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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))

(Stock Code : 435)

**Managed by
Henderson Sunlight Asset Management Limited**

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2009 AND CLOSURE OF REGISTER OF UNITHOLDERS

The board of directors (the “**Board**”) of Henderson Sunlight Asset Management Limited (the “**Manager**”) presents the final results of Sunlight Real Estate Investment Trust (“**Sunlight REIT**”) for the year ended 30 June 2009 as follows :

FINANCIAL HIGHLIGHTS

(in HK\$ million, unless otherwise specified)

	2009	2008	Change (%)
For the year ended 30 June :			
Turnover	471.7	431.3	9.4
Net property income	350.7	318.7	10.0
(Loss)/profit after tax	(491.5)	729.4	N/A
Annual distributable income	269.8	258.7	4.3
Cost-to-income ratio (%)	25.7	26.1	N/A
Distribution per unit ^{note} (HK cents)	24.56	24.20	1.5
As at 30 June :			
Portfolio valuation	9,364.0	10,151.0	(7.8)
Net asset value	4,263.5	5,164.4	(17.4)
Net asset value per unit (HK\$)	2.76	3.41	(19.1)
Gearing ratio (%)	39.7	36.6	N/A

Note : Please refer to “Distribution Statement” for detailed information.

RESULTS FOR THE YEAR

The underlying profit of Sunlight REIT (before the fair value change of investment properties and the relevant deferred tax) for the year was HK\$173.9 million. After including the fair value change of investment properties in the amount of HK\$803.0 million and the relevant deferred tax, Sunlight REIT reported a loss after tax of HK\$491.5 million for the year.

DISTRIBUTION

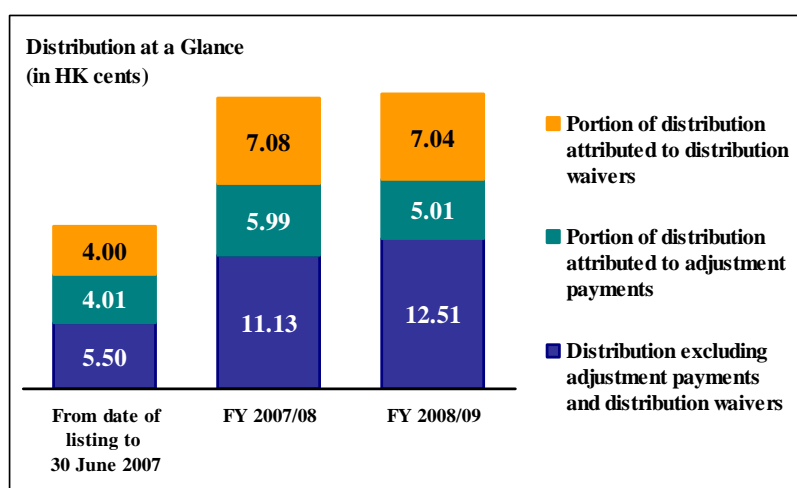
The Manager's current policy is to distribute 100% of Sunlight REIT's annual distributable income for each financial year to unitholders.

Final Distribution

The annual distributable income of Sunlight REIT for the year was HK\$269.8 million, representing an increase of 4.3% from HK\$258.7 million recorded last year. After taking into account the distribution waivers by Shau Kee Financial Enterprises Limited ("SKFE") and Henderson Land Development Company Limited ("HLD"), the Board is recommending a final distribution of HK 15.27 cents per unit. Together with an interim distribution of HK 9.29 cents per unit which was paid in April 2009, distribution per unit ("DPU") for the full year amounted to HK 24.56 cents which represents an 1.5% increase from the DPU declared in the previous financial year, and has exceeded the DPU guarantee of HK 22.08 cents extended by SKFE and HLD.

Distribution at a Glance

As illustrated in the chart below, prior to taking into account both adjustment payments and distribution waivers, DPU for the full year would have been HK 12.51 cents, representing the portion of distribution generated by the underlying operations of Sunlight REIT.



Distribution Entitlement and Closure of Register of Unitholders

The record date for the final distribution will be Friday, 2 October 2009 and the payment will be made to unitholders on Friday, 30 October 2009.

The register of unitholders will be closed from Tuesday, 29 September 2009 to Friday, 2 October 2009, both dates inclusive, during which no transfer of units will be effected. In order to entitle to the final distribution, all completed transfer forms accompanied by the relevant unit certificates must be lodged for registration with the unit registrar of Sunlight REIT, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong, no later than 4:00 p.m. on Monday, 28 September 2009.

