



SUNLIGHT REIT

Pruning for better yields

Annual Report 2014/15

Stock Code : 435



Performance Highlights

Appraised property value (HK\$' million)



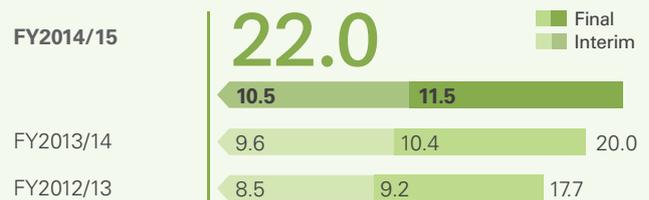
Revenue (HK\$' million)



Net property income (HK\$' million)



Distribution per unit (HK cents)



Net asset value per unit (HK\$)



Gearing (%)



Passing rent (HK\$/sq. ft.)



Occupancy (%)



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Forward-looking Statements

This annual report contains certain statements and terminologies that are forward-looking. These statements are made on the basis of the current beliefs, assumptions, expectations and projections of the board of directors (the “**Board**”) and senior management of Henderson Sunlight Asset Management Limited (the “**Manager**”) regarding the industry and sectors in which Sunlight Real Estate Investment Trust (“**Sunlight REIT**”) operates. They are subject to risks, uncertainties and other factors beyond the Manager’s control, the emergence of which may cause actual results or performance to differ materially from those expressed or implied in such statements.

Proactive Leasing Strategy

Timely and adequate asset enhancement plus trade-mix initiatives to sustain tenant and customer satisfaction that are crucial to our success

A woman with short dark hair and glasses, wearing a dark blazer over a white shirt, is seated at a table in a restaurant. She is looking towards the camera. The table in front of her has a menu, a white cup, and some food items. In the background, there is a large, curved wall with a vertical garden of green plants. The setting appears to be a modern, multi-level shopping center or mall.

“Sunlight REIT’s leasing team has provided invaluable assistance to make our branch at Sheung Shui Centre Shopping Arcade get off to a good start. Their advice on location, effort in generating footfall and strong technical support have contributed to our thriving business.”

Ms. Atta Wong, District Manager
靠得住粥麵小館





Attentive Property Management

Dedicated support to our tenants through effective operational management to create a stress-free environment where their business can prosper



“Having been a tenant since Sunlight REIT’s listing in December 2006, we can testify to the continual improvement in the quality of its property management services, and we fully appreciate the team’s timely and tireless support of our operational needs.”

Mr. Mark C. Stevenson, Chief Financial Officer
Anglo-Eastern Ship Management Limited



Responsible Capital Management

Unlocking and creating value for unitholders through superior operational performance and capital management initiatives such as unit buy-backs and/or asset disposals



“We have been an investor in Sunlight REIT since 2007 when we launched our Pan-Asian REIT fund. We now own Sunlight REIT’s units in most of our funds and mandates. We are happy to see the management team showing the highest level of integrity and transparency besides delivering consistent returns year after year. We are particularly pleased to see that the management team has chosen to dispose of assets and recycle the capital via unit buy-back.”

Right : Mr. Christian Bernasconi, Senior Portfolio Manager
Left : Mr. Matthew Schmidt, Senior Research Analyst
B&I Capital Pte Ltd





Over and Above Financial Benefits

Striving to develop a sustainable business model and ensuring that we live up to the ideal of being a responsible corporate citizen



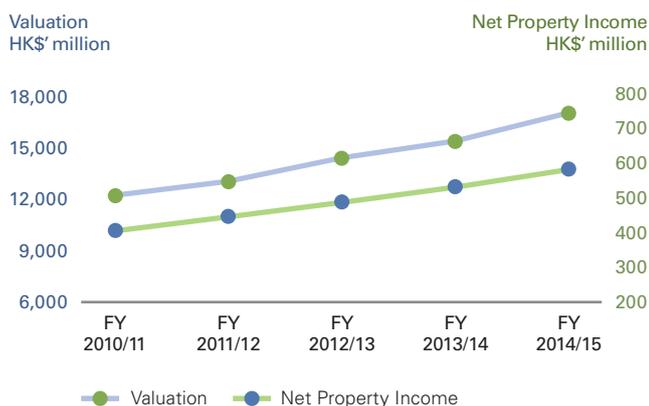
“For a second year in a row, Sunlight REIT has provided a helping hand to our YMCA and has jointly hosted Sunlight Little Ironman Triathlon. Sunlight REIT has provided invaluable resources to make the event a success and opportunities for underprivileged children/youth to have professional athletic disciplines.”

Dr. Law Wai On, Simon, Deputy General Secretary
Chinese YMCA of Hong Kong

陽光
小鐵人
訓練計劃 2015

Who We Are : In Brief

Valuation and Net Property Income : Five-Year Trend



Our Business

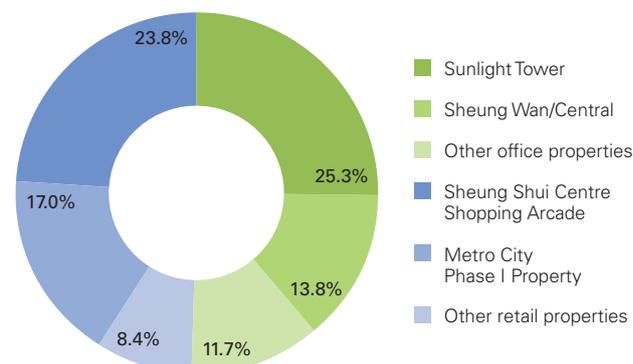
Sunlight REIT is a real estate investment trust authorised by the Securities and Futures Commission (the “**SFC**”) and constituted by the trust deed dated 26 May 2006 (as modified, supplemented and amended from time to time) (the “**Trust Deed**”). The trustee of Sunlight REIT (the “**Trustee**”) is HSBC Institutional Trust Services (Asia) Limited.

Listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 21 December 2006, the market capitalisation of Sunlight REIT, based on the closing unit price of HK\$3.95 on 30 June 2015, was approximately HK\$6,472 million. A constituent of Hang Seng REIT Index since October 2008, Sunlight REIT has also been selected as a constituent of the following Hang Seng Indices with effect from 9 March 2015 :

- Hang Seng Global Composite Index
- Hang Seng Composite Index Series :
 - ▶ Hang Seng Composite Index
 - ▶ Hang Seng Composite Industry Index – Properties & Construction
 - ▶ Hang Seng Composite SmallCap Index

Note : Following the execution of a series of transactions in July and August 2015, Sunlight REIT’s portfolio comprises ten office and six retail properties in Hong Kong with an aggregate gross rentable area (“**GRA**”) of approximately 1,206,827 sq. ft..

Valuation Segmentation by Property and District



Sunlight REIT offers investors the opportunity to invest in a diversified portfolio of office and retail properties in Hong Kong. The office properties are primarily located in core business areas, including Central, Wan Chai and Sheung Wan and in decentralised business areas such as Mong Kok/Yau Ma Tei and North Point. The retail properties are primarily situated at regional transportation hubs and New Towns including Sheung Shui, Tseung Kwan O and Yuen Long, as well as in urban areas with high population density. At 30 June 2015, Sunlight REIT’s portfolio^{Note} was appraised at HK\$17,035.3 million, with office and retail properties accounting for 50.8% and 49.2% of total valuation respectively.

Our Management

The Manager is an indirect wholly-owned subsidiary of Henderson Land Development Company Limited (“**HLD**”) and its responsibility is to manage Sunlight REIT in accordance with the Trust Deed and in the sole interest of unitholders. The Manager establishes asset management policies, devises and implements strategies for Sunlight REIT in relation to operation, investment, capital and risk management. It is also responsible for ensuring compliance with the Code on Real Estate Investment Trusts (the “**REIT Code**”), the Trust Deed, applicable provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and other relevant legislations and regulations.

Henderson Sunlight Property Management Limited (the “**Property Manager**”) has been delegated the responsibilities of providing property management, lease management and marketing services solely and exclusively for the properties of Sunlight REIT located in Hong Kong, subject to the overall management and supervision of the Manager.

Our Strategy

The key objectives of the Manager are to provide unitholders with regular and stable cash distributions with the potential for sustainable long-term growth of such distributions and enhancement in value of the property portfolio. The Manager intends to accomplish these objectives through the following business and investment strategies.

Operational Management and Asset Enhancement Strategy

The Manager works closely with the Property Manager to develop proactive leasing as well as asset enhancement initiatives principally aimed at unlocking the value of the property portfolio.

Investment and Acquisition Growth Strategy

The Manager actively seeks to acquire income-producing investment properties which enhance returns through accretion in distribution yield, sustainable growth in distributions and/or long-term enhancement in capital value. The Manager also considers fine-tuning the portfolio through divestment of non-core assets for other more attractive investments with a view to enhancing returns to the unitholders.

Capital Management and Business Management Strategy

The Manager supports Sunlight REIT’s operational and acquisition growth strategies by employing an efficient capital management strategy using an appropriate mix of debt and equity capital. It has also established a solid business management framework which includes sound corporate governance practices, effective risk management and internal control systems, reliable infrastructure and management information systems as well as a well-trained work force.

Our Strength

With a diversified and balanced portfolio of office and retail properties, Sunlight REIT has established a solid track record in delivering growth in net property income and portfolio valuation since inception. Its defensive qualities are further supported by a stable management team which places a strong emphasis on creative asset enhancement, prudent financial management and a high level of corporate governance. Further, Sunlight REIT has received unwavering support from its sponsors, namely Shau Kee Financial Enterprises Limited (“**SKFE**”) and HLD (collectively, the “**Sponsors**”).



▶ Selective awards and recognition for Sunlight REIT and the Manager

Chairman's Statement



“It was a fruitful year in which Sunlight REIT maintained steady growth through positive rental reversions and cost discipline, while strategically rationalising the portfolio to realise value for unitholders.”

Dear Unitholders,

On behalf of the Board of the Manager, I am pleased to present an encouraging set of results of Sunlight REIT for the financial year ended 30 June 2015 (the “Year”). It was a fruitful year in which Sunlight REIT maintained steady growth through positive rental reversions and cost discipline, while strategically rationalising the portfolio to realise value for unitholders.

