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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

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 30 JUNE 2010
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 2010 as follows:

FINANCIAL HIGHLIGHTS

(in HK\$ million, unless otherwise specified)

	2010	2009	Change (%)
For the year ended 30 June:			
Turnover	488.6	471.7	3.6
Net property income	369.9	350.7	5.5
Profit/(loss) after tax	1,170.9	(491.5)	N/A
Annual distributable income	186.5	269.8	(30.9)
Cost-to-income ratio (%)	24.3	25.7	N/A
Distribution per unit ^{note} (HK cents)	14.39	24.56	(41.4)
As at 30 June:			
Portfolio valuation	10,722.1	9,364.0	14.5
Net asset value	5,319.4	4,263.5	24.8
Net asset value per unit (HK\$)	3.40	2.76	23.2
Gearing ratio (%)	35.3	39.7	N/A

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

RESULTS FOR THE YEAR

For the year ended 30 June 2010, Sunlight REIT achieved a 3.6% and 5.5% growth in turnover and net property income to HK\$488.6 million and HK\$369.9 million respectively. Taking into account an increase in the fair value of investment properties in the amount of HK\$1,344.2 million (FY2008/09: decrease in fair value of HK\$803.0 million), Sunlight REIT recorded a profit after tax of HK\$1,170.9 million for the year, representing a turnaround from the loss of HK\$491.5 million incurred in the previous financial year.

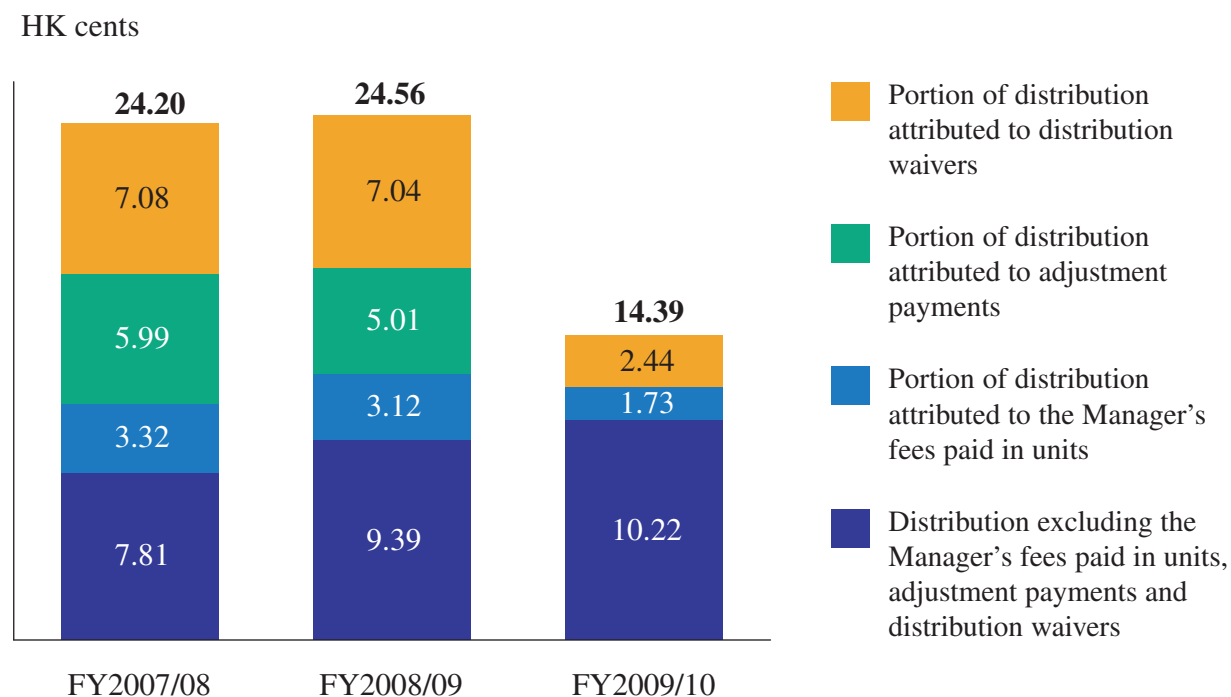
DISTRIBUTION

The annual distributable income of Sunlight REIT for the year was HK\$186.5 million, representing a decline of 30.9% from HK\$269.8 million recorded in the previous year. The annual distributable income is calculated by the Manager and arrived at after adjusting for certain items as set out in the “Distribution Statement” on page 15 of this announcement. The distribution per unit (“DPU”) for the year was HK 14.39 cents, which represents a year-on-year decline of 41.4% as compared with HK 24.56 cents declared in the previous year, and implies a final distribution per unit of HK 7.51 cents.

