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SUNLIGHT REIT

## **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**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2008 AND CLOSURE OF REGISTER OF UNITHOLDERS**

The board of directors (the “**Board**”) of Henderson Sunlight Asset Management Limited (the “**Manager**”) is pleased to present the unaudited interim results of Sunlight Real Estate Investment Trust (“**Sunlight REIT**”) for the six months ended 31 December 2008 (“**Reporting Period**”).

#### **DISTRIBUTION**

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

#### **Interim Distribution**

The unaudited distributable income of Sunlight REIT for the Reporting Period amounted to HK\$101.0 million, representing an year-on-year increase of 27.9% from the same period last year. After taking into account the entitlement waivers involving 441,642,638 units pursuant to the Deeds of Distribution Waiver as mentioned in note (ii) of the “Distribution Statement” section of this announcement, the interim distribution per unit (“**DPU**”) for the Reporting Period is HK 9.29 cents, representing an year-on-year increase of 24.9% <sup>note</sup> as compared with HK 7.44 cents declared for the six months ended 31 December 2007.

Note : The number of units in issue as at 31 December 2007, after adjusting for distribution waivers involving 441,642,638 units, was 1,061,698,584. Since then 25,112,021 new units were issued to the Manager as payment of the Manager’s fees. The number of units entitled for interim distribution as at 31 December 2008 is therefore 1,086,810,605.

## **Distribution Entitlement and Closure of Register of Unitholders**

The record date for the interim distribution will be Thursday, 5 March 2009.

The register of unitholders will be closed from Tuesday, 3 March 2009 to Thursday, 5 March 2009, both dates inclusive, during which no transfer of units will be effected. In order to entitle to the interim 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 (the “**Unit Registrar**”), no later than 4:00 p.m. on Monday, 2 March 2009.

The payment of interim distribution is scheduled to take place on Wednesday, 29 April 2009.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Market Review**

Triggered by the subprime mortgage crisis, the financial debacle in the United States has evolved into a global contagion, with its adverse impact being substantially felt in Hong Kong. As a result, local business activities deteriorated considerably during the period under review. The commercial property market echoed such development as both the office and retail sectors showed their first sign of weaknesses in the third quarter of 2008, notwithstanding the fact that positive rental reversion remained a general feature of the market.



## Operation Review

Despite downward pressure on commercial property rentals, Sunlight REIT still managed to report a satisfactory improvement in overall passing rental during the period under review, with the office portfolio registering a year-on-year growth of 19.8% in average passing rental to HK\$19.4 per sq. ft. as at 31 December 2008 (HK\$16.2 per sq. ft. as at 31 December 2007), while the average unit rental committed for the period attained HK\$21.5 per sq. ft.. Meanwhile, average passing rental for the retail portfolio rose 4.9% year-on-year to HK\$40.8 per sq. ft. as at 31 December 2008 (HK\$38.9 per sq. ft. as at 31 December 2007), with average unit rental committed for the period reaching HK\$45.2 per sq. ft..

As at 31 December 2008, Sunlight REIT's flagship office property, 248 Queen's Road East Property, achieved an increase of 32.1% in passing rental to HK\$22.2 per sq. ft. (HK\$16.8 per sq. ft. as at 31 December 2007). This improvement was attributable to strong rental reversion that involved 31.7% of the building's gross rentable area ("GRA") during the period where the average committed rental reached HK\$25.4 per sq. ft.. For the retail portfolio, stripping out the kindergarten lease at Sheung Shui Centre Shopping Arcade Property, the average committed rental during the period achieved a level of HK\$54.5 per sq. ft., which compared favourably with HK\$47.9 per sq. ft. recorded in the same period of the previous year.

As at 31 December 2008, overall occupancy level was slightly lower at 95.4% compared with 97.0% as at 31 December 2007. Occupancy of the office portfolio and the retail portfolio (the "Portfolio") stood at 94.4% and 97.5% respectively, compared with 96.9% and 97.4% recorded in the same period last year. The drop in occupancy of the office portfolio was mainly attributable to 248 Queen's Road East Property which experienced a decline in occupancy to 93.3% as at 31 December 2008 as compared with 99.7% as at 31 December 2007. Notwithstanding, new leases secured to commence in the second half of the current financial year is expected to raise occupancy to a more satisfactory level.

