentable area of about 188,889 sq. ft. (17,548.22 sq. m.). It also comprises the car parks on G/F to Level 2 of the podium.

Tenure

Tseung Kwan O Town Lot No. 36 is held under New Grant No. 8275 for a term commencing on 29 November 1993 to 30 June 2047 at an annual Government rent equivalent to 3% of the rateable value for the time being of the lot.

Monthly rental income as at 30 June 2022

about HK$9,788,000 exclusive of rates, management and air conditioning charges but inclusive of turnover rent

Monthly car parking income as at 30 June 2022*

about HK$1,608,000 exclusive of operating expenses, rates, government rents and management fees

Monthly licence income as at 30 June 2022*

about HK$136,325 exclusive of rates and management fees

Market value in existing state as at 30 June 2022

HK$3,107,000,000

Estimated Net Property Yield

4.45%

* Monthly car parking income and monthly licence income are the average of the respective income from June 2021 to May 2022

Sheung Shui Centre Shopping Arcade

Commercial Development (including all shops, the restaurant and the kindergarten) and Car Parks in the Podium and Basement in Sheung Shui Centre at 3 Chi Cheong Road, Sheung Shui, New Territories, Hong Kong

Description

Sheung Shui Centre is a residential development comprising six residential tower blocks over a 3-level podium and a basement for car parking. The development was completed in 1993.

The Property comprises the whole of the retail units on Levels 1 to 3 of the podium (including all shops, restaurants and kindergarten) with a total gross rentable area of about 122,339 sq. ft. (11,365.57 sq. m.) and the basement car park.

Tenure

Fanling Sheung Shui Town Lot No. 55 is held under New Grant No. N12406 for a term commencing on 16 October 1989 to 30 June 2047 at an annual Government rent equivalent to 3% of the rateable value for the time being of the lot.

Monthly rental income as at 30 June 2022

about HK$11,463,000 exclusive of rates, management and air conditioning charges but inclusive of turnover rent

Monthly car parking income as at 30 June 2022*

about HK$826,000 exclusive of operating expenses, rates, government rents and management fees

Monthly licence income as at 30 June 2022*

about HK$192,429 exclusive of rates and management fees

Market value in existing state as at 30 June 2022

HK$3,780,000,000

Estimated Net Property Yield

3.96%

Kwong Wah Plaza

Various Portions in Kwong Wah Plaza at 11-15 Tai Tong Road, Yuen Long, New Territories, Hong Kong

Description

Kwong Wah Plaza is a 17-storey (including basement and mechanical floor) commercial development in Yuen Long with retail units on B/F to 1/F. 2/F is designated for mechanical floor and 3/F to 15/F are designated for office use. The development was completed in 1998.

The Property comprises the whole of the retail units and some office units in the development. The total gross rentable areas of the retail and office portions of the Property are 25,741 sq. ft. and 42,670 sq. ft. respectively, with a total of about 68,411 sq. ft. (6,355.54 sq. m.). The Property also comprises a Flat Roof on 13/F with an area of about 171 sq. ft. (15.85 sq. m.).

Tenure

Lot No. 4015 in D.D. 120 is held under New Grant No. 4135 for a term from 25 May 1993 to 30 June 2047 at an annual Government rent equivalent to 3% of the rateable value for the time being of the lot.

Monthly rental income as at 30 June 2022

about HK$3,400,000 exclusive of rates, management and air conditioning charges

Market value in existing state as at 30 June 2022

HK$1,165,000,000

Estimated Net Property Yield

3.51%

* Monthly car parking income and monthly licence income are the average of the respective income from June 2021 to May 2022

Beverley Commercial Centre

Various Shops Units on Ground Floor in Beverley Commercial Centre at 87-105 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong

Description

Beverley Commercial Centre is a 20-storey (including basement) commercial development in Tsim Sha Tsui with retail units on B/F to 2/F. The development was completed in 1982.

The Property comprises 60 shops on G/F with a total gross rentable area of about 7,934 sq. ft. (737.09 sq. m.).

Tenure

Kowloon Inland Lot Nos. 10574, 10211, 10575, 10518, 10580, 10160, 10503, 10526, 10247 and 10616 are held under Conditions of Regrant Nos. 11117, 10318, 11118, 11125, 11098, 10312, 11134, 11053, 10404 and 11243 respectively each for a term of 150 years commencing on 25 December 1902. The total Government Rent for the lots is HK$7,576 per annum.

Monthly rental income as at 30 June 2022

about HK$199,000 exclusive of rates, management and air conditioning charges

Market value in existing state as at 30 June 2022

HK$75,100,000

Estimated Net Property Yield

3.18%

Supernova Stand

Shops 1 to 9 on Ground Floor and Commercial Common Area and Facilities in Supernova Stand at 28 Mercury Street, North Point, Hong Kong

Description

Supernova Stand is a 27-storey residential development in North Point with retail units on G/F. The development was completed in 2001.

The Property comprises the whole of the retail units on G/F with a total gross rentable area of about 4,226 sq. ft. (392.60 sq. m.).

Tenure

Inland Lot no. 1366 is held under Government Lease for a term of 999 years commencing on 24 February 1896. The Government Rent for the lot is HK$338 per annum.

Monthly rental income as at 30 June 2022

about HK$242,000 exclusive of rates, management and air conditioning charges

Market value in existing state as at 30 June 2022

HK$74,200,000

Estimated Net Property Yield

3.91%

Valuation Report

Office Market Overview

Introduction

Hong Kong's office market has been traditionally dominated by centralized districts such as Central, Admiralty, Wan Chai, Causeway Bay and Quarry Bay on Hong Kong Island, and Tsim Sha Tsui on Kowloon. Central district accounted for 19% of total office stock in Hong Kong, mainly supported by the strength of the financial sector which occupies over half the office space in the top 20 buildings, followed by the legal and professional sector with 15%.

In recent years, some upscale decentralized markets, such as Wong Chuk Hang in Hong Kong Island South, Kowloon Bay and Kwun Tong in East Kowloon, are gaining popularity due to the rental discounts and connectivity improvements offered by these districts.

Supply

According to the Rating and Valuation Department, there were a total of 135.0 million sq. ft. of office stock as of the end of 2021, of which Grade A, Grade B and Grade C made up 65.1%, 23.1% and 11.8% respectively.

In 2022 and 2023, it is estimated that a total of 6.5 million sq. ft. of new Grade A office space will be due for completion, with eight projects each providing in excess of 300,000 sq. ft. This marks a significant increase on the 1.5 million sq. ft. completed in 2020 and 2021, during which there were just two new projects each providing more than 300,000 sq. ft.

A large new supply in 2022-23 will boost office vacancy to even higher levels. The addition of 3.1 million sq. ft. of new supply in decentralized districts over the remainder of the year will increase options for tenants and generate flight-to-quality demand. Some selected new office supplies such as Landmark South in Wong Chuk Hang, Two Taikoo Place in Hong Kong East, Airside in Kai Tak and Millennium City 8 in Kwun Tong are expected to be completed by 2022 / early 2023.

While occupier demand and leasing volume are expected to recover gradually, the substantial volume of space will not be absorbed in a short period of time. The adoption of hybrid working may also result in lower demand compared with historical levels. New supply in the pipeline, however, could be delayed due to a slowdown in building approvals and construction activities attributable to COVID-19.

Leasing Trend

In H1 2022, gross leasing volume dropped by 6.7% y-o-y, recording a total of 2.0 million sq. ft. During the beginning of the year, tenants remained cautious as the city grappled with the surge in COVID-19 infections, with leasing momentum particularly sluggish in February and March. In Q2 2022, leasing momentum was slow as measures to contain the fifth wave of COVID-19 infections inhibited inspection activity in the opening month of the quarter.

Co-working centres, wealth management firms and insurance companies were some of the more active industries committing to new leases during the first quarter. Government departments also continued to take up new Grade A office space in Q1 2022. In Q2 2022, pre-commitments to upcoming new supply accounted for 30% of leasing volume. Other deals were mainly driven by relocation and downsizing, with expansionary moves remaining limited. Co-working centres and government departments remained active during the second quarter while some medical centres also expanded.

Despite subdued leasing momentum, net absorption reached 464,400 sq. ft. in Q1 2022, the first positive figure since Q4 2019, drawing a line under nine consecutive quarters of contraction. Fewer downsizing moves and the completion of new buildings and pre-committed spaces also helped boost overall net absorption during the first quarter. In Q2 2022, the wave of downsizing ensured net absorption fell back into negative territory at -279,000 sq. ft. after turning positive in the preceding quarter. H1 2022 nevertheless registered positive net absorption of 185,400 sq. ft., much improved from H1 2021’s -600,000 sq. ft.

Vacancy

Despite positive net absorption in Q1 2022, overall vacancy remained unchanged at 11.6% due to the addition of vacant space in newly completed projects. Slow take-up in new supply led to another record high of 9.6 million sq. ft. in total vacant spaces.

In Q1 2022, Greater Central reported the lowest vacancy rate at 7.7%. Wan Chai/Causeway Bay saw the largest increase in the vacancy of any submarket, reaching 11.1% in Q1 2022, with pressure coming in more noticeably in a few buildings in Causeway Bay. Hong Kong East vacancy dropped for the first time since Q4 2019, declining to 9.1%. However, total vacant space remained at levels last seen in 2005. Vacancy in Kowloon East dropped for the fifth consecutive quarter in Q1 2022 to 14.3%. Reduced pressure for landlords in Kwun Tong was partly offset by a higher vacancy in several buildings in Kowloon Bay. Greater Tsim Sha Tsui vacancy dropped to 12.4% following a recovery in demand within core Tsim Sha Tsui.

Entering Q2 2022, although no new supply came on stream, returned space continued to push up the overall vacancy to 11.9%, the highest since Q3 2003. Total vacant space reached another record-high, standing at 9.8 million sq. ft. at end-Q2 2022. Four of the five major submarkets reported double-digit vacancy rates, with Greater Central the exception.