PORTFOLIO AT A GLANCE

Category	Property	Operational Statistics						Property Financials				
		Occupancy as at 30 June (%)		Passing Rental as at 30 June (HK\$ / sq. ft.)		Committed Rental (HK\$ / sq. ft.)		Net Property Income (HK\$'000)		Capitalisation Rate as at 30 June 2009 (%)		Appraised Value as at 30 June 2009 (HK\$'000)
		2009	2008	2009	2008	1 Jul 08 to 30 Jun 09	1 Jul 07 to 30 Jun 08	FY 2008/09	FY 2007/08	Retail	Office	
Office Property												
Grade A	248 Queen's Road East Property	92.4	99.5	24.2	17.5	25.6	25.6	90,481	71,740	5.2	4.4	2,649,000
Grade B	Bonham Trade Centre Property	87.5	95.0	16.1	15.3	16.5	16.5	16,910	15,719	5.5	4.5	500,000
Grade B	Winsome House Property	96.3	100.0	30.0	29.2	29.5	32.5	12,634	9,894	5.2	4.4	315,000
Grade B	Righteous Centre Property	94.4	100.0	23.7	23.0	18.9	26.7	13,106	11,351	4.5	4.9	314,000
Grade B	135 Bonham Strand Trade Centre Property	94.1	97.6	15.9	15.2	15.3	15.9	10,096	9,480	5.7	4.6	258,000
Grade B	235 Wing Lok Street Trade Centre Property	89.8	94.2	11.8	11.9	11.1	12.7	5,733	5,467	5.6	4.7	156,000
Grade B	Java Road 108 Commercial Centre Property	76.2	100.0	17.4	16.4	17.0	18.2	5,365	5,697	5.5	5.0	146,000
Grade B	Yue Fai Commercial Centre Property	98.8	91.2	13.4	13.2	13.5	14.0	5,051	4,581	5.7	5.5	123,000
Grade B	On Loong Commercial Building Property	95.7	100.0	19.4	17.5	13.8	11.9	4,912	4,415	5.0	4.9	118,000
Grade B	Everglory Centre Property	90.4	87.2	16.8	16.7	16.6	15.0	4,760	4,422	5.4	5.0	117,000
Grade B	Sun Fai Commercial Centre Property	96.7	100.0	15.8	15.2	11.6	15.5	4,096	3,861	5.7	5.2	93,000
Grade B	Wai Ching Commercial Building Property	86.2	94.5	7.6	7.3	8.0	7.3	712	788	5.9	5.5	26,000
	Sub-total / Average	91.7	97.7	20.3	17.1	20.3	19.7	173,856	147,415			4,815,000
Retail Property												
New Town	Sheung Shui Centre Shopping Arcade Property	95.3	93.5	65.4	65.9	64.0	67.1	81,416	78,611	4.8	N/A	2,175,000
New Town	Metro City Phase I Property	94.6	98.2	32.5	31.5	31.5	42.8	64,768	64,810	4.8	N/A	1,743,000
New Town	Kwong Wah Plaza Property	96.2	99.3	29.7	28.6	23.7	32.5	19,732	17,551	5.0	5.8	416,000
Others	Royal Terrace Property	100.0	97.3	26.8	26.4	33.3	49.7	3,457	3,413	6.0	N/A	63,000
Others	Beverley Commercial Centre Property	100.0	100.0	30.8	28.4	31.8	29.6	2,586	2,163	5.2	N/A	52,000
Others	Glory Rise Property	100.0	100.0	28.2	27.6	53.0	23.8	1,870	2,023	5.7	N/A	45,000
Others	Supernova Stand Property	100.0	100.0	42.2	42.2	27.6	42.2	2,064	1,906	5.7	N/A	37,000
Others	Palatial Stand Property	75.2	100.0	9.7	11.0	N/A	11.8	929	834	5.9	N/A	18,000
	Sub-total / Average	95.0	97.1	41.3	40.3	40.1	47.1	176,822	171,311			4,549,000
	Total / Average	92.7	97.5	27.2	24.5	25.5	28.4	350,678	318,726			9,364,000

OPERATION REVIEW

The year under review witnessed the Hong Kong economy dip into recession as repercussion of the credit crisis in the US rippled into the rest of the global economies. Despite the lethargic economic setting, Sunlight REIT managed to buck the trend and registered an 11.4% growth in gross rental income to HK\$377.4 million. As at 30 June 2009, overall passing rental continued to improve across the board, exhibiting a growth of 11.0% to HK\$27.2 per sq. ft. as the portfolio enjoyed positive rental reversion from a low base locked in from the previous rental cycle; the office portfolio managed to achieve an average passing rental growth of 18.7% to HK\$20.3 per sq. ft., while the average passing rental of the retail portfolio recorded an year-on-year increase of 2.5% to HK\$41.3 per sq. ft..

Although it is encouraging to note the improvement in passing rental amidst a difficult operating environment, the momentum of such growth has obviously slowed as compared to previous years. This is particularly evident at the office properties on the Kowloon side and the smaller retail properties where new and renewing leases have been secured at rental levels largely similar to the expiring leases.

