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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 2009
AND
CLOSURE OF REGISTER OF UNITHOLDERS**

The board of directors (the “**Board**”) of Henderson Sunlight Asset Management Limited (the “**Manager**”) presents the unaudited interim results of Sunlight Real Estate Investment Trust (“**Sunlight REIT**”) for the six months ended 31 December 2009 (“**Reporting Period**”) as follows:

FINANCIAL HIGHLIGHTS

(in HK\$ million, unless otherwise specified)

	Six months ended 31 December 2009	Six months ended 31 December 2008	Change (%)
Turnover	239.8	235.5	1.8
Property operating expenses	59.6	56.6	5.3
Net property income	180.2	178.9	0.7
Profit/(loss) after tax	324.4	(798.9)	N/A
Distributable income	88.9	101.0	(12.0)
Cost-to-income ratio (%)	24.8	24.0	N/A
DPU ^{note} (HK cents)	6.88	9.29	(25.9)
	As at 31 December 2009	As at 30 June 2009	Change (%)
Portfolio valuation	9,701.0	9,364.0	3.6
Net asset value	4,464.7	4,263.5	4.7
Net asset value per unit (HK\$)	2.87	2.76	4.0
Gearing ratio (%)	38.7	39.7	N/A

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

RESULTS FOR THE REPORTING PERIOD

Sunlight REIT reported a profit after tax of HK\$324.4 million for the Reporting Period. Excluding the fair value change of the investment properties in the amount of HK\$331.9 million and the relevant deferred tax, the underlying profit of Sunlight REIT for the period was HK\$47.3 million (2008: HK\$49.9 million (adjusted to conform to the current period's presentation)).

DISTRIBUTION

Pursuant to the trust deed dated 26 May 2006 constituting Sunlight REIT (as amended by the supplemental deeds dated 1 June 2006, 28 November 2006 and 28 April 2009 respectively) (the “**Trust Deed**”), at least 90% of Sunlight REIT's annual distributable income is required to be distributed. However, the Manager's current policy is to distribute 100% of Sunlight REIT's annual distributable income to unitholders.

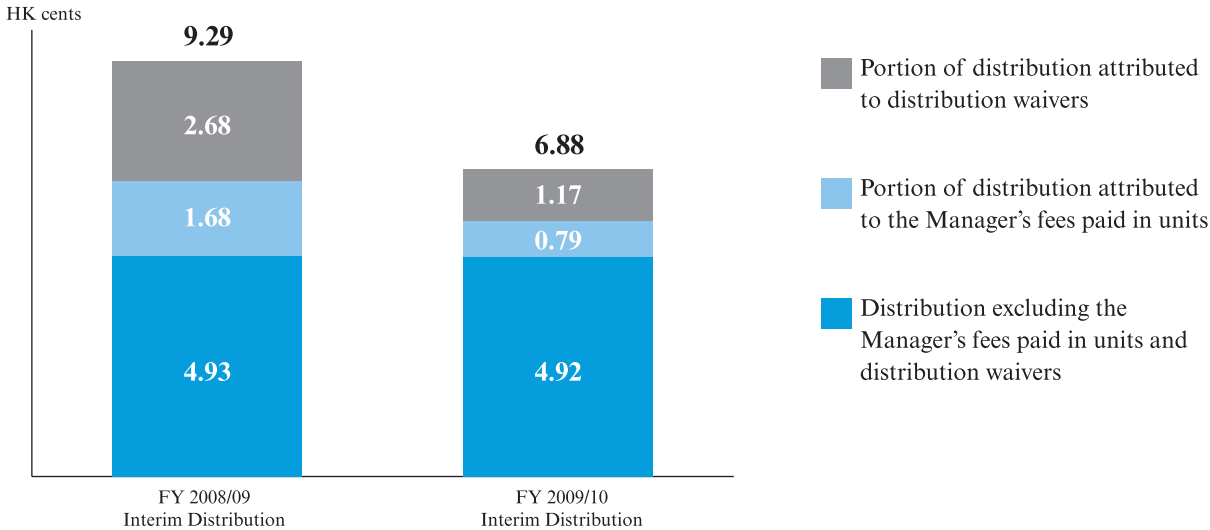
Interim Distribution

The unaudited distributable income of Sunlight REIT for the Reporting Period amounted to HK\$88.9 million, representing a year-on-year decrease of 12.0%. The distribution per unit (“**DPU**”) for the Reporting Period was HK 6.88 cents, representing a year-on-year decline of 25.9% as compared with HK 9.29 cents declared for the six months ended 31 December 2008.