In Q2 2022, the vacancy rate in Greater Central, Tsim Sha Tsui and Wan Chai/Causeway Bay rose to 8.2%, 13.4% and 11.3% respectively. Vacant space in Greater Central reached 1.8 million sq. ft., double the level recorded in early-2020 at the onset of the COVID-19 pandemic. A similar trend was observed in Tsim Sha Tsui, where the volume of vacant space broke through the 1.5 million sq. ft. mark to reach a 22-year high, nearly three times the volume of space available at the start of 2020. In Hong Kong East, downsizing by two large occupiers was partly responsible for the 134,900 sq. ft. hike in vacancy in Q2 2022, which brought the district's vacancy rate to 10.6%, the first time it has reached double-digit since Q1 2005. Vacancy in Kowloon East rose for the first time since Q2 2021, reaching 14.6% due to downsizing and relocations in Kwun Tong.

Rental Trend

The H1 2022 rental decline was 1.0%, decelerating from a 2.0% drop in H2 2021. Overall, office rents have fallen 27.5% from their peak in Q2 2019, mainly driven by falling rents in strata-titled offices and buildings with high vacancy. Nonetheless, the rental downtrend seems to be showing signs of stabilising; as a case in point, the rental decline of 0.4% q-o-q in Q2 2022 was the smallest q-o-q fall since the rental downcycle began in Q2 2019. By district, rents in Greater Central declined by 0.6% in H1 2022, with the drop most apparent for several strata-titled buildings in Central and Admiralty during Q1 2022. A similar trend was observed in Kowloon East, with rents falling by 0.5% in H1 2022 due to the anticipation of the large volume of new supply coming on stream in late 2022.

Rents in Wan Chai/Causeway Bay dropped by 0.8% in H1 2022 as space availability remains relatively high despite improving vacancy in several buildings in Wan Chai North. Meanwhile, the high space availability saw office rents in Hong Kong East falling a further 3.9% in H1 2022, once again the weakest among all submarkets.

In other submarkets, office rents in Wong Chuk Hang declined 1.5% in H1 2022, while a 1.2% fall in rents in Greater Tsim Sha Tsui was observed during the same period.

According to the Rating and Valuation Department, the average office rent during the first five months of 2022 dropped by 3.2% y-t-d. Milder rental drop was observed for higher grade offices, as Grade A, Grade B and Grade C offices registered a drop of 2.9% y-t-d, 3.5% y-t-d and 4.7% y-t-d respectively.

Outlook

Although business activities have now largely resumed and the labour market is slowly recovering, interest rate hikes and prolonged economic uncertainties are set to hinder revenue growth and business investment, which will weigh on corporate demand for offices.

Multinationals are set to retain cost-saving real estate strategies in the coming quarters. Downsizing will continue within core submarkets, but the addition of new supply could trigger more decentralization moves. While these decisions are expected to be largely cost-driven, some may also involve upgrading.

Progress towards the further relaxation of travel restrictions could see the gradual return of demand from Chinese corporations and result in increased levels of leasing activity, particularly in and around the Central CBD. The pick-up in leasing momentum, however, is expected to commence slowly in H2 2022 and accelerate in 2023 only if quarantine-free travel is permitted on a wide scale.

Retail Market Overview

Introduction

For the first five months of 2022, the value of total retail sales dropped by 2.9% compared with the same period of 2021. This was mainly impacted by the fifth wave of the COVID-19 epidemic and the resultant of social distancing measures during Q1 2022 which constrained people's movements and dampened consumption sentiment. However, with a moderated pandemic situation in Q2 2022 and the support of the Hong Kong Government’s Consumption Voucher Scheme, total retail sales value in April and May combined to register an increase of 4.7% y-o-y, representing a notable improvement from the 7.6% drop in the first quarter.

Overall domestic consumption demand weakened significantly following the introduction of measures to contain a resurgence in COVID-19 infections. Private consumption expenditure dropped by 5.5% y-o-y in Q1 2022 after four consecutive quarters of growth.

According to the results of the Census and Statistics Department’s Quarterly Business Tendency Survey (Q2 2022) conducted between 2 June to 6 July 2022, the proportion of respondents expecting their business situation to improve (18%) in Q3 2022 over the preceding quarter is higher than that expecting it to get worse (12%). In terms of sector, significantly more respondents in the accommodation and food services, followed by retail; and manufacturing expected their business situation to improve in Q3 2022.

Supply

According to the Rating and Valuation Department, there were a total of 125.0 million sq. ft. of commercial stock by end of 2021. Between 2016 till 2019, a total of 5.0 million sq. ft. of new commercial spaces were completed, or an average of 1.27 million sq. ft. each year. Such completion figures dropped to 0.72 million sq. ft. and 0.45 million sq. ft. in 2020 and 2021 respectively.

Towards the end of 2022, no significant supply will be added to the market. It is projected that new supply in 2023 are mainly coming from the Chek Lap Kok area and the Kai Tak area, contributing to new retail spaces of over 4 million sq. ft..

Leasing Trend

Hong Kong’s fifth and strongest ever wave of COVID-19 infections dampened leasing sentiment and activities in Q1 2022. The total number of leasing deals fell by 30% q-o-q as business activities were disrupted by the huge volume of infections and tightened social distancing measures. Leasing activities slowed across all sectors including F&B and apparel, which were the main demand drivers in 2021. In contrast, medical and healthcare retailers returned to expansionary mode during the quarter.

Leasing sentiment improved in Q2 2022 as social distancing restrictions were gradually eased at the end of April. Stronger retail sales in the first two months of Q2 2022 underpinned a rise in demand over the quarter, which ranked H1 2022 as the most active period in terms of leasing volume since the onset of the pandemic in early 2020. F&B retailers continued to display strong leasing demand, accounting for 42% of leasing volume this quarter. Local and Korean restaurants were among the most active sources of demand. Landlords remained willing to accommodate shorter leases in order to hedge lower rents against a potential rental rebound, which, however, remains subject to the re-opening of the border. Masks stores and fast fashion brands are among the categories seeking short-term tenancies.

Vacancy

Weaker leasing activity pushed up the vacancy to 15.2% in Q1 2022. Vacancy in Tsim Sha Tsui increased by 20.3%, the highest among core submarkets. Causeway Bay saw vacancy climb by 15.8% as backfill spaces given up by a luxury brand and a bakery store failed to attract new tenants. Mong Kok vacancy edged down although the proportion of short leases increased. Central remained the most resilient submarket, with vacancy falling by 8.0% thanks to the area's diverse trade mix.

In Q2 2022, despite the more active leasing market, overall vacancy rose by 1.3% to 16.5% as some landlords with limited financial pressure opted to leave units vacant rather than rent them out. Trends diverged across core districts, with the vacancy in Tsim Sha Tsui and Mong Kok increasing to 23.2% and 18.9%, respectively, following a rise in store closures. In contrast, the vacancy rate in Central remained flat at 8.0%, while Causeway Bay recorded a fall to 13.2%. These two districts remained resilient thanks to solid demand from their large working populations, with F&B and causal wear retailers the main beneficiaries of lower rents.

Rental Trend

After registering a 1.2% y-o-y growth in 2021, rents returned to negative territory in Q1 2022, falling 5.9% q-o-q.

High-street shop rents stayed flat in Q2 2022 given the higher demand against higher vacancy. Given the decline in Q1 2022, rents dropped 5.9% in H1 2022. High-street rents have now fallen by 44% since mid-2019 when the current downcycle began.

Outlook

Should Hong Kong's COVID-19 infection rate continue to stabilize and cross-border travel to resume, retail market sentiment and hence retail space demand will pick up. With the second round of the Hong Kong Government's Consumption Voucher Scheme set to be launched in early August, retail sales in Q3 2022 are expected to remain steady, supported by solid domestic consumption.

Although the Hong Kong government has introduced a Rental Enforcement Moratorium which allows tenants in specific sectors to delay rental payments for up to three months, the challenging business environment may pose a higher likelihood of late rental payments, possibly leading to a default situation.

Headwinds in the midst of a seemingly more stable environment include a higher mortgage burden due to consecutive interest rate hikes, which could hinder growth in discretionary consumption. The higher cost of capital along with escalating economic uncertainties, including a potential recession in the U.S., will weigh on the rental recovery over the remainder of the year.

Trustee's Report

We hereby confirm that, in our opinion, the manager of Sunlight Real Estate Investment Trust has, in all material respects, managed Sunlight Real Estate Investment Trust in accordance with the provisions of the amended and restated trust deed dated 10 May 2021 for the year ended 30 June 2022.

HSBC Institutional Trust Services (Asia) Limited
(in its capacity as the trustee of Sunlight Real Estate Investment Trust)

Hong Kong, 6 September 2022

KPMG

Independent auditor's report to the unitholders of Sunlight Real Estate Investment Trust

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Sunlight Real Estate Investment Trust ("**Sunlight REIT**") and its subsidiaries (together the "**Group**") set out on pages 130 to 178, which comprise the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in net assets attributable to unitholders, the distribution statement and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the disposition of the assets and liabilities of the Group as at 30 June 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report to the unitholders of Sunlight Real Estate Investment Trust (continued)

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

Key audit matters (continued)

Valuation of investment properties

Refer to note 10 to the consolidated financial statements and the accounting policy 2(h)

The Key Audit Matter	How the matter was addressed in our audit
The Group holds a portfolio of investment properties located in Hong Kong, which had an aggregate fair value of HK$18,095 million and accounted for 95% of the Group's total assets as at 30 June 2022. The fair values of the investment properties as at 30 June 2022 were assessed by Henderson Sunlight Asset Management Limited, as the manager of Sunlight REIT (the "**Manager**"), based on valuations prepared by qualified external property valuers. The decrease in fair value of investment properties recorded in the consolidated statement of profit or loss for the year ended 30 June 2022 amounted to HK$264 million. We identified the valuation of the Group's investment properties as a key audit matter because of the significance of investment properties to the Group's total assets and the significance of the changes in fair value of the investment properties to the profit before taxation of the Group and because the valuation of investment properties is complex and involves a significant degree of judgement and estimation in determining capitalisation rates and market rents.	Our audit procedures to assess the valuation of investment properties included the following : • obtaining and inspecting the valuation reports prepared by the external property valuers engaged by the Group and on which the Manager's assessment of the valuation of investment properties was based; • assessing the external property valuers' qualifications, experience and expertise in the properties being valued and considering their objectivity; • with the assistance of our internal property valuation specialists and utilising their industry knowledge and experience, discussing with the external property valuers their valuation methodology without the presence of the Manager, and assessing the key estimates and assumptions adopted in the valuation by comparing capitalisation rates, prevailing market rents and comparable market transactions with the available market data; and • comparing the tenancy information, including committed rents and occupancy rates, provided by the Manager to the external property valuers, with underlying contracts and relevant underlying documentation, on a sample basis.