During the year, a total of 585,670 sq. ft. (including both new letting and renewal) were being leased out and the average unit rental achieved for the office portfolio and retail portfolio were HK\$20.3 per sq. ft. and HK\$40.1 per sq. ft. respectively.

Overall occupancy declined from 97.5% to 92.7% during the year as the portfolio was affected by the combined effect of economic downturn and transient vacancies due to the improvement works at 248 Queen's Road East Property and Bonham Trade Centre Property respectively. As at 30 June 2009, office and retail occupancy levels stood at 91.7% and 95.0% respectively as compared with 97.7% and 97.1% recorded a year earlier.

As at 30 June 2009, the weighted average lease length by gross rentable area ("GRA") was 2.6 years for the entire portfolio. Lease expiries on or before June 2010 accounts for 35.9% of office GRA and 40.4% of retail GRA, and the average unit rental for the expiring office and retail leases are HK\$17.7 per sq. ft. and HK\$37.7 per sq. ft. respectively.

During the year, the Manager successfully maintained the cost-to-income ratio of Sunlight REIT at a satisfactory level of 25.7%. Adoption of cost control initiatives, notably including the installation of energy-saving devices and the implementation of an efficient cost and benefit approach to repairs and maintenance, have proved to be rewarding pursuits.

FINANCIAL REVIEW

Turnover and Expenses

During the year, turnover (being the aggregate of rental income, car park income and rental related income) amounted to HK\$471.7 million (2008: HK\$431.3 million), representing a growth of 9.4% from the last year. Property operating expenses for the year amounted to HK\$121.0 million (2008: HK\$112.6 million), giving rise to a cost-to-income ratio of 25.7% for the year, representing a further improvement from 26.1% recorded in the previous year.

Net Property Income

After deducting direct costs (which comprised property management fees and other operating expenses), net property income for the year amounted to HK\$350.7 million, representing an increase of 10.0% from the previous year.

Adjustment Payments

Pursuant to several Deeds of Adjustment Payments, the aggregate adjustment payments to Sunlight REIT for the year amounted to HK\$77.5 million, representing the difference between the relevant consolidated rental income and the guaranteed rental income per annum. The Deeds of Adjustment Payments, which covered the period from the date of listing to 30 June 2009, have lapsed with effect from 1 July 2009.

Profit and Loss After Tax

After accounting for, among others, adjustment payments as discussed above, the net decrease in fair value of investment properties of HK\$803.0 million and finance costs of HK\$182.9 million, Sunlight REIT reported a loss after tax of HK\$491.5 million for the year as compared with a profit of HK\$729.4 million reported in the previous year.

Portfolio Valuation

Savills Valuation and Professional Services Limited, the principal valuer of Sunlight REIT ^{note}, valued the portfolio of Sunlight REIT at HK\$9,364.0 million as at 30 June 2009. This represents an increase of 2.6% from the valuation as at 31 December 2008 (HK\$9,125.0 million) and a decrease of 7.8% from the valuation as at 30 June 2008 (HK\$10,151.0 million). On a sectoral basis, office properties accounted for 51.4% of the total appraised value and registered a year-on-year decline of 7.6%, while retail properties accounted for the remainder and recorded a 7.9% decrease as compared to the same period last year.

Note : Pursuant to the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong (the “REIT Code”), the principal valuer, Savills Valuation and Professional Services Limited, shall retire after it has conducted valuations of the scheme for three consecutive years. Knight Frank Petty Limited has been appointed by HSBC Institutional Trust Services (Asia) Limited, the Trustee of Sunlight REIT, in August 2009 to fill the causal vacancy.

Net Assets

As at 30 June 2009, net assets attributable to unitholders amounted to HK\$4,263.5 million, representing a drop of 17.4% from HK\$5,164.4 million recorded as at 30 June 2008. The net asset value per unit as at 30 June 2009 was HK\$2.76 which implies a 19.1% drop from HK\$3.41 achieved in the same period last year. The decline in net asset value was mainly attributable to a fall in portfolio valuation as previously mentioned and a diminution in value of interest rate swaps of HK\$219.8 million.

Capital Structure Management

As at 30 June 2009, Sunlight REIT had in place total loan facilities of HK\$3,975.0 million, of which the HK\$3,950.0 million term loan facility was fully drawn, while there was a further HK\$25.0 million revolving credit facility that remained undrawn. Both the term loan and the revolving credit facilities will mature on 20 December 2011. Such loan facilities were secured by, among others, the investment properties of Sunlight REIT, a floating charge over its bank balances and assignment of proceeds under tenancies. Having taken into account capital expenditure requirement, operating cash flow and the financial position of Sunlight REIT, the Manager has decided to reduce the original revolving credit facility of HK\$100.0 million in place since IPO to HK\$25.0 million with effect from June 2009.