The decline in distributable income and DPU were mainly attributed to the effects of certain factors not related to the operating performance of the portfolio which are summarised below:

1. Pursuant to the Trust Deed's amendment which was approved by unitholders at the extraordinary general meeting held on 28 April 2009 and the subsequent announcement dated 19 June 2009 in respect of the election of the Manager's fees for the current financial year, the payment structure of the Manager's fees has been changed (from 100% in units to 50% in cash and 50% in units), resulting in an additional cash outlay of HK\$12.2 million during the Reporting Period; and
2. The extent of the distribution waivers offered by Henderson Land Development Company Limited and Shau Kee Financial Enterprises Limited (involving 441,642,638 units pursuant to the Deeds of Distribution Waiver as mentioned in note (ii) of the “**Distribution Statement**” on page 14 of this announcement), pre-determined at the time of the initial public offering and listing of Sunlight REIT (the “**Listing**”), has been reduced from the previous 100% to 60% in the current financial year.

The chart below provides a year-on-year comparison in terms of the various components of the DPU, illustrating that the distribution attributable to the operating performance of Sunlight REIT shows insignificant change.



Distribution Entitlement and Closure of Register of Unitholders

The record date for the interim distribution will be Wednesday, 3 March 2010 and the payment will be made to unitholders on Wednesday, 21 April 2010.

The register of unitholders will be closed from Monday, 1 March 2010 to Wednesday, 3 March 2010, 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 at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wan Chai, Hong Kong no later than 4:00 p.m. on Friday, 26 February 2010.

MARKET REVIEW

Despite a significant rebound in the capital values of the local commercial property market during the period under review, the recovery in rental values of the office sector has been relatively subdued as multinational tenants remained cautious in the aftermath of the global financial crisis which initially occurred toward the end of 2008, while new supply in other decentralised areas, notably Kowloon East, continued to curb the upward momentum of office market rentals. In contrast, the retail property sector has shown its resilience as both rental and occupancy have made further headway on the back of healthy consumer spending, supported by factors including mainland tourist spending and the wealth effect brought about by the improving stock and property markets.

