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 2008 AND CLOSURE OF REGISTER OF UNITHOLDERS

## KEY PERFORMANCE INDICATORS

| | |
|---|---:|
| Appraised property value (HK$ million) | 10,151.0 |
| Net property income (HK$ million) | 318.7 |
| Year end occupancy (%) | 97.5 |
| Passing rental growth (%) | 10.9 |
| Cost-to-income (%) | 26.1 |
| Gearing (%) | 36.6 |
| Net asset value per unit (HK$) | 3.41 |
| Distribution per unit (HK cents) | 24.20 |

## DISTRIBUTION

### Final Distribution

The annual distributable income of Sunlight Real Estate Investment Trust (**"Sunlight REIT"**) for the year amounted to HK$258.7 million. The current policy of Henderson Sunlight Asset Management Limited (the **"Manager"**) is to distribute 100% of annual distributable income for each financial year to our unitholders. The Board of Directors of the Manager (the **"Board"**) is recommending, after taking into account distribution waivers by the sponsors, a final distribution of HK16.76 cents per unit. Together with an interim distribution of HK 7.44 cents per unit, total distribution per unit (**"DPU"**) for the full year amounted to HK 24.20 cents which has exceeded the guaranteed DPU of HK 22.08 cents as indicated in the Offering Circular.

The record date for the final distribution will be Friday, 3 October 2008 and the payment will be made to unitholders on Thursday, 30 October 2008.

### Closure of Register of Unitholders

The register of unitholders will be closed from Friday, 3 October 2008 to Wednesday, 8 October 2008, 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 Thursday, 2 October 2008.

# PORTFOLIO AT A GLANCE

| | Operational Statistics | | | | | | | | Property Financials | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Occupancy as at 30 June (%) | | Passing Rental as at 30 June (HK$ / sq. ft.) | | Committed Rental (HK$ / sq. ft.) | | Committed Gross Rentable Area (sq. ft.) | | Net Property Income (HK$'000) | Appraised Value (HK$ '000) |
| | 2008 | 2007 | 2008 | 2007 | 1 Jul 07 to 30 Jun 08 | 21 Dec 06 (date of listing) to 30 Jun 07 | 1 Jul 07 to 30 Jun 08 | 21 Dec 06 (date of listing) to 30 Jun 07 | FY 2007/08 | 30 Jun 08 |
| Office Property | | | | | | | | | | |
| 248 Queen's Road East Property | 99.5 | 94.0 | 17.5 | 14.5 | 25.6 | 23.5 | 80,325 | 48,505 | 71,740 | 2,874,000 |
| Bonham Trade Centre Property | 95.0 | 87.1 | 15.3 | 13.7 | 16.5 | 15.3 | 51,452 | 46,881 | 15,719 | 531,000 |
| Righteous Centre Property | 100.0 | 89.2 | 23.0 | 20.5 | 26.7 | 17.8 | 30,405 | 13,471 | 11,351 | 344,000 |
| Winsome House Property | 100.0 | 100.0 | 29.2 | 22.1 | 32.5 | 23.0 | 23,699 | 10,295 | 9,894 | 332,000 |
| 135 Bonham Strand Trade Centre Property | 97.6 | 98.6 | 15.2 | 13.3 | 15.9 | 14.7 | 30,096 | 29,121 | 9,480 | 277,000 |
| 235 Wing Lok Street Trade Centre Property | 94.2 | 83.1 | 11.9 | 9.9 | 12.7 | 10.8 | 29,004 | 21,009 | 5,467 | 175,000 |
| Java Road 108 Commercial Centre Property | 100.0 | 94.2 | 16.4 | 14.3 | 18.2 | 16.9 | 18,074 | 14,990 | 5,697 | 158,000 |
| Everglory Centre Property | 87.2 | 95.2 | 16.7 | 15.6 | 15.0 | 19.3 | 15,200 | 5,025 | 4,422 | 136,000 |
| Yue Fai Commercial Centre Property | 91.2 | 84.8 | 13.2 | 12.6 | 14.0 | 11.3 | 26,238 | 10,113 | 4,581 | 135,000 |
| On Loong Commercial Building Property | 100.0 | 100.0 | 17.5 | 15.9 | 11.9 | 29.8 | 13,319 | 8,547 | 4,415 | 122,000 |
| Sun Fai Commercial Centre Property | 100.0 | 85.0 | 15.2 | 14.6 | 15.5 | 18.4 | 12,695 | 8,034 | 3,861 | 100,000 |
| Wai Ching Commercial Building Property | 94.5 | 75.1 | 7.3 | 7.0 | 7.3 | 7.3 | 7,459 | 4,792 | 788 | 29,000 |
| Sub-total / Average | 97.7 | 91.9 | 17.1 | 14.7 | 19.7 | 17.6 | 337,966 | 220,783 | 147,415 | 5,213,000 |
| Retail Property | | | | | | | | | | |
| Sheung Shui Centre Shopping Arcade Property | 93.5 | 99.4 | 65.9 | 60.5 | 67.1 | 58.6 | 51,131 | 39,273 | 78,611 | 2,351,000 |
| Metro City Phase I Property | 98.2 | 96.8 | 31.5 | 28.0 | 42.8 | 37.1 | 55,110 | 27,236 | 64,810 | 1,888,000 |
| Kwong Wah Plaza Property | 99.3 | 98.3 | 28.6 | 24.1 | 32.5 | 26.0 | 35,578 | 14,562 | 17,551 | 457,000 |
| Royal Terrace Property | 97.3 | 97.3 | 26.4 | 26.2 | 49.7 | 30.2 | 907 | 5,463 | 3,413 | 68,000 |
| Beverley Commercial Centre Property | 100.0 | 89.8 | 28.4 | 26.6 | 29.6 | 26.1 | 5,189 | 3,111 | 2,163 | 55,000 |
| Glory Rise Property | 100.0 | 90.0 | 27.6 | 33.6 | 23.8 | 24.0 | 2,184 | 3,693 | 2,023 | 55,000 |
| Supernova Stand Property | 100.0 | 100.0 | 42.2 | 41.6 | 42.2 | 26.6 | 4,226 | 489 | 1,906 | 44,000 |
| Palatial Stand Property | 100.0 | 100.0 | 11.0 | 11.3 | 11.8 | 8.0 | 2,918 | 3,566 | 834 | 20,000 |
| Sub-total / Average | 97.1 | 97.7 | 40.3 | 37.0 | 47.1 | 41.8 | 157,243 | 97,393 | 171,311 | 4,938,000 |
| Total / Average | 97.5 | 93.8 | 24.5 | 22.1 | 28.4 | 25.0 | 495,209 | 318,176 | 318,726 | 10,151,000 |