In addition to property income contribution, the level of distributable income and DPU were and will be affected by certain policies and structures as briefly described below:

1. Pursuant to the Deeds of Adjustment Payments entered into at the time of listing, Sunlight REIT no longer receives adjustment payments, in respect of rental income, from the vendors of Sunlight REIT’s portfolio beginning from FY2009/10;
2. Pursuant to the Deeds of Distribution Waiver entered into at the time of listing, the extent of distribution waivers offered by certain subsidiaries of Henderson Land Development Company Limited (“HLD”) and certain subsidiaries of Shau Kee Financial Enterprises Limited (“SKFE”) (involving 441,642,638 units (“Waiver Units”) pursuant to the Deeds of Distribution Waiver as mentioned in note (ii) of the “Distribution Statement” on page 16 of this announcement) has been reduced from the previous 100% of Waiver Units to 60% of such in FY2009/10; and
3. Pursuant to amendments to the Trust Deed which were approved by unitholders at the extraordinary general meeting held on 28 April 2009 and the subsequent announcement issued on 19 June 2009 in respect of the election by the Manager of the form of receiving its base fee and variable fee for the financial year under review, the payment structure of those Manager’s fees has been changed (from 100% in units for the previous financial year, to 50% in cash and 50% in units for the financial year under review), resulting in an additional cash outlay of HK\$27.0 million in FY2009/10.

The chart below provides a year-on-year comparison in terms of the various components of the DPU. Notably, the distribution derived from the operations of Sunlight REIT was approximately HK 10.22 cents per unit, representing an 8.8% growth from the previous year. The overall decline in distribution is attributed to certain factors unrelated to the operating performance of the portfolio.



Distribution Entitlement and Closure of Register of Unitholders

The record date for the final distribution will be Wednesday, 29 September 2010. The register of unitholders will be closed from Monday, 27 September 2010 to Wednesday, 29 September 2010, both days inclusive, during which period no transfer of units will be registered. In order to be entitled to the final distribution, completed transfer forms accompanied by the relevant unit certificates must be lodged for registration with the unit registrar of Sunlight REIT, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Friday, 24 September 2010. Payment of the final distribution will be made to unitholders on Thursday, 21 October 2010.

PORTFOLIO AT A GLANCE

Property	Operational Statistics						Property Financials				
	Occupancy as at 30 June (%)		Passing Rent ^{Note} as at 30 June (HK\$/sq. ft.)		Committed Rent ^{Note} (HK\$/sq. ft.)		Net Property Income (HK\$'000)		Capitalisation Rate as at 30 June 2010 (%)		Appraised Value as at 30 June 2010 (HK\$'000)
	2010	2009	2010	2009	1 Jul 09 – 30 Jun 10	1 Jul 08 – 30 Jun 09	FY2009/10	FY2008/09	Retail	Office	
Office Property											
Grade A											
248 Queen's Road East	94.9	92.4	24.7	24.2	23.6	25.6	92,754	90,481	4.40	4.15	2,888,000
Grade B											
Bonham Trade Centre	98.2	87.5	16.4	16.1	16.2	16.5	18,944	16,910	4.50	4.25	568,000
Righteous Centre	96.7	94.4	23.0	23.7	17.2	18.9	13,423	13,106	4.00	4.50	377,000
Winsome House Property	97.1	96.3	29.7	30.0	24.8	29.5	12,372	12,634	4.40	4.00	339,000
135 Bonham Strand Trade Centre Property	96.0	94.1	16.2	15.9	16.1	15.3	9,560	10,096	4.50	4.35	302,000
235 Wing Lok Street Trade Centre	97.9	89.8	11.7	11.8	11.3	11.1	6,004	5,733	4.65	4.45	182,000
Java Road 108 Commercial Centre	86.4	76.2	15.6	17.4	15.0	17.0	4,077	5,365	4.75	4.50	165,500
Yue Fai Commercial Centre Property	97.6	98.8	14.0	13.4	12.8	13.5	5,909	5,051	4.60	4.75	157,000
On Loong Commercial Building Property	97.9	95.7	20.8	19.4	26.7	13.8	5,085	4,912	4.50	4.50	144,000
Everglory Centre	100.0	90.4	15.0	16.8	13.9	16.6	4,205	4,760	4.50	4.30	132,500
Sun Fai Commercial Centre Property	96.3	96.7	15.9	15.8	16.5	11.6	3,995	4,096	4.75	4.65	108,000
Wai Ching Commercial Building Property	95.6	86.2	7.0	7.6	6.8	8.0	975	712	4.75	4.65	31,100
Sub-total / Average	95.9	91.7	20.4	20.3	17.9	20.3	177,303	173,856			5,394,100
Retail Property											
New Town											
Sheung Shui Centre Shopping Arcade	99.8	95.3	70.2	65.4	71.0	64.0	89,317	81,416	4.40	N/A	2,536,000
Metro City Phase I Property	97.7	94.6	34.0	32.5	35.5	31.5	71,836	64,768	4.50	N/A	1,928,000
Kwong Wah Plaza Property	100.0	96.2	29.6	29.7	25.9	23.7	20,548	19,732	4.15	4.55	566,000
Urban											
Royal Terrace Property	95.5	100.0	26.1	26.8	19.9	33.3	3,347	3,457	4.75	N/A	90,500
Beverley Commercial Centre Property	100.0	100.0	33.7	30.8	35.6	31.8	2,838	2,586	4.75	N/A	70,000
Glory Rise Property	100.0	100.0	28.7	28.2	10.0	53.0	2,106	1,870	4.75	N/A	60,000
Supernova Stand Property	100.0	100.0	42.4	42.2	28.6	27.6	2,053	2,064	4.50	N/A	50,000
Palatial Stand Property	100.0	75.2	10.4	9.7	10.3	N/A	559	929	4.75	N/A	27,500
Sub-total / Average	98.8	95.0	43.4	41.3	42.6	40.1	192,604	176,822			5,328,000
Total / Average	96.8	92.7	27.9	27.2	26.0	25.5	369,907	350,678			10,722,100

Note: Passing rent and committed rent are expressed in terms of rent per month.