During the Year, the net property income of Sunlight REIT amounted to HK\$586.6 million, up 9.6% year-on-year, principally underwritten by the portfolio’s stable occupancies and continued reversionary gains. The total distributable income registered a year-on-year growth of 9.4% to HK\$375.2 million. The Board has declared a final distribution of HK 11.5 cents per unit, or HK\$188.2 million, bringing the total distribution per unit (“DPU”) for the Year to HK 22.0 cents, representing a year-on-year increase of 10.0%. The implied payout ratio was 95.9%, compared with 94.8% for the year ended 30 June 2014.

Supported by firm commercial property prices, the appraised value of the portfolio of Sunlight REIT rose by 10.7% from a year ago to HK\$17,035.3 million at 30 June 2015. Accordingly, the net asset value of Sunlight REIT increased by 13.9% to reach HK\$13,097.1 million at 30 June 2015, which is equivalent to HK\$7.99 per unit (30 June 2014: HK\$7.06 per unit).

The Manager is dedicated to creating value for unitholders. During (and immediately after) the Year, we bought back (and cancelled) a total of 2,850,000 units at an average price of approximately HK\$3.63 per unit, representing a discount of over 54.5% to the latest net asset value per unit of Sunlight REIT. Moreover, we entered into binding agreements on behalf of Sunlight REIT in May 2015 to dispose of three non-core properties, with the aggregate consideration representing a premium in excess of 50% to their combined appraised value at 30 April 2015. This strategic disposal exercise would enable the Manager to streamline the operations of Sunlight REIT and to allocate resources more efficiently.

Meanwhile, we remained proactive in mitigating the interest rate risk of Sunlight REIT. Certain interest rate swap arrangements were conducted during (and immediately after) the Year, resulting in 65.0% of Sunlight REIT’s total borrowings hedged to fixed rates with an extended tenure of 3.6 years. While the US Federal Reserve Board has reiterated its intention to start raising interest rates before the end of 2015, we believe that the pace and magnitude of rate hikes should be moderate, and given our proactive capital management policy, the impact of a tighter monetary environment in the US can be tempered.

Looking ahead, the global macro environment continues to be fraught with uncertainties. Although the US economy appears to be on track for a sustainable recovery, it seems to be one of the very few bright spots. Indeed, policymakers in the rest of the world, including China, have all opted for heavier doses of monetary and/or fiscal stimulus to steer their economies away from a deflation spiral. Meanwhile, the recent volatilities in the global equity markets may weigh down on investment and consumer sentiment. Amidst such economic uncertainties, however, the supply and demand dynamics of the commercial property market to which Sunlight REIT is substantially exposed should remain reasonably favourable in the short-to-medium term. Coupled with the Manager’s disciplined operational management strategies, and barring unforeseen circumstances, I remain guardedly optimistic about the prospects of Sunlight REIT in terms of achieving further growth in income and distribution.

Finally, I would like to once again give my sincere thanks to my fellow directors, management and staff for their commitment and outstanding performance throughout the Year. Their valuable contribution has been and will continue to be a determining factor in Sunlight REIT’s success.

Au Siu Kee, Alexander

Chairman

10 September 2015

CEO's Report



“Since its listing in December 2006, Sunlight REIT has achieved compound average annual growth rates of 9.6% and 11.0% in net property income and net asset value respectively.”

Our theme for the annual report – *“Pruning for better yields”* vividly portrays the core operating strategy of the Manager during the Year. In addition to delivering satisfactory growth in Sunlight REIT’s recurrent income, we have devoted incessant effort and resources to both asset enhancement and capital management, sowing the seeds of sustainable growth. Moreover, the successful disposal of certain non-core properties (subsequent to the Year) at good premium to their respective appraised values further demonstrates our astute management strategy in terms of unlocking the underlying value of the divested properties, while crystallising the market worth of Sunlight REIT’s asset-backing.

During the Year, the US was the only developed economy that had demonstrated stronger growth momentum, while the economic conditions in most European countries and Japan were far from upbeat, with the prolonged Greek debt crisis adding more uncertainties. Besides, China’s economy had, as expected, expanded at a slower pace amidst continued structural reforms. As a result, Hong Kong’s gross domestic product (GDP) growth was decelerating, with noticeable weakness shown in the external sector. Notwithstanding, the office leasing market has strengthened on the back of increasing demand from the banking and finance sector, apparently resulting from the Shanghai-Hong Kong Stock Connect programme launched last November. While prime office buildings in Central have been the major beneficiaries, pockets of strength were also witnessed for office properties situated at key decentralised areas. According to the statistics published by Jones Lang LaSalle Limited, the vacancy rates of Grade A offices in Central and Wan Chai/Causeway Bay at end-June 2015 remained steady at 1.7% and 2.3% respectively, while their corresponding net effective rents edged up by 7.9% and 3.4% during the Year.

In the meantime, sluggish retail sales have adversely affected the demand for shopping space, although the impact varied between different types of premises. Beneath the veneer of the still decent tourist arrival

figures, a distinct shift in spending pattern, especially for mainland visitors, has caused a 13.0% drop in the sales of jewellery, watches and clocks, and valuable gifts during the Year, against a 0.4% decline in overall retail sales. This has undoubtedly put pressure on commercial rents, particularly for street-level shops and shopping malls oriented to luxury goods. Nonetheless, leasing activities at community shopping centres have been satisfactory, reflecting the resilience of the sales of consumer staples and selected durable goods. Moreover, restaurant receipts have continued to grow steadily, increasing by 3.8% in value during the past twelve months.

Despite the absence of a conducive economic environment, the portfolio of Sunlight REIT has staged a respectable performance. Supported by solid rental reversions and a consistently high level of occupancy rates, gross revenue grew 9.5% from the previous financial year to HK\$754.4 million. Net property income was up 9.6% to HK\$586.6 million, which implies a competitive cost-to-income ratio of 22.2%.

The occupancy rate of the office portfolio was maintained at 98.7% at 30 June 2015, largely unchanged from last year, while the average passing rent was HK\$29.4 per sq. ft. at 30 June 2015, up 6.9% year-on-year. Notably, Sunlight Tower, the flagship property of Sunlight REIT formerly known as 248 Queen’s Road East, achieved a satisfactory rental reversion of 19.2%. It also enjoyed a high retention rate of 91.4% compared to 75.9% for the same period last year, thanks to the lease renewal with a major tenant which constitutes 16.4% of the GRA of the property.

Similarly, the retail portfolio recorded a stable occupancy rate of 98.1% at 30 June 2015 (30 June 2014: 98.2%), while the average passing rent registered an 8.4% year-on-year increase to HK\$66.8 per sq. ft.. In particular, Sheung Shui Centre Shopping Arcade (“**SSC**”) saw a rise in occupancy to 99.8% at 30 June 2015 from 97.4% twelve months ago and achieved a robust rental reversion of 27.3%. Metro City Phase I Property (“**MCPI**”),

CEO's Report

98.8% occupied at 30 June 2015, also exhibited a respectable 15.3% rental reversion despite an ongoing renovation programme. It is noteworthy that the Manager has invigorated the composition and format of the food and beverage trades at both properties, contributing to satisfactory improvement in footfall and rental receipts.

The perennial challenge to managing the portfolio is coping with cost inflation given a persistently tight labour market and continued upward revisions to the statutory minimum wage. However, there is early indication that the momentum of growth is showing signs of moderation. Meanwhile, the Manager's emphasis on energy savings investment continued to be rewarding. As a case in point, the installation of a water-cooled chiller at Sunlight Tower in May 2014 helped reduce total electricity usage (measured by kilowatt hours) of the building by 8.5% year-on-year.

As regards asset enhancement, the office lobby and the associated retail space of Sunlight Tower were revamped, resulting in improved accessibility and an upmarket image. Meanwhile, the renovation programme for MCPI was completed in the final quarter of 2014, freshening up the outlook and the vibes of this regional shopping mall. The HK\$11.0 million investment spent on replacing all the air-cooled chillers at SSC was completed in April this year, which should help improve the cost efficiency of our flagship shopping mall. Total capital expenditure ("CAPEX") for the Year was HK\$30.5 million, which was well within the means of Sunlight REIT.

An extraordinary general meeting was held in March this year, at which special resolutions were passed by unitholders to allow Sunlight REIT to (i) expand its scope of investment into industrial properties, hotels and serviced apartments; and (ii) engage in property development activities and invest in listed securities, unlisted debt securities, government and other public securities and property funds, subject to certain limitations and provisions. While these amendments have undoubtedly given the Manager extra latitude in value creation, investors should be assured that our prudence and selectivity in pursuing new investment opportunities will not be compromised. In the meantime, office and retail properties are expected to remain as the mainstay of Sunlight REIT's portfolio in the medium-to-long term.

The Manager has been seeking to improve the overall quality of Sunlight REIT's portfolio, regularly reviewing the underlying potential of individual properties. This provides the rationale for the strategic disposal of four non-core properties by way of public tender in April this year. We are pleased to report that three of the four properties, namely Everglory Centre, Yue Fai Commercial

Centre Property (excluding 1/F) and Royal Terrace Property, were successfully disposed of for an aggregate consideration of HK\$919.5 million. Such consideration represents a substantial premium to the aggregate appraised values of these properties at 30 April 2015, translating to rental yields which would fully reflect their income potential unless substantial conversion or redevelopment works were to be carried out. We believe that the sales proceeds can be efficiently allocated to other accretive investments that may add value for the benefit of Sunlight REIT's unitholders.

Outlook

While the nervousness arising from the Greek debt crisis has seemingly subsided, the continued decline in oil and commodity prices has bred concerns about global growth prospects, which can be further undermined by untimely interest rate hikes in the US. We consider that given the prevailing commodity-led deflation and the still accommodative monetary policies implemented in most other major economies, any interest rate increase in the US would likely be mild. The recent depreciation in the value of the Renminbi, causing further havoc to global financial markets, certainly adds credence to our view. This is further exemplified by the flat yield curve in the US (as well as in Hong Kong), with the differential between short (3-year) and long (10-year) dated fixed rates hovering around 1% year-to-date. As such, the net adverse impact on Hong Kong's economic growth is expected to be relatively limited.