## OPERATION REVIEW

Underpinned by continued improvements in both rental and occupancy levels, Sunlight REIT achieved a solid performance for the year under review. Our portfolio of 20 office and retail properties (the **"Portfolio"**) continued to benefit from Hong Kong's buoyant economy, which ensured that both demand for office space and retail spending levels remained strong throughout the year. The ongoing shortage of office space in Hong Kong not only supported steady office rental growth, it has also driven our office portfolio to close to full occupancy. Meanwhile, our strategically located retail properties also recorded sound occupancy and rental levels as tenants continued to benefit from inbound tourism from mainland China as well as an expanding retail customer base in those districts.

During the year, passing rental continued to improve across the Portfolio, exhibiting a growth of 10.9% to HK$24.5 per sq. ft.. The positive reversion cycle and the limited supply of office space in Hong Kong have supported the performance of Sunlight REIT's office portfolio, which managed an average passing rental growth of 16.3% to HK$17.1 per sq. ft. as at 30 June 2008 from HK$14.7 per sq. ft. as at 30 June 2007. Meanwhile, the retail properties began to reap the rewards of the Manager's proactive leasing strategy, with passing rental increased to HK$40.3 per sq. ft. as at 30 June 2008 from HK$37.0 per sq. ft. as at 30 June 2007, representing a growth of 8.9%.

As a testament to the buoyant rental market and the Manager's effective leasing strategy, unit rental committed in respect of the new leases during the year showed satisfactory improvement over that of the previous period. The Manager secured new leases (including both new letting and renewal) amounting to a total of 495,209 sq. ft. and the average unit rental achieved for the office portfolio and retail portfolio was HK$19.7 per sq. ft. and HK$47.1 per sq. ft. respectively.