PORTFOLIO AT A GLANCE

Category	Property	Operational Statistics									Property Financials				
		Occupancy (%)			Passing Rent (HK\$/sq. ft.)			Committed Rent (HK\$/sq. ft.)			Net Property Income		Capitalisation Rate		Appraised Value
		as at	as at	as at	as at	as at	as at	1 Jul 09 –	1 Jan 09 –	1 Jul 08 –	First half of	First half of	31 Dec 09		31 Dec 09
		31 Dec 09	30 Jun 09	31 Dec 08	31 Dec 09	30 Jun 09	31 Dec 08	31 Dec 09	30 Jun 09	31 Dec 08	(HK\$'000)	(HK\$'000)	Retail	Office	(HK\$'000)
Office Property															
Grade A	248 Queen's Road East Property	91.7	92.4	93.3	25.0	24.2	22.2	24.4	25.8	25.4	45,003	43,506	5.1	4.2	2,740,000
Grade B	Bonham Trade Centre Property	97.6	87.5	93.1	16.2	16.1	16.1	16.1	15.2	17.9	8,834	8,420	5.4	4.3	515,000
Grade B	Winsome House Property	91.4	96.3	97.2	30.2	30.0	30.7	24.1	23.6	41.6	6,091	6,806	5.0	4.0	320,000
Grade B	Righteous Centre Property	99.3	94.4	95.5	22.8	23.7	23.8	16.7	16.7	22.5	6,749	6,835	4.4	4.7	320,000
Grade B	135 Bonham Strand Trade Centre Property	94.1	94.1	100.0	15.8	15.9	15.8	13.9	15.1	15.8	4,930	5,075	5.6	4.4	267,000
Grade B	235 Wing Lok Street Trade Centre Property	94.5	89.8	95.6	11.5	11.8	12.0	10.9	10.9	11.7	2,826	2,873	5.5	4.5	156,000
Grade B	Java Road 108 Commercial Centre Property	82.6	76.2	89.7	16.4	17.4	17.5	13.2	17.9	15.9	2,044	2,754	5.4	4.8	151,000
Grade B	Yue Fai Commercial Centre Property	97.1	98.8	93.0	13.7	13.4	13.5	12.5	13.9	12.7	2,860	2,607	5.6	5.3	131,000
Grade B	On Loong Commercial Building Property	96.7	95.7	97.9	19.7	19.4	18.8	13.6	13.8	13.8	2,560	2,414	4.9	4.8	125,000
Grade B	Everglory Centre Property	90.3	90.4	97.7	15.1	16.8	17.1	14.0	14.8	17.8	2,059	2,447	5.3	4.8	117,000
Grade B	Sun Fai Commercial Centre Property	90.0	96.7	98.2	16.0	15.8	15.7	11.3	11.3	11.8	1,943	2,058	5.6	5.0	96,000
Grade B	Wai Ching Commercial Building Property	94.5	86.2	93.1	7.4	7.6	7.5	6.5	7.9	8.1	520	540	5.8	5.3	27,000
	Sub-total/Average	93.2	91.7	94.4	20.4	20.3	19.4	16.9	19.2	21.5	86,419	86,335			4,965,000
Retail Property															
New Town	Sheung Shui Centre Shopping Arcade Property	98.8	95.3	93.8	68.8	65.4	66.6	94.8	78.0	53.7	42,993	40,453	4.6	N/A	2,286,000
New Town	Metro City Phase I Property	97.1	94.6	98.6	31.9	32.5	32.0	26.2	28.0	42.9	35,428	36,726	4.6	N/A	1,762,000
New Town	Kwong Wah Plaza Property	100.0	96.2	100.0	29.6	29.7	29.1	20.3	19.4	30.9	10,102	9,763	4.8	5.6	454,000
Urban	Royal Terrace Property	100.0	100.0	97.3	25.0	26.8	26.4	16.6	33.3	N/A	1,693	1,775	5.8	N/A	72,000
Urban	Beverley Commercial Centre Property	100.0	100.0	100.0	32.6	30.8	29.4	35.9	32.1	31.5	1,356	1,278	5.2	N/A	59,000
Urban	Glory Rise Property	100.0	100.0	100.0	28.2	28.2	28.7	12.0	47.7	83.8	1,061	907	5.6	N/A	46,000
Urban	Supernova Stand Property	100.0	100.0	100.0	42.4	42.2	42.2	28.6	27.6	N/A	1,022	1,050	5.6	N/A	39,000
Urban	Palatial Stand Property	100.0	75.2	100.0	9.6	9.7	11.0	10.4	N/A	N/A	183	612	5.8	N/A	18,000
	Sub-total/Average	98.3	95.0	97.5	41.9	41.3	40.8	36.9	36.8	46.1	93,838	92,564			4,736,000
	Total/Average	94.9	92.7	95.4	27.5	27.2	26.4	24.0	24.8	26.4	180,257	178,899			9,701,000

Note: Valuation prepared by Knight Frank Petty Limited.

OPERATION REVIEW

In line with the broader market trend, Sunlight REIT has managed to recover from the lower occupancy witnessed in the first half of 2009. Overall occupancy stood at 94.9% as at 31 December 2009 as compared to 92.7% as at 30 June 2009 (31 December 2008: 95.4%). Sectorally, occupancy of the office portfolio has rebounded to 93.2% as at 31 December 2009 from 91.7% registered as at 30 June 2009 (31 December 2008: 94.4%), while the retail portfolio achieved an occupancy of 98.3%, the highest level since Listing, which compares favourably to 95.0% recorded as at 30 June 2009 (31 December 2008: 97.5%).