The demand-supply dynamics of the retail and office property markets, while apparently less favourable than in previous years, should on balance bode reasonably well for the prospects of Sunlight REIT in the foreseeable future. The supply of new retail premises is expected to be minimal over the next twelve months, although we are mindful that approximately 0.7 million sq. ft. of new shopping space may come on stream in Tseung Kwan O in or before 2018. From the perspective of demand, we have not seen (at the time of making this report) any material deterioration in the occupancy costs for our key retail tenants. However, given the growingly cautious investment sentiment, sluggish consumer spending and thus softer retail leasing demand is expected to become a more prominent feature. Gratifyingly, the retail properties of Sunlight REIT are defensively located in key transportation hubs and areas with high population growth; coupled with a diversified tenant mix and timely executed improvement works, we are hopeful that, despite the latest financial market disruptions, customer traffic would stay healthy, providing support to rental rates in the coming year.

On the office front, although more than 3 million sq. ft. of new Grade A office space is scheduled for completion in the run-up to 2017, the majority of this new supply will be located in Kowloon East, with a good portion already locked in by pre-sales to end-users en-bloc or on a strata-titled basis. For Hong Kong Island, there should be no material Grade A office supply before early 2018. Meanwhile, in light of the historical five-year average annual take-up rate of approximately 1.7 million sq. ft., the new supply in the coming two years is expected to be readily absorbed. The recent Mainland-Hong Kong Mutual Recognition of Funds initiative, together with the potential launch of the Shenzhen-Hong Kong Stock Connect scheme later this year, may continue to spur demand for new offices from the financial services sector. We are therefore guardedly optimistic about the outlook for the office leasing market, and are of the view that the vacancy rate for Grade A offices would continue to stay at or below 5% on average in the next twelve months.

Consequently, we are hopeful that the portfolio of Sunlight REIT, barring unforeseen circumstances, will be able to enjoy further positive rental reversions in the year ahead. However, investors should realise that Sunlight REIT has maintained an impressive record of sustaining growth in rental income. It is therefore only logical to assume that the pace of rental reversion for Sunlight REIT's existing portfolio would become more subdued going forward. Further, the prevailing consumer sentiment might dampen the upside potential of retail rents at least in the near term. Nonetheless, such possible slowdown in growth momentum will be well managed and can hopefully be mitigated on several fronts. For one thing, despite chronic wage pressure, the Manager has been able to keep operating costs more under control with sustainable savings accrued from sound utilities and energy management.

Besides, previous investments in asset enhancement have begun to bear fruit. With the completion of renovation works at MCPI, a host of new tenants occupying a total of approximately 15,000 sq. ft. have committed to commencing business in the second half of 2015. Given a greater variety of shops and restaurants, with an emphasis on more lifestyle trades as well as food and beverage options, coupled with accompanying attractions offered by two adjoining phases owned by HLD (which together form the Metro City shopping complex), this property looks set to enjoy further improvement in customer flow and business.

Elsewhere, more asset enhancement initiatives are in the pipeline. We have budgeted approximately HK\$9 million for the installation of a second water-cooled

chiller in Sunlight Tower, which, upon completion, will further enhance the reliability and cost efficiency of the air-conditioning system. The Manager has also planned to reconfigure some 20% of the lettable space at SSC, with a view to enhancing the dynamics and footfall in this property. Although the project will inevitably incur a rent void in respect of the affected area for an approximately nine-month period beginning from March 2016, the benefits to be reaped from the refurbishment works should outweigh the brief interruption to income.

On capital management, we have proactively restructured the overall interest rate swap profile for Sunlight REIT, so that its borrowings have been substantially anchored to fixed rates until September 2017 at the earliest. In the meantime, we shall continue to monitor the overall funding environment, and shall strengthen the financial base of Sunlight REIT as and when opportune.

The proceeds raised from the successful disposals of three non-core assets have further enriched the coffers of Sunlight REIT, enabling the Manager to pursue various value-added strategies for the benefit of unitholders, such as unit buy-back in view of the steep discount at which the unit is trading against its underlying asset value. In addition, the Manager will continue to explore acquisition opportunities that are complementary to Sunlight REIT's current portfolio and can enhance the overall portfolio return. This is evident in the recent acquisition of the remaining strata-titled interests in On Loong Commercial Building, which has afforded the Manager greater autonomy and flexibility in terms of usage and renovation of the building.

Since its listing in December 2006, Sunlight REIT has achieved compound average annual growth rates of 9.6% and 11.0% in net property income and net asset value respectively. This is an enviable track record considering a competitive environment in which it has been operating. The path of development ahead will unavoidably be littered with obstacles, but the Manager is, as always, determined to rise to the challenge. Our unwavering commitment to professionalism has helped us build an invaluable bond of trust with our tenants, clients and customers, while formulating proactive and innovative investment strategies is our forte when faced with barriers. In sum, we continue to view the future with confidence, and are dedicated to creating value for our stakeholders in the years to come.

Wu Shiu Kee, Keith
Chief Executive Officer
10 September 2015

Portfolio at a Glance



1 Sunlight Tower¹

Location : Wan Chai
Year of completion : 1998
Gross rentable area : 376,381 sq. ft.

2 Bonham Trade Centre

Location : Sheung Wan
Year of completion : 1998
Gross rentable area : 117,909 sq. ft.

3 Righteous Centre

Location : Mong Kok
Year of completion : 1996
Gross rentable area : 51,767 sq. ft.

4 Winsome House Property

Location : Central
Year of completion : 1999
Gross rentable area : 40,114 sq. ft.

5 135 Bonham Strand Trade Centre Property

Location : Sheung Wan
Year of completion : 2000
Gross rentable area : 63,915 sq. ft.

235 Wing Lok Street Trade Centre

Location : Sheung Wan
Year of completion : 2000
Gross rentable area : 52,285 sq. ft.

Everglory Centre²

Location : Tsim Sha Tsui
Year of completion : 1999
Gross rentable area : 29,802 sq. ft.

Yue Fai Commercial Centre Property^{2,3}

Location : Aberdeen
Year of completion : 1997
Gross rentable area : 42,751 sq. ft.

Java Road 108 Commercial Centre

Location : North Point
Year of completion : 1998
Gross rentable area : 37,923 sq. ft.

On Loong Commercial Building Property³

Location : Wan Chai
Year of completion : 1984
Gross rentable area : 25,564 sq. ft.

Sun Fai Commercial Centre Property

Location : Mong Kok
Year of completion : 1998
Gross rentable area : 26,151 sq. ft.

Wai Ching Commercial Building Property

Location : Yau Ma Tei
Year of completion : 1997
Gross rentable area : 16,321 sq. ft.



1 Sheung Shui Centre Shopping Arcade

Location : Sheung Shui
 Year of completion : 1993
 Gross rentable area : 122,339 sq. ft.

Royal Terrace Property²

Location : North Point
 Year of completion : 2002
 Gross rentable area : 9,565 sq. ft.

Palatial Stand Property

Location : Hung Hom
 Year of completion : 2001
 Gross rentable area : 8,625 sq. ft.

2 Metro City Phase I Property

Location : Tseung Kwan O
 Year of completion : 1996
 Gross rentable area : 188,889 sq. ft.

Beverly Commercial Centre Property

Location : Tsim Sha Tsui
 Year of completion : 1982
 Gross rentable area : 7,934 sq. ft.

3 Kwong Wah Plaza Property

Location : Yuen Long
 Year of completion : 1998
 Gross rentable area : 64,842 sq. ft.

Supernova Stand Property

Location : North Point
 Year of completion : 2001
 Gross rentable area : 4,226 sq. ft.

Notes :

1. The property was previously known as 248 Queen's Road East.
2. In May 2015, Sunlight REIT disposed of Everglory Centre, Yue Fai Commercial Centre Property (excluding 1/F) and Royal Terrace Property. Completion of the disposals took place in July and August 2015.
3. Subsequent to the Year, Sunlight REIT disposed of 1/F of Yue Fai Commercial Centre in exchange for Unit 6A of On Loong Commercial Building. It further acquired the remaining interests in On Loong Commercial Building and has become the sole owner of the building with effect from 3 August 2015.

Portfolio Statistics

Property	Property Details						No. of leases at 30 June	
	Location	Year of completion	No. of car park spaces	GRA ¹ (sq. ft.)				
				Office	Retail	Total		
Office								
Grade A								
Sunlight Tower ⁵	Wan Chai	1998	46	369,891	6,490	376,381	74	75
Grade B								
Bonham Trade Centre	Sheung Wan	1998	0	108,506	9,403	117,909	104	103
Righteous Centre	Mong Kok	1996	0	41,004	10,763	51,767	61	62
Winsome House Property	Central	1999	0	37,937	2,177	40,114	24	23
135 Bonham Strand Trade Centre Property	Sheung Wan	2000	0	60,844	3,071	63,915	74	75
235 Wing Lok Street Trade Centre	Sheung Wan	2000	0	47,481	4,804	52,285	72	72
Everglory Centre ⁶	Tsim Sha Tsui	1999	0	25,896	3,906	29,802	28	30
Yue Fai Commercial Centre Property ^{6,7}	Aberdeen	1997	0	41,272	1,479	42,751	104	108
Java Road 108 Commercial Centre	North Point	1998	0	35,694	2,229	37,923	38	39
On Loong Commercial Building Property ⁷	Wan Chai	1984	0	23,856	1,708	25,564	37	37
Sun Fai Commercial Centre Property	Mong Kok	1998	0	23,817	2,334	26,151	46	45
Wai Ching Commercial Building Property	Yau Ma Tei	1997	0	14,239	2,082	16,321	34	34
Sub-total/Average			46	830,437	50,446	880,883	696	703
Retail								
New Town								
Sheung Shui Centre Shopping Arcade	Sheung Shui	1993	297	0	122,339	122,339	118	115
Metro City Phase I Property	Tseung Kwan O	1996	452	0	188,889	188,889	106	110
Kwong Wah Plaza Property	Yuen Long	1998	0	39,101	25,741	64,842	36	36
Urban								
Royal Terrace Property ⁶	North Point	2002	49	0	9,565	9,565	6	7
Beverley Commercial Centre Property	Tsim Sha Tsui	1982	0	0	7,934	7,934	38	37
Supernova Stand Property	North Point	2001	0	0	4,226	4,226	2	2
Palatial Stand Property	Hung Hom	2001	0	3,566	5,059	8,625	4	5
Sub-total/Average			798	42,667	363,753	406,420	310	312
Total/Average			844	873,104	414,199	1,287,303	1,006	1,015

- Notes : 1. Size of the properties is measured in terms of GRA.
2. Passing rent is calculated on the basis of average rent per sq. ft. for all occupied GRA on the relevant date.
3. Rental reversion is calculated on the basis of change in effective rent of the leases renewed during the relevant year.
4. Please refer to "Valuation Report" on pages 58 to 73 for further details.
5. The property was previously known as 248 Queen's Road East.
6. In May 2015, Sunlight REIT disposed of Everglory Centre, Yue Fai Commercial Centre Property (excluding 1/F) and Royal Terrace Property. Completion of the disposals took place in July and August 2015.
7. Subsequent to the Year, Sunlight REIT disposed of 1/F of Yue Fai Commercial Centre in exchange for Unit 6A of On Loong Commercial Building. It further acquired the remaining interests in On Loong Commercial Building and has become the sole owner of the building with effect from 3 August 2015.