During the period, the Manager implemented asset upgrade and enhancement programmes to maximise the potential of the Portfolio. Enhancement projects on hand notably include the second phase upgrade of the Sheung Shui Centre Shopping Arcade Property and the retail podium refurbishment at Bonham Trade Centre Property.

On the acquisition front, an announcement was made on 30 October 2008 that the Manager will not proceed with the previous intended acquisition of certain potential properties from Henderson Land Development Company Limited ("HLD") for Sunlight REIT <sup>note</sup>. The Manager considered that it would not be in the best interest of unitholders to make the acquisition at that point in time given the prevailing market conditions.

Note : Reference is made to the announcement of the Manager dated 16 June 2008 in relation to the making available of certain potential properties by HLD pursuant to the HLD Commitment Letter for the Manager's consideration for acquisition by Sunlight REIT and the announcement dated 30 October 2008 on the decision of not to proceed with the intended acquisition.

## Financial Review

Sunlight REIT reported a loss after tax of HK\$798.9 million for the Reporting Period. After excluding the reduction in fair value of the Portfolio for the period in the amount of HK\$1,026.0 million and the relevant deferred tax, the underlying profit for the period was HK\$53.1 million.

## Highlights

(in HK\$ million, unless otherwise specified)

	<b>Six months ended 31 December 2008</b>	Six months ended 31 December 2007	Change (%)
Turnover	<b>235.5</b>	210.7	11.8
Property operating expenses	<b>56.6</b>	57.7	(1.9)
Net property income	<b>178.9</b>	153.0	16.9
(Loss)/profit after tax	<b>(798.9)</b>	343.9	N/A
Distributable income	<b>101.0</b>	79.0	27.9
Cost-to-income ratio (%)	<b>24.0</b>	27.4	N/A
DPU <sup>note</sup> (HK cents)	<b>9.29</b>	7.44	24.9
	<b>As at 31 December 2008</b>	As at 30 June 2008	Change (%)
Portfolio valuation	<b>9,125.0</b>	10,151.0	(10.1)
Total assets	<b>9,625.8</b>	10,795.7	(10.8)
Total liabilities	<b>5,615.2</b>	5,631.3	(0.3)
Net asset value	<b>4,010.5</b>	5,164.4	(22.3)
Net asset value per unit (HK\$)	<b>2.62</b>	3.41	(23.2)
Gearing ratio (%)	<b>41.0</b>	36.6	N/A
<p>Note : A total of 441,642,638 units owned by certain unitholders who agreed to waive their entitlements to distribution for the Reporting Period has been excluded from the calculation of DPU.</p>			

On the back of an 11.8% year-on-year growth in total revenue coupled with the undertaking of strategic cost containment measures, Sunlight REIT reported net property income of HK\$178.9 million for the Reporting Period, representing a growth of 16.9% from the same period last year. Cost-to-income ratio was 24.0%, a further improvement from 27.4% recorded in the previous interim period. After taking into account certain non-property operating expenses, finance costs and having eliminated the effect of certain non cash items including the reduction in fair value of the Portfolio for the period, the unaudited distributable income amounted to HK\$101.0 million.

Savills Valuation and Professional Services Limited, the independent valuer of Sunlight REIT, valued the Portfolio at HK\$9,125.0 million as at 31 December 2008. This represents a decrease of 10.1% and 8.2% from the valuation as at 30 June 2008 (HK\$10,151.0 million) and 31 December 2007 (HK\$9,935.0 million) respectively. In comparison with the valuation as at 30 June 2008 and 31 December 2007, office properties registered a drop of 10.7% and 7.6% respectively, while retail properties recorded a decline of 9.5% and 8.8% respectively.

As at 31 December 2008, Sunlight REIT had in place total loan facilities of HK\$4,050.0 million, of which the HK\$3,950.0 million term loan facility had been fully drawn, while there was a HK\$100.0 million revolving credit facility which 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. As at 31 December 2008, the gearing ratio of Sunlight REIT, defined as total borrowings as a percentage of gross assets, stood at 41.0%, 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 valuation for the Portfolio as assessed by the independent valuer. The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets was 58.3% as at 31 December 2008.