Passing rent of the office portfolio continued to edge higher, registering a year-on-year growth of 5.2% to HK\$20.4 per sq. ft. as at 31 December 2009. The average unit rent committed for all new and renewing leases during the Reporting Period was HK\$16.9 per sq. ft.. Meanwhile, average passing rent for the retail portfolio rose 2.7% year-on-year to HK\$41.9 per sq. ft. as at 31 December 2009, with the average unit rent committed for the Reporting Period reaching HK\$36.9 per sq. ft..

In respect of the larger properties in the office portfolio, particularly for those located on the Hong Kong Island, new and renewing leases were secured during the Reporting Period at rental levels largely similar to the expired leases, while positive rental reversion were evident at the retail properties, notably Sheung Shui Centre Shopping Arcade Property.

During the Reporting Period, the Manager has continued its asset upgrade and enhancement programmes to further realise the potential of the portfolio. Enhancement projects completed include the second phase upgrade of Sheung Shui Centre Shopping Arcade Property and the footbridge improvement work at Metro City Phase I Property. Retail podium refurbishment both at 248 Queen's Road East Property and Bonham Trade Centre Property were completed with the introduction of new food and beverage tenants at both locations.

FINANCIAL REVIEW

Sunlight REIT reported net property income of HK\$180.2 million for the Reporting Period, representing a marginal growth of 0.7% from the same period last year. Cost-to-income ratio was 24.8%, a slight increase from 24.0% recorded in the previous interim period largely due to the reduction in government rates concession. After taking into account certain non-property operating expenses, finance costs and having eliminated the effect of certain non-cash items including the change in fair value of the investment properties for the period, the unaudited distributable income for the Reporting Period amounted to HK\$88.9 million.

Knight Frank Petty Limited, the newly appointed independent valuer of Sunlight REIT, valued the portfolio of Sunlight REIT at HK\$9,701.0 million as at 31 December 2009. This represents an increase of 3.6% and 6.3% from the valuations performed by Savills Valuation and Professional Services Limited as at 30 June 2009 (HK\$9,364.0 million) and 31 December 2008 (HK\$9,125.0 million) respectively. On

a sectoral basis, office properties accounted for 51.2% of the total appraised value and registered an increase of 3.1% and 6.7% respectively in comparison with the valuation as at 30 June 2009 and 31 December 2008, while retail properties accounted for the remainder and recorded an appreciation of 4.1% and 5.9% respectively.

As at 31 December 2009, Sunlight REIT had in place total loan facilities of HK\$3,975.0 million, of which the HK\$3,950.0 million term loan facility had been fully drawn, while the balance of HK\$25.0 million revolving credit facility remained undrawn. Both the term loan and the revolving credit facility 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 under tenancies. As at 31 December 2009, the gearing ratio of Sunlight REIT, defined as total borrowings as a percentage of gross assets, stood at 38.7% as compared with 39.7% as at 30 June 2009. The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets was 56.3% as at 31 December 2009. In respect of contingent liabilities, Sunlight REIT has provided a guarantee to a commercial bank to secure facility granted to a subsidiary of Sunlight REIT to issue bank guarantees in lieu of deposit to electricity companies in the total amount of HK\$4.7 million as at 31 December 2009.

In order to minimise financial market risks and maintain financial flexibility, Sunlight REIT has entered into interest rate swap arrangements with The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”) for the period from the date of Listing until 30 June 2011, under which interest rates of the term loan have been effectively fixed at a flat rate of 3.36% per annum for the one-year period from 30 June 2009 through 29 June 2010, and a flat rate of 3.5% per annum for the remaining period up to 30 June 2011. As a result of the movement in Hong Kong Interbank Offer Rates, the value of the swap was recorded as a liability of HK\$126.6 million as at 31 December 2009.