Overall occupancy of the Portfolio improved from 93.8% to 97.5% during the year, assisted in part by our strategic tenant retention programme. As at 30 June 2008, office and retail occupancy levels stood at 97.7% and 97.1% respectively, compared with 91.9% and 97.7% a year earlier. In addition to improving overall occupancy levels, the Manager also took the opportunity to bring in high-quality office and retail tenants, being a strategic approach to create a diversified tenant base that supports long term and sustainable growth.

As at 30 June 2008, the weighted average lease length by gross rentable area stood at 2.6 years for the entire portfolio.

During the year, the Manager managed to maintain the cost-to-income ratio at a satisfactory level of 26.1%. Cost control programmes at the individual properties included initiatives such as the installation and use of energy-saving devices and the implementation of an efficient cost and benefit approach to repairs and maintenance.

## FINANCIAL REVIEW

**Financial Highlights**
(in HK$' million, unless otherwise specified)

| | **Year ended 30 Jun 08** | Period from 21 Dec 06 (date of listing) to 30 Jun 07 |
|---|---|---|
| Turnover | 431.3 | 200.3 |
| Property operating expenses | 112.6 | 51.9 |
| Net property income | 318.7 | 148.4 |
| Profit after tax note 1 | 729.4 | 940.1 |
| Annual distributable income | 258.7 | 141.8 |
| Cost-to-income ratio (%) | 26.1 | 25.9 |
| DPU note 2 (HK cents) | 24.20 | 13.51 |
| Distribution yield per unit note 3 (%) | 12.6 | 6.0 |
| Net asset value per unit (HK$) | 3.41 | 3.19 |

Notes:

1. Profit after tax for the year/period included a net increase in fair value of investment properties of HK$590.1 million (2007: HK$468.0 million), Adjustment Payments of HK$90.6 million (2007: HK$59.8 million) and the excess of interest in fair values of the acquiree's identifiable net assets over cost of business combination in 2007 amounted to HK$473.8 million.

2. A total of 441,642,638 units owned by certain unitholders (who agreed, in varying extents, to waive their entitlements to distributions for any period up to 30 June 2011) were excluded in the calculation of DPU.

3. Calculations are based on DPU and the last traded unit price of Sunlight REIT as at the end of the respective reporting year/period. As Sunlight REIT was listed on 21 December 2006, the distribution for the financial period ended 30 June 2007 covered 192 days.

### Turnover and Expenses

During the year, turnover amounted to HK$431.3 million, including rental income (78.5%), car park income (4.3%) and rental related income (17.2%). As Sunlight REIT was listed on 21 December 2006, there are no directly comparable year-on-year figures.

Property operating expenses for the year amounted to HK$112.6 million, giving rise to a cost-to-income ratio of 26.1% for the year which was virtually unchanged compared to the previous period.

### 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$318.7 million. Please refer to "Portfolio at a Glance" on page 3 of this results announcement for detailed information.

### Adjustment Payments

Pursuant to several Deeds of Adjustment Payments, all dated 2 December 2006, the aggregate adjustment payments to Sunlight REIT for the year amounted to HK$90.6 million, representing the difference between the relevant consolidated rental income and the assured minimum rental per annum.

**Profit After Tax**

After accounting for, among others, Adjustment Payments as discussed above, the net increase in fair value of investment properties of HK$590.1 million and finance costs of HK$181.4 million, profit after taxation of Sunlight REIT for the year was HK$729.4 million.

**Portfolio Valuation**

Independent valuer, Savills Valuation and Professional Services Limited, valued the Portfolio at HK$10,151 million as at 30 June 2008. This represents an increase of 2.2% from the valuation as at 31 December 2007 and 6.2% from the valuation as at 30 June 2007. Of this total appraised value, office properties accounted for 51.4% and registered a 10.8% growth since 30 June 2007, while retail properties accounted for 48.6% and recorded a 1.8% increase over the same period.

**Net Assets**

As at 30 June 2008, net assets attributable to unitholders amounted to HK$5,164 million, an increase of 8.6% over HK$4,755 million as at 30 June 2007. The net asset value per unit as at 30 June 2008 was HK$3.41, compared with HK$3.19 as at 30 June 2007. All investment properties of Sunlight REIT and all bank balances held under the name of Sunlight REIT Treasury Limited, a subsidiary of Sunlight REIT, were mortgaged or charged to The Hongkong and Shanghai Banking Corporation Limited, in its capacity as the security trustee for the term loan and revolving credit facilities granted to Sunlight REIT.