OPERATION REVIEW

A key objective of the Manager for the year under review was to capitalise on the economic recovery from the global financial crisis to achieve a more satisfactory level of occupancy. In this regard, the Manager is pleased to report that the overall occupancy of the portfolio improved to 96.8% as at 30 June 2010 (30 June 2009: 92.7%), largely driven by the recovery of the office portfolio whose occupancy increased from 91.7% to 95.9% during this year. The retail portfolio, on the other hand, was practically fully let, registering an occupancy of 98.8% as at 30 June 2010 (30 June 2009: 95.0%).

Overall passing rent improved across the board, registering a growth of 2.6% to HK\$27.9 per sq. ft. as at 30 June 2010. The office portfolio managed to achieve an average passing rent of HK\$20.4 per sq. ft., marginally higher than that in the previous year despite an 11.8% drop in committed rent to HK\$17.9 per sq. ft.. In contrast, the retail portfolio continued to deliver positive performance, as committed rent and passing rent increased by 6.2% to HK\$42.6 per sq. ft. and by 5.1% to HK\$43.4 per sq. ft. respectively.

During the year, a total of 556,505 sq. ft. were leased out. The recent trend of decentralisation for offices has intensified turnover of office tenants, resulting in a lower retention rate of 61.8% (FY2008/09: 65.5%). Meanwhile, the robust retail environment has helped improve tenant retention rate of the retail portfolio to 84.5% in the year under review (FY2008/09: 70.8%).

As at 30 June 2010, the weighted average lease length in terms of gross rentable area (“**GRA**”) was 2.5 years for the entire portfolio. Lease expiries on or before 30 June 2011 accounts for 40.9% of office GRA and 38.1% of retail GRA. The average unit rent for the expiring office and retail leases are HK\$19.9 per sq. ft. and HK\$46.5 per sq. ft. respectively.

The cost-to-income ratio of Sunlight REIT for the year was 24.3%, representing a further improvement from 25.7% achieved in the previous year. Most notable changes from the previous year was a marked reduction in repair and maintenance expenses that was partially offset by a rise in rental commission paid to property agents as a result of increased leasing activities during the year.

FINANCIAL REVIEW

Sunlight REIT recorded a 3.6% growth in turnover to HK\$488.6 million from the previous financial year. Property operating expenses for the year amounted to HK\$118.7 million, giving rise to a net property income of HK\$369.9 million, representing a 5.5% growth from HK\$350.7 million recorded in the previous year.

The valuation of the portfolio as at 30 June 2010 was appraised at HK\$10,722.1 million, representing a 14.5% appreciation from HK\$9,364.0 million recorded as at 30 June 2009. Office properties and retail properties accounted for 50.3% and 49.7% of the total appraised value and registered a year-on-year increase of 12.0% and 17.1% respectively.

The higher property valuation reduced the gearing ratio of Sunlight REIT, defined as total borrowings as a percentage of gross assets, from 39.7% to 35.3% and expanded its net assets to HK\$5,319.4 million as compared to HK\$4,263.5 million recorded at the end of the previous financial year. Net asset value per unit rose 23.2% to HK\$3.40. The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets was 52.6%, while the total borrowing costs for the year amounted to HK\$181.6 million.

As at 30 June 2010, Sunlight REIT had in place total loan facilities of HK\$3,975.0 million comprising a term loan facility of HK\$3,950.0 million which has been fully drawn and a HK\$25.0 million revolving credit facility of which HK\$15.0 million has been drawn. These facilities will mature on 20 December 2011 and are secured by, among others, the investment properties of Sunlight REIT, a floating charge over its bank balances and assignment of proceeds from tenancies.