To capitalise on the prevailing low interest rate environment, the Manager has modified the interest rate swap arrangements with a view to reducing interest expenses and extending the coverage period for part of the loan amount beyond 20 December 2011, i.e. the maturity date of the existing term loan. For the purpose of post-balance sheet date disclosure, on 20 January 2010, the existing interest rate swap for the period from 30 June 2010 to 30 June 2011 carrying a notional amount of HK\$500 million was unwound with an upfront payment of HK\$10.95 million made by Sunlight REIT to HSBC, and a new swap of the same notional amount was entered into with HSBC under which the interest rate was fixed at 2.615% per annum for the period from 30 June 2010 to 30 June 2013, representing the then prevailing three-year forward interest swap rate of 2.165% plus a margin of 0.45% per annum which is equivalent to the credit spread of the existing term loan. For the period after 20 December 2011 and up to 30 June 2013, the level of interest rate in respect of the notional amount of HK\$500 million will be fixed at 2.165% per annum plus the credit spread of the new loan(s) to be secured by Sunlight REIT.

The Manager adopts a prudent cash management policy. Rental receipts are placed as short term bank deposits to ensure flexibility in meeting operational requirements of Sunlight REIT. As at 31 December 2009, Sunlight REIT had a total bank and cash balances of HK\$226.5 million. Taking into consideration the current cash position and the unutilised credit facility available, Sunlight REIT is expected to have sufficient financial resources to satisfy its working capital, distribution payment and capital expenditure requirements.

OUTLOOK

Sunlight REIT recently celebrated its third anniversary of listing on the Hong Kong Stock Exchange. This significant event represents not only a milestone for Sunlight REIT, having endured the adverse impact of the global financial crisis while maintaining organic growth in terms of both property income and asset value, it also marks the beginning of a new phase where a solid operating platform has been established which enables Sunlight REIT to attain greater independence as income support from the sponsors begin to phase out.

Looking ahead, we believe the commercial property market has stabilised and is on track to witness further improvement in the medium term. In particular, the outlook of the office market is more sanguine as the supply overhang from Kowloon East and other decentralised areas have been subsiding steadily. Meanwhile, the unabated mainland tourism spending together with rising domestic income is expected to augur well for the performance of our retail properties.

Lease expiries for the second half of financial year 2009/10 account for 16.9% of the office gross rentable area, and 17.9% of the retail gross rentable area, and the average unit rent for the expiring office and retail leases are HK\$18.8 per sq. ft. and HK\$42.7 per sq. ft. respectively. Given the current backdrop, Sunlight REIT will continue to engage in a proactive leasing strategy in order to maintain a high and sustainable level of occupancy.

Green initiatives are becoming increasingly important in our asset enhancement agenda. Given the recent success of our environmental initiatives particularly on revamping the air conditioning systems at Metro City Phase I Property and Sheung Shui Centre Shopping Arcade Property, we expect to widen the scope to include a series of additional initiatives, including the deployment of LED lighting and energy saving devices. We also look forward with anticipation to the commencement of the third phase of refurbishment undertaken at Sheung Shui Centre Shopping Arcade Property, which is expected to start before the end of financial year 2009/10.

The Manager will continue to capitalise on the prevailing low interest rate environment and adopt interest rate hedging beyond 30 June 2011 for part of the principal amount of the term loan. The swap transaction entered into on 20 January 2010 (as discussed in the “Financial Review” section) is a good example of how similar initiatives in that regard may be implemented in the future. Meanwhile, the

Manager will continue to prudently map out an acquisition and disposal strategy that is in line with the investment objectives and will be of benefit to the unitholders of Sunlight REIT.

EMPLOYEES

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

CORPORATE GOVERNANCE

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

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

Public Float

Based on information that is publicly available to the Manager and within the knowledge of its directors, more than 25% of the issued and outstanding units were held in public hands as at 31 December 2009.

New Units Issued

Except for an aggregate of 10,554,860 new units issued to the Manager as payment of part of the Manager’s fees, there were no other new units issued during the Reporting Period.