Independent auditor's report to the unitholders of Sunlight Real Estate Investment Trust (continued)

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

Information other than the consolidated financial statements and auditor's report thereon

The Manager is responsible for the other information, which comprises all information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the consolidated financial statements

The Manager is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and for such internal control as the Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

In addition, the Manager is required to ensure that the consolidated financial statements have been properly prepared in accordance with the relevant provisions of the amended and restated trust deed dated 10 May 2021 (the "**Trust Deed**") and the relevant disclosure provisions set out in Appendix C of the Code on Real Estate Investment Trusts (the "**REIT Code**") issued by the Securities and Futures Commission of Hong Kong.

The Manager is assisted by the Audit Committee in discharging its responsibility for overseeing the Group's financial reporting process.

Independent auditor's report to the unitholders of Sunlight Real Estate Investment Trust (continued)

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Appendix C of the REIT Code, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also :

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

– Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on matters under the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code

In our opinion, the consolidated financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions set out in Appendix C of the REIT Code.

The engagement partner on the audit resulting in this independent auditor's report is Yau Ngai Lun, Alan.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

6 September 2022

Consolidated Statement of Profit or Loss

For the year ended 30 June 2022
(Expressed in Hong Kong dollars)

	Note	2022 $'000	2021 $'000
Revenue	3 & 4	**802,930**	799,296
Property operating expenses	3 & 5	**(161,031)**	(159,643)
Net property income		**641,899**	639,653
Other net income	6	**5,307**	8,981
Administrative expenses		**(105,813)**	(107,550)
Net decrease in fair value of investment properties	10	**(263,890)**	(605,160)
Profit / (loss) from operations		**277,503**	(64,076)
Finance costs on interest-bearing liabilities	7(a)	**(98,396)**	(93,735)
Profit / (loss) before taxation and transactions with unitholders	7	**179,107**	(157,811)
Income tax	8(a)	**(76,163)**	(75,866)
Profit / (loss) after taxation and before transactions with unitholders		**102,944**	(233,677)

The notes on pages 138 to 178 form part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022
(Expressed in Hong Kong dollars)

	2022 $'000	2021 $'000
Profit / (loss) after taxation and before transactions with unitholders	**102,944**	(233,677)
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 recognised during the year	**98,086**	(20,310)
– Net reclassification adjustments for amounts transferred to profit or loss in respect of :		
– finance costs on interest-bearing liabilities	**(16)**	218
– unrealised exchange difference on foreign currency borrowing	**108,323**	–
– unwinding of swaps	**(295)**	–
	206,098	(20,092)
Total comprehensive income / (loss) for the year	**309,042**	(253,769)

The notes on pages 138 to 178 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 30 June 2022
(Expressed in Hong Kong dollars)

	Note	2022 $'000	2021 $'000
Non-current assets			
Fixed assets	10		
– Investment properties		**18,095,200**	18,341,700
– Other fixed assets		**81**	93
		18,095,281	18,341,793
Deferred tax assets	8(c)	**500**	343
Derivative financial instruments	12	**14,395**	–
Reimbursement rights	11	**37,436**	37,436
Other financial assets	13	**104,453**	140,893
Other non-current assets	14	**1,224**	967
		18,253,289	18,521,432
Current assets			
Trade and other receivables	15	**64,777**	54,946
Derivative financial instruments	12	**11,326**	–
Cash and bank balances	16(a)	**630,990**	623,301
Tax recoverable		**–**	67
		707,093	678,314
Total assets		**18,960,382**	19,199,746
Current liabilities			
Tenants' deposits	17	**(201,406)**	(201,565)
Rent receipts in advance		**(7,469)**	(12,348)
Trade and other payables	18	**(69,372)**	(71,393)
Bank and other borrowings	19	**(1,298,987)**	(2,002,645)
Derivative financial instruments	12	**(11,386)**	(52,964)
Tax payable		**(65,568)**	(70,152)
		(1,654,188)	(2,411,067)
Net current liabilities		**(947,095)**	(1,732,753)
Total assets less current liabilities		**17,306,194**	16,788,679

Consolidated Statement of Financial Position (continued)

At 30 June 2022
(Expressed in Hong Kong dollars)

	Note	2022 $'000	2021 $'000
Non-current liabilities, excluding net assets attributable to unitholders			
Bank and other borrowings	19	**(2,989,807)**	(2,398,145)
Deferred tax liabilities	8(c)	**(217,627)**	(205,107)
Derivative financial instruments	12	**(47,341)**	(61,174)
		(3,254,775)	(2,664,426)
Total liabilities, excluding net assets attributable to unitholders		**(4,908,963)**	(5,075,493)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		**14,051,419**	14,124,253
Number of units in issue	20	**1,681,712,071**	1,672,133,484
Net asset value attributable to unitholders per unit		**$8.36**	$8.45

The consolidated financial statements on pages 130 to 178 were approved and authorised for issue by Henderson Sunlight Asset Management Limited, as the manager of Sunlight Real Estate Investment Trust (the "**Manager**"), on 6 September 2022 and were signed on its behalf by :

Au Siu Kee, Alexander
Chairman

Wu Shiu Kee, Keith
Executive Director

The notes on pages 138 to 178 form part of these consolidated financial statements.

Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the year ended 30 June 2022
(Expressed in Hong Kong dollars)

	Note	2022 $'000	2021 $'000
At the beginning of the year		**14,124,253**	14,771,156
Profit / (loss) after taxation and before transactions with unitholders		**102,944**	(233,677)
Other comprehensive income / (loss)		**206,098**	(20,092)
Total comprehensive income / (loss) for the year		**309,042**	(253,769)
Distribution paid to unitholders		**(423,665)**	(434,313)
Issuance of units to the Manager	20	**46,400**	47,136
Units bought back	20	**(4,594)**	(5,937)
Units buy-back expenses	20	**(17)**	(20)
		(381,876)	(393,134)
At the end of the year		**14,051,419**	14,124,253

The notes on pages 138 to 178 form part of these consolidated financial statements.

Distribution Statement

For the year ended 30 June 2022
(Expressed in Hong Kong dollars)

	Note	2022 $'000	2021 $'000
Profit / (loss) after taxation and before transactions with unitholders		**102,944**	(233,677)
Adjustments (note (i)) :			
– Net decrease in fair value of investment properties	10	**263,890**	605,160
– Manager's fees paid or payable in the form of units		**46,244**	46,775
– Interest rate swaps – cash flow hedges	7(a)	**313**	1,159
– Non-cash finance costs on interest-bearing liabilities		**5,290**	6,197
– Deferred tax	8(a)	**12,363**	12,705
– Depreciation		**25**	–
		328,125	671,996
Annual distributable income (note (i))		**431,069**	438,319
Interim distribution, paid (notes (ii) and (iv))		**204,615**	208,358
Final distribution, to be paid to unitholders (notes (iii) and (iv))		**215,259**	219,050
Total distributions for the year (note (i))		**419,874**	427,408
Payout ratio (note (iii))		**97.4%**	97.5%
Distribution per unit :			
Interim distribution per unit, paid		**12.2 cents**	12.5 cents
Final distribution per unit, to be paid to unitholders		**12.8 cents**	13.1 cents
		25.0 cents	25.6 cents

Notes* :

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

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 amortisation of debt establishment fees for bank and other borrowings and discount on issuance of medium term notes of $5,290,000, or 0.31 cents per unit (2021: $6,197,000, or 0.37 cents per unit) (which is an effective return of capital), and to eliminate the effect of increase/decrease in fair value of investment properties.

For the year ended 30 June 2022
(Expressed in Hong Kong dollars)

Notes* : (continued)

(ii) The interim distribution of $204,615,000 for the six months ended 31 December 2021 (31 December 2020 : $208,358,000) is calculated by multiplying the interim distribution per unit of 12.2 cents by 1,677,171,782 units in issue at 8 March 2022, the record date for FY2021/22 interim distribution (31 December 2020 : 12.5 cents by 1,666,867,824 units in issue at 3 March 2021, the record date for FY2020/21 interim distribution).

(iii) The final distribution of $215,259,000 for the year ended 30 June 2022 (2021: $219,050,000) is calculated by multiplying the final distribution per unit of 12.8 cents by 1,681,712,071 units** anticipated to be in issue at 28 September 2022, the record date for FY2021/22 final distribution (the "**Record Date**") (2021: 13.1 cents by 1,672,133,484 units in issue at 29 September 2021, the record date for FY2020/21 final distribution).

Together with the interim distribution, the total distributions for the year ended 30 June 2022 represent a payout ratio of 97.4% (2021: 97.5%) of Sunlight REIT's annual distributable income for the year.

(iv) The FY2021/22 interim distribution was paid to unitholders on 16 March 2022. The FY2021/22 final distribution is expected to be paid on 11 October 2022 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 recognised as a liability at the end of the reporting period.