**Material Investments**

On 16 June 2008, the Manager received a letter from Henderson Land Development Company Limited (**"HLD"**) which, in fulfilment of its undertaking under the HLD Commitment Letter dated 21 December 2006, has made available several office and retail properties for the Manager's consideration for acquisition by Sunlight REIT. At the time of writing, no legally binding agreement has been entered into in respect of the acquisition of any of these properties.

**Capital Structure Management**

During the year, Sunlight REIT had in place total loan facilities of HK$4,050 million, of which the HK$3,950 million term loan facility had been fully drawn, while there was a further HK$100 million revolving credit facility that remained undrawn. Both the term loan and the revolving credit facilities will mature on 20 December 2011. As at 30 June 2008, the gearing ratio of Sunlight REIT, defined as total borrowings as a percentage of gross assets, was 36.6%. The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets was 52.2%. Total borrowing costs for the year amounted to HK$181.4 million.

**Hedging Policy**

The Manager employs a prudent and 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, Sunlight REIT has entered into interest rate swap arrangements, under which interest rates of the term loan have been effectively fixed at a flat rate of 3.0% per annum for the period from 21 December 2006 (date of listing) to 30 June 2007, and 3.5% per annum for the remaining period until 30 June 2011.

**Liquidity**

As at 30 June 2008, Sunlight REIT had a total bank and cash balance of HK$227.8 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

Whilst the global economic slowdown may bring about uncertainties on the rental outlook of the local office and retail sectors, Sunlight REIT's well balanced portfolio and proactive management approach should prove resilient to cushion the adverse impact resulting from such uncertainties. Barring unforeseen circumstances, the rental reversion is set to continue, driving rental income higher level particularly for the office sector.

In the office property market, the rental differential between Central and decentralised areas is expected to narrow. Rental levels in Central have risen dramatically in the post-SARS period but, as additional supplies come online in decentralised areas, the momentum is expected to slow. Spillover demand is likely to become a strong feature of the office property market going forward. The combination of these two factors should benefit Sunlight REIT's decentralised office portfolio, supporting both rental and occupancy levels.

Our retail properties are also expected to maintain their stable position in the year ahead. Hong Kong retail sales, which correlate to inbound tourism from mainland China, are expected to remain healthy as Renminbi currency appreciation and the attraction of authentic products draws greater numbers of mainland shoppers to this city. Many of Sunlight REIT's retail properties are strategically positioned in areas that receive high through-traffic from mainland shoppers and will continue to benefit from this evolving trend in the next year. While running at close to full occupancy, we will continue to work hard to improve the image and income of our retail properties, targeting the growing populations in those districts and regional transportation hubs where our properties are located.

As rental reversion is expected to continue, the next financial year will present a good opportunity for growth, and we will make every effort to secure beneficial results for our unitholders. In tandem, we will continue our active asset enhancement programme to deliver value for our stakeholders.

We are hopeful that the potential acquisition of new properties could drive additional revenue growth. Notwithstanding, we shall adhere to our prudent investment policy of investing into properties that complement our existing Portfolio and have good potential for yield accretion and asset enhancement.

The coming year will be a significant one for Sunlight REIT -- the pipeline agreement comes online, the asset enhancement programme will be in full force and significant office leases will be renegotiated. While we recognise that the outlook for market rental may well be tempered by global economic uncertainties, our position is one of guarded optimism as we endeavour to deliver positive results for our unitholders.

## EMPLOYEES

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

## 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 year, the Manager has complied with the provisions of the Compliance Manual save for the disclosure herein [note].

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.

Note : On 30 January 2008, the Manager disposed of 230,000 units (such units being received as remuneration from Sunlight REIT) within the one month black out period before the date of Sunlight REIT's interim results announcement. This incident was then immediately reported to the Chairman of the Manager, the Trustee and the Securities and Futures Commission (**"SFC"**) on the same day. As part of the remedial measures, the Manager subsequently placed on itself additional internal procedures on dealing of units.