Repurchase, Sale or Redemption of Units

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 2009/10 Interim Report of Sunlight REIT will be sent to unitholders on or about 23 February 2010.

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 2009 — unaudited
(Expressed in Hong Kong dollars)

		Six months ended 31 December	
	Note	2009	2008
		\$'000	\$'000
Turnover	3	239,842	235,471
Property operating expenses	4	<u>(59,585)</u>	<u>(56,572)</u>
Net property income		180,257	178,899
Other income		342	3,269
Administrative expenses		(29,957)	(32,057)
Net increase/(decrease) in fair value of investment properties		<u>331,933</u>	<u>(1,026,000)</u>
Profit/(loss) from operations		482,575	(875,889)
Finance costs on interest bearing liabilities	5(a)	<u>(91,584)</u>	<u>(92,142)</u>
Profit/(loss) before taxation and transactions with unitholders	5	390,991	(968,031)
Income tax	6	<u>(66,566)</u>	<u>169,146</u>
Profit/(loss) after taxation and before transactions with unitholders		<u><u>324,425</u></u>	<u><u>(798,885)</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2009 — unaudited

(Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2009	2008
	\$'000	\$'000
Profit/(loss) after taxation and before transactions with unitholders	324,425	(798,885)
Other comprehensive income/(loss) for the period		
Change in fair value of cash flow hedges	<u>28,090</u>	<u>(202,326)</u>
Total comprehensive income/(loss) for the period	<u>352,515</u>	<u>(1,001,211)</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2009

(Expressed in Hong Kong dollars)

		31 December	30 June
		2009	2009
		(Unaudited)	(Audited)
	Note	\$'000	\$'000
Non-current assets			
Fixed assets			
— Investment properties		9,701,000	9,364,000
— Other fixed assets		38	36
		9,701,038	9,364,036
Deferred tax assets		29	65
Reimbursement rights		203,932	203,932
		9,904,999	9,568,033
Current assets			
Trade and other receivables	8	31,736	109,087
Pledged deposits		226,368	222,864
Cash at bank and in hand		155	140
Tax recoverable		46,626	41,296
		304,885	373,387
Total assets		10,209,884	9,941,420
Current liabilities			
Tenants' deposits		(115,395)	(112,094)
Rent receipts in advance		(3,807)	(2,986)
Trade and other payables	9	(89,804)	(85,814)
Current taxation		(18,480)	(15,332)
		(227,486)	(216,226)
Net current assets		77,399	157,161
Total assets less current liabilities		9,982,398	9,725,194

CONSOLIDATED BALANCE SHEET (continued)

As at 31 December 2009

(Expressed in Hong Kong dollars)

	31 December 2009 (Unaudited) \$'000	30 June 2009 (Audited) \$'000
Non-current liabilities, excluding net assets attributable to unitholders		
Secured bank borrowings	(3,942,170)	(3,940,166)
Deferred tax liabilities	(1,448,883)	(1,389,444)
Derivative financial instruments	<u>(126,606)</u>	<u>(132,040)</u>
	<u>(5,517,659)</u>	<u>(5,461,650)</u>
Total liabilities, excluding net assets attributable to unitholders	<u>(5,745,145)</u>	<u>(5,677,876)</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>4,464,739</u>	<u>4,263,544</u>
Number of units in issue	<u>1,557,460,630</u>	<u>1,546,905,770</u>
Net asset value attributable to unitholders per unit	<u>\$ 2.87</u>	<u>\$ 2.76</u>