During the year under review, the Manager capitalised on the low interest rate environment and executed certain hedging arrangements for Sunlight REIT, with a primary objective of reducing the impact of interest rate volatility on Sunlight REIT from a medium term perspective. Through the execution of three interest rate swap transactions, each with a notional amount of HK\$500.0 million, an aggregate notional amount of HK\$1,500.0 million (out of the existing interest rate swaps, in the total notional amount of HK\$3,950.0 million) was unwound for the period from 30 June 2010 to 30 June 2011, while new forward interest rate swaps of an equivalent notional amount were entered into for a period of three years starting from 30 June 2010. A summary of bank loan and interest rate swaps is set out below:

	Transaction date	Amount (HK\$' million)	Payment to HSBC ¹ for unwinding relevant portion of swap then existing (HK\$' million)	Tenure	Interest rate (per annum)
Bank loan	30 May 06	3,950	N/A	21 Dec 06 - 20 Dec 11	HIBOR ² + 0.45%
Interest rate swaps					
HSBC	28 Nov 06	2,450	N/A	30 Jun 10 - 30 Jun 11	3.500% ³
HSBC	20 Jan 10	500	10.950	30 Jun 10 - 28 Jun 13	2.615% ³
HSBC	11 May 10	500	13.300	30 Jun 10 - 28 Jun 13	1.925% ³
Standard Chartered Bank	10 Jun 10	500	12.627	30 Jun 10 - 28 Jun 13	1.840% ³

Notes:

1. The Hongkong and Shanghai Banking Corporation Limited
2. Hong Kong Interbank Offered Rate
3. Include the credit spread of 0.45% per annum under the existing term loan.

As a result of the above transactions, Sunlight REIT's effective interest rate on borrowings for FY2010/11 will be reduced from 3.5% per annum to 2.978% per annum, which equates to an interest saving of HK\$20.6 million, or 55% of the total unwinding payment incurred. Further, the interest rate on HK\$1,500.0 million worth of indebtedness, representing 38.0% of Sunlight REIT's total bank borrowing as at 30 June 2010, has been locked in at 1.68% (before relevant credit spread) for a two-year period until 28 June 2013. This hedging arrangement will assure Sunlight REIT with a more predictable cashflow profile which should prove beneficial to unitholders.

As at 30 June 2010, Sunlight REIT had total bank and cash balances of HK\$225.0 million; taking into consideration the recurrent income generated from its operations, the current cash position and the undrawn credit facility available, it has sufficient financial resources to meet its working capital, distribution payment and capital expenditure requirements.

In respect of contingent liabilities, Sunlight REIT has 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 HK\$4.7 million as at 30 June 2010.

OUTLOOK

Notwithstanding the economic recovery, the outlook for Hong Kong remains clouded by the prevailing global uncertainties, particularly in the wake of sovereign-debt problems in Europe. The mainland China economy has been a bright spot in terms of economic growth, but there are signs that growth could be slowing due to the clampdown on credit and the economic impact of the measures taken to cool down the real estate market in China.

While Hong Kong will not be immune from the impact of a potential double-dip recession in the major economies, the Manager is cautiously optimistic that the domestic economy, given its strong fundamentals, will withstand any possible turbulence well and will continue to exhibit positive growth in the year ahead.

There is evidence that the compression in office property yields in Hong Kong is abating as rental growth appears to be gathering further upward momentum. According to the statistics collated by property consulting firm, DTZ Debenham Tie Leung Limited, there was a net take-up of Grade A office properties of over 1.6 million sq. ft. in the first half of 2010, as compared to a negative take-up of nearly 1.3 million sq. ft. in 2009. This positive swing reduced the overall Grade A office vacancy rate to approximately 6%. With average new office supply between 2011 to 2013 projected to be no more than 1.7 million sq. ft. per annum (which is much lower than the estimated 3.4 million sq. ft. of new office supply per annum between 2008 to 2010), there is reason to believe that positive growth in office rents would be a sustainable feature in the next twelve months.

Regarding the retail property sector, as China has taken further steps to liberalise Chinese nationals travelling to Hong Kong, the prospects for tourism spending and thus retail rents should remain sanguine. In addition, given the limited supply of regional shopping malls in the pipeline, the demand-supply balance is expected to remain highly favourable.

On the asset enhancement front, Sheung Shui Centre Shopping Arcade will enter its final phase of refurbishment in FY2010/11, the completion of which is expected to further stimulate traffic and spending. In the meantime, the Manager has also planned to conduct certain improvement and space reconfiguration works at Metro City Phase I Property, while refurbishment works at Righteous Centre in Mong Kok is also in the pipeline.

The restructuring of the interest rate swap arrangements was executed not only for the benefit of interest saving in the short term, but also in preparation for the refinancing of the term loan which will mature on 20 December 2011. The term loan will be refinanced not just to ensure an optimal capital mix, but also structured in such a way as to maximise financial flexibility.

Certain financial structures were put in place at the time of listing of Sunlight REIT, which enabled the Manager to conduct asset enhancement works without affecting distribution to unitholders. As these structures gradually phase out, and in order to continue to fund future asset enhancement programmes in a prudent manner, the Manager has previously announced that distribution to unitholders will be revised from 100% of Sunlight REIT's annual distributable income to an amount not less than 90% of its annual distributable income for each financial year beginning from FY2010/11. The Manager believes that this policy change is necessary and is in the interest of unitholders.

The table below is a summary of various policies and structures affecting distribution to unitholders.