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

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

The notes on pages 138 to 178 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 30 June 2022
(Expressed in Hong Kong dollars)

	Note	2022 $'000	2021 $'000
Operating activities			
Profit / (loss) before taxation and transactions with unitholders		**179,107**	(157,811)
Adjustments :			
– Manager's fees paid or payable in the form of units		**46,244**	46,775
– Net decrease in fair value of investment properties	10	**263,890**	605,160
– Finance costs on interest-bearing liabilities	7(a)	**98,396**	93,735
– Depreciation	10	**25**	17
– Interest income		**(7,153)**	(8,715)
– Provision for credit losses on debt securities	6	**2,876**	–
– Net unrealised foreign exchange gain		**(956)**	(205)
Operating cash flow before changes in working capital		**582,429**	578,956
Increase in trade and other receivables		**(9,029)**	(8,945)
Decrease in tenants' deposits		**(159)**	(19,243)
Decrease in rent receipts in advance		**(4,879)**	(7,746)
(Decrease) / increase in trade and other payables		**(406)**	9,284
Cash generated from operations		**567,956**	552,306
Hong Kong Profits Tax paid		**(68,384)**	(69,809)
Hong Kong Profits Tax refunded		**67**	53,619
Net cash generated from operating activities		**499,639**	536,116
Investing activities			
Interest received		**7,369**	9,462
Payment for acquisition of investment properties		**–**	(16,826)
Payment for expenditure incurred for investment properties		**(19,137)**	(11,573)
Payment for purchase of other fixed assets		**(13)**	(88)
Payment for purchase of debt securities		**(4,623)**	(91,995)
Proceeds from redemption of matured debt securities		**38,832**	66,674
Decrease / (increase) in bank deposits with original maturity over three months		**85,195**	(264,415)
Net cash generated from / (used in) investing activities		**107,623**	(308,761)
Financing activities			
Distribution paid to unitholders		**(423,665)**	(434,313)
Payment for buy-back of units		**(4,611)**	(5,957)
Proceeds from unwinding of swaps	12	**16,625**	–
Proceeds from new bank borrowings	16(b)	**2,000,000**	1,523,196
Proceeds from issuance of medium term notes	16(b)	**–**	297,525
Repayment of bank borrowings	16(b)	**(2,005,000)**	(1,655,000)
Interest paid	16(b)	**(92,948)**	(85,224)
Other borrowing costs paid	16(b)	**(4,790)**	(8,148)
Net cash used in financing activities		**(514,389)**	(367,921)
Net increase / (decrease) in cash and cash equivalents		**92,873**	(140,566)
Cash and cash equivalents at the beginning of the year	16(a)	**233,373**	373,920
Effect of foreign exchange rate changes		**11**	19
Cash and cash equivalents at the end of the year	16(a)	**326,257**	233,373

The notes on pages 138 to 178 form part of these consolidated financial statements.

1 General

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

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

2 Significant accounting policies

(a) Statement of compliance

These 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. These consolidated financial statements also comply with the relevant disclosure provisions of the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**") as if those provisions were applicable to Sunlight REIT. Significant accounting policies adopted by the Group are disclosed below.

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications; and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("**IBOR**") ("**IBOR reform**").

2 Significant accounting policies (continued)

(a) Statement of compliance (continued)

During the year ended 30 June 2022, the Group had an outstanding bank loan advanced from a bank (the "**Bank**") and which is hedged against interest rate risk and foreign currency risk by way of a cross currency interest rate swap contract. For any interest period commencing prior to 1 January 2022, interest expenses paid to the Bank on the bank loan and interest payments received from the Bank on the swap contract were calculated based on the Japanese Yen London Interbank Offered Rate ("**JPY LIBOR**"). On 21 December 2021, the Group and the Bank had agreed to select Tokyo Overnight Average Rate as the alternative benchmark rate (the "**Benchmark Rate**") under the IBOR reform. As a result, for any interest period commencing on or after 1 January 2022, the relevant interest expenses and interest payments will be calculated based on the Benchmark Rate. The Group has assessed the change of referencing rate from JPY LIBOR to the Benchmark Rate in respect of the bank loan and the swap contract, and considered that the mismatch risk is minimal and the change does not have any material impact on the Group's results and financial position for the current or prior years.

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

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 30 June 2022 incorporate the financial statements of Sunlight REIT and its subsidiaries.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below :

– derivative financial instruments (see note 2(f)); and

– investment properties (see note 2(h)).

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 27.

2 Significant accounting policies (continued)

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment.

(d) Investments in debt securities

Investments in debt securities are recognised/derecognised on the date the Group commits to purchase/sell the investment or they expire. The investments are initially stated at fair value plus directly attributable transaction costs.

Non-equity investments held by the Group are classified as financial assets measured at amortised cost if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(r)(iii)).

(e) Unitholders' funds as a financial liability

In accordance with the Trust Deed, Sunlight REIT has a limited life of 80 years less 1 day from the date of commencement of Sunlight REIT. In addition, Sunlight REIT is required to distribute to unitholders no less than 90% of its annual distributable income for each financial year in accordance with the Trust Deed. Accordingly, the units contain contractual obligations to pay cash dividends and also upon the termination of Sunlight REIT, a share of all net cash proceeds derived from the sale or realisation of the assets of Sunlight REIT less any liabilities, in accordance with their proportionate interests in Sunlight REIT at the date of its termination. The unitholders' funds are therefore classified as financial liabilities in accordance with HKFRS 9, *Financial instruments*. It is shown on the consolidated statement of financial position as "Net assets attributable to unitholders".

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 2(g)).

2 Significant accounting policies (continued)

(g) Hedging

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognised directly in other comprehensive income and accumulated separately in net assets attributable to unitholders. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

The associated gain or loss is reclassified from net assets attributable to unitholders to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in net assets attributable to unitholders until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from net assets attributable to unitholders to profit or loss immediately.

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

Investment properties are stated at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(r)(i).

(i) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and impairment losses (see note 2(k)(ii)).

Gains or losses arising from the retirement or disposal of an item of other fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of other fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows :

– Furniture and fixtures 3 – 5 years

Where parts of an item of other fixed assets have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 Significant accounting policies (continued)

(j) Leased assets

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration payable by the recipient of such right (i.e. the lessee). The right to control an identified asset is conveyed when the lessee has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with the relevant revenue and other income recognition policy (see note 2(r)(i)).

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

The Group recognises a loss allowance for expected credit losses ("**ECLs**") on the following items :

- financial assets measured at amortised cost (including other financial assets, cash and bank balances, trade and other receivables and prepayments); and
- lease receivables (which is included under "Rental receivables" within trade and other receivables).

Financial assets measured at fair value, including derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material :

- fixed-rate financial assets and trade and other receivables : effective interest rate determined at initial recognition or an approximation thereof; and
- lease receivables : discount rate used in the measurement of the lease receivable.

2 Significant accounting policies (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and lease receivables (continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases :

– 12-month ECLs : these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs : these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2 Significant accounting policies (continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and lease receivables (continued)

Significant increases in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition :

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 2(r)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events :

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

2 Significant accounting policies (continued)

(k) Credit losses and impairment of assets (continued)

(i) *Credit losses from financial instruments and lease receivables* (continued)

Write-off policy

The gross carrying amount of a financial asset or lease receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased :

- other fixed assets; and
- other non-current assets.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest identifiable group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

  An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 Significant accounting policies (continued)

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost, using the effective interest method less allowance for credit losses (see note 2(k)(i)).

(m) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(s)).

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(k)(i).

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in net assets attributable to unitholders, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in net assets attributable to unitholders, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

2 Significant accounting policies (continued)

(p) Income tax (continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

2 Significant accounting policies (continued)

(p) Income tax (continued)

Current tax balances and deferred tax balances, and movement therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met :

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either :
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 Significant accounting policies (continued)

(r) Revenue and other income

Income is classified by the Group as revenue when it arises from the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties.

Further details of the Group's revenue and other income recognition policies are as follows :

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments are recognised as income in the accounting period in which they are earned.

(ii) Car park income and rental related income

Car park income and rental related income are recognised when the related services are rendered.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(k)(i)).

(s) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

2 Significant accounting policies (continued)

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person :

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies :

(i) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(ii) The entity is controlled or jointly controlled by a person identified in (a).

(iii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity.

(iv) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Manager's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the settlements have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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 :

	2022			2021		
	Office properties $'000	Retail properties $'000	Total $'000	Office properties $'000	Retail properties $'000	Total $'000
Revenue						
– Rental income	**331,286**	**311,497**	**642,783**	329,151	316,317	645,468
– Car park income	**4,392**	**29,200**	**33,592**	4,192	28,251	32,443
– Rental related income	**62,862**	**63,693**	**126,555**	59,049	62,336	121,385
	398,540	**404,390**	**802,930**	392,392	406,904	799,296
Property operating expenses	**(72,707)**	**(88,324)**	**(161,031)**	(72,162)	(87,481)	(159,643)
Net property income	**325,833**	**316,066**	**641,899**	320,230	319,423	639,653
Administrative expenses	**(51,141)**	**(43,457)**	**(94,598)**	(51,271)	(43,861)	(95,132)
Segment results	**274,692**	**272,609**	**547,301**	268,959	275,562	544,521
Net decrease in fair value of investment properties	**(140,768)**	**(123,122)**	**(263,890)**	(171,958)	(433,202)	(605,160)
Finance costs on interest-bearing liabilities			**(98,396)**			(93,735)
Income tax			**(76,163)**			(75,866)
Interest income			**7,153**			8,447
Unallocated net expenses			**(13,061)**			(11,884)
Profit / (loss) after taxation and before transactions with unitholders			**102,944**			(233,677)
Depreciation	**10**	**15**	**25**	2	15	17

3 Segment reporting (continued)

Segment results, assets and liabilities (continued)

	2022			2021		
	Office properties $'000	Retail properties $'000	Total $'000	Office properties $'000	Retail properties $'000	Total $'000
Segment assets	**9,964,831**	**8,232,101**	**18,196,932**	10,089,505	8,343,833	18,433,338
Derivative financial instruments			**25,721**			–
Other financial assets			**104,453**			140,893
Cash and bank balances			**630,990**			623,301
Tax recoverable			**–**			67
Deferred tax assets			**500**			343
Unallocated assets			**1,786**			1,804
Total assets			**18,960,382**			19,199,746
Segment liabilities	**(141,376)**	**(127,642)**	**(269,018)**	(141,271)	(134,491)	(275,762)
Derivative financial instruments			**(58,727)**			(114,138)
Bank and other borrowings			**(4,288,794)**			(4,400,790)
Tax payable			**(65,568)**			(70,152)
Deferred tax liabilities			**(217,627)**			(205,107)
Unallocated liabilities			**(9,229)**			(9,544)
Total liabilities, excluding net assets attributable to unitholders			**(4,908,963)**			(5,075,493)
Capital expenditure incurred during the year	**12,367**	**5,293**	**17,660**	11,561	17,778	29,339

4 Revenue

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

	2022 $'000	2021 $'000
Rental income (note)	**642,783**	645,468
Car park income	**33,592**	32,443
Rental related income	**126,555**	121,385
	802,930	799,296

Note : Included additional rents based on business revenue of tenants amounting to $1,244,000 (2021 : $1,137,000).