### 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 30 June 2008.

### New Units Issued

Except for an aggregate of 22,417,217 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

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 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-authorised 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 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 26 September 2008.

## 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 2008
(Expressed in Hong Kong dollars)

| | Note | **Year ended 30 June 2008 $'000** | Period from 21 December 2006 (date of listing) to 30 June 2007 $'000 |
|---|---|---|---|
| **Turnover** | 4 | **431,351** | 200,275 |
| **Property operating expenses** | 5 | **(112,625)** | (51,924) |
| **Net property income** | | **318,726** | 148,351 |
| Other income | 6 | **7,599** | 6,106 |
| Administrative expenses | | **(59,379)** | (31,331) |
| Adjustment Payments / excess of interest in fair values of the acquirees' identifiable net assets over cost of business combination | | **90,635** | 533,585 |
| Net increase in fair value of investment properties | | **590,139** | 468,000 |
| **Profit from operations** | | **947,720** | 1,124,711 |
| Finance costs on interest bearing liabilities | 7(a) | **(181,352)** | (94,458) |
| **Profit before taxation and transactions with unitholders** | 7 | **766,368** | 1,030,253 |
| Income tax | 8 | **(36,940)** | (90,198) |
| **Profit after taxation and before transactions with unitholders** | | **729,428** | 940,055 |

## CONSOLIDATED BALANCE SHEET

at 30 June 2008
(Expressed in Hong Kong dollars)

| | Note | 2008 $'000 | 2007 $'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Fixed assets | | | |
| - Investment properties | | **10,151,000** | 9,558,000 |
| - Other fixed assets | | **14** | - |
| | | **10,151,014** | 9,558,000 |
| Deferred tax assets | | **-** | 1,807 |
| Reimbursement rights | | **203,932** | 206,612 |
| Derivative financial instruments | | **87,730** | 275,112 |
| | | **10,442,676** | 10,041,531 |
| **Current assets** | | | |
| Trade and other receivables | 10 | **118,565** | 86,033 |
| Pledged deposits | | **227,733** | 210,612 |
| Cash at bank and in hand | | **116** | 151 |
| Tax recoverable | | **6,627** | - |
| | | **353,041** | 296,796 |
| **Total assets** | | **10,795,717** | 10,338,327 |
| **Current liabilities** | | | |
| Tenants' deposits | | **(106,956)** | (89,642) |
| Rent receipts in advance | | **(2,650)** | (2,826) |
| Trade and other payables | 11 | **(52,991)** | (46,197) |
| Current taxation | | **(9,180)** | (11,615) |
| | | **(171,777)** | (150,280) |
| **Net current assets** | | **181,264** | 146,516 |
| **Total assets less current liabilities** | | **10,623,940** | 10,188,047 |

## CONSOLIDATED BALANCE SHEET (continued)

at 30 June 2008

(Expressed in Hong Kong dollars)

| | Note | **2008** **$'000** | 2007 $'000 |
|---|---|---|---|
| **Non-current liabilities, excluding net assets attributable to unitholders** | | | |
| Secured bank borrowings | | **(3,935,930)** | (3,931,880) |
| Deferred tax liabilities | | **(1,523,640)** | (1,501,445) |
| | | **(5,459,570)** | (5,433,325) |
| **Total liabilities, excluding net assets attributable to unitholders** | | **(5,631,347)** | (5,583,605) |
| **NET ASSETS ATTRIBUTABLE TO UNITHOLDERS** | | **5,164,370** | 4,754,722 |
| **Number of units in issue** | | **1,514,195,650** | 1,491,778,433 |
| Net asset value attributable to unitholders per unit | | **$ 3.41** | $ 3.19 |