	<u>FY2006/07</u>	<u>FY2007/08</u>	<u>FY2008/09</u>	<u>FY2009/10</u>	<u>FY2010/11</u>	<u>FY2011/12</u>
Adjustment payments	√	√	√	X	X	X
Distribution waivers	100%	100%	100%	60%	50%	X
Manager's fees paid in units	100%	100%	100%	50%	100%	To be decided by the Manager
Distribution policy (as % of annual distributable income)	100%	100%	100%	100%	Not less than 90%	Not less than 90%

The Manager remains keen to explore acquisition opportunities should suitable opportunities arise; in particular, it wishes to invest in properties which can improve the scalability of the existing portfolio, and offer good hidden value that can be unlocked through asset enhancement initiatives. In the meantime, the Manager will

continue to focus on maintaining a high level of occupancy and maximising the underlying potential of the portfolio through proactive management programmes. Building on a sound and caring management strategy, the Manager hopes to continue to generate a steady recurrent income stream for the benefit of unitholders, and to create a more conducive environment where people prefer to work and choose to shop.

EMPLOYEES

Sunlight REIT is managed by the Manager and 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 emphasises on high transparency to and alignment of interests with unitholders. To ensure that relevant regulations and legislations are duly observed, the Manager has adopted a compliance manual (the “**Compliance Manual**”) which sets out the key processes, systems, measures, corporate governance policies as well as other policies and procedures governing the management and operation of Sunlight REIT. The Compliance Manual is reviewed regularly and modifications are made if necessary or if relevant legislations or regulations have been amended.

On 23 July 2010, the Compliance Manual, together with the Trust Deed, were modified, among other things, to comply with the revision of the Code on Real Estate Investment Trusts on 25 June 2010 which has extended the application of the Codes on Takeovers and Mergers and Share Repurchases to Real Estate Investment Trusts authorised by the Securities and Futures Commission.

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 outstanding units in issue were held in public hands as at 30 June 2010.

New Units Issued

Except for an aggregate of 17,135,498 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 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 Audit Committee and the Disclosures Committee in accordance with their respective terms of references. Meanwhile, this preliminary results announcement has been agreed with KPMG, the Auditor of Sunlight REIT.

ISSUANCE OF ANNUAL REPORT

The annual report of Sunlight REIT will be sent to unitholders on or about 20 September 2010.

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.

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2010
(Expressed in Hong Kong dollars)

	Note	2010 \$'000	2009 \$'000
Turnover	3&4	488,584	471,709
Property operating expenses	3&5	<u>(118,677)</u>	<u>(121,031)</u>
Net property income		369,907	350,678
Other income	6	635	4,253
Administrative expenses		(63,810)	(60,115)
Adjustment payments		—	77,499
Net increase/(decrease) in fair value of investment properties		<u>1,344,215</u>	<u>(803,026)</u>
Profit/(loss) from operations		1,650,947	(430,711)
Finance costs on interest bearing liabilities	7(a)	<u>(234,270)</u>	<u>(182,947)</u>
Profit/(loss) before taxation and transactions with unitholders	7	1,416,677	(613,658)
Income tax	8	<u>(245,770)</u>	<u>122,166</u>
Profit/(loss) after taxation and before transactions with unitholders		<u><u>1,170,907</u></u>	<u><u>(491,492)</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

(Expressed in Hong Kong dollars)

	2010 \$'000	2009 \$'000
Profit/(loss) after taxation and before transactions with unitholders	<u>1,170,907</u>	<u>(491,492)</u>
Other comprehensive income for the year		
Cash flow hedges:		
Changes in fair value recognised during the year	59,986	(179,440)
Reclassification adjustments for amounts transferred to profit or loss in respect of finance costs on interest bearing liabilities	<u>52,632</u>	<u>—</u>
	<u>112,618</u>	<u>(179,440)</u>
Total comprehensive income for the year	<u><u>1,283,525</u></u>	<u><u>(670,932)</u></u>

CONSOLIDATED BALANCE SHEET

As at 30 June 2010

(Expressed in Hong Kong dollars)

	Note	2010 \$'000	2009 \$'000
Non-current assets			
Fixed assets			
- Investment properties		10,722,100	9,364,000
- Other fixed assets		<u>33</u>	<u>36</u>
		10,722,133	9,364,036
Deferred tax assets		—	65
Reimbursement rights		<u>203,932</u>	<u>203,932</u>
		<u>10,926,065</u>	<u>9,568,033</u>
Current assets			
Trade and other receivables	10	23,639	109,087
Pledged deposits		224,876	222,864
Cash at bank and in hand		135	140
Tax recoverable		<u>46,545</u>	<u>41,296</u>
		<u>295,195</u>	<u>373,387</u>
Total assets		<u>11,221,260</u>	<u>9,941,420</u>
Current liabilities			
Tenants' deposits		(121,272)	(112,094)
Rent receipts in advance		(3,163)	(2,986)
Trade and other payables	11	(98,506)	(85,814)
Secured bank borrowings		(15,000)	—
Derivative financial instruments		(59,191)	—
Current taxation		<u>(19,035)</u>	<u>(15,332)</u>
		<u>(316,167)</u>	<u>(216,226)</u>
Net current (liabilities)/assets		<u>(20,972)</u>	<u>157,161</u>
Total assets less current liabilities		<u>10,905,093</u>	<u>9,725,194</u>