As at 30 June 2009, the gearing ratio of Sunlight REIT, defined as total borrowings as a percentage of gross assets, was 39.7% as compared with 36.6% as at 30 June 2008. As the amount drawn down under the term loan facility remained unchanged, the increase in gearing was mainly due to the lower portfolio valuation as assessed by the independent valuer. The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets was 57.1%, while the total borrowing costs for the year amounted to HK\$182.9 million.

Hedging Policy

The Manager employs an efficient capital management strategy by utilising an appropriate mix of debt and equity capital. In order to minimise financial market risks and maintain financial flexibility, interest rate swaps were entered into by Sunlight REIT for the period from the date of listing until 30 June 2011. As a result of the fall in Hong Kong Interbank Offer Rates, the value of the swaps was recorded as a liability of HK\$132.0 million as at 30 June 2009, compared with a positive value of HK\$87.7 million and stated as an asset as at 30 June 2008.

Under the original arrangement entered into with The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”), the swap counterparty of Sunlight REIT, HSBC was to pay Sunlight REIT, on a quarterly basis, an aggregate amount equivalent to the interest payment payable in respect of the term loan. In return, Sunlight REIT was to make quarterly payment to HSBC calculated by applying fixed interest rates (3.5% per annum for the financial year 2008/09) on the amount of the term loan.

On 26 May 2009, the arrangement of interest rate swaps was amended. As a result of the amendment, during the one-year period from 30 June 2009 through 29 June 2010, the quarterly payments to be made by HSBC to Sunlight REIT will be made monthly. The fixed interest rate for calculating the amount to be paid by Sunlight REIT to HSBC will also be amended from 3.5% per annum to 3.36% per annum. The amendment is expected to reduce the aggregate net interest payments during the above mentioned period by approximately HK\$5.5 million.

Liquidity

The Manager adopts a prudent cash management policy. Rental receipts are placed as short term bank deposits to ensure flexibility in meeting operational requirements of Sunlight REIT. As at 30 June 2009, Sunlight REIT had total bank and cash balances of HK\$223.0 million; taking into consideration the current cash position and the unutilised credit facility available, it has sufficient financial resources to satisfy its working capital, distribution payment and capital expenditure requirements.

Contingent Liabilities

The contingent liabilities of Sunlight REIT amounted to HK\$4.7 million as at 30 June 2009. This represents the guarantee given by Sunlight REIT to a commercial bank to secure a banking facility granted to a subsidiary of Sunlight REIT to issue bank guarantees in lieu of deposit to electricity companies.

OUTLOOK

Following a year characterised by excessive volatility, we are of the view that financial year 2009/10 will offer more stability on subdued economic activities. Indeed, we have seen early signs that the downward pressure, particularly on office rental, is beginning to subside and confidence of tenants are returning at a time when global financial markets and the capital value of local office properties have both staged formidable recoveries since the second quarter of 2009. Notwithstanding, given the downward adjustment in market rent which took place since the fourth quarter of 2008 and the lingering economic uncertainties globally, the prime focus of Sunlight REIT from an operational perspective will be on achieving income sustainability and capitalising on the prevailing gradual market recovery to restore a higher level of office occupancy. This strategy is expected to be well underpinned by our defensive retail property portfolio where rental resilience and consistently high occupancy are expected to remain a feature going forward.

We look forward with anticipation to the completion of several asset enhancement projects, including the extensive refurbishment undertaken at Sheung Shui Centre Shopping Arcade Property which will be finished before the end of 2009, and to the footbridge upgrading work linking the MTR station to Metro City Phase I Property. Meanwhile, we also expect maiden rental contribution from the newly refurbished retail podium at Bonham Trade Centre Property. In all, we are confident that the above projects will bring long term benefit to our tenants, the communities and the unitholders that we serve.

Financial year 2009/10 marks the phasing out and modification of certain structures that were put in place since the time of listing of Sunlight REIT for the purpose of safeguarding distribution to our unitholders :

1. Rental support in the form of adjustment payments as well as the DPU guarantee by HLD and SKFE, both of which were lapsed on 30 June 2009. Thanks to these structures, Sunlight REIT managed to conduct extensive asset enhancement activities without adversely affecting distribution to our unitholders;
2. The extent of the distribution waivers offered by HLD and SKFE will reduce the amount of entitlements waived from 100% from the listing until the year ended 30 June 2009 to 60% and 50% for financial year 2009/10 and financial year 2010/11 respectively; and
3. As approved by unitholders at the extraordinary general meeting held on 28 April 2009, the Manager has elected to receive 50% in cash and 50% in units in settlement of the Manager's fee for the financial year 2009/10.

Notwithstanding that the above mentioned changes will have an impact on distribution, our financial transparency will be enhanced as future distribution to unitholders will be more aligned with the underlying operating performance of the portfolio.