DISTRIBUTION STATEMENT

For the six months ended 31 December 2009 — unaudited
(Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2009	2008
Note	\$'000	\$'000
Profit/(loss) after taxation and before transactions with unitholders	<u>324,425</u>	<u>(798,885)</u>
Adjustments:		
— Net (increase)/decrease in fair value of investment properties	(331,933)	1,026,000
— Manager's fees paid or payable in the form of units	12,236	25,669
— Non-cash finance costs on interest bearing liabilities	24,660	22,373
— Deferred tax	6 <u>59,475</u>	<u>(174,150)</u>
	<u>(235,562)</u>	<u>899,892</u>
Total distributable income (note (i))	<u><u>88,863</u></u>	<u><u>101,007</u></u>
Distribution per unit:		
— Before adjusting for distribution waivers (notes (ii) and (iii))	<u><u>5.71 cents</u></u>	<u><u>6.61 cents</u></u>
— After adjusting for distribution waivers (notes (ii) and (iv))	<u><u>6.88 cents</u></u>	<u><u>9.29 cents</u></u>

Notes:

- (i) Pursuant to the REIT Code and the Trust Deed, Sunlight REIT is in any event required to ensure that the total amounts distributed or distributable to unitholders shall be no less than 90% of annual distributable income for each financial year. The current policy of 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 5.71 cents (2008: 6.61 cents), is calculated by dividing the total distributable income for the period of \$88,863,000 by 1,557,460,630 units in issue as at 31 December 2009 (2008: \$101,007,000 and 1,528,453,243 units).
- (iv) The distribution per unit, after adjusting for distribution waivers as mentioned in (ii) above, of 6.88 cents (2008: 9.29 cents), is calculated by dividing the total distributable income for the period of \$88,863,000 by 1,292,475,047 units (2008: \$101,007,000 and 1,086,810,605 units), which is arrived 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><u>1,292,475,047</u></u>	<u><u>1,086,810,605</u></u>

- (v) The interim distribution is expected to be paid on 21 April 2010 to unitholders whose names appear on the register of unitholders on 3 March 2010.

NOTES TO THE INTERIM FINANCIAL RESULTS

(Expressed in Hong Kong dollars)

1. General

Sunlight Real Estate Investment Trust (“**Sunlight REIT**”) is a Hong Kong collective investment scheme constituted as a unit trust by the trust deed dated 26 May 2006 (as amended by the supplemental deeds dated 1 June 2006, 28 November 2006 and 28 April 2009 respectively) (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. Segment reporting

The Manager manages the Group’s business by divisions. On first-time adoption of Hong Kong Financial Reporting Standard (“**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”.

2. Segment reporting (continued)

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

Segment results

In accordance with HKFRS 8, segment information disclosed in the interim financial results 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:

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 the unallocated net income/(expenses).

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 period is set out below:

	Six months ended 31 December					
	2009			2008		
	(Unaudited)			(Unaudited)		
	Office properties	Retail properties	Total	Office properties	Retail properties	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover						
— rental income	92,479	98,744	191,223	90,821	97,187	188,008
— car park income	1,417	7,971	9,388	1,477	8,064	9,541
— rental related income	20,668	18,563	39,231	20,701	17,221	37,922
	114,564	125,278	239,842	112,999	122,472	235,471
Property operating expenses	(28,145)	(31,440)	(59,585)	(26,664)	(29,908)	(56,572)
Net property income	86,419	93,838	180,257	86,335	92,564	178,899
Administrative expenses	(13,191)	(12,626)	(25,817)	(13,921)	(13,279)	(27,200)
Segment results	73,228	81,212	154,440	72,414	79,285	151,699
Net increase/(decrease) in fair value of investment properties	144,933	187,000	331,933	(559,000)	(467,000)	(1,026,000)
Finance costs on interest bearing liabilities			(91,584)			(92,142)
Income tax			(66,566)			169,146
Interest income			287			3,269
Unallocated net expenses			(4,085)			(4,857)
Profit/(loss) after taxation and before transactions with unitholders			324,425			(798,885)
Depreciation	3	2	5	1	—	1

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:

	Six months ended 31 December	
	2009 (Unaudited) \$'000	2008 (Unaudited) \$'000
Rental income	191,223	188,008
Car park income	9,388	9,541
Rental related income	<u>39,231</u>	<u>37,922</u>
	<u><u>239,842</u></u>	<u><u>235,471</u></u>

4. Property operating expenses

	Six months ended 31 December	
	2009 (Unaudited) \$'000	2008 (Unaudited) \$'000
Building management fee	23,040	24,416
Property manager's fees	15,571	15,504
Government rent and rates	7,981	5,484
Marketing and promotion expenses	4,292	3,921
Car park operating costs (note)	3,324	3,390
Other direct costs	<u>5,377</u>	<u>3,857</u>
	<u><u>59,585</u></u>	<u><u>56,572</u></u>

Note: Included property manager's fees of \$825,000 (2008: \$920,000).