Sunlight REIT has certain interest rate swap arrangements under which interest rates of the term loan have been effectively fixed at a flat rate of 3.5% per annum for the Reporting Period until 30 June 2011. As a result of the fall in Hong Kong Interbank Offer Rates, the value of the swap was recorded as a liability of HK\$134.9 million as at 31 December 2008, compared with a positive value of HK\$87.7 million as at 30 June 2008.

As at 31 December 2008, Sunlight REIT had a total bank and cash balances of HK\$230.2 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.

## **Outlook**

The year of 2009 has emerged in an environment of drastic slowdown in business activities, with most of the major economies of the world suffering from negative economic growth. Under such circumstances, the Manager considers 2009 to be a challenging year for the local commercial property market. For Sunlight REIT, this adverse effect is to a certain extent mitigated by its strategic diversification between office and retail properties. In particular, the ongoing trend of decentralisation should lend support to Sunlight REIT's office rental income as tenants continue to capitalise on the significant rental differential between Central and other business districts, while its suburban retail portfolio should be highly resilient given their focus on daily necessities shopping in the vicinity.

Notwithstanding the recent decline in the local commercial leasing market, current market rents of the properties in the Portfolio are still higher than that recorded in our last reversion cycle two to three years ago. Barring unforeseen circumstances, the performance of Sunlight REIT for the current financial year is expected to remain satisfactory.

The Manager's proactive management approach should also prove effective to cushion the adverse impact. While 54.7% and 36.4% of the office and retail portfolio GRA are due for renewal in the current financial year, more than half of such lease expiries have already been committed, thus containing the risk of void rent loss. In the meantime, both operating expenses and capital expenditures will be strictly monitored as the Manager endeavours to maintain the cost-to-income ratio at a competitive level and to conserve funding.

The adverse operating environment provides a good opportunity to further strengthen tenant relationships. In particular, campaigns at our key retail centres to reward loyal patrons will be prominent features in the second half of the financial year. Resources will be re-allocated from traditional promotion activities to subsidising consumption at selective locations with a view to generate direct benefit for our tenants.

Although acquisition remains an integral part of the long term strategy of Sunlight REIT, the Manager is keenly aware of the current economic environment which calls for patience and prudence. As such, a conservative and prudent capital management strategy will be a core management focus going forward in light of the global economic uncertainties.

## **EMPLOYEES**

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

## **CORPORATE GOVERNANCE**

The Manager commits 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 by the Manager with the Compliance Manual ensures that the relevant regulations and legislations are duly observed.

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

## **Public Float**

As far as the Manager is aware, more than 25% of the issued and outstanding units were held in public hands as at 31 December 2008.

## **New Units Issued**

Except for an aggregate of 14,257,593 units issued to the Manager as payment of the Manager's fees, there was no other new units issued during the Reporting Period.

## **Repurchase, Sale or Redemption of Units**

Under the Trust Deed, the Manager is not permitted to repurchase or redeem any of the units in Sunlight REIT until permitted to do so by the relevant codes and guidelines issued by the Securities and Futures Commission ("SFC") from time to time. According to the circular dated 31 January 2008 issued by the SFC in relation to on-market unit repurchases by SFC-authorized REITs, a specific approval or a general mandate may be obtained from unitholders for on-market unit repurchases. No such approval or general mandate has been obtained from the unitholders of Sunlight REIT.

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

## **Review of Interim Results**

The interim results of Sunlight REIT for the Reporting Period have been reviewed by the Audit Committee and the Disclosures Committee in accordance with their respective terms of references. The interim financial report has also been reviewed by the auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

## **ISSUANCE OF INTERIM REPORT**

The 2008/09 Interim Report of Sunlight REIT will be sent to unitholders on or about 18 February 2009.

## **FORWARD-LOOKING STATEMENTS**

This announcement contains several statements that are "forward-looking" or which use certain "forward-looking" terminologies. These statements are based on the current beliefs, assumptions, expectations and projections of the Board of the Manager 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.