Looking ahead, the approval granted by unitholders to expand the geographical reach of Sunlight REIT beyond Hong Kong will provide us with a wider scope of investment which should be of benefit to unitholders. Further, we shall endeavour to seek for suitable targets for acquisition that are in line with our investment objectives as and when opportunities arise. Meanwhile, we shall continue to devote substantial efforts to maintain a capital structure which will enable Sunlight REIT to prosper in the long term.

Financial year 2009/10 will see the Manager leading Sunlight REIT into its fourth year of operation. A sound operational platform has been built as the leasing and property management workforce are highly motivated and consistently outperforming comparable industry benchmarks. We believe this solid foundation will contribute towards delivering and enhancing value to our unitholders.

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2009

(Expressed in Hong Kong dollars)

	Note	2009 \$'000	2008 \$'000
Turnover	3 & 4	471,709	431,351
Property operating expenses	3 & 5	<u>(121,031)</u>	<u>(112,625)</u>
Net property income		350,678	318,726
Other income	6	4,253	7,599
Administrative expenses		(60,115)	(59,379)
Adjustment payments		77,499	90,635
Net (decrease)/increase in fair value of investment properties		<u>(803,026)</u>	<u>590,139</u>
(Loss)/profit from operations		(430,711)	947,720
Finance costs on interest bearing liabilities	7(a)	<u>(182,947)</u>	<u>(181,352)</u>
(Loss)/profit before taxation and transactions with unitholders	7	(613,658)	766,368
Income tax	8	<u>122,166</u>	<u>(36,940)</u>
(Loss)/profit after taxation and before transactions with unitholders		<u><u>(491,492)</u></u>	<u><u>729,428</u></u>

CONSOLIDATED BALANCE SHEET

As at 30 June 2009

(Expressed in Hong Kong dollars)

	Note	2009 \$'000	2008 \$'000
Non-current assets			
Fixed assets			
- Investment properties		9,364,000	10,151,000
- Other fixed assets		<u>36</u>	<u>14</u>
		9,364,036	10,151,014
Deferred tax assets		65	-
Reimbursement rights		203,932	203,932
Derivative financial instruments		<u>-</u>	<u>87,730</u>
		9,568,033	10,442,676
Current assets			
Trade and other receivables	10	109,087	118,565
Pledged deposits		222,864	227,733
Cash at bank and in hand		140	116
Tax recoverable		<u>41,296</u>	<u>6,627</u>
		373,387	353,041
Total assets		9,941,420	10,795,717
Current liabilities			
Tenants' deposits		(112,094)	(106,956)
Rent receipts in advance		(2,986)	(2,650)
Trade and other payables	11	(85,814)	(52,991)
Current taxation		<u>(15,332)</u>	<u>(9,180)</u>
		(216,226)	(171,777)
Net current assets		157,161	181,264
Total assets less current liabilities		9,725,194	10,623,940

CONSOLIDATED BALANCE SHEET (continued)

As at 30 June 2009

(Expressed in Hong Kong dollars)

	2009 \$'000	2008 \$'000
Non-current liabilities, excluding net assets attributable to unitholders		
Secured bank borrowings	(3,940,166)	(3,935,930)
Deferred tax liabilities	(1,389,444)	(1,523,640)
Derivative financial instruments	(132,040)	-
	<u>(5,461,650)</u>	<u>(5,459,570)</u>
Total liabilities, excluding net assets attributable to unitholders	<u>(5,677,876)</u>	<u>(5,631,347)</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>4,263,544</u>	<u>5,164,370</u>
Number of units in issue	<u>1,546,905,770</u>	<u>1,514,195,650</u>
Net asset value attributable to unitholders per unit	<u>\$ 2.76</u>	<u>\$ 3.41</u>

DISTRIBUTION STATEMENT

For the year ended 30 June 2009

(Expressed in Hong Kong dollars)

	2009 \$'000	2008 \$'000
(Loss)/profit after taxation and before transactions with unitholders	<u>(491,492)</u>	<u>729,428</u>
Adjustments :		
- Net decrease/(increase) in fair value of investment properties	803,026	(590,139)
- Manager's fees paid or payable in the form of units	47,976	50,166
- Non-cash finance costs on interest bearing liabilities	44,566	42,572
- Deferred tax	<u>(134,261)</u>	<u>26,682</u>
	<u>761,307</u>	<u>(470,719)</u>
Total distributable income (note (i))	<u>269,815</u>	<u>258,709</u>
Interim distribution, paid	101,007	78,961
Final distribution, to be paid to unitholders	<u>168,808</u>	<u>179,748</u>
Total distributions for the year (note (i))	<u>269,815</u>	<u>258,709</u>
Distribution per unit :		
- Before adjusting for distribution waivers (notes (ii) and (iv))		
Interim distribution per unit, paid	6.61 cents	5.25 cents
Final distribution per unit, to be paid to unitholders	<u>10.91 cents</u>	<u>11.87 cents</u>
	<u>17.52 cents</u>	<u>17.12 cents</u>
- After adjusting for distribution waivers (notes (ii), (v) and (vi))		
Interim distribution per unit, paid	9.29 cents	7.44 cents
Final distribution per unit, to be paid to unitholders	<u>15.27 cents</u>	<u>16.76 cents</u>
	<u>24.56 cents</u>	<u>24.20 cents</u>