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

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

	Six months ended 31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	\$'000	\$'000
(a) Finance costs on interest bearing liabilities:		
Interest on borrowings	89,561	90,025
Other borrowing costs	<u>2,023</u>	<u>2,117</u>
	<u>91,584</u>	<u>92,142</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.

	Six months ended 31 December	
	2009	2008
	(Unaudited)	(Unaudited)
	\$'000	\$'000
(b) Other items:		
Interest income	(287)	(3,269)
Manager's fees	24,473	25,669
Property manager's fees	16,396	16,424
Trustee's remuneration	1,399	1,391
Auditor's remuneration		
— Audit services	577	630
— Other services	370	370
Valuation fees	366	425
Other legal and professional fees	2,070	1,756
Bank charges	<u>225</u>	<u>212</u>

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	
	2009	2008
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Current tax — Provision for Hong Kong Profits Tax		
Provision for the period	7,032	6,834
Under/(over)-provision in respect of prior years	<u>59</u>	<u>(1,830)</u>
	<u>7,091</u>	<u>5,004</u>
Deferred tax		
Origination and reversal of temporary differences in respect of:		
— Change in fair value of investment properties	53,325	(173,978)
— Others	<u>6,150</u>	<u>(172)</u>
	<u>59,475</u>	<u>(174,150)</u>
	<u>66,566</u>	<u>(169,146)</u>

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

7. Earnings/(loss) per unit before transactions with unitholders

The basic earnings per unit before transactions with unitholders for the six months ended 31 December 2009 amounted to \$0.21 (2008: loss per unit of \$0.53). 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 \$324,425,000 (2008: loss of \$798,885,000) and the weighted average of 1,550,519,662 units in issue during the period (2008: 1,519,077,326 units).

Diluted earnings/(loss) per unit before transactions with unitholders for the six months ended 31 December 2009 and 2008 are not presented as there was no potential dilution of earnings/(loss) per unit before transactions with unitholders.

8. Trade and other receivables

	31 December 2009 (Unaudited) \$'000	30 June 2009 (Audited) \$'000
Rental receivables	18,736	21,133
Deposits and prepayments	12,397	9,609
Other receivables	271	522
Amounts due from related companies	<u>332</u>	<u>77,823</u>
	<u>31,736</u>	<u>109,087</u>

\$5,318,000 (30 June 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 within one year.

The ageing analysis of rental receivables is as follows:

	31 December 2009 (Unaudited) \$'000	30 June 2009 (Audited) \$'000
Current	13,235	15,191
Less than 1 month overdue	4,020	4,102
More than 1 month and up to 3 months overdue	950	943
More than 3 months and up to 6 months overdue	276	436
More than 6 months overdue	<u>255</u>	<u>461</u>
	<u>18,736</u>	<u>21,133</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

	31 December 2009 (Unaudited) \$'000	30 June 2009 (Audited) \$'000
Creditors and accrued charges	28,324	33,909
Manager's fees payable	12,406	11,454
Amounts due to related companies	<u>49,074</u>	<u>40,451</u>
	<u>89,804</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 \$709,000 (30 June 2009: \$675,000) which is due within 30 days.

10. Changes in accounting policies

The Hong Kong Institute of Certified Public Accountants 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. As a result of the adoption of Hong Kong Accounting Standard 1 (revised 2007), the new format for the consolidated statement of comprehensive income has been adopted in the interim financial results 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. The adoption of the remainder of these developments has had no significant impact on the Group's financial statements.

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

Hong Kong, 9 February 2010

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