N/A : Not applicable

Operational Statistics						Property Financials				
Occupancy at 30 June (%)		Passing Rent ² at 30 June (HK\$/sq. ft.)		Rental Reversion ³ (%)		Net Property Income (HK\$'000)		Capitalisation Rate at 30 June 2015 (%)		Appraised Value at 30 June 2015 ⁴ (HK\$'000)
2015	2014	2015	2014	FY2014/15	FY2013/14	FY2014/15	FY2013/14	Office	Retail	
99.6	98.5	34.1	32.1	19.2	28.9	150,280	135,346	3.85	3.75	4,306,000
98.1	97.4	26.1	24.1	18.6	25.8	32,492	28,617	3.65	4.00	1,003,100
98.2	100.0	40.1	36.2	21.7	19.2	22,659	20,239	3.95	3.60	662,500
100.0	97.2	39.3	38.0	12.1	13.3	16,604	16,349	3.65	3.80	538,700
95.2	100.0	24.6	22.3	16.2	17.9	15,240	14,610	3.65	4.00	505,100
98.9	98.9	18.4	16.9	21.0	17.5	9,674	8,994	3.65	4.00	314,300
95.1	100.0	21.3	19.7	20.9	21.2	6,420	6,184	3.10	3.10	309,100
97.4	99.4	18.2	18.8	14.4	16.5	7,834	7,631	3.60	3.60	287,000
98.1	100.0	22.0	20.5	17.0	16.9	7,879	7,394	3.95	4.20	254,000
100.0	100.0	28.6	27.3	14.8	17.3	7,630	7,368	3.85	3.90	239,300
100.0	98.1	21.6	20.6	12.5	19.2	5,753	5,516	4.00	4.25	169,500
100.0	100.0	11.8	10.7	22.9	23.5	1,649	1,621	3.75	4.10	65,500
98.7	98.7	29.4	27.5	18.3	23.4	284,114	259,869			8,654,100
99.8	97.4	111.3	102.9	27.3	36.2	150,088	131,034	N/A	4.40	4,060,700
98.8	98.3	48.1	44.9	15.3	17.9	107,575	102,373	N/A	4.50	2,891,300
99.3	99.3	46.0	43.8	24.9	31.7	31,067	28,484	3.85	3.80	958,800
88.4	100.0	48.0	47.6	16.6	N/A	5,854	6,097	N/A	2.80	246,400
100.0	94.5	52.1	51.8	2.7	18.2	4,527	4,436	N/A	4.30	126,500
100.0	100.0	47.6	47.6	N/A	23.8	2,325	1,948	N/A	4.00	59,200
58.7	100.0	13.5	13.2	N/A	26.4	1,030	824	N/A	4.35	38,300
98.1	98.2	66.8	61.6	20.3	28.8	302,466	275,196			8,381,200
98.5	98.6	41.1	38.2	19.2	26.0	586,580	535,065			17,035,300

Business Review

Office Portfolio

Sunlight Tower

Contrary to earlier expectations, the potential new supply in Kowloon East and Island East has not dampened the sentiment in the office leasing market, as both occupancies and rents in non-core locations have remained firm. This favourable leasing environment was partly attributable to the disincentive to relocate given the small rental differential relative to areas such as Wan Chai and Causeway Bay, while corporate and institutional owner-occupiers have also absorbed a substantial amount of space. A recovery in leasing activities for Grade A offices in Central driven by demand from financial services companies has lent further support to the overall office market.

As such, the performance of Sunlight Tower was encouraging, with net property income registering a year-on-year increase of 11.0% to HK\$150.3 million. Riding on a solid rental reversion of 19.2%, passing rent rose 6.2% to HK\$34.1 per sq. ft., while the tenant retention rate of 91.4% was considerably higher than the 75.9% recorded in the previous year.

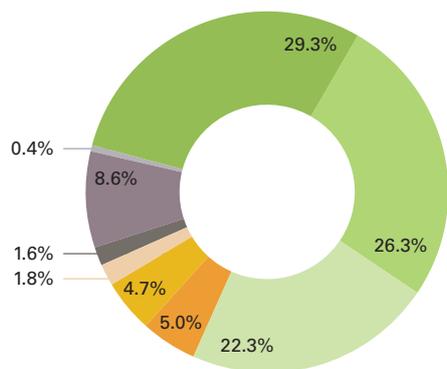


Sunlight Tower

Sunlight Tower continues to boast a well-balanced and diversified tenant base, including government-related organisations and multinational enterprises from a wide range of business sectors. At 30 June 2015, the number of leases at Sunlight Tower stood at 74 (30 June 2014: 75).

During the Year, the Manager undertook various value-added enhancement initiatives for this flagship property. Notably, the commissioning of the first water-cooled chiller plant has produced meaningful energy savings. Building on this success and with a view to creating a greener and more cost effective property, further air-conditioning system revamping works have been planned, with completion scheduled for the second quarter of 2016. Meanwhile, the office lobby renovation and the retail space reconfiguration were also completed, as the Manager is delighted to bring in several quality food and beverage tenants to enhance its retail trade mix. The project has enhanced the image of Sunlight Tower, ensuring that it will stay competitive as the preferred choice for Grade A office space in a decentralised location.

Tenant Mix at Sunlight Tower *



- Shipping, logistics and transportation
- Government and related organisations
- Advertising, consultancy and financial services
- Professional services
- Fashion and design
- IT and telecommunication services
- Healthcare
- Others
- Vacant

* Tenant mix charts on pages 20 to 23 are expressed by percentage and in terms of GRA at 30 June 2015.



► Sunlight Tower

Grade B Central/Sheung Wan Office Properties

Well sought after by small and medium-sized enterprises, Sunlight REIT's Grade B office portfolio in Central and Sheung Wan continued to perform well during the Year. With growing demand from the logistics and creative industries coupled with limited supply of en-bloc office space in the vicinity, our Central and Sheung Wan Grade B portfolio clearly offers an appealing alternative.

On the back of an improving office market in Central starting from the second quarter of 2015, Winsome House Property recorded full occupancy, a rental reversion of 12.1% and a 3.4% year-on-year increase in passing rent at 30 June 2015. Meanwhile, our two Sheung Wan office properties, namely Bonham Trade Centre and 235 Wing Lok Street Trade Centre, reported 98.1% and 98.9% in occupancy respectively. In terms of rental performance, these two properties posted 8.3% and 8.9% growth in passing rent, supported by rental reversions of 18.6% and 21.0% respectively.

Other Office Properties

The tenants of these smaller office properties are engaged in a diverse mix of service-related industries, such as healthcare and beauty, education and professional services. Such businesses have thrived on domestic consumption and are defensive in nature, providing an element of stability in rents and occupancies and thus a steady recurrent income stream.

Note : Excluding 1/F which was disposed of separately in July 2015.



► Bonham Trade Centre

In May 2015, the Manager announced the disposal of Everglory Centre and Yue Fai Commercial Centre Property^{Note}, for HK\$336.9 million and HK\$300.6 million respectively. The completion of the disposal took place in July 2015. Meanwhile, the Manager is pleased to announce that subsequent to the Year, Sunlight REIT has acquired the remaining interests in On Loong Commercial Building and become the sole owner of this office property situated in Wai Chai. Such unification of ownership is expected to enhance the capital value of the property and improve its cost efficiency.

Business Review

► Retail Portfolio

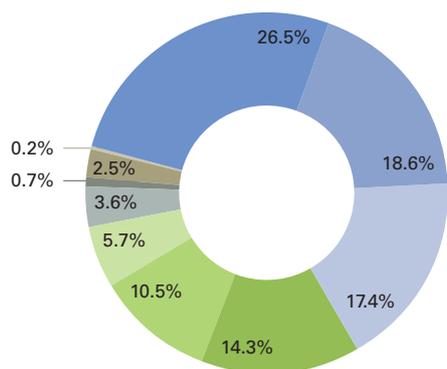
Sheung Shui Centre Shopping Arcade

Although retail sales have weakened in recent months as a result of a structural change in the spending pattern of mainland tourists and travel restrictions imposed on Shenzhen residents, consumer staple goods continued to enjoy healthy growth in sales during the Year. With a positive bias towards non-discretionary trades, SSC was relatively insulated from a decline in the sales of luxury goods and was able to achieve an encouraging 14.5% growth in net property income for the Year. With a strong

rental reversion of 27.3%, the property recorded a 8.2% growth in passing rent to HK\$111.3 per sq. ft..

Asset enhancement initiatives with a view to reducing electricity expenses were also carried out at SSC during the Year. The Manager has spent HK\$11.0 million on replacing all of its chiller plants in the first quarter of 2015. In addition, the Manager is finalising an asset enhancement programme to redesign the layout and configuration of a key area of the shopping mall, with an ultimate objective of further improving the customer traffic and income profile of SSC.