CONSOLIDATED BALANCE SHEET (continued)

As at 30 June 2010

(Expressed in Hong Kong dollars)

	2010 \$'000	2009 \$'000
Non-current liabilities, excluding net assets attributable to unitholders		
Secured bank borrowings	(3,944,141)	(3,940,166)
Deferred tax liabilities	(1,620,623)	(1,389,444)
Derivative financial instruments	(20,929)	(132,040)
	<u>(5,585,693)</u>	<u>(5,461,650)</u>
Total liabilities, excluding net assets attributable to unitholders	<u>(5,901,860)</u>	<u>(5,677,876)</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>5,319,400</u>	<u>4,263,544</u>
Number of units in issue	<u>1,564,041,268</u>	<u>1,546,905,770</u>
Net asset value attributable to unitholders per unit	<u>\$ 3.40</u>	<u>\$ 2.76</u>

DISTRIBUTION STATEMENT

For the year ended 30 June 2010
(Expressed in Hong Kong dollars)

	Note	2010 \$'000	2009 \$'000
Profit/(loss) after taxation and before transactions with unitholders		<u>1,170,907</u>	<u>(491,492)</u>
Adjustments:			
- Net (increase)/decrease in fair value of investment properties		(1,344,215)	803,026
- Manager's fees paid or payable in the form of units		26,993	47,976
- Cash flow hedges, reclassified from net assets attributable to unitholders		52,632	—
- Non-cash finance costs on interest bearing liabilities		48,918	44,566
- Deferred tax	8	<u>231,244</u>	<u>(134,261)</u>
		<u>(984,428)</u>	<u>761,307</u>
Total distributable income (note (i))		<u>186,479</u>	<u>269,815</u>
Interim distribution, paid		88,863	101,007
Final distribution, to be paid to unitholders		<u>97,616</u>	<u>168,808</u>
Total distributions for the year (note (i))		<u>186,479</u>	<u>269,815</u>
Distribution per unit:			
- Before adjusting for distribution waivers (notes (ii) to (iv))			
Interim distribution per unit, paid		5.71 cents	6.61 cents
Final distribution per unit, to be paid to unitholders		<u>6.24 cents</u>	<u>10.91 cents</u>
		<u>11.95 cents</u>	<u>17.52 cents</u>
- After adjusting for distribution waivers (notes (ii), (v) and (vi))			
Interim distribution per unit, paid		6.88 cents	9.29 cents
Final distribution per unit, to be paid to unitholders		<u>7.51 cents</u>	<u>15.27 cents</u>
		<u>14.39 cents</u>	<u>24.56 cents</u>

DISTRIBUTION STATEMENT (continued)

For the year ended 30 June 2010
(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 policy of Henderson Sunlight Asset Management Limited, the Manager of Sunlight REIT, was to distribute to unitholders 100% of Sunlight REIT's annual distributable income for each financial year. With effect from 1 July 2010, the distribution policy was revised and an amount not less than 90% of Sunlight REIT's annual distributable income for each financial year will be distributed to unitholders.
- (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, to 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 6.24 cents (2009: 10.91 cents), is calculated by dividing the final distribution of \$97,616,000 by 1,564,041,268 units in issue as at 30 June 2010 (2009: \$168,808,000 and 1,546,905,770 units).
- (iv) The interim distribution per unit for the six months ended 31 December 2009, before adjusting for distribution waivers as mentioned in (ii) above, of 5.71 cents, is calculated by dividing the interim distribution of \$88,863,000 by 1,557,460,630 units in issue as at 31 December 2009 (six months ended 31 December 2008: 6.61 cents, calculated based on \$101,007,000 and 1,528,453,243 units in issue as at 31 December 2008).
- (v) The final distribution per unit, after adjusting for distribution waivers as mentioned in (ii) above, of 7.51 cents (2009: 15.27 cents), is calculated by dividing the final distribution of \$97,616,000 by 1,299,055,685 units (2009: \$168,808,000 and 1,105,263,132 units), which is arrived at as follows:

	As at 30 June 2010	As at 30 June 2009
Units in issue	1,564,041,268	1,546,905,770
Less: Units held by the unitholders who agreed to waive their entitlement to distribution for the year	<u>(264,985,583)</u>	<u>(441,642,638)</u>
	<u>1,299,055,685</u>	<u>1,105,263,132</u>

- (vi) The interim distribution per unit for the six months ended 31 December 2009, after adjusting for distribution waivers as mentioned in (ii) above, of 6.88 cents, is calculated by dividing the interim distribution of \$88,863,000 by 1,292,475,047 units (six months ended 31 December 2008: 9.29 cents, calculated based on \$101,007,000 and 1,086,810,605 units), which is arrived at as follows:

	As at 31 December 2009	As at 31 December 2008
Units in issue	1,557,460,630	1,528,453,243
Less: Units held by the unitholders who agreed to waive their entitlement to distribution for the period	<u>(264,985,583)</u>	<u>(441,642,638)</u>
	<u>1,292,475,047</u>	<u>1,086,810,605</u>

- (vii) The 2010 interim distribution was paid to unitholders on 21 April 2010. The 2010 final distribution is expected to be paid on 21 October 2010 to unitholders whose names appear on the register of unitholders on 29 September 2010.