## DISTRIBUTION STATEMENT

for the year ended 30 June 2008
(Expressed in Hong Kong dollars)

| | Year ended 30 June 2008 $'000 | Period from 21 December 2006 (date of listing) to 30 June 2007 $'000 |
|---|---|---|
| Profit after taxation and before transactions with unitholders | **729,428** | 940,055 |
| Adjustments: | | |
| - Excess of interest in fair values of the acquirees' identifiable net assets over cost of business combination except for the amount relating to Adjustment Payments | **-** | (473,815) |
| - Net increase in fair value of investment properties | **(590,139)** | (468,000) |
| - Manager's fees paid or payable in the form of units | **50,166** | 24,562 |
| - Non-cash finance costs on interest bearing liabilities | **42,572** | 32,044 |
| - Deferred tax | **26,682** | 86,997 |
| | **(470,719)** | (798,212) |
| Total distributable income (note (i)) | **258,709** | 141,843 |
| Interim distribution, paid | **78,961** | N/A |
| Final distribution, to be paid to unitholders | **179,748** | 141,843 |
| Total distributions for the year/period (note (i)) | **258,709** | 141,843 |
| Distribution per unit: | | |
| - Before adjusting for distribution waivers (notes (ii) to (iv)) | | |
| Interim distribution per unit, paid | **5.25 cents** | N/A |
| Final distribution per unit, to be paid to unitholders | **11.87 cents** | 9.51 cents |
| | **17.12 cents** | 9.51 cents |
| - After adjusting for distribution waivers (notes (ii), (v) and (vi)) | | |
| Interim distribution per unit, paid | **7.44 cents** | N/A |
| Final distribution per unit, to be paid to unitholders | **16.76 cents** | 13.51 cents |
| | **24.20 cents** | 13.51 cents |

# DISTRIBUTION STATEMENT (continued)

for the year ended 30 June 2008
(Expressed in Hong Kong dollars)

Notes:

(i) Pursuant to the Code on Real Estate Investment Trusts issued by the SFC of Hong Kong (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 as dividends an amount equal to 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. These unitholders have not disposed of any units during the year/period.

(iii) The final distribution per unit, before adjusting for distribution waivers as mentioned in (ii) above, of 11.87 cents (2007: 9.51 cents), is calculated by dividing the final distribution of $179,748,000 (2007: $141,843,000) by 1,514,195,650 units in issue as at 30 June 2008 (2007: 1,491,778,433 units).

(iv) The interim distribution per unit, before adjusting for distribution waivers as mentioned in (ii) above, of 5.25 cents (2007: Nil), is calculated by dividing the interim distribution of $78,961,000 by 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 16.76 cents (2007: 13.51 cents), is calculated by dividing the final distribution of $179,748,000 (2007: $141,843,000) by 1,072,553,012 units (2007: 1,050,135,795 units), which is arrived as follows :

| | 2008 | 2007 |
|---|---|---|
| Units in issue as at 30 June | 1,514,195,650 | 1,491,778,433 |
| Less: Units held by the unitholders as at 30 June who agreed to waive their entitlement to distribution for the year/period | (441,642,638) | (441,642,638) |
| | 1,072,553,012 | 1,050,135,795 |

(vi) The interim distribution per unit, after adjusting for distribution waivers as mentioned in (ii) above, of 7.44 cents (2007: Nil), is calculated by dividing the interim distribution of $78,961,000 by 1,061,698,584 units, which is arrived as follows :

| | |
|---|---|
| Units in issue as at 31 December 2007 | 1,503,341,222 |
| Less: Units held by the unitholders as at 31 December 2007 who agreed to waive their entitlement to distribution for the period | (441,642,638) |
| | 1,061,698,584 |

**Notes on the consolidated financial statements**
(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 entered into among Uplite Limited, as the settlor, the Managers 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. Basis of preparation