Tenant Mix at Sheung Shui Centre Shopping Arcade



► Sheung Shui Centre Shopping Arcade



▶ Metro City Phase I Property

Metro City Phase I Property

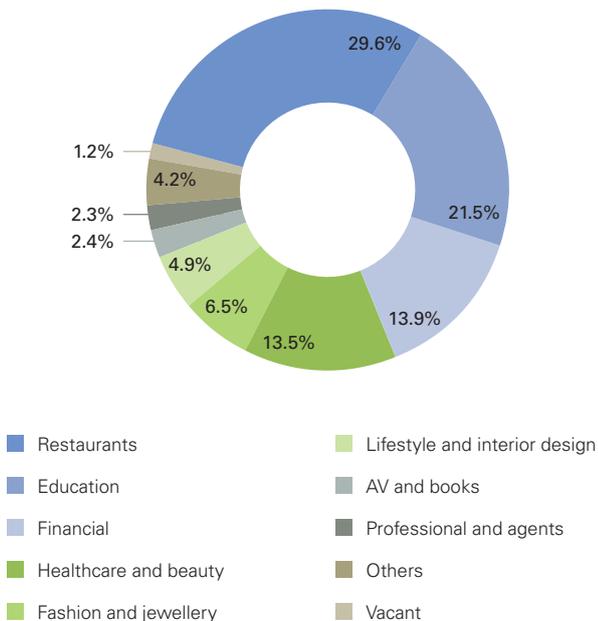
During the Year, the refurbished MCPI managed to achieve a 5.1% growth in net property income, a 7.1% year-on-year increase in passing rent to HK\$48.1 per sq. ft., and a respectable rental reversion of 15.3%. The satisfactory performance reflected the positive impact derived from the tenant realignment exercise following the completion of its enhancement programme in the middle of the Year. Occupancy of the property experienced a slight improvement from 98.3% at 30 June 2014 to 98.8% at 30 June 2015.

During the Year, the Manager capitalised on the revised layout of the property to introduce a rich variety of new tenants, ranging from stylish accessories to specialty gourmet restaurants. In the meantime, the ongoing relocation of certain service trade tenants to the lower floor also supported further growth in footfall and rental performance of the shopping mall.

Kwong Wah Plaza Property

With a strong pipeline of residential projects scheduled for completion in the Yuen Long district, Kwong Wah Plaza Property will continue to benefit from resilient domestic consumption supported by steady population growth. Meanwhile, thanks to its strategic location, the office portion continues to attract tenants from finance-related and service trades that are intended to serve both locals and mainland Chinese visitors. As a result, the property was virtually fully let at 30 June 2015, while passing rent increased by 5.0% to HK\$46.0 per sq. ft. on the back of a decent rental reversion of 24.9%.

Tenant Mix at Metro City Phase I Property



Other Retail Properties

Other retail properties held by Sunlight REIT comprise a number of street or podium level shops in residential or office buildings, meeting the regular needs of the shoppers and people in the respective vicinity. As in the past, they have contributed a stable and defensive recurrent income stream to Sunlight REIT.

In addition to the disposal of two non-core office properties as mentioned earlier, the Manager also disposed of the Royal Terrace Property for HK\$282.0 million. The transaction was completed in August 2015.

Business Review

Occupancy (%)



■ At 30 June 2015 ■ At 30 June 2014

Operational Statistics

The overall portfolio of Sunlight REIT recorded an average occupancy of 98.5% at 30 June 2015, largely unchanged from the previous year. The occupancies of the office and retail portfolios stood at 98.7% and 98.1% (30 June 2014: 98.7% and 98.2%) respectively. During the Year, a total of 573,258 sq. ft. were leased out, 23.4% of which was attributable to new lettings while the remainder was renewal. The moderating pace of office market decentralisation to area such as Kowloon East contributed to a high retention rate of 79.4% (FY2013/14: 71.0%) for the office portfolio, while the lower retention rate for the retail portfolio at 65.1% (FY2013/14: 74.5%) was mainly due to the tenant reconfiguration exercise at MCPI.

Rental Reversion and Retention Rate

	Rental Reversion		Retention Rate	
	FY2014/15 (%)	FY2013/14 (%)	FY2014/15 (%)	FY2013/14 (%)
Sunlight Tower	19.2	28.9	91.4	75.9
Sheung Wan/Central	17.2	19.0	71.8	65.5
Other office properties	17.5	18.6	69.9	71.0
Sheung Shui Centre Shopping Arcade	27.3	36.2	66.6	58.5
Metro City Phase I Property	15.3	17.9	60.9	79.1
Other retail properties	18.3	29.5	72.8	86.5
Average	19.2	26.0	75.8	72.0

Passing Rent (HK\$/sq. ft.)

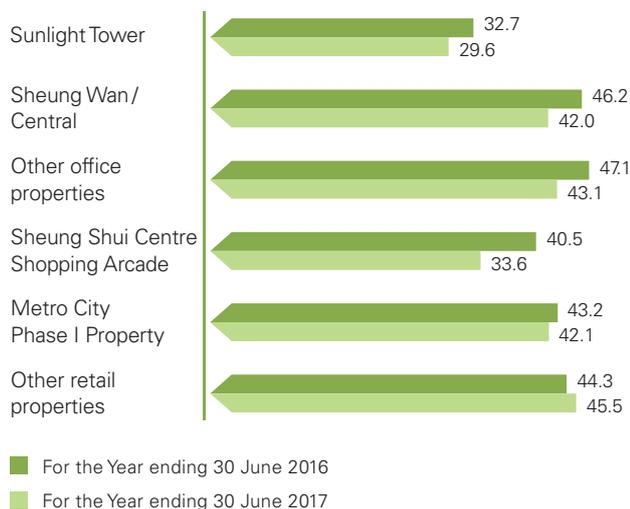


■ At 30 June 2015 ■ At 30 June 2014

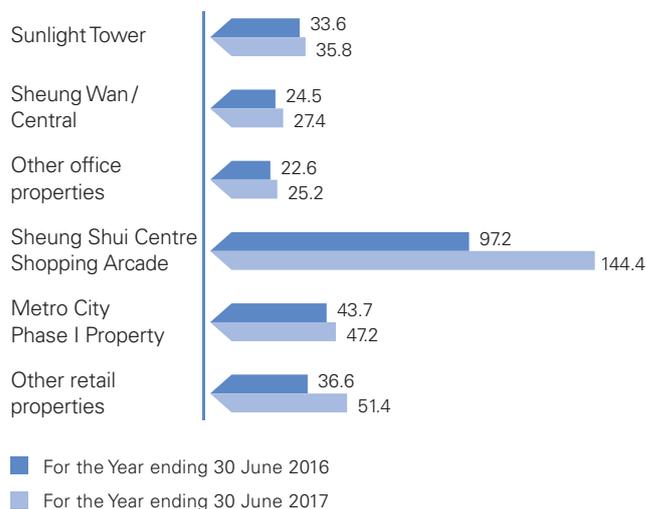
Average passing rent of the office portfolio was HK\$29.4 per sq. ft., up 6.9% year-on-year, while that of the retail portfolio was HK\$66.8 per sq. ft., up 8.4% from a year ago. During the Year, rental reversions of 18.3% and 20.3% were secured by the office and retail portfolios respectively.

At 30 June 2015, the weighted average lease length in terms of GRA was 2.6 years for the entire portfolio. Leases expiring on or before 30 June 2016 account for 40.7% of office GRA and 42.7% of retail GRA. The average unit rents for the expiring office and retail leases are HK\$27.1 per sq. ft. and HK\$57.3 per sq. ft. respectively.

Expiry Profile by GRA^{1,2} (%)



Expiry Profile by Average Rent¹ (HK\$/sq. ft.)



Tenancy Base

The portfolio had a total of 1,006 tenancies at 30 June 2015. The largest tenant accounted for 4.2% of total rental income and occupied 5.7% of total GRA, while the corresponding figures for the top ten tenants were 21.7% and 17.5% respectively. Details of the rental contribution of the top ten tenants at 30 June 2015 are set out in the table on page 26.

Other Income

Sunlight REIT held a total of 844 car parking spaces, which generated approximately HK\$33.6 million in income for the Year, representing an increase of 13.7% on a year-on-year basis. Income was also derived from outdoor advertising space and short-term licenses on certain properties, although the contribution was relatively insignificant.

Selected New Tenants in FY2014/15



Notes :

1. At 30 June 2015.
2. Expiring GRA as a percentage of total GRA.

Business Review

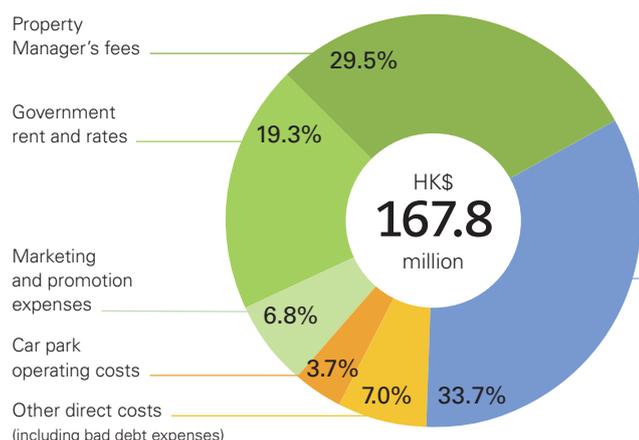
Cost Control and Capital Expenditure

Given sustained inflationary pressure, the Manager maintained a high level of discipline in containing expenses for Sunlight REIT during the Year. Key property related expenses such as security, cleaning and utilities were kept under adequate control, while higher expenses for items such as rental commission and government rents and rates essentially reflected the growth in rental income and increased assessable value of the properties. In all, the cost-to-income ratio of 22.2% (FY2013/14: 22.3%) remained competitive and satisfactory.

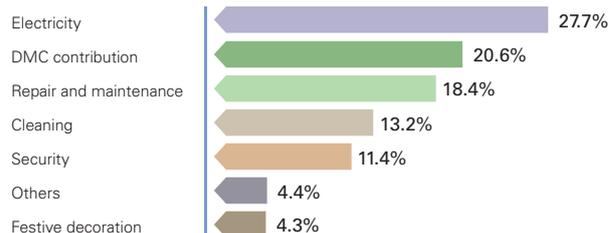
Cost-to-income : Five-Year Trend (%)



Components of Property Operating Expenses



Building management fee



Top Ten Tenants by Rental Contribution^{Note}

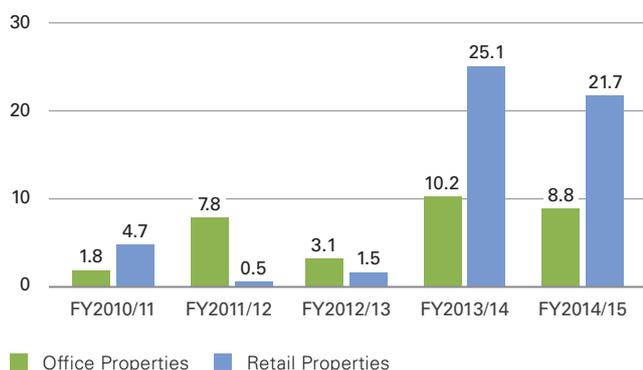
Tenant name	Trade sector	Total gross area (sq. ft.)	% of total GRA	% of total monthly rent
Anglo-Eastern Ship Management Limited	Shipping, logistic and transportation	72,722	5.7	4.2
The Financial Secretary Incorporated c/o Government Property Agency	Government and related organisations	61,772	4.8	3.9
A.S. Watson Group (HK) Limited	Healthcare and electrical appliances	20,756	1.6	2.7
The Bank of East Asia, Limited	Financial	8,997	0.7	2.1
Bank of Communications Co., Ltd.	Financial	7,547	0.6	1.9
Forever Sky (Asia) Limited	Restaurants	20,261	1.6	1.4
Hang Seng Bank Limited	Financial	8,863	0.7	1.4
Bank of China (Hong Kong) Limited	Financial	7,849	0.6	1.4
The Hong Kong and Shanghai Banking Corporation Limited	Financial	5,390	0.4	1.4
The Dairy Farm Company Limited	Supermarket	10,587	0.8	1.3

Note : At 30 June 2015.