## CONSOLIDATED INCOME STATEMENT

for the six months ended 31 December 2008 – unaudited  
(Expressed in Hong Kong dollars)

	Note	Six months ended 31 December	
		2008 \$'000	2007 \$'000
<b>Turnover</b>	3	<b>235,471</b>	210,694
<b>Property operating expenses</b>	4	<u><b>(56,572)</b></u>	<u>(57,668)</u>
<b>Net property income</b>		<b>178,899</b>	153,026
Other income		<b>3,269</b>	4,954
Administrative expenses		<b>(32,057)</b>	(27,405)
(Decrease)/increase in fair value of investment properties		<u><b>(1,026,000)</b></u>	<u>377,000</u>
<b>(Loss)/profit from operations</b>		<b>(875,889)</b>	507,575
Finance costs on interest bearing liabilities	5(a)	<u><b>(92,142)</b></u>	<u>(91,171)</u>
<b>(Loss)/profit before taxation and transactions with unitholders</b>	5	<b>(968,031)</b>	416,404
Income tax	6	<u><b>169,146</b></u>	<u>(72,502)</u>
<b>(Loss)/profit after taxation and before transactions with unitholders</b>		<u><u><b>(798,885)</b></u></u>	<u><u>343,902</u></u>

## CONSOLIDATED BALANCE SHEET

at 31 December 2008

(Expressed in Hong Kong dollars)

		<b>31 December 2008 (Unaudited) \$'000</b>	30 June 2008 (Audited) \$'000
<b>Non-current assets</b>			
Fixed assets			
- Investment properties		<b>9,125,000</b>	10,151,000
- Other fixed assets		<b>13</b>	14
		<b>9,125,013</b>	10,151,014
Deferred tax assets		<b>182</b>	-
Reimbursement rights		<b>203,932</b>	203,932
Derivative financial instruments		<b>-</b>	87,730
		<b>9,329,127</b>	10,442,676
<b>Current assets</b>			
Trade and other receivables	8	<b>39,848</b>	118,565
Pledged deposits		<b>230,043</b>	227,733
Cash at bank and in hand		<b>135</b>	116
Tax recoverable		<b>26,604</b>	6,627
		<b>296,630</b>	353,041
<b>Total assets</b>		<b>9,625,757</b>	10,795,717
<b>Current liabilities</b>			
Tenants' deposits		<b>(113,357)</b>	(106,956)
Rent receipts in advance		<b>(3,547)</b>	(2,650)
Trade and other payables	9	<b>(71,533)</b>	(52,991)
Current taxation		<b>(4,204)</b>	(9,180)
		<b>(192,641)</b>	(171,777)
<b>Net current assets</b>		<b>103,989</b>	181,264
<b>Total assets less current liabilities</b>		<b>9,433,116</b>	10,623,940

## CONSOLIDATED BALANCE SHEET (Continued)

at 31 December 2008

(Expressed in Hong Kong dollars)

	<b>31 December 2008 (Unaudited) \$'000</b>	30 June 2008 (Audited) \$'000
<b>Non-current liabilities, excluding net assets attributable to unitholders</b>		
Secured bank borrowings	(3,937,972)	(3,935,930)
Deferred tax liabilities	(1,349,673)	(1,523,640)
Derivative financial instruments	(134,927)	-
	<u>(5,422,572)</u>	<u>(5,459,570)</u>
<b>Total liabilities, excluding net assets attributable to unitholders</b>	<u>(5,615,213)</u>	<u>(5,631,347)</u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	<u>4,010,544</u>	<u>5,164,370</u>
<b>Number of units in issue</b>	<u>1,528,453,243</u>	<u>1,514,195,650</u>
<b>Net asset value attributable to unitholders per unit</b>	<u>\$ 2.62</u>	<u>\$ 3.41</u>

## DISTRIBUTION STATEMENT

for the six months ended 31 December 2008 - unaudited  
(Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2008	2007
	\$'000	\$'000
<b>(Loss)/profit after taxation and before transactions with unitholders</b>	<u>(798,885)</u>	<u>343,902</u>
Adjustments :		
- Decrease/(increase) in fair value of investment properties	1,026,000	(377,000)
- Manager's fees paid or payable in the form of units	25,669	23,707
- Non-cash finance costs on interest bearing liabilities	22,373	21,402
- Deferred tax	<u>(174,150)</u>	<u>66,950</u>
	<u>899,892</u>	<u>(264,941)</u>
<b>Total distributable income (note (i))</b>	<u><u>101,007</u></u>	<u><u>78,961</u></u>
<b>Distribution per unit :</b>		
- Before adjusting for distribution waivers (notes (ii) and (iii))	<u><u>6.61 cents</u></u>	<u><u>5.25 cents</u></u>
- After adjusting for distribution waivers (notes (ii) and (iv))	<u><u>9.29 cents</u></u>	<u><u>7.44 cents</u></u>