The 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***

| | Year ended 30 June 2008 | | | Period from 21 December 2006 (date of listing) to 30 June 2007 | | |
|---|---|---|---|---|---|---|
| | **Office properties** | **Retail properties** | **Total** | Office properties | Retail properties | Total |
| | **$'000** | **$'000** | **$'000** | $'000 | $'000 | $'000 |
| Turnover | | | | | | |
| - rental income | **153,678** | **185,087** | **338,765** | 65,713 | 87,768 | 153,481 |
| - car park income | **3,030** | **15,549** | **18,579** | 1,669 | 8,687 | 10,356 |
| - rental related income | **39,694** | **34,313** | **74,007** | 19,146 | 17,292 | 36,438 |
| | **196,402** | **234,949** | **431,351** | 86,528 | 113,747 | 200,275 |
| Property operating expenses | **(48,987)** | **(63,638)** | **(112,625)** | (22,120) | (29,804) | (51,924) |
| Net property income | **147,415** | **171,311** | **318,726** | 64,408 | 83,943 | 148,351 |
| Administrative expenses | **(26,996)** | **(26,114)** | **(53,110)** | (13,074) | (13,661) | (26,735) |
| Segment results | **120,419** | **145,197** | **265,616** | 51,334 | 70,282 | 121,616 |
| Net increase in fair value of investment properties | **505,621** | **84,518** | **590,139** | 335,000 | 133,000 | 468,000 |
| Adjustment Payments / excess of interest in fair values of the acquirees' identifiable net assets over cost of business combination | | | **90,635** | | | 533,585 |
| Finance costs on interest bearing liabilities | | | **(181,352)** | | | (94,458) |
| Income tax | | | **(36,940)** | | | (90,198) |
| Unallocated other income, net of unallocated administrative expenses | | | **1,330** | | | 1,510 |
| Profit after taxation and before transactions with unitholders | | | **729,428** | | | 940,055 |
| Depreciation | **1** | **-** | **1** | - | - | - |

## 3. Segment reporting (continued)

***Segmental balance sheet***

| | At 30 June 2008 | | | At 30 June 2007 | | |
|---|---|---|---|---|---|---|
| | **Office properties $'000** | **Retail properties $'000** | **Total $'000** | Office properties $'000 | Retail properties $'000 | Total $'000 |
| Segment assets | **5,357,503** | **5,024,124** | **10,381,627** | 4,853,497 | 4,936,733 | 9,790,230 |
| Derivative financial instruments | | | **87,730** | | | 275,112 |
| Pledged deposits | | | **227,733** | | | 210,612 |
| Cash at bank and in hand | | | **116** | | | 151 |
| Tax recoverable | | | **6,627** | | | - |
| Deferred tax assets | | | **-** | | | 1,807 |
| Unallocated assets | | | **91,884** | | | 60,415 |
| Total assets | | | **10,795,717** | | | 10,338,327 |
| Segment liabilities | **(71,947)** | **(67,445)** | **(139,392)** | (60,691) | (58,373) | (119,064) |
| Secured bank borrowings | | | **(3,935,930)** | | | (3,931,880) |
| Current taxation | | | **(9,180)** | | | (11,615) |
| Deferred tax liabilites | | | **(1,523,640)** | | | (1,501,445) |
| Unallocated liabilites | | | **(23,205)** | | | (19,601) |
| Total liabilities, excluding net assets attributable to unitholders | | | **(5,631,347)** | | | (5,583,605) |
| Capital expenditure incurred during the year / period | **1,394** | **1,482** | **2,876** | - | - | - |

## 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/period is as follows:

| | **Year ended 30 June 2008 $'000** | Period from 21 December 2006 (date of listing) to 30 June 2007 $'000 |
|---|---|---|
| Rental income | **338,765** | 153,481 |
| Car park income | **18,579** | 10,356 |
| Rental related income | **74,007** | 36,438 |
| | **431,351** | 200,275 |

Additional rents based on business turnover of tenants amounting to $1,039,000 (2007: $377,000) have been included in the rental income.

## 5. Property operating expenses

| | Year ended 30 June 2008 $'000 | Period from 21 December 2006 (date of listing) to 30 June 2007 $'000 |
|---|---|---|
| Building management fee | **44,999** | 20,763 |
| Property manager's fees | **29,267** | 13,109 |
| Government rent and rates | **12,312** | 6,786 |
| Marketing and promotion expenses | **9,478** | 4,585 |
| Car park operating costs (note) | **6,503** | 3,205 |
| Other direct costs | **10,066** | 3,476 |
| | **112,625** | 51,924 |

Note : Included property manager's fees of $2,343,000 (2007: $832,000).