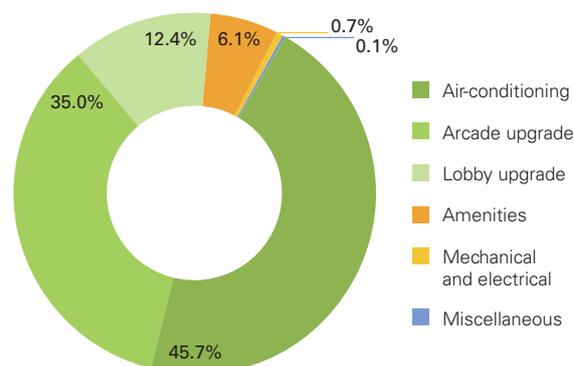
CAPEX for the Year amounted to HK\$30.5 million (FY2013/14: HK\$35.3 million), of which 28.9% was spent on office properties with retail properties accounting for the rest. The contracted capital commitments at 30 June 2015 was HK\$27.6 million.

Breakdowns of the total property operating expenses (together with components constituting building management expenses) and CAPEX for the Year, as well as the five-year trend in CAPEX are provided in the charts on page 26 and below respectively.

Capital Expenditure : Five-Year Trend (HK\$' million)



Components of Capital Expenditure for the Year



Top Five Real Estate Agents and Contractors for the Year

Real estate agents and contractors	Nature of service	Value of contract (HK\$'000)	Relevant cost (%)
Henderson Sunlight Property Management Limited ^{Note}	Leasing, marketing and building management	49,462	33.43
Trane Service Hong Kong	Repairs, maintenance and chiller plant installation	14,109	9.54
New Progress Construction Company Limited	Repairs, maintenance and renovation works	13,226	8.94
Hang Yick Properties Management Limited ^{Note}	Building management	9,747	6.59
Winston Air Conditioning & Engineering (Hong Kong) Company Limited	Repairs and maintenance	5,459	3.69
Total		92,003	62.19

Note : Wholly-owned subsidiaries of HLD, being interested in more than 5% of the total number of units in issue of Sunlight REIT.

Financial Review

Financial Highlights

(in HK\$' million, unless otherwise specified)	2015	2014	2013	2012	2011
For the year ended 30 June :					
Revenue	754.4	688.9	630.2	581.7	532.5
Property operating expenses	167.8	153.8	139.6	133.2	125.1
Net property income	586.6	535.1	490.6	448.5	407.4
Cost-to-income ratio (%)	22.2	22.3	22.2	22.9	23.5
Profit after taxation	1,902.7	1,230.0	1,674.6	1,027.3	1,655.1
Total distributable income	375.2	342.8	307.0	298.4	264.5
DPU ¹ (HK cents)	22.0	20.0	17.7	17.0	17.6
Payout ratio (%)	95.9	94.8	93.1	91.3	90.5
At 30 June :					
Portfolio valuation	17,035.3	15,390.6	14,408.8	13,038.8	12,222.2
Total assets	17,897.7	16,151.9	15,156.4	13,692.5	12,888.2
Total liabilities	4,800.6	4,657.0	4,624.7	4,670.5	4,626.3
Net asset value	13,097.1	11,494.9	10,531.7	9,022.0	8,261.9
Net asset value per unit (HK\$)	7.99	7.06	6.52	5.62	5.21
Gearing ratio (%)	22.0	24.3	25.9	28.8	30.6

Operating Results

For the Year, Sunlight REIT recorded a 9.5% year-on-year increase in revenue to HK\$754.4 million. After deducting operating expenses of HK\$167.8 million, net property income came in at HK\$586.6 million, up 9.6% year-on-year. Finance costs decreased 3.5% from the preceding year to HK\$110.5 million, mainly attributable to a relatively smaller fee amortisation relating to loan refinancing activities. After taking into account a fair value gain on investment properties amounting to HK\$1,596.5 million, Sunlight REIT reported a profit after taxation of HK\$1,902.7 million (FY2013/14: HK\$1,230.0 million).

Distribution

The total distributable income of Sunlight REIT for the Year was HK\$375.2 million, representing an increase of 9.4% from the previous year. The Board has resolved to declare a final distribution of HK 11.5 cents per unit, or HK\$188.2 million. Together with the interim distribution of HK 10.5 cents per unit, or HK\$171.4 million, total distributions for the Year would amount to HK\$359.7 million, implying a payout ratio of 95.9%. The full year DPU of HK 22.0 cents is 10.0% higher than the preceding year, and represents a distribution yield of 5.6% based on the closing unit price of HK\$3.95 on the last trading day of the Year.

A comparison of annual DPU with composition breakdown (attributable to operations, cash savings from Manager's fees paid in units and distribution waivers (as applicable)) is illustrated in the chart titled "Distribution at a Glance". The chart also depicts the distribution income retained expressed on a per unit basis.

Distribution Entitlement and Closure of Register of Unitholders

The ex-distribution date and record date for the final distribution are Friday, 25 September 2015 and Monday, 5 October 2015 respectively. The register of unitholders will be closed from Wednesday, 30 September 2015 to Monday, 5 October 2015, both days inclusive, during which period no transfer of units will be effected. 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 29 September 2015. Payment of the final distribution will be made to unitholders on Tuesday, 20 October 2015.

Financial Position

Sunlight REIT's portfolio was appraised by the principal valuer at HK\$17,035.3 million at 30 June 2015, representing a 10.7% appreciation from the same time last year. Accordingly, the net assets of Sunlight REIT rose by 13.9% to HK\$13,097.1 million (30 June 2014: HK\$11,494.9 million). After taking into account the effect of payment of Manager's fees in units and the cancellation of units bought back during the Year, net asset value per unit increased by 13.2% to HK\$7.99 (30 June 2014: HK\$7.06).

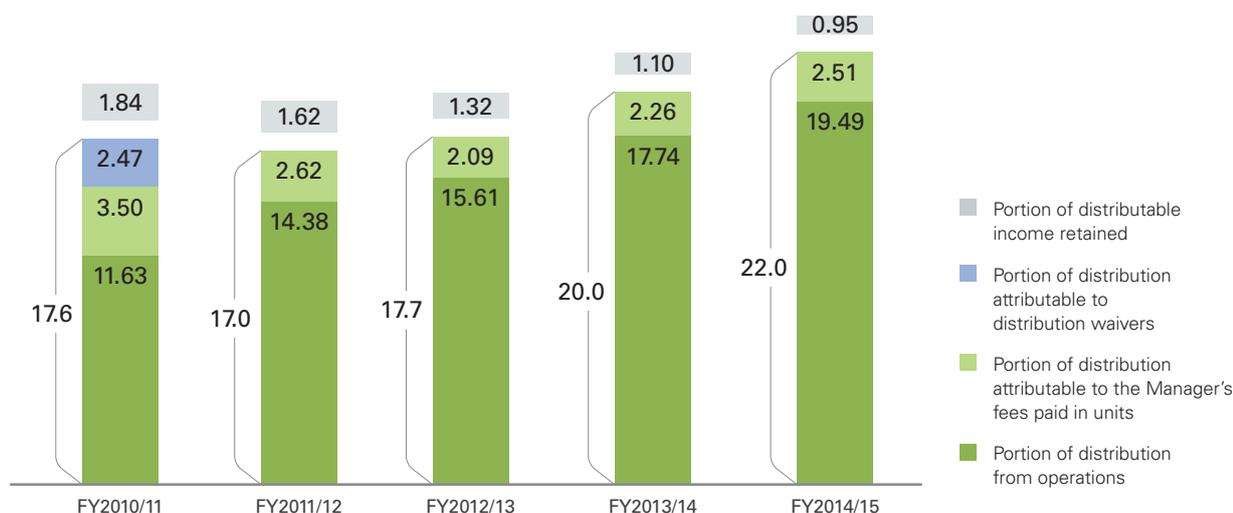
Given the higher property valuation, the gearing ratio of Sunlight REIT, defined as total borrowings as a percentage of gross assets, decreased from 24.3% at 30 June 2014 to 22.0% at 30 June 2015; gross liabilities² as a percentage of gross assets also dropped to 26.8%. As the EBITDA³ of Sunlight REIT grew 8.5% year-on-year to HK\$481.6 million, the interest coverage ratio⁴ for the Year further improved to 4.89 times as compared with 4.68 times recorded in the previous year. 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 utility companies, the amount of which was HK\$4.7 million at 30 June 2015.

Capital Management

At 30 June 2015, Sunlight REIT had in place total loan facilities of HK\$4,225.0 million, comprising term loan facilities of HK\$3,925.0 million which were fully drawn and a HK\$300 million revolving credit facility with HK\$290 million undrawn. The term loan facilities, carrying a blended interest margin of 1.24% per annum over HIBOR (before interest rate swap arrangements) and a weighted loan maturity period of 3.3 years, are secured by a pool of securities (shared on a pari passu basis) including, among others, a mortgage over certain properties held by Sunlight REIT (with an appraised value of HK\$14,112.5 million at 30 June 2015), assignment of proceeds under tenancies and a floating charge over the bank balances relating to these properties.