DISTRIBUTION STATEMENT (continued)

For the year ended 30 June 2009

(Expressed in Hong Kong dollars)

Notes :

- (i) Pursuant to the REIT Code and the Trust Deed, Sunlight REIT is in any event required to ensure that the total amounts distributed or distributable to unitholders shall be no less than 90% of annual distributable income for each financial year. The current policy of the Manager of Sunlight REIT is to distribute to unitholders 100% of Sunlight REIT's annual distributable income for each financial year.
- (ii) Pursuant to two Deeds of Distribution Waiver dated 2 December 2006 as disclosed in Sunlight REIT's offering circular dated 8 December 2006, certain unitholders who subscribed for a total of 441,642,638 units have agreed to waive their entitlement, in varying extents, to receive distributions from Sunlight REIT in respect of any period up to 30 June 2011 and have agreed to, where applicable, make payments to Sunlight REIT in case they have disposed of these original units subscribed under the initial public offering of Sunlight REIT. According to the register of unitholders maintained by the Unit Registrar, these unitholders did not dispose of such units during the year.
- (iii) The final distribution per unit, before adjusting for distribution waivers as mentioned in (ii) above, of 10.91 cents (2008: 11.87 cents), is calculated by dividing the final distribution of \$168,808,000 by 1,546,905,770 units in issue as at 30 June 2009 (2008: \$179,748,000 and 1,514,195,650 units).
- (iv) The interim distribution per unit for the six months ended 31 December 2008, before adjusting for distribution waivers as mentioned in (ii) above, of 6.61 cents, is calculated by dividing the interim distribution of \$101,007,000 by 1,528,453,243 units in issue as at 31 December 2008 (six months ended 31 December 2007: 5.25 cents, calculated based on \$78,961,000 and 1,503,341,222 units in issue as at 31 December 2007).
- (v) The final distribution per unit, after adjusting for distribution waivers as mentioned in (ii) above, of 15.27 cents (2008: 16.76 cents), is calculated by dividing the final distribution of \$168,808,000 by 1,105,263,132 units (2008: \$179,748,000 and 1,072,553,012 units), which is arrived as follows :

	As at 30 June 2009	As at 30 June 2008
Units in issue	1,546,905,770	1,514,195,650
Less : Units held by the unitholders who agreed to waive their entitlement to distribution for the year	<u>(441,642,638)</u>	<u>(441,642,638)</u>
	<u><u>1,105,263,132</u></u>	<u><u>1,072,553,012</u></u>

- (vi) The interim distribution per unit for the six months ended 31 December 2008, after adjusting for distribution waivers as mentioned in (ii) above, of 9.29 cents, is calculated by dividing the interim distribution of \$101,007,000 by 1,086,810,605 units (six months ended 31 December 2007: 7.44 cents, calculated based on \$78,961,000 and 1,061,698,584 units), which is arrived as follows :

	As at 31 December 2008	As at 31 December 2007
Units in issue	1,528,453,243	1,503,341,222
Less : Units held by the unitholders who agreed to waive their entitlement to distribution for the period	<u>(441,642,638)</u>	<u>(441,642,638)</u>
	<u><u>1,086,810,605</u></u>	<u><u>1,061,698,584</u></u>

- (vii) The 2009 interim distribution was paid to unitholders on 29 April 2009. The 2009 final distribution is expected to be paid on 30 October 2009 to unitholders whose names appear on the register of unitholders on 2 October 2009.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. General

Sunlight Real Estate Investment Trust (“**Sunlight REIT**”) is a Hong Kong collective investment scheme constituted as a unit trust by the Trust Deed dated 26 May 2006 (as amended by the supplemental deeds dated 1 June 2006, 28 November 2006 and 28 April 2009 respectively) 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 with the objective of producing stable and sustainable distributions to unitholders and to achieve long term growth in the net asset value per unit. It has its principal place of business at 30th Floor, 248 Queen’s Road East, Wan Chai, Hong Kong.

2. Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure provisions of the REIT Code and the Rules Governing the Listing of Securities on the SEHK.