Notes :

- (i) Pursuant to the Code on Real Estate Investment Trust 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 Henderson Sunlight Asset Management Limited, 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 period.

- (iii) The distribution per unit, before adjusting for distribution waivers as mentioned in (ii) above, of 6.61 cents (2007 : 5.25 cents), is calculated by dividing the total distributable income for the period of \$101,007,000 (2007 : \$78,961,000) by 1,528,453,243 units in issue as at 31 December 2008 (2007 : 1,503,341,222 units).
- (iv) The distribution per unit, after adjusting for distribution waivers as mentioned in (ii) above, of 9.29 cents (2007 : 7.44 cents), is calculated by dividing the total distributable income for the period of \$101,007,000 (2007 : \$78,961,000) by 1,086,810,605 units (2007 : 1,061,698,584 units), which is arrived as follows :

	2008	2007
Units in issue as at 31 December	1,528,453,243	1,503,341,222
Less : Units held by the unitholders as at 31 December 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>

## NOTES ON THE INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

### 1. General

Sunlight REIT is a Hong Kong collective investment scheme constituted as a unit trust by the trust deed (the “**Trust Deed**”) entered into among Uplite Limited, as the settlor, Henderson Sunlight Asset Management Limited, as the manager of Sunlight REIT (the “**Manager**”), and HSBC Institutional Trust Services (Asia) Limited, as the trustee of Sunlight REIT (the “**Trustee**”) on 26 May 2006 (as amended by the supplemental deeds dated 1 June 2006 and 28 November 2006 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 in Hong Kong 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. Segment reporting

	Six months ended 31 December					
	2008 (Unaudited)			2007 (Unaudited)		
	Office Properties \$'000	Retail Properties \$'000	Total \$'000	Office Properties \$'000	Retail Properties \$'000	Total \$'000
Turnover						
- rental income	<b>90,821</b>	<b>97,187</b>	<b>188,008</b>	73,163	90,558	163,721
- car park income	<b>1,477</b>	<b>8,064</b>	<b>9,541</b>	1,585	7,969	9,554
- rental related income	<b>20,701</b>	<b>17,221</b>	<b>37,922</b>	19,967	17,452	37,419
	<b>112,999</b>	<b>122,472</b>	<b>235,471</b>	94,715	115,979	210,694
Property operating expenses	<b>(26,664)</b>	<b>(29,908)</b>	<b>(56,572)</b>	(25,438)	(32,230)	(57,668)
Net property income	<b>86,335</b>	<b>92,564</b>	<b>178,899</b>	69,277	83,749	153,026
Administrative expenses	<b>(10,446)</b>	<b>(9,987)</b>	<b>(20,433)</b>	(8,885)	(9,334)	(18,219)
Segment results	<b>75,889</b>	<b>82,577</b>	<b>158,466</b>	60,392	74,415	134,807
(Decrease)/increase in fair value of investment properties	<b>(559,000)</b>	<b>(467,000)</b>	<b>(1,026,000)</b>	329,000	48,000	377,000
Finance costs on interest bearing liabilities			<b>(92,142)</b>			(91,171)
Income tax			<b>169,146</b>			(72,502)
Unallocated administrative expenses, net of unallocated other income			<b>(8,355)</b>			(4,232)
(Loss)/profit after taxation and before transactions with unitholders			<b>(798,885)</b>			343,902
Depreciation	<b>1</b>	-	<b>1</b>	-	-	-

### 3. Turnover

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

	<b>Six months ended 31 December</b>	
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
	<b>\$'000</b>	\$'000
Rental income	<b>188,008</b>	163,721
Car park income	<b>9,541</b>	9,554
Rental related income	<b>37,922</b>	37,419
	<b><u>235,471</u></b>	<u>210,694</u>