Following the special resolutions passed by the unitholders at an extraordinary general meeting held in March 2015 and the consequential changes to the Trust Deed, flexibility has been introduced in treasury management activities for Sunlight REIT. Under the new regime, the Manager is permitted to place funds as bank deposits and relevant investments⁵ as governed by the REIT Code and the Trust Deed, with maturity profile compatible with projected funding requirements.

Distribution at a Glance (HK cents)



Notes :

1. The DPU in 2011 was enhanced by arrangement offered by the Sponsors in the form of distribution waivers. Please refer to the offering circular of Sunlight REIT dated 8 December 2006 for more details.
2. Gross liabilities include total borrowings, tenants' deposits and other liabilities.
3. EBITDA represents net earnings before change in fair value of investment properties, interest expenses, taxation, depreciation and amortisation.
4. Interest coverage ratio is calculated by dividing EBITDA by cash interest expense incurred on gross borrowings.
5. Relevant investments shall have the meaning as defined in paragraph 7.2B of the REIT Code.

Financial Review

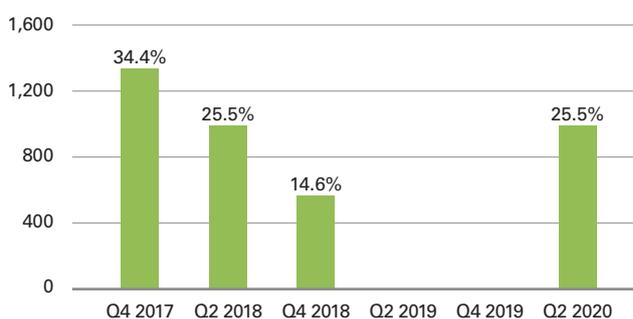
At 30 June 2015, Sunlight REIT had total cash and bank balances of HK\$464.3 million, and had no exposure to relevant investments. Taking into consideration the recurrent income generated from its operations, the current cash position and sources of funding available, the Manager is of the view that Sunlight REIT has sufficient financial resources to satisfy its working capital, distribution payment and CAPEX requirements.

In order to mitigate financial market risks, Sunlight REIT has maintained certain interest rate swap arrangements. At 30 June 2015, approximately 77.5% (or HK\$3,050 million) of Sunlight REIT's borrowings was hedged to fixed rates. Subsequent to the Year, the Manager capitalised on the prevailing interest rate environment and restructured the hedging profile of Sunlight REIT, with an objective to cushioning the impact of interest rate uptick on Sunlight REIT from a longer term perspective. In particular, the Manager unwound three existing interest rate swaps in July 2015, each with a notional amount of HK\$500 million and all due for expiry on 30 June 2016, for a total cost of HK\$22.2 million. Meanwhile, new interest rate swaps with an aggregate notional amount of HK\$400 million and HK\$600 million were entered into at weighted average interest rates of 1.441% per annum and 1.661% per annum,

and with expiry dates in August 2019 and 2020 respectively. Subsequent to the above transactions, the weighted tenure of the interest rate swaps will be extended from 2.0 years to 3.6 years.

As the new interest rate swaps carry lower interest rates than those being unwound, it is envisaged that Sunlight REIT would be able to enjoy an interest saving in FY2015/16. The Manager believes that this restructured hedging arrangement will assure Sunlight REIT with a more predictable cashflow profile which should prove beneficial to unitholders.

Debt Maturity Profile¹ (HK\$' million)



Interest Rate Swaps Profile

Tenure	At 30 June 2015		Current position (at 10 September 2015)	
	Notional amount (HK\$' million)	Weighted average interest rate ² (per annum)	Notional amount (HK\$' million)	Weighted average interest rate ² (per annum)
4 July 2011 – 30 June 2016	1,500	2.0973%	N/A	N/A
7 October 2011 – 28 September 2018	300	1.5975%	300	1.5975%
2 July 2013 – 29 June 2018	500	0.8150%	500	0.8150%
2 October 2013 – 29 September 2017	300	1.3100%	300	1.3100%
23 October 2014 – 28 September 2018	150	1.3180%	150	1.3180%
16 January 2015 – 31 December 2018	300	1.2700%	300	1.2700%
3 August 2015 – 2 August 2019	N/A	N/A	400	1.4410%
3 August 2015 – 3 August 2020	N/A	N/A	600	1.6610%
Total	3,050	1.6408%	2,550	1.3457%

Notes :

1. Excluding the revolving credit facility.
2. This represents the weighted average interest rate currently payable on the interest rate swap contracts, excluding the relevant interest margin under the respective term loan agreements. The tenure of these contracts may not exactly match with that of Sunlight REIT's borrowings.

Sustainability and Corporate Social Responsibility

As the Manager of Sunlight REIT, we aspire to create a better and sustainable environment for the community at large. We believe our vision of sustainable development can be realised in our care for people, land and the environment. A sound business strategy should embody sustainability in our business decision-making process and establish best practices in every aspect of our operations, notably including property management, corporate governance and human resources administration.

To balance the economic, environmental and social benefits of our business operations, we formed the Corporate Social Responsibility Committee (“**CSRC**”) in 2012 to coordinate all the corporate social responsibility (“**CSR**”) initiatives. Headed by the CEO, the CSRC is responsible for planning, executing and monitoring the progress of programmes aimed at implementing the principles of sustainability in different business aspects. We believe that sustainability will create long-term value for our stakeholders and as such we maintain constant dialogues with them and concerted efforts are made to achieve the goal of sustainable development.

Environmental Protection

We manage our property portfolio in a way that minimises any adverse impact on the environment. Our green strategy has continued to focus on three areas: energy efficiency, waste treatment and green surroundings.

For the Year, we are pleased to have achieved a 3.2% year-on-year reduction in electricity consumption for the properties solely managed by the Property Manager. This was principally resulted from the investment of a water-cooled chiller plant at Sunlight Tower. To emulate the rewarding changes made to Sunlight Tower, the Manager extended the chiller replacement theme to SSC, as three air-cooled chillers in the property were entirely replaced. In the meantime, a new building management

system was installed at SSC to enhance systems control and efficiency. In addition to providing a more comfortable and pleasant environment for our shoppers and tenants, these improvement works will no doubt bring noticeable cost and ‘green’ benefits.

We are also proactive in exploring different ways to promote the awareness of environmental protection among our tenants and the shoppers of our retail properties. Individual waste separation and recycling containers are placed at various locations of our properties for the collection of waste papers, plastic bottles, aluminium cans, fluorescent tubes and printer cartridges. In November 2014, we held a “DIY Eco Enzyme Cleaner Workshop” at the podium garden of Sunlight Tower to promote the idea of a green lifestyle and also to enhance interaction with our tenants. As an acknowledgement of our continuous effort on environmental protection, the Property Manager was awarded the Silver Green Management Award (Corporate) by the Green Council for the third consecutive year.

In shaping a greener environment, we believe that it is essential to provide a clean and safe environment for our tenants and other users of our properties. To achieve this objective, we have adopted different technologies to maintain a satisfactory level of indoor air and water quality. The installation of air purifiers inside the elevators of Sunlight Tower and MCPI is a good illustration. During the Year, Sunlight Tower was awarded the “Excellent Class” Indoor Air Quality Certificate by the Environment Protection Department for the third consecutive year, while both SSC and MCPI were presented with the “Good Class” Indoor Air Quality Certificates for the first time. Sunlight Tower and MCPI also obtained their first Green Office labels from the World Green Organisation. We also obtained certificates for six of our properties in the Quality Water Recognition Scheme for Buildings and the Flushing Water Plumbing Quality Maintenance Recognition Scheme from the Water Supplies Department.

► Community Event Highlights

July



"Sunlight Little Ironman Triathlon"

December



Charity walkathon

January

Elderly visit in Wan Chai together with tenants at Sunlight Tower

2014

2015

August

Donation of lucky bags at Tin Ping Estate, Sheung Shui

Staff trip to Singapore



"DIY Eco Enzyme Cleaner Workshop" at Sunlight Tower

November

Community Involvement

Sunlight REIT is dedicated to enhancing the welfare of the community, particularly in the neighbourhood of its properties. Our volunteer team has organised community activities including elderly visits, school visits and charity walks with positive feedback from our staff and tenants. During the Year, our staff spent about 220 hours on charitable work while we sponsored several community activities by providing event venues for a total of 84 days. As our staff managed to gain a better understanding of the community, the activities also provided opportunities to enhance landlord-tenant relationship. Together with the Property Manager, we are encouraged to be awarded *The Caring Company* Logo by The Hong Kong Council of Social Service, a signpost from which we shall continue to build our passion for caring the community.

In addition, we extended our community involvement to different areas and introduced two new CSR activities during the Year. Firstly, in conjunction with Chinese YMCA of Hong Kong, we launched "Sunlight Little Ironman Triathlon" – a CSR event which aims at providing participants with professional training in swimming, running and cycling. The programme targeted low-income families in Tin Shui Wai and sought to strengthen their parent-child relationship. We received encouraging response and a triathlon competition was held in October 2014.

Moreover, with the intention of promoting the concept of community caring to adolescents, we partnered with Hong Kong Children & Youth Services to organise a new activity called "Musical Ambassador". Teenagers from low-income families were invited to serve as musical ambassadors and

March



"Musical Ambassador"

May



Mother's Day singing contest at Sheung Shui Centre Shopping Arcade

"Read-Cycling" at Metro City Phase I Property



Visiting "Yau Chong Home" and donation of bio-food waste decomposer

June

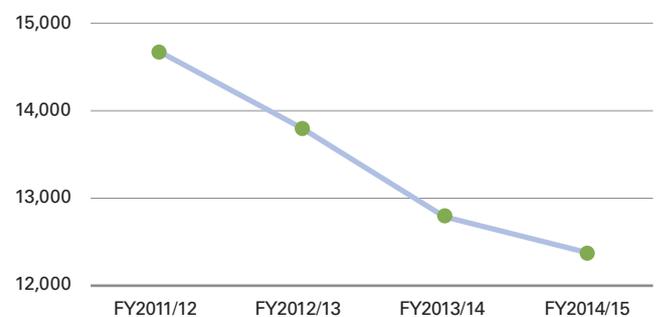
Donation of rice dumplings and elderly visit in Sham Shui Po

April

receive a two-month training in playing various musical instruments. These musical ambassadors then performed in different community activities after completion of their training. This programme was met with a warm reception with total enrolment of approximately 20 teenagers.