5 Property operating expenses

	2022 $'000	2021 $'000
Building management fee	**59,487**	59,705
Property Manager's fees (note)	**45,143**	46,015
Government rent and rates	**29,892**	29,111
Marketing and promotion expenses	**4,330**	5,352
Car park operating costs	**6,273**	6,695
Provision for credit losses on rental receivables (note 15(b))	**6,180**	1,713
Other direct costs	**9,726**	11,052
	161,031	159,643

Note : During the year ended 30 June 2022, the property manager waived an amount of $399,000 (2021 : $2,894,000) from the reimbursement of staff costs incurred for the Group, reflecting the subsidies received from the Employment Support Scheme set up by The Government of the Hong Kong Special Administrative Region.

6 Other net income

	2022 $'000	2021 $'000
Bank interest income	**2,991**	2,792
Interest income from debt securities	**4,162**	5,655
Provision for credit losses on debt securities (note 21(a))	**(2,876)**	–
Others	**1,030**	534
	5,307	8,981

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

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

	2022 $'000	2021 $'000
(a) Finance costs on interest-bearing liabilities		
Interest on bank and other borrowings	**92,684**	86,379
Other borrowing costs	**5,399**	6,197
	98,083	92,576
Interest rate swaps – cash flow hedges		
– Reclassified from net assets attributable to unitholders	**(16)**	218
– Net fair value loss of ineffective cash flow hedges	**329**	941
	313	1,159
	98,396	93,735

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

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

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

	2022 $'000	2021 $'000
(b) Other items		
Manager's fees	**91,638**	92,531
Property Manager's fees (notes (i) and (iii))	**45,143**	46,015
Trustee's remuneration and charges	**4,570**	4,621
Auditor's remuneration		
– Audit services	**2,008**	2,002
– Other services	**750**	497
Valuation fee payable to principal valuer	**483**	411
Legal and other professional fees	**3,234**	5,087
Commission to property agents	**3,083**	2,763
Bank charges	**301**	337
Net foreign exchange gain	**(1,030)**	(265)

Notes :

(i) Included rental commission of $8,692,000 (2021 : $11,674,000).

(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.

(iii) For the year ended 30 June 2022, 62.4% (2021 : 61.0%) of the total purchase of items or services were attributable to the five largest suppliers, with the largest one accounting for 41.2% (2021 : 40.4%). The largest supplier, being the Property Manager, is a wholly-owned subsidiary of Henderson Land Development Company Limited ("**HLD**"). HLD is interested in more than 5% of the total number of units in issue of Sunlight REIT.

8 Income tax

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

	2022 $'000	2021 $'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**64,041**	63,535
Over-provision in respect of prior years	**(241)**	(374)
	63,800	63,161
Deferred tax		
Origination and reversal of temporary differences	**12,363**	12,705
	76,163	75,866

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

(b) Reconciliation between tax expense and accounting profit / (loss) at applicable tax rate :

	2022 $'000	2021 $'000
Profit / (loss) before taxation and transactions with unitholders	**179,107**	(157,811)
Notional tax on profit / (loss) before taxation and transactions with unitholders, calculated at applicable tax rates	**29,388**	(26,204)
Tax effect of non-deductible expenses	**51,027**	111,894
Tax effect of non-taxable income	**(2,621)**	(7,472)
Tax effect of current year's tax losses not recognised	**153**	10
Tax effect of other temporary differences recognised / derecognised	**(454)**	(320)
Tax effect of prior years' unrecognised tax losses recognised in current year	**(1,010)**	(1,467)
Tax effect of prior years' unrecognised tax losses utilised in current year	**(79)**	(201)
Over-provision in respect of prior years	**(241)**	(374)
Actual tax expense	**76,163**	75,866

8 Income tax (continued)

(c) Deferred tax assets and liabilities recognised :

The components of deferred tax liabilities / (assets) recognised in the consolidated statement of financial position and the movements during the year are as follows :

Deferred tax arising from :	Depreciation allowances in excess of related depreciation $'000	Tax losses $'000	Total $'000
At 1 July 2020	195,720	(3,661)	192,059
Charged / (credited) to profit or loss	13,143	(438)	12,705
At 30 June 2021	208,863	(4,099)	204,764
At 1 July 2021	**208,863**	**(4,099)**	**204,764**
Charged / (credited) to profit or loss	**12,775**	**(412)**	**12,363**
At 30 June 2022	**221,638**	**(4,511)**	**217,127**

	2022 $'000	2021 $'000
Represented by :		
Net deferred tax assets recognised	**(500)**	(343)
Net deferred tax liabilities recognised	**217,627**	205,107
	217,127	204,764

(d) Deferred tax assets not recognised :

In accordance with the accounting policy set out in note 2(p), the Group has not recognised deferred tax assets in respect of unused tax losses of certain subsidiaries of $31,141,000 (2021 : $39,820,000) as it is probable that sufficient future taxable profits will not be available against which the unused tax losses can be utilised. The Hong Kong tax losses do not expire under current tax legislation.

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

The basic earnings per unit before transactions with unitholders for the year ended 30 June 2022 amounted to $0.06 (2021 : basic loss per unit before transactions with unitholders of $0.14). The calculation of basic earning / (loss) per unit before transactions with unitholders is based on the Group's profit after taxation and before transactions with unitholders of $102,944,000 (2021 : loss after taxation and before transactions with unitholders of $233,677,000) and the weighted average of 1,676,368,004 units (2021 : 1,666,146,965 units) in issue during the year.

Diluted earning / (loss) per unit before transactions with unitholders for the years ended 30 June 2022 and 2021 are not presented as there was no potential dilution of earning / (loss) per unit before transactions with unitholders.

10 Fixed assets

	Furniture and fixtures $'000	Investment properties $'000	Total $'000
Cost or valuation :			
At 1 July 2020	286	18,918,000	18,918,286
Additions (note (c))	88	28,860	28,948
Decrease in fair value	–	(605,160)	(605,160)
At 30 June 2021	374	18,341,700	18,342,074
Representing :			
Cost	374	–	374
Valuation – 2021	–	18,341,700	18,341,700
	374	18,341,700	18,342,074
At 1 July 2021	374	18,341,700	18,342,074
Additions (note (c))	13	17,390	17,403
Decrease in fair value	–	(263,890)	(263,890)
At 30 June 2022	387	18,095,200	18,095,587
Representing :			
Cost	387	–	387
Valuation – 2022	–	18,095,200	18,095,200
	387	18,095,200	18,095,587
Accumulated depreciation :			
At 1 July 2020	264	–	264
Charge for the year	17	–	17
At 30 June 2021	281	–	281
At 1 July 2021	281	–	281
Charge for the year	25	–	25
At 30 June 2022	306	–	306
Net book value :			
At 30 June 2022	81	18,095,200	18,095,281
At 30 June 2021	93	18,341,700	18,341,793

10 Fixed assets (continued)

(a) Fair value measurement of investment properties

Fair value hierarchy

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

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

The Group's investment properties measured at fair value are not categorised as Level 1 and Level 2 valuations.

During the years ended 30 June 2022 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

Valuation process

The investment properties were appraised at 30 June 2022 by the Group's principal valuer, CBRE Limited, an independent firm that has key personnel who are fellows or members of The Hong Kong Institute of Surveyors or the Royal Institute of Chartered Surveyors (Hong Kong Branch) with recent experience in the location and category of property being valued. The independent valuation of investment properties at 30 June 2021 was performed by Colliers International (Hong Kong) Limited ("**Colliers**").

The Manager has reviewed the valuation results performed by the surveyors for financial reporting purposes by verifying all major inputs and assumptions, and assessing the reasonableness of property valuation. Such valuation was performed at each interim and annual reporting date and was reviewed and approved by senior management.

Valuation methodologies

The fair values of the Group's investment properties at 30 June 2022 and 2021 were arrived at using the income capitalisation approach cross-referenced to the direct comparison approach. The income capitalisation approach is based on the capitalisation of the current passing rental income and potential reversionary income over the remaining tenure of the property from the date of valuation at appropriate investment yields to arrive at the capital value. The direct comparison approach is based on comparing the properties to be valued directly with other comparable properties which recently changed hands.

10 Fixed assets (continued)

(a) Fair value measurement of investment properties (continued)

Level 3 valuation methodologies

The following table presents the significant unobservable inputs :

	30 June 2022		
	Market unit rent	**Capitalisation rate**	**Occupancy rate**
In Hong Kong			
– Office	**$14.0 to $42.2**	**3.3% to 3.8%**	**80.4% to 100%**
– Retail	**$17.0 to $126.2**	**3.1% to 4.3%**	**81.9% to 100%**

	30 June 2021		
	Market unit rent	**Capitalisation rate**	**Occupancy rate**
In Hong Kong			
– Office	$14.7 to $43.4	3.3% to 3.8%	87.9% to 100%
– Retail	$13.9 to $134.1	3.1% to 4.4%	77.5% to 100%

The fair value measurement of investment property is positively correlated to the market unit rent and the occupancy rate and negatively correlated to the capitalisation rate.

All leased properties meet the definition of investment properties (see note 2(h)) are classified as investment properties.