NOTES TO 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) (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 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 of the consolidated financial statements

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. These consolidated financial statements also comply with the applicable disclosure provisions of the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong and the Rules Governing the Listing of Securities on the SEHK.

3. Segment reporting

The Manager manages the Group's business by divisions. On first-time adoption of HKFRS 8 and in a manner consistent with the way in which information is reported internally to the senior executive management of the Manager 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.

Segment results, assets and liabilities

In accordance with HKFRS 8, segment information disclosed in the consolidated financial statements has been prepared in a manner consistent with the information used by the senior executive management of the Manager for the purposes of assessing segment performance and allocating resources between segments. In this regard, the senior executive management of the Manager monitors the results attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible and current assets with the exception of tax recoverable, deferred tax assets and other corporate assets. Segment liabilities include tenants' deposits, rent receipts in advance and trade and other payables managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to income generated and the expenses incurred by those segments.

The measure used for reporting segment performance is the "segment results" which exclude the net increase/(decrease) in fair value of investment properties, finance costs on interest bearing liabilities, income tax, interest income and unallocated net income/(expenses).

3. Segment reporting (continued)

Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the senior executive management of the Manager for the purposes of resource allocation and assessment of segment performance for the year is set out below:

	2010			2009		
	Office Properties \$'000	Retail Properties \$'000	Total \$'000	Office Properties \$'000	Retail Properties \$'000	Total \$'000
Turnover						
- rental income	188,949	201,976	390,925	183,048	194,353	377,401
- car park income	2,817	15,875	18,692	2,915	16,077	18,992
- rental related income	41,330	37,637	78,967	40,290	35,026	75,316
	233,096	255,488	488,584	226,253	245,456	471,709
Property operating expenses	(55,793)	(62,884)	(118,677)	(52,397)	(68,634)	(121,031)
Net property income	177,303	192,604	369,907	173,856	176,822	350,678
Administrative expenses	(28,531)	(28,187)	(56,718)	(26,170)	(24,658)	(50,828)
Segment results	148,772	164,417	313,189	147,686	152,164	299,850
Net increase/(decrease) in fair value of investment properties	573,479	770,736	1,344,215	(402,353)	(400,673)	(803,026)
Adjustment payments			—			77,499
Finance costs on interest bearing liabilities			(234,270)			(182,947)
Income tax			(245,770)			122,166
Interest income			580			4,251
Unallocated net expenses			(7,037)			(9,285)
Profit/(loss) after taxation and before transactions with unitholders			<u>1,170,907</u>			<u>(491,492)</u>
Depreciation	<u>6</u>	<u>3</u>	<u>9</u>	<u>3</u>	<u>—</u>	<u>3</u>

3. Segment reporting (continued)

Segment results, assets and liabilities (continued)

	As at 30 June 2010			As at 30 June 2009		
	Office Properties	Retail Properties	Total	Office Properties	Retail Properties	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment assets	5,539,313	5,409,982	10,949,295	4,966,174	4,632,875	9,599,049
Pledged deposits			224,876			222,864
Cash at bank and in hand			135			140
Tax recoverable			46,545			41,296
Deferred tax assets			—			65
Unallocated assets			409			78,006
Total assets			<u>11,221,260</u>			<u>9,941,420</u>
Segment liabilities	(90,071)	(85,048)	(175,119)	(84,965)	(76,569)	(161,534)
Derivative financial instruments			(80,120)			(132,040)
Secured bank borrowings			(3,959,141)			(3,940,166)
Current taxation			(19,035)			(15,332)
Deferred tax liabilities			(1,620,623)			(1,389,444)
Unallocated liabilities			(47,822)			(39,360)
Total liabilities, excluding net assets attributable to unitholders			<u>(5,901,860)</u>			<u>(5,677,876)</u>
Capital expenditure incurred during the year	5,627	8,264	13,891	4,364	11,687	16,051

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:

	2010	2009
	\$'000	\$'000
Rental income (note)	390,925	377,401
Car park income	18,692	18,992
Rental related income	<u>78,967</u>	<u>75,316</u>
	<u>488,584</u>	<u>471,709</u>

Note: Included additional rents based on business turnover of tenants amounting to \$795,000 (2009: \$1,200,000).

5. Property operating expenses

	2010	2009
	\$'000	\$'000
Building management fee	44,797	46,065
Property manager's fees	31,239	31,196
Government rent and rates	16,174	12,396
Marketing and promotion expenses	8,593	9,865
Car park operating costs (note)	6,891	6,688
Bad debts expenses	90	1,662
Other direct costs	<u>10,893</u>	<u>13,159</u>
	<u>118,677</u>	<u>121,031</u>

Note: Included property manager's fees of \$1,690,000 (2009: \$1,841,000).