### 4. Property operating expenses

	<b>Six months ended 31 December</b>	
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
	<b>\$'000</b>	\$'000
Building management fees	<b>24,416</b>	23,014
Property manager's fees	<b>15,504</b>	15,241
Government rent and rates	<b>5,484</b>	7,034
Marketing and promotion expenses	<b>3,921</b>	5,277
Car park operating costs (note)	<b>3,390</b>	3,281
Other direct costs	<b>3,857</b>	3,821
	<b><u>56,572</u></b>	<u>57,668</u>

Note : Included property manager's fees of \$920,000 (2007 : \$856,000).

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

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

	<b>Six months ended 31 December</b>	
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
	<b>\$'000</b>	\$'000
(a) Finance costs on interest bearing liabilities :		
Interest on borrowings	<b>90,025</b>	89,060
Other borrowing costs	<b>2,117</b>	2,111
	<b>92,142</b>	91,171

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.

	<b>Six months ended 31 December</b>	
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
	<b>\$'000</b>	\$'000
(b) Other items :		
Interest income	<b>(3,269)</b>	(4,954)
Manager's fees	<b>25,669</b>	23,707
Property manager's fees	<b>16,424</b>	16,097
Trustee's remuneration	<b>1,391</b>	1,420
Auditor's remuneration		
- Audit services	<b>630</b>	750
- Other services	<b>370</b>	370
Valuation fees	<b>425</b>	150
Other legal and professional fees	<b>1,756</b>	1,127
Bank charges	<b>212</b>	242

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

## 6. Income tax

	Six months ended 31 December	
	2008 (Unaudited) \$'000	2007 (Unaudited) \$'000
<b>Current tax - Provision for Hong Kong Profits Tax</b>		
Provision for the period	6,834	5,552
Over-provision in respect of prior years	(1,830)	-
	<u>5,004</u>	<u>5,552</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences in respect of :		
- Change in fair value of investment properties	(173,978)	63,000
- Others	(172)	3,950
	<u>(174,150)</u>	<u>66,950</u>
	<u>(169,146)</u>	<u>72,502</u>

Provision for Hong Kong Profits Tax has been made at 16.5% (2007 : 17.5%) on the estimated assessable profits for the period.

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

The basic loss per unit before transactions with unitholders for the six months ended 31 December 2008 amounted to \$0.53 (2007 : earning per unit of \$0.23). 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 \$798,885,000 (2007 : profit of \$343,902,000) and the weighted average of 1,519,077,326 units (2007 : 1,495,737,431 units) in issue during the period.

Diluted (loss)/earnings per unit before transactions with unitholders for the six months ended 31 December 2008 and 2007 are not presented as there was no potential dilution of (loss)/earnings per unit before transactions with unitholders.

## 8. Trade and other receivables

	<b>31 December 2008 (Unaudited) \$'000</b>	30 June 2008 (Audited) \$'000
Rental receivables	23,394	19,375
Deposits and prepayments	15,338	6,925
Other receivables	944	553
Amounts due from related companies	172	91,712
	<u>39,848</u>	<u>118,565</u>

\$5,307,000 (30 June 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 :

	<b>31 December 2008 (Unaudited) \$'000</b>	30 June 2008 (Audited) \$'000
Current	16,979	13,956
Less than 1 month overdue	4,487	4,637
More than 1 month and up to 3 months overdue	945	483
More than 3 months and up to 6 months overdue	440	122
More than 6 months overdue	543	177
	<u>23,394</u>	<u>19,375</u>

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

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

## 9. Trade and other payables

	<b>31 December 2008 (Unaudited) \$'000</b>	30 June 2008 (Audited) \$'000
Creditors and accrued charges	<b>26,863</b>	29,130
Manager's fees payable	<b>12,875</b>	14,339
Amounts due to related companies	<b>31,795</b>	9,522
	<b><u>71,533</u></b>	<b><u>52,991</u></b>

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 \$664,000 (30 June 2008 : \$783,000) which is due within 30 days.

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

Hong Kong, 11 February 2009

*As at the date of this document, the Board of the Manager comprises : (1) Chairman and Non-executive Director : Mr. KAN Fook Yee; (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.*