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

	2022 $'000	**2021 $'000**
In Hong Kong		
– Long leases	**8,588,300**	8,680,300
– Medium-term leases	**9,506,900**	9,661,400
	18,095,200	18,341,700

(c) There was no acquisition of investment properties for the year ended 30 June 2022 (2021 : $17,226,000).

(d) Certain investment properties of the Group have been mortgaged to secure banking facilities granted to the Group (see note 19).

11 Reimbursement rights

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

12 Derivative financial instruments

	2022			2021		
	Assets $'000	Liabilities $'000	Net amount $'000	Assets $'000	Liabilities $'000	Net amount $'000
Interest rate swaps and cross currency interest rate swap – cash flow hedges						
Current portion	**11,326**	**(11,386)**	**(60)**	–	(52,964)	(52,964)
Non-current portion	**14,395**	**(47,341)**	**(32,946)**	–	(61,174)	(61,174)
	25,721	**(58,727)**	**(33,006)**	–	(114,138)	(114,138)

The Group uses interest rate swaps ("**IRSs**") to hedge against the interest rate risk in relation to its floating rate borrowings.

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

During the year ended 30 June 2022, the Group received $16,625,000 from two swap counterparties for unwinding of four IRSs with an aggregate notional amount of $500,000,000. Such amount would be recognised over the original tenors of the respective IRSs; and $295,000 was recognised as a saving in finance costs for the year. The remaining balance of $16,330,000 was included in the net assets attributable to unitholders at 30 June 2022.

At 30 June 2022, the Group assessed the effectiveness of its cash flow hedges and identified certain ineffectiveness. As a result, fair value loss of ineffective hedges amounting to $329,000 (2021 : $941,000) was charged to profit or loss for the year.

For the year ended 30 June 2022, the increase in the effective portion of changes in fair value of cash flow hedges of $98,086,000 (2021 : a decrease of $20,310,000) and a reclassification adjustment in respect of unrealised exchange difference on foreign currency borrowing of $108,323,000 (2021 : nil) recognised in other comprehensive income were included in the net assets attributable to unitholders.

At 30 June 2022, the Group had IRSs with an aggregate notional amount of $2,200,000,000 (2021 : $2,700,000,000) and CCIRS with notional amount of $513,196,000 (2021 : $513,196,000) and their net cumulative unrealised fair value changes were included in the net assets attributable to unitholders. These swaps will mature between September 2022 to October 2027 (2021 : September 2022 to October 2027).

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

13 Other financial assets

	2022 $'000	2021 $'000
Financial assets measured at amortised cost		
Debt securities		
– Listed in Hong Kong	**45,471**	79,262
– Listed outside Hong Kong	**51,840**	51,513
– Unlisted	**10,018**	10,118
	107,329	140,893
Less : provision for credit losses (note 21(a))	**(2,876)**	–
	104,453	140,893

14 Other non-current assets

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

15 Trade and other receivables

	2022 $'000	2021 $'000
Rental receivables	**51,697**	46,569
Deposits and prepayments	**10,288**	5,571
Other receivables	**1,856**	2,017
Amounts due from related companies	**936**	789
	64,777	54,946

Included unamortised rent-free and rental concession, deposits and prepayment of $28,967,000 (2021 : $29,953,000) which are expected to be recovered or recognised as expenses after one year. Apart from the above, all of the balances are expected to be recovered or recognised as expenses within one year.

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 :

	2022 $'000	2021 $'000
Current	**31,179**	39,103
Less than 1 month overdue	**8,728**	4,033
More than 1 month and up to 3 months overdue	**8,702**	1,697
More than 3 months and up to 6 months overdue	**2,517**	920
More than 6 months overdue	**571**	816
	51,697	46,569

Details of the Group's credit policy are set out in note 21(a).

15 Trade and other receivables (continued)

(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 :

	2022 $'000	2021 $'000
At the beginning of the year	**2,031**	625
Provision for credit losses (note 5)	**6,180**	1,713
Written off	**(1,029)**	(307)
At the end of the year	**7,182**	2,031

16 Cash and bank balances and other cash flow information

(a) Cash and cash equivalents comprise :

	2022 $'000	2021 $'000
Deposits with original maturity within three months	**269,745**	194,843
Cash at bank and in hand	**56,512**	38,530
Cash and cash equivalents in the consolidated cash flow statement	**326,257**	233,373
Deposits with original maturity over three months	**304,733**	389,928
Cash and bank balances in the consolidated statement of financial position	**630,990**	623,301

16 Cash and bank balances and other cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank and other borrowings $'000 (note 19)	**Interest payable $'000**	**Total $'000**
At 1 July 2020	4,239,481	1,488	4,240,969
Changes from financing cash flows :			
Proceeds from new bank borrowings	1,523,196	–	1,523,196
Proceeds from issuance of medium term notes	297,525	–	297,525
Repayment of bank borrowings	(1,655,000)	–	(1,655,000)
Other borrowing costs paid	(8,148)	–	(8,148)
Interest paid	–	(85,224)	(85,224)
Total changes from financing cash flows	157,573	(85,224)	72,349
Non-cash changes :			
Interest expenses (note 7(a))	–	86,379	86,379
Other borrowing and related costs	3,736	–	3,736
Total non-cash changes	3,736	86,379	90,115
At 30 June 2021	4,400,790	2,643	4,403,433

16 Cash and bank balances and other cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities (continued)

	Bank and other borrowings $'000 (note 19)	Interest payable $'000	Total $'000
At 1 July 2021	**4,400,790**	**2,643**	**4,403,433**
Changes from financing cash flows :			
Proceeds from new bank borrowings	2,000,000	–	2,000,000
Repayment of bank borrowings	(2,005,000)	–	(2,005,000)
Other borrowing costs paid	(4,790)	–	(4,790)
Interest paid	–	(92,948)	(92,948)
Total changes from financing cash flows	(9,790)	(92,948)	(102,738)
Non-cash changes :			
Interest expenses (note 7(a))	–	92,684	92,684
Reclassification adjustment on unwinding of swaps	–	295	295
Exchange adjustment	(108,323)	–	(108,323)
Other borrowing and related costs	6,117	–	6,117
Total non-cash changes	(102,206)	92,979	(9,227)
At 30 June 2022	**4,288,794**	**2,674**	**4,291,468**

17 Tenants' deposits

The tenants' deposits include $109,863,000 (2021 : $125,430,000) which is expected to be settled after one year. The remaining balances are expected to be settled within one year, if tenancies are not renewed upon expiry.

18 Trade and other payables

	2022 $'000	2021 $'000
Creditors and accrued charges	39,920	41,145
Manager's fees payable (note 26(b)(ii))	21,960	22,102
Amounts due to related companies	7,492	8,146
	69,372	71,393

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

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

The amounts due to related companies are unsecured, interest-free and have no fixed terms of repayment except for the amount due to the Trustee of $1,098,000 (2021 : $1,115,000) which is due within 30 days.

19 Bank and other borrowings

	2022 $'000	2021 $'000
Bank loans (note (i))		
– Secured	**797,652**	2,301,693
– Unsecured	**3,194,953**	1,804,003
	3,992,605	4,105,696
Medium term notes		
– Unsecured (note (ii))	**296,189**	295,094
	4,288,794	4,400,790

The bank and other borrowings were repayable as follows :

	2022 $'000	2021 $'000
Within 1 year	**1,298,987**	2,002,645
After 1 year but within 2 years	**–**	597,786
After 2 years but within 5 years	**2,587,969**	1,290,772
After 5 years	**401,838**	509,587
	2,989,807	2,398,145
	4,288,794	4,400,790

Notes :

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

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

– mortgages over the investment properties with a fair value of $5,096,900,000 at 30 June 2022 (2021 : $10,445,300,000) (note 10); and

– first fixed charge over all present and future rights, title and interest in and to, all present and future shares in Sunlight REIT Finance Limited and Sunlight REIT Holding Limited, both being subsidiaries of the Group, and dividends and distributions thereof.

(ii) The Group has a US$1,000,000,000 (2021 : US$1,000,000,000) Medium Term Note Programme ("**MTN programme**"). At 30 June 2022, notes with nominal amount of $300,000,000 (2021 : $300,000,000) were issued by Sunlight REIT MTN Limited under the MTN programme with fixed coupon rate of 2.00% (2021 : 2.00%) per annum. The notes are guaranteed by the Trustee (in its capacity as trustee of Sunlight REIT).

(iii) The effective interest rate of the bank and other borrowings at the end of the reporting period was 2.17% per annum (2021 : 2.10% per annum).

(iv) At 30 June 2022, the Group's uncommitted revolving credit facilities of $500,000,000 (2021 : $600,000,000) remained undrawn.

20 Units in issue

	Number of units 2022	Number of units 2021
At the beginning of the year	**1,672,133,484**	1,661,429,036
Movement during the year		
– Issuance of units	**10,778,587**	12,204,448
– Units bought back	**(1,200,000)**	(1,500,000)
At the end of the year	**1,681,712,071**	1,672,133,484

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

Payment of the Manager's fees for the year	Average issue price per unit determined based on the Trust Deed $	Aggregate amount of units issued $'000	Number of units issued
2022			
1 April 2021 to 30 June 2021	**4.542**	**11,561**	**2,545,429**
1 July 2021 to 30 September 2021	**4.654**	**11,602**	**2,492,869**
1 October 2021 to 31 December 2021	**4.202**	**11,618**	**2,764,939**
1 January 2022 to 31 March 2022	**3.905**	**11,619**	**2,975,350**
		46,400	**10,778,587**
2021			
1 April 2020 to 30 June 2020	3.922	11,921	3,039,588
1 July 2020 to 30 September 2020	3.710	11,869	3,199,200
1 October 2020 to 31 December 2020	3.756	11,660	3,104,221
1 January 2021 to 31 March 2021	4.084	11,686	2,861,439
		47,136	12,204,448

20 Units in issue (continued)

Pursuant to the general mandate granted to the Manager by unitholders, the Manager bought back on behalf of Sunlight REIT a total of 1,200,000 units (2021 : 1,500,000 units) on the SEHK during the year ended 30 June 2022 at an aggregate consideration of $4,594,000 (2021 : $5,937,000).