## 6. Other income

| | Year ended 30 June 2008 $'000 | Period from 21 December 2006 (date of listing) to 30 June 2007 $'000 |
|---|---|---|
| Bank interest income | **7,597** | 6,085 |
| Others | **2** | 21 |
| | **7,599** | 6,106 |

## 7. Profit before taxation and transactions with unitholders

Profit before taxation and transactions with unitholders is arrived at after charging:

| | Year ended 30 June 2008 $'000 | Period from 21 December 2006 (date of listing) to 30 June 2007 $'000 |
|---|---|---|
| (a) Finance costs on interest bearing liabilities: | | |
| Interest on borrowings | **138,629** | 62,334 |
| Other borrowing costs | **42,723** | 32,124 |
| | **181,352** | 94,458 |

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.

| | Year ended 30 June 2008 $'000 | Period from 21 December 2006 (date of listing) to 30 June 2007 $'000 |
|---|---|---|
| (b) Other items: | | |
| Manager's fees | **50,166** | 24,562 |
| Property manager's fees | **31,610** | 13,941 |
| Trustee's remuneration | **2,909** | 1,482 |
| Auditors' remuneration | | |
| - Audit services | **1,600** | 1,500 |
| - Other services | **370** | 300 |
| Valuation fees | **800** | 762 |
| Other legal and professional fees | **3,605** | 535 |
| Bank charges | **499** | 272 |

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

## 8. Income tax

Income tax in the consolidated income statement represents :

| | Year ended 30 June 2008 $'000 | Period from 21 December 2006 (date of listing) to 30 June 2007 $'000 |
|---|---|---|
| **Current tax - Provision for Hong Kong Profits Tax** | | |
| Provision for the year/period | **9,856** | 3,201 |
| Under-provision in respect of prior years | **402** | - |
| | **10,258** | 3,201 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **100,462** | 86,997 |
| Effect on opening deferred tax balances resulting from decrease in tax rate during the year | **(73,780)** | - |
| | **26,682** | 86,997 |
| | **36,940** | 90,198 |

In the 2008-09 Budget delivered on 27 February 2008, the Financial Secretary of Hong Kong proposed tax concession from the year of assessment 2008-09 onwards in which the Hong Kong Profits Tax rate will be lowered from 17.5% to 16.5%, together with an one-off reduction of 75% of current tax payable in respect of the final tax of year of assessment 2007-08, subject to a ceiling of $25,000. Such proposals have been passed by the Legislative Council on 26 June 2008. Accordingly, the provision for Hong Kong Profits Tax has been made at 16.5% (2007: 17.5%) on the estimated assessable profits for the year.

## 9. Earnings per unit before transactions with unitholders

The basic earnings per unit before transactions with unitholders for the year ended 30 June 2008 amounted to $0.49 (2007: $0.63). The calculation of basic earnings per unit before transactions with unitholders is based on the Group's profit after taxation and before transactions with unitholders of $729,428,000 (2007: $940,055,000) and the weighted average of 1,501,357,280 units (2007: 1,488,770,986 units) in issue during the year/period.

Diluted earnings per unit before transactions with unitholders for the year ended 30 June 2008 is not presented as there was no potential dilution of earnings per unit before transactions with unitholders.

## 10. Trade and other receivables

| | **2008** | 2007 |
|---|---|---|
| | **$'000** | $'000 |
| Rental receivables | **19,375** | 17,577 |
| Deposits and prepayments | **6,925** | 6,110 |
| Other receivables | **553** | 64 |
| Amounts due from related companies | **91,712** | 62,282 |
| | **118,565** | 86,033 |

$5,100,000 (2007: $6,110,000) 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 :

| | **2008** | 2007 |
|---|---|---|
| | **$'000** | $'000 |
| Current | **13,956** | 10,293 |
| Less than 1 month overdue | **4,637** | 7,112 |
| More than 1 month and up to 3 months overdue | **483** | 161 |
| More than 3 months and up to 6 months overdue | **122** | 10 |
| More than 6 months overdue | **177** | 1 |
| | **19,375** | 17,577 |

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

## 10. Trade and other receivables (continued)

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

| | **2008** | 2007 |
|---|---|---|
| | **$'000** | $'000 |
| Creditors and accrued charges | **29,130** | 24,257 |
| Manager's fees payable | **14,339** | 14,056 |
| Amounts due to related companies | **9,522** | 7,884 |
| | **52,991** | 46,197 |

All creditors and accrued charges are due within one month or on demand and expected to be settled within one year. Included in creditors and accrued charges is the amount due to the Trustee of $783,000 (2007: $733,000) which is unsecured and interest-free.

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.

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

Hong Kong, 17 September 2008

*As at the date of this announcement, 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.*