3. Segment reporting

Segmental results

	2009			2008		
	Office	Retail	Total	Office	Retail	Total
	Properties	Properties		Properties	Properties	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover						
- rental income	183,048	194,353	377,401	153,678	185,087	338,765
- car park income	2,915	16,077	18,992	3,030	15,549	18,579
- rental related income	40,290	35,026	75,316	39,694	34,313	74,007
	226,253	245,456	471,709	196,402	234,949	431,351
Property operating expenses	(52,397)	(68,634)	(121,031)	(48,987)	(63,638)	(112,625)
Net property income	173,856	176,822	350,678	147,415	171,311	318,726
Administrative expenses	(26,170)	(24,658)	(50,828)	(26,996)	(26,114)	(53,110)
Segment results	147,686	152,164	299,850	120,419	145,197	265,616
Net (decrease)/increase in fair value of investment properties	(402,353)	(400,673)	(803,026)	505,621	84,518	590,139
Adjustment payments			77,499			90,635
Finance costs on interest bearing liabilities			(182,947)			(181,352)
Income tax			122,166			(36,940)
Unallocated net (expenses)/ other income			(5,034)			1,330
(Loss)/profit after taxation and before transactions with unitholders			(491,492)			729,428
Depreciation	3	-	3	1	-	1

3. Segment reporting (continued)

Segmental balance sheet

	As at 30 June 2009			As at 30 June 2008		
	Office Properties	Retail Properties	Total	Office Properties	Retail Properties	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment assets	4,966,174	4,632,875	9,599,049	5,357,503	5,024,124	10,381,627
Derivative financial instruments			-			87,730
Pledged deposits			222,864			227,733
Cash at bank and in hand			140			116
Tax recoverable			41,296			6,627
Deferred tax assets			65			-
Unallocated assets			78,006			91,884
Total assets			<u>9,941,420</u>			<u>10,795,717</u>
Segment liabilities	(84,965)	(76,569)	(161,534)	(71,947)	(67,445)	(139,392)
Derivative financial instruments			(132,040)			-
Secured bank borrowings			(3,940,166)			(3,935,930)
Current taxation			(15,332)			(9,180)
Deferred tax liabilities			(1,389,444)			(1,523,640)
Unallocated liabilities			(39,360)			(23,205)
Total liabilities, excluding net assets attributable to unitholders			<u>(5,677,876)</u>			<u>(5,631,347)</u>
Capital expenditure incurred during the year	<u>4,364</u>	<u>11,687</u>	<u>16,051</u>	<u>1,394</u>	<u>1,482</u>	<u>2,876</u>

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

4. Turnover

Turnover represents gross income generated from leasing of investment properties. The amount of each significant category of revenue recognised in turnover during the year is as follows :

	2009 \$'000	2008 \$'000
Rental income	377,401	338,765
Car park income	18,992	18,579
Rental related income	<u>75,316</u>	<u>74,007</u>
	<u>471,709</u>	<u>431,351</u>

Additional rents based on business turnover of tenants amounting to \$1,200,000 (2008: \$1,039,000) have been included in the rental income.

5. Property operating expenses

	2009	2008
	\$'000	\$'000
Building management fee	46,065	44,999
Property manager's fees	31,196	29,267
Government rent and rates	12,396	12,312
Marketing and promotion expenses	9,865	9,478
Car park operating cost (note)	6,688	6,503
Bad debts written off	1,662	97
Other direct costs	13,159	9,969
	<u>121,031</u>	<u>112,625</u>

Note: Included property manager's fees of \$1,841,000 (2008: \$2,343,000).

6. Other income

	2009	2008
	\$'000	\$'000
Bank interest income	4,251	7,597
Others	2	2
	<u>4,253</u>	<u>7,599</u>

7. (Loss)/profit before taxation and transactions with unitholders

(Loss)/profit before taxation and transactions with unitholders is arrived at after charging :

	2009	2008
	\$'000	\$'000
(a) Finance costs on interest bearing liabilities :		
Interest on borrowings	138,235	138,629
Other borrowing costs	44,712	42,723
	<u>182,947</u>	<u>181,352</u>

The total amount represents finance costs on interest bearing liabilities wholly repayable after two years but within five years, whereas other borrowing costs represent the amortisation of the upfront payments for the interest rate swaps and various financing charges.

	2009	2008
	\$'000	\$'000
(b) Other items :		
Manager's fees	47,976	50,166
Property manager's fees	33,037	31,610
Trustee's remuneration	2,733	2,909
Auditor's remuneration		
- Audit services	1,600	1,600
- Other services	370	370
Valuation fees	750	800
Other legal and professional fees	4,653	3,605
Bank charges	471	499

Sunlight REIT did not appoint any director and the Group did not engage any employee during the year. No employee benefit expense has been incurred in the year accordingly.