Details of the units buy-backs were as follows :

	Number of units bought back	Price per unit Highest $	Lowest $	Aggregate consideration $'000
2022				
Month of buy-back				
April 2022	**1,072,000**	**3.86**	**3.78**	**4,099**
May 2022	**128,000**	**3.87**	**3.86**	**495**
	1,200,000			**4,594**
Total buy-back expenses				**17**
				4,611

	Number of units bought back	Price per unit Highest $	Lowest $	Aggregate consideration $'000
2021				
Month of buy-back				
November 2020	800,000	3.68	3.60	2,919
May 2021	700,000	4.33	4.29	3,018
	1,500,000			5,937
Total buy-back expenses				20
				5,957

All bought back units were cancelled during the year.

21 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk arises from the potential failure of the Group's counterparties to meet their obligations under financial contracts. The Group is exposed to credit risk on its cash at bank and deposits with banks and financial institutions, derivative financial instruments, debt securities as well as trade and other receivables.

The Group's debt securities measured at amortised cost are either with investment grade assigned by certain credit rating agencies or issued by a corporate entity which is listed on the SEHK and/or a constituent of the Hang Seng Index. The Manager assessed the credit risk of the Group's debt securities with reference to the credit ratings assigned by credit rating agencies, where available, and default probability analysis provided by external financial data providers. At the end of the reporting period, there was a significant increase in credit risk on one of the issuers of the Group's debt securities since the initial recognition of the debt securities. Therefore, the credit losses measured based on lifetime ECLs was provided on such debt securities.

Movement in the loss allowance for debt securities measured at amortised cost during the year is as follows :

	2022 $'000
At the beginning of the year	–
Provision for credit losses (note 6 and note 13)	2,876
At the end of the year	2,876

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. The Group also has policies in place to ensure that rental deposits and/or guarantees are required from tenants prior to commencement of leases. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions.

21 Financial risk management and fair values of financial instruments (continued)

(b) Liquidity risk

The Group maintains sufficient cash reserve and revolving credit facilities from financial institutions with sound credit ratings to meet its liquidity requirements in the short and longer term.

The Group also monitors regularly its current and expected liquidity requirements and its compliance with lending covenants and limits on total borrowings as stipulated under the REIT Code.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay :

	2022 Contractual undiscounted cash outflow					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total $'000	Carrying amount $'000
Bank and other borrowings	**1,358,601**	**49,214**	**2,688,963**	**514,148**	**4,610,926**	**4,288,794**
Tenants' deposits	**91,543**	**53,574**	**39,330**	**16,959**	**201,406**	**201,406**
Creditors and accrued charges	**39,920**	**–**	**–**	**–**	**39,920**	**39,920**
Manager's fees payable in the form of cash	**10,555**	**–**	**–**	**–**	**10,555**	**10,555**
Amounts due to related companies	**7,492**	**–**	**–**	**–**	**7,492**	**7,492**
	1,508,111	**102,788**	**2,728,293**	**531,107**	**4,870,299**	**4,548,167**
Derivative settled net :						
IRS and CCIRS contracts held as cash flow hedging instruments	**24,020**	**12,696**	**25,376**	**2,252**	**64,344**	

	2021 Contractual undiscounted cash outflow					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total $'000	Carrying amount $'000
Bank and other borrowings	2,045,461	624,158	1,349,797	517,675	4,537,091	4,400,790
Tenants' deposits	76,135	76,224	32,249	16,957	201,565	201,565
Creditors and accrued charges	41,145	–	–	–	41,145	41,145
Manager's fees payable in the form of cash	10,541	–	–	–	10,541	10,541
Amounts due to related companies	8,146	–	–	–	8,146	8,146
	2,181,428	700,382	1,382,046	534,632	4,798,488	4,662,187
Derivative settled net :						
IRS and CCIRS contracts held as cash flow hedging instruments	52,842	45,050	50,900	10,220	159,012	

21 Financial risk management and fair values of financial instruments (continued)

(c) Interest rate and currency risk

The Group's interest rate and currency risk arises from interest-bearing liabilities. Certain borrowings raised at variable interest rates expose the Group to cash flow interest rate risk, while one of the borrowings denominated in JPY exposes the Group to currency risk. The Group managed its cash flow interest rate risk and foreign currency risk by using floating-to-fixed IRSs and back-to-back JPY/HKD CCIRS. Such IRSs and CCIRS arrangements have the economic effect of converting borrowings from floating rates to fixed rates. Under the IRSs and CCIRS, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts, as well as the principal repayment of the foreign currency borrowing at a fixed exchange rate. Details regarding the IRSs and CCIRS are set out in note 12.

Sensitivity analysis

At 30 June 2022, if interest rates had been 10 basis points (2021 : 10 basis points) higher/lower with all other variable held constant, the profit after taxation and before transactions with unitholders would have been approximately $1.2 million lower/higher (2021 : loss after taxation and before transactions with unitholders would have been approximately $0.8 million higher/lower) as a result of higher/lower interest expenses on floating rate borrowings; while the net assets attributable to unitholders would have been approximately $3.9 million higher/lower (2021 : $9.3 million higher/$9.2 million lower), mainly as a result of an increase/decrease in the fair values of the cash flow hedges as described above.

At 30 June 2022, a 5% appreciation/depreciation of JPY against HKD would increase/decrease the net assets attributable to unitholders by $1.6 million (2021 : $1.8 million) as a result of an increase/decrease in the fair values of the cash flow hedges as described above.

The sensitivity analysis above has been determined assuming that the change in interest rates and exchange rate had occurred at the end of the reporting period and had been applied to remeasure those financial instruments held by the Group. The analysis for change in interest rates and exchange rate has been performed in the same approach as in the prior year.

(d) Fair values

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

At 30 June 2022 and 2021, the Group's only financial instruments carried at fair value are the IRSs and CCIRS (see note 12), which fall under Level 2 of the fair value hierarchy as defined in HKFRS 13 (see note 10(a) for fair value hierarchy).

During the years ended 30 June 2022 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

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

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

At 30 June 2022, the carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values, except for the Group's investment in debt securities, of which its carrying amount is $104,453,000 as compared to its fair value of $90,319,000. The assessment of the credit risk of the investment in debt securities is set out in note 21(a).

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

(e) Estimation of fair values

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. The fair value of IRSs and CCIRS is calculated as the present value of the estimated future cash flows.

22 Capital management

The Group's primary objective is to provide its unitholders risk-adjusted, long-term capital growth through investing in a diversified portfolio of office and retail properties in Hong Kong.

The Manager aims to support Sunlight REIT's operational and acquisition growth strategies within a prudent risk management framework, by employing an efficient capital management strategy.

The Manager believes that an efficient capital management strategy will improve total returns while reducing risks for unitholders by maintaining financial flexibility to meet capital expenditure requirements. The Manager will regularly review its capital management strategy to reflect Sunlight REIT's investment opportunities, its operating and the general economic environment and the REIT Code requirements.

In accordance to clause 7.9 of the REIT Code and clause 20.4 of the Trust Deed, Sunlight REIT's aggregate borrowings shall not exceed 50 per cent of the total gross asset value of the scheme. In the event that the limit is exceeded, the unitholders and the Securities and Futures Commission (the "**SFC**") shall be informed of the magnitude of the breach, the cause of the breach, and the proposed method of rectification. In cases where there is a breach, no further borrowing is permitted and the Manager shall use its best endeavours to reduce the excess borrowings. Furthermore, the unitholders and the SFC shall be informed on a regular basis as to the progress of the rectification. At 30 June 2022, Sunlight REIT's aggregate borrowings represent 23.3% (2021 : 23.0%) of its total gross asset value.

23 Capital commitments

Capital commitments outstanding at 30 June 2022 not provided for in the consolidated financial statements are as follows :

	2022 $'000	2021 $'000
Contracted for	**4,237**	6,175
Authorised but not contracted for	**30,168**	17,378
	34,405	23,553

24 Contingent liabilities

At 30 June 2021, the Group provided a guarantee to a commercial bank for its issuance of bank guarantees in lieu of deposit to electricity companies in the total amount of $4,585,000. The guarantee was not recognised in the Group's consolidated statement of financial position as its fair value is considered immaterial and initial transaction price was nil.

In November 2021, the guarantee was cancelled as the deposits to electricity companies have been satisfied by cash.

25 Significant leasing arrangements

The Group's total future minimum rental income receivables under non-cancellable operating leases are as follows :

	2022 $'000	2021 $'000
Within 1 year	**523,695**	558,763
After 1 year but within 2 years	**314,870**	317,064
After 2 years but within 3 years	**136,608**	152,067
After 3 years but within 4 years	**66,872**	73,091
After 4 years but within 5 years	**57,129**	64,562
After 5 years	**122,502**	179,297
	1,221,676	1,344,844

The operating leases typically run for an initial period of one to three years, with an option to renew the lease after that date at which time all terms are renegotiated.

26 Connected party transactions and material related party transactions

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

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

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

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

(b) Transactions with connected persons / related parties

	2022 $'000	2021 $'000
Rental and rental related income received / receivable from (note (i)) :		
– HLD Group	**10,651**	10,922
– HSBC Group	**19,278**	20,906
Property management expenses paid / payable to (notes (i) & (vi)) :		
– HLD Group	**(13,932)**	(16,715)
Facilities leasing expenses paid / payable to (notes (i) & (vi)) :		
– HLD Group	**(60)**	(120)
Manager's fees (note (ii))	**(91,638)**	(92,531)
Property Manager's fees (note (iii))	**(45,143)**	(46,015)
Trustee's remuneration and charges (note (iv))	**(4,571)**	(4,622)
Interest expenses, debt establishment fee and security trustee fee on bank borrowings and other charges paid / payable to (note (i)) :		
– HSBC Group	**(7,087)**	(8,880)
Net interest expenses on IRSs paid / payable to (note (i)) :		
– HSBC Group	**(24,076)**	(21,575)
Interest income on bank deposits received / receivable from (note (i)) :		
– HSBC Group	**96**	588
Interest income from debt securities received / receivable from (notes (i) & (vi)) :		
– HLD Group	**13**	–
Proceeds from unwinding of IRSs received from (note 12) :		
– HSBC Group	**13,071**	–
Promotional income received / receivable from (note (i)) :		
– HLD Group	**3,016**	2,592
Valuation fees paid / payable to (notes (i) & (v)) :		
– Colliers Group	**–**	(176)

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

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

Notes :

(i) In the opinion of the Manager, these transactions were carried out on normal commercial terms and in the ordinary course of business.