6. Other income

	2010	2009
	\$'000	\$'000
Bank interest income	580	4,251
Others	<u>55</u>	<u>2</u>
	<u>635</u>	<u>4,253</u>

7. Profit/(loss) before taxation and transactions with unitholders

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

	2010	2009
	\$'000	\$'000
(a) Finance costs on interest bearing liabilities:		
Interest on borrowings	132,684	138,235
Other borrowing costs	<u>48,954</u>	<u>44,712</u>
	181,638	182,947
Interest rate swaps: cash flow hedges, reclassified from net assets attributable to unitholders	<u>52,632</u>	<u>—</u>
	<u><u>234,270</u></u>	<u><u>182,947</u></u>

The total amount represents finance costs on secured bank borrowings, whereas other borrowing costs represent the amortisation of the upfront payments for the interest rate swaps and various financing charges.

	2010	2009
	\$'000	\$'000
(b) Other items:		
Manager's fees	53,986	47,976
Property manager's fees	32,929	33,037
Trustee's remuneration	2,997	2,733
Auditors' remuneration		
- Audit services	1,520	1,600
- Other services	370	370
Valuation fees	770	750
Other legal and professional fees	2,851	4,653
Bank charges	<u>475</u>	<u>471</u>

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:

	2010	2009
	\$'000	\$'000
Current tax - Provision for Hong Kong Profits Tax		
Provision for the year	14,466	13,987
Under/(over)-provision in respect of prior years	<u>60</u>	<u>(1,892)</u>
	14,526	12,095
Deferred tax		
Origination and reversal of temporary differences	<u>231,244</u>	<u>(134,261)</u>
	<u>245,770</u>	<u>(122,166)</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. Earnings/(loss) per unit before transactions with unitholders

The basic earnings per unit before transactions with unitholders for the year ended 30 June 2010 amounted to \$0.75 (2009: loss per unit of \$0.32). The calculation of basic earnings/(loss) per unit before transactions with unitholders is based on the Group's profit after taxation and before transactions with unitholders of \$1,170,907,000 (2009: loss of \$491,492,000) and the weighted average of 1,555,115,487 units in issue during the year (2009: 1,526,861,155 units).

Diluted earnings/(loss) per unit before transactions with unitholders for the year ended 30 June 2010 and 2009 are not presented as there was no potential dilution of earnings/(loss) per unit before transactions with unitholders.

10. Trade and other receivables

	2010	2009
	\$'000	\$'000
Rental receivables	16,726	21,133
Deposits and prepayments	5,861	9,609
Other receivables	634	522
Amounts due from related companies	<u>418</u>	<u>77,823</u>
	<u>23,639</u>	<u>109,087</u>

\$5,086,000 (2009: \$5,438,000) included in deposits and prepayments is expected to be recovered after more than one year. Apart from the above, all of the balances are expected to be recovered or recognised as expense within one year.

The ageing analysis of rental receivables is as follows:

	2010	2009
	\$'000	\$'000
Current	10,833	15,191
Less than 1 month overdue	3,679	4,102
More than 1 month and up to 3 months overdue	1,204	943
More than 3 months and up to 6 months overdue	452	436
More than 6 months overdue	<u>558</u>	<u>461</u>
	<u>16,726</u>	<u>21,133</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. As at 30 June 2009, the balance primarily represented adjustment payments receivable.

11. Trade and other payables

	2010	2009
	\$'000	\$'000
Creditors and accrued charges	31,652	33,909
Manager's fees payable	16,891	11,454
Amounts due to related companies	<u>49,963</u>	<u>40,451</u>
	<u>98,506</u>	<u>85,814</u>

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

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

The amounts due to related companies are unsecured, interest-free and have no fixed terms of repayment except for the amount due to the Trustee of \$909,000 (2009: \$675,000) which is due within 30 days.

12. Changes in accounting policies

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements:

- HKFRS 8, "*Operating segments*"
- HKAS 1 (revised 2007), "*Presentation of financial statements*"
- Amendments to HKAS 32, "*Financial instruments: Presentation*" and HKAS 1, "*Presentation of financial statements - puttable financial instruments and obligations arising on liquidation*"
- Amendments to HKFRS 7, "*Financial instruments: Disclosures - improving disclosures about financial instruments*"

The adoption of amendments to HKAS 32 and HKAS 1 has had no significant impact on the Group's consolidated financial statements. The impact of the remainder of these developments is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. The presentation of segment information in prior years which was based on a disaggregation of the Group's consolidated financial statements into segments based on related business lines is consistent with the requirements of HKFRS 8, and thus the adoption of HKFRS 8 has had no impact on the reported results or financial position of the Group.

12. Changes in accounting policies (continued)

- As a result of the adoption of HKAS 1 (revised 2007), all items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the year, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income has been adopted in these consolidated financial statements and corresponding amounts of the consolidated statement of changes in net assets attributable to unitholders have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets attributable to unitholders for any period presented.

- As a result of the adoption of the amendments to HKFRS 7, the consolidated financial statements include expanded disclosures about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

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

Hong Kong, 9 September 2010

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