8. Income tax

Income tax in the consolidated income statement represents :

	2009	2008
	\$'000	\$'000
Current tax - Provision for Hong Kong Profits Tax		
Provision for the year	13,987	9,856
(Over)/under-provision in respect of prior years	(1,892)	402
	<u>12,095</u>	<u>10,258</u>
Deferred tax		
Origination and reversal of temporary differences	(134,261)	100,462
Effect on opening deferred tax balances resulting from decrease in tax rate during the year	-	(73,780)
	<u>(134,261)</u>	<u>26,682</u>
	<u><u>(122,166)</u></u>	<u><u>36,940</u></u>

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

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

The basic loss per unit before transactions with unitholders for the year ended 30 June 2009 amounted to \$0.32 (2008: earning per unit of \$0.49). The calculation of basic (loss)/earnings per unit before transactions with unitholders is based on the Group's loss after taxation and before transactions with unitholders of \$491,492,000 (2008: profit of \$729,428,000) and the weighted average of 1,526,861,155 units in issue during the year (2008: 1,501,357,280 units).

Diluted (loss)/earnings per unit before transactions with unitholders for the year ended 30 June 2009 and 2008 are not presented as there was no potential dilution of (loss)/earnings per unit before transactions with unitholders.

10. Trade and other receivables

	2009	2008
	\$'000	\$'000
Rental receivables	21,133	19,375
Deposits and prepayments	9,609	6,925
Other receivables	522	553
Amounts due from related companies	77,823	91,712
	<u>109,087</u>	<u>118,565</u>

\$5,438,000 (2008: \$5,100,000) included in deposits and prepayments is expected to be recovered after more than one year. Apart from the above, all of the balances are expected to be recovered within one year.

The ageing analysis of rental receivables is as follows :

	2009	2008
	\$'000	\$'000
Current	15,191	13,956
Less than 1 month overdue	4,102	4,637
More than 1 month and up to 3 months overdue	943	483
More than 3 months and up to 6 months overdue	436	122
More than 6 months overdue	461	177
	<u>21,133</u>	<u>19,375</u>

Rental receivables that were neither overdue nor impaired relate to a wide range of tenants for whom there was no recent history of default.

Rental receivables that were past due but not impaired relate to a number of independent tenants that have a good track record with the Group. Based on past experience, the Manager believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. In addition, the Group has collected rental deposits from its tenants which the Manager considered adequate to cover the outstanding rental receivables.

The amounts due from related companies are unsecured, interest-free and have no fixed terms of repayment. The balance primarily represents adjustment payments receivable.

11. Trade and other payables

	2009 \$'000	2008 \$'000
Creditors and accrued charges	33,909	29,130
Manager's fees payable	11,454	14,339
Amounts due to related companies	<u>40,451</u>	<u>9,522</u>
	<u>85,814</u>	<u>52,991</u>

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

Manager's fees payable is due within four months and payable in the form of 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 \$675,000 (2008: \$783,000) which is due within 30 days.

EMPLOYEES

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

CORPORATE GOVERNANCE

The Manager is committed to the highest level of corporate governance practices and procedures. Good corporate governance relies on an optimal mix of checks and balances and has a strong emphasis on high transparency to and alignment of interests with unitholders. The Manager has adopted a compliance manual (the "Compliance Manual") which sets out the key processes, systems, measures, corporate governance policies and other policies and procedures governing the management and operation of Sunlight REIT. Compliance with the Compliance Manual ensures that the relevant regulations and legislations are duly observed. During the year, the Manager has complied with the provisions of the Compliance Manual.

A summary of the key components of the corporate governance policies that have been adopted and complied with by the Manager and Sunlight REIT will be set out in the forthcoming annual report of Sunlight REIT.

Public Float

Based on information that is publicly available to the Manager and within the knowledge of its directors, more than 25% of the issued and outstanding units were held in public hands as at 30 June 2009.

New Units Issued

Except for an aggregate of 32,710,120 units issued to the Manager in lieu of payment of the Manager's fees, there were no other new units issued during the year.

Repurchase, Sale or Redemption of Units

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

Review of Final Results

The final results of Sunlight REIT for the year have been reviewed by the Disclosures Committee and the Audit Committee in accordance with their respective terms of references. Also, this preliminary results announcement has been agreed with the Auditor of Sunlight REIT.

ISSUANCE OF ANNUAL REPORT

The annual report of Sunlight REIT will be sent to unitholders on or about 22 September 2009.

FORWARD-LOOKING STATEMENTS

This announcement contains several statements that are "forward-looking" or use certain "forward-looking" terminologies. These statements are based on the current beliefs, assumptions, expectations and projections of the Board regarding the industry and markets in which Sunlight REIT operates. These statements are subject to risks, uncertainties and other factors beyond the Manager's control.

By order of the Board
LO Yuk Fong, Phyllis
Company Secretary

Hong Kong, 11 September 2009

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