(ii) The Manager's fees are calculated as the aggregate of a base fee of 0.4% per annum of the value of all the properties of the Group and a variable fee of 3% per annum of the Group's Net Property Income (as defined in the Trust Deed).

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

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

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

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

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

The Manager and the Property Manager may mutually agree in writing from time to time to revise the rate of the commission payable to the Property Manager for the marketing services provided that the revised rate shall not exceed the relevant rate as stated above.

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

(iv) The Trustee's remuneration is calculated at rates ranging from 0.02% per annum to 0.03% per annum on the total assets of the Group, subject to minimum fees of $50,000 per month. In accordance with the Trust Deed, the Trustee's remuneration may be increased, without obtaining unitholders' approval subject to one month's written notice to unitholders, to a maximum of 0.06% per annum of the total assets of the Group.

The Trustee is also entitled to charge additional fees for duties undertaken by the Trustee which are of an exceptional nature or otherwise outside the scope of the Trustee's normal duties in the ordinary and normal course of business of Sunlight REIT, including but not limited to any services in relation to the acquisition of real estate by Sunlight REIT.

(v) With effect from 4 December 2020, the principal valuer is no longer a connected person of the Group as defined under the REIT Code when its amendments became effective on the same date. The valuation fee paid to Colliers Group, the previous principal valuer, from 1 July 2020 to 3 December 2020 was $176,000.

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

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

Notes : (continued)

(vi) The connected party transactions with HLD Group in respect of the purchase of debt securities issued by HLD Group, one of the property management expenses (of $12,000), facilities leasing expenses and interest income from debt securities are exempted from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

(vii) Other than the fees paid / payable to the Manager, Trustee and principal valuer of Sunlight REIT, all the above material related party transactions, as set out in this note 26 also constitute connected transactions / continuing connected transactions under the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in "Connected Party Transactions" on pages 99 to 103 in this annual report.

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

	2022 $'000	2021 $'000
HLD Group :		
– Net payable amount	**(29,067)**	(30,354)
– Debt securities issued by HLD Group (note 26(b)(vi))	**4,620**	–
HSBC Group :		
– Deposits and cash placed with HSBC Group	**115,030**	38,207
– Bank borrowings and interest payable to HSBC Group	**(500,927)**	(550,631)
– Other net payable amount	**(6,413)**	(6,511)

27 Accounting estimates and judgements

The key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below.

Valuation of investment properties

In arriving at the fair value of the investment properties, the Manager has considered information from different sources, including a valuation performed by an independent firm of professional valuer after taking into consideration the net rental income allowing for reversionary income potential, and other available market survey reports.

The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to current market selling prices and the appropriate capitalisation rates.

28 Non-adjusting event after the reporting period

After the end of the reporting period, the Board of Directors of the Manager declared a final distribution. Further details are disclosed in the "Distribution Statement" of the consolidated financial statements.

29 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 30 June 2022

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments to HKFRSs, which are not yet effective for the year ended 30 June 2022 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 16, *Property, plant and equipment : Proceeds before intended use*	1 January 2022
Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets : Onerous contracts – costs of fulfilling a contract*	1 January 2022
Amendments to HKFRS 3, *Business combinations : Reference to the Conceptual Framework*	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1, *Presentation of financial statements : Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements : Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors : Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Income taxes : Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

(Expressed in Hong Kong dollars)

30 Principal subsidiaries

Details of the principal subsidiaries of Sunlight REIT which, in the opinion of the Manager, materially contribute to the results of the Group or hold a material portion of the assets or liabilities of the Group are as follows :

Name of subsidiary	Place of incorporation/operation	Particulars of issued share capital	% of shares held by Sunlight REIT	% of shares held by a subsidiary	Principal activity
Sunlight REIT Holding Limited	Cayman Islands	1 share of US$1	100	–	Investment holding
Bayman Limited	British Virgin Islands/ Hong Kong	1 share	–	100	Property investment
Bestguard Investment Limited	Hong Kong	2 ordinary shares	–	100	Property investment
Global Team Development Limited	Hong Kong	100 ordinary shares	–	100	Property investment
Glory Hero Development Limited	Hong Kong	3,000,000 ordinary shares	–	100	Property investment
Grand Faith Development Limited	Hong Kong	10,000,000 ordinary shares and 2 non-voting deferred shares	–	100	Property investment
Jetwise Investment Limited	Hong Kong	10,000,000 ordinary shares and 10,000 non-voting deferred shares	–	100	Property investment
King Firm Enterprises Limited	Hong Kong	1 share	–	100	Property investment
Nicetex Development Limited	Hong Kong	2 ordinary shares and 2 non-voting deferred shares	–	100	Property investment
Seiren Investment Limited	Hong Kong	10,000 ordinary shares	–	100	Property investment
Sunlight Crownwill Limited	British Virgin Islands/ Hong Kong	1 share	–	100	Property investment
Sunlight REIT Finance Limited	British Virgin Islands/ Hong Kong	1 share	–	100	Provision of finance functions
Sunlight REIT Finance (2020) Limited	Hong Kong	1 share	–	100	Provision of finance functions
Sunlight REIT MTN Limited	British Virgin Islands/ Hong Kong	1 share	–	100	Provision of finance functions
Sunlight REIT Treasury Limited	British Virgin Islands/ Hong Kong	1 share	–	100	Provision of treasury functions
Sunlight REIT ULF Limited	British Virgin Islands/ Hong Kong	1 share	–	100	Provision of finance functions
Tinselle Investment Limited	Hong Kong	10,000,000 ordinary shares and 10,000 non-voting deferred shares	–	100	Property investment

Except for Sunlight REIT MTN Limited which has issued medium term notes as detailed in note 19, no other subsidiaries has issued any debt securities.

Performance Table

(Expressed in Hong Kong dollars, unless otherwise specified)

	Note	2022	2021	2020	2019	2018
At 30 June :						
Net asset value ($ million)		**14,051**	14,124	14,771	15,992	14,857
Net asset value per unit		**8.36**	8.45	8.89	9.68	9.03
Market capitalisation ($ million)		**6,138**	7,508	6,397	9,894	8,917
For the year ended 30 June :						
Highest traded unit price		**5.07**	4.65	6.35	6.10	5.61
Highest premium of the traded unit price to net asset value per unit	1	**N/A**	N/A	N/A	N/A	N/A
Lowest traded unit price		**3.53**	3.29	3.19	4.66	4.98
Highest discount of the traded unit price to net asset value per unit (%)		**57.8**	61.1	64.1	51.9	44.9
Closing unit price		**3.65**	4.49	3.85	5.99	5.42
Distribution per unit (cents)		**25.0**	25.6	26.8	27.3	26.5
Payout ratio (%)		**97.4**	97.5	95.2	96.4	96.7
Distribution yield per unit (%)	2	**6.8**	5.7	7.0	4.6	4.9

Notes :

1. The highest traded unit price is lower than the net asset value per unit at the end of each financial year.
2. Distribution yield per unit is calculated by dividing the distribution per unit by the closing unit price of the year.

Financial Calendar

For FY2021/22

Interim results announcement	15 February 2022
Issuance of interim report	1 March 2022
Ex-distribution date for interim distribution	2 March 2022
Closure of register of unitholders for entitlement of interim distribution	4 March 2022 to 8 March 2022, both days inclusive
Interim distribution paid HK 12.2 cents per unit	16 March 2022
Final results announcement	6 September 2022
Ex-distribution date for final distribution	22 September 2022
Closure of register of unitholders for entitlement of final distribution	26 September 2022 to 28 September 2022, both days inclusive
Issuance of annual report	5 October 2022
Final distribution payable HK 12.8 cents per unit	11 October 2022
Closure of register of unitholders for entitlement to attend and vote at annual general meeting	7 November 2022 to 10 November 2022, both days inclusive
Annual general meeting	10 November 2022

Corporate Information

Board of Directors of the Manager

Chairman and Non-Executive Director

AU Siu Kee, Alexander

Chief Executive Officer and Executive Director

WU Shiu Kee, Keith

Non-Executive Director

KWOK Ping Ho

Independent Non-Executive Directors

KWAN Kai Cheong
TSE Kwok Sang
KWOK Tun Ho, Chester
Helen ZEE

Responsible Officers of the Manager

LO Yuk Fong, Phyllis
SHUM Chung Wah, Yulanda
WONG Chi Ming
WU Shiu Kee, Keith
YIP May Ling, Vivian

Company Secretary of the Manager

CHUNG Siu Wah

Registered Office of the Manager

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

Investor Relations

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Trustee

HSBC Institutional Trust Services (Asia) Limited

Auditor

KPMG
Certified Public Accountants and Registered Public Interest Entity Auditor

Principal Valuer

CBRE Limited

Legal Adviser

Woo Kwan Lee & Lo

Principal Bankers

Bank of China (Hong Kong) Limited
Dah Sing Bank, Limited
DBS Bank Ltd., Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited
MUFG Bank, Ltd.
Sumitomo Mitsui Banking Corporation

Unit Registrar

Tricor Investor Services Limited
17/F, Far East Finance Centre,
16 Harcourt Road,
Hong Kong

Website

www.sunlightreit.com

Sunlight Real Estate Investment Trust

Managed by Henderson Sunlight Asset Management Limited

www.sunlightreit.com