Meanwhile, we sponsored for the fourth consecutive year "Read-Cycling" – an event in promotion of the concepts of green recycling and the joy of reading. Book collection points were set up at our three main properties, namely Sunlight Tower, SSC and MCPI. A record number of over 9,000 books were collected this time, testifying the growing popularity of this meaningful event.

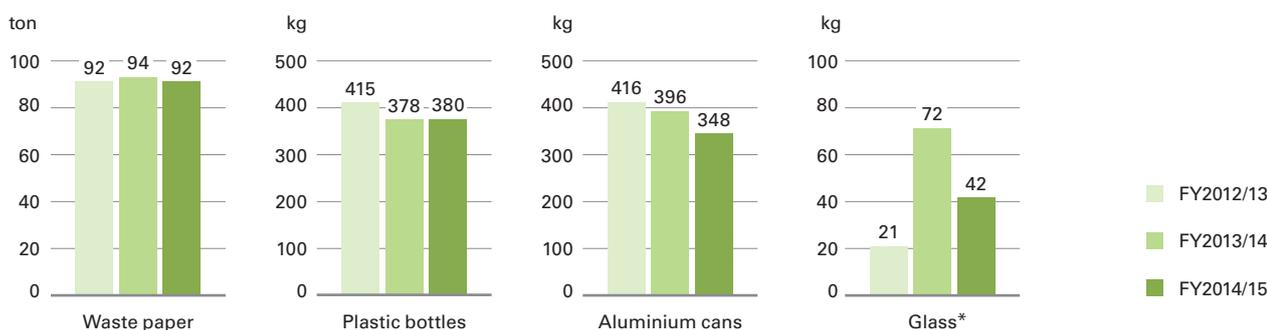
Total Electricity Consumption* (MWh)



* Cumulative measurements taken at eight of Sunlight REIT's wholly-owned properties, namely Sunlight Tower, Sheung Shui Centre Shopping Arcade, Metro City Phase I Property, Bonham Trade Centre, Righteous Centre, 235 Wing Lok Street Trade Centre, Java Road 108 Commercial Centre and Everglory Centre.

Sustainability and Corporate Social Responsibility

Total Solid Waste Recycled at Sunlight Tower, Sheung Shui Centre Shopping Arcade and Metro City Phase I Property



* Only at Sunlight Tower in FY2012/13; only at Sunlight Tower and Sheung Shui Centre Shopping Arcade in FY2013/14 and FY2014/15.

Operating Practices

Sunlight REIT is committed to a high standard of corporate governance, and we have adopted a compliance manual to ensure fair and ethical business practices. Our strict code of conduct and internal control measures stress the significance of preventing bribery, fraud and money laundering.

We also espouse greater transparency in our operations and financials, with timely disclosure of important information. A separate “Corporate Governance Report” can be found on pages 42 to 51.

Workplace Quality

Our employees are valuable assets and the key to the success of Sunlight REIT. We provide equal opportunity in employment to all qualified persons and prohibit discrimination in employment on the basis of age, creed, disability, gender or race. We shall ensure our remuneration packages are fair and competitive, and are committed to investing heavily in training programmes for staff development.

A safe and congenial work environment is essential to our long-term sustainability. We place strong emphasis on adherence to labour standards and laws, and have established internal guidelines and systems to ensure the safety and health of our employees.

The volunteer works and activities organised by us not only serve the purpose of community caring but also help to promote camaraderie and morale among our staff. We are delighted to perceive the passion of our employees in tirelessly serving the local communities while fostering their team spirit. Furthermore, as an annual tradition, a staff trip to Singapore was organised during the Year, which provided a platform to enhance staff relationship and to fortify their sense of belonging.

Conclusion

We are encouraged that our commitment to being a responsible corporate citizen is recognised by the community, as illustrated by the awards obtained during the Year (listed on page 35). As we continue to refine the performance culture of Sunlight REIT and maintain its properties as appealing office and shopping destinations, we shall continue to embrace the principle of sustainability and develop the business with care for people and the environment.

Awards and Recognition – Company

Company	Award	Description
1. The Manager 2. The Property Manager	Caring Company Logo	An indication that the local company or organisation recognises the concept of corporate social responsibility
The Property Manager	Green Management Award (Corporate) – Silver	To recognise company headquarters, subsidiaries or specific projects for outstanding performance in executing green policy

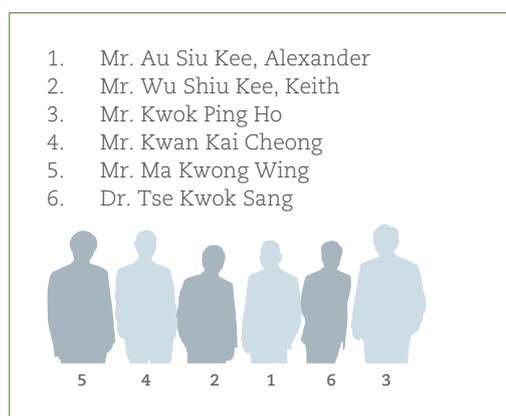
Awards and Recognition – Property

Property	Award	Description
Sunlight Tower	(i) Indoor Air Quality Certificate (Excellent class) (ii) "Class of Excellence" Wastewi\$e Label (iii) Certificate of Appreciation – Computer Recycling Programme	(i) Publicly recognises buildings with efforts in achieving good indoor air quality (IAQ) (ii) A recognition scheme established to encourage Hong Kong businesses/organisations in adopting measures to reduce waste generated during operation/service provision or product manufacturing, and recognise the waste reduction efforts of those companies (iii) Certificates awarded in recognition of their contributions to supporting used computers and computer parts collection for refurbishment and recycling
1. Sheung Shui Centre Shopping Arcade 2. Metro City Phase I Property	Indoor Air Quality Certificate (Good class)	Publicly recognises buildings with efforts in achieving good indoor air quality (IAQ)
1. Sunlight Tower 2. Metro City Phase I Property	Green Office Awards Labelling Scheme (GOALS) "Green Office" Label	A recognition scheme established to raise local business awareness of the global environmental challenges, and support offices and retailers to go green in different aspects of operations, including energy savings, water savings, waste reduction, paper/printing reduction, green procurement, IT use and disposal, transportation, education and awareness, as well as green innovation
1. Sunlight Tower 2. Bonham Trade Centre 3. Righteous Centre 4. 235 Wing Lok Street Trade Centre 5. Everglory Centre 6. Java Road 108 Commercial Centre	Certificates – (i) Quality Water Recognition Scheme for Buildings (ii) Flushing Water Plumbing Quality Maintenance Recognition Scheme	(i) Certificates awarded to applicants who have properly maintained the plumbing systems inside their buildings for keeping the good quality of government supplied water throughout the inside service up to the consumers' taps (ii) Certificates awarded to applicants who have conducted regular inspections of the flushing water plumbing systems in their buildings and carried out necessary maintenance and repairs to ensure the systems' proper functioning

Board of Directors and Senior Management



► Board of Directors



► Board of Directors

Mr. Au Siu Kee, Alexander

OBE, ACA, FCCA, FCPA, AALA, FCIB, FHKIB
Chairman and Non-Executive Director

Mr. Au, aged 68, has been the Chairman and Non-executive Director of the Manager since 2010. Mr. Au was an executive director and the chief financial officer of HLD from December 2005 to June 2011. In July 2011, he stepped down from the position of chief financial officer and was re-designated as a non-executive director of HLD. Further, he was re-designated in December 2012 as an independent non-executive director of HLD until his retirement in June 2015. With effect from 1 July 2015, Mr. Au was appointed as an independent non-executive director of Henderson Investment Limited (“HIL”).

Mr. Au is also a non-executive director of Hong Kong Ferry (Holdings) Company Limited (“HK Ferry”) and Miramar Hotel and Investment Company, Limited (“Miramar Hotel”) and an independent non-executive director of The Wharf (Holdings) Limited (“Wharf”). Shares of HIL (a subsidiary of HLD), HK Ferry and Miramar Hotel (both

associated companies of HLD) and Wharf are listed on the Main Board of the Stock Exchange.

A banker by profession, he was the chief executive officer of Hang Seng Bank Limited from October 1993 to March 1998 and of Oversea-Chinese Banking Corporation Limited in Singapore from September 1998 to April 2002. He was formerly a non-executive director of a number of leading companies including The Hongkong and Shanghai Banking Corporation Limited, MTR Corporation Limited and Hang Lung Group Limited. He also served as an independent non-executive director of Wheelock and Company Limited from September 2002 to October 2012. An accountant by training, Mr. Au is a Chartered Accountant.

Mr. Wu Shiu Kee, Keith

BS, MS, FHKIoD

Chief Executive Officer and Executive Director

Mr. Wu, aged 51, is the Chief Executive Officer, Executive Director and a Responsible Officer of the Manager. He has over 25 years of experience in the property, corporate finance, asset management and research related fields. He joined the Manager in April 2006.

From 1997 to 2005, Mr. Wu was an Executive Director of Lai Sun Development Company Limited (“Lai Sun Development”), where he was primarily responsible for overseeing corporate finance related matters of the group. Prior to his appointment at Lai Sun Development, Mr. Wu worked in the investment banking field and held senior research and asset management positions with several international financial institutions in Hong Kong.

Mr. Wu holds a Master of Science degree in Engineering-Economic Systems (since renamed Management Science and Engineering) from Stanford University in the United States and a Bachelor of Science degree in Economics and Statistics (High Distinction) from the University of Toronto in Canada. He is also a fellow of The Hong Kong Institute of Directors.

Mr. Kwok Ping Ho

BSc, MSc, Post-Graduate Diploma in Surveying, ACIB

Non-executive Director

Mr. Kwok, aged 62, has been an executive director of HLD since December 1993. Further, Mr. Kwok also served as an executive director of HIL since September 1988 until his retirement in June 2012.

Mr. Kwok holds a Master of Science degree in Administrative Sciences from the City University Graduate Business School, London, a Post-Graduate Diploma in Surveying (Real Estate Development) from The University of Hong Kong and a Bachelor of Science (Engineering) (Civil Engineering Group) Honours degree from the University of London. He is also an associate member of The Chartered Institute of Bankers (A.C.I.B.) of the United Kingdom and had previously been a part-time lecturer for the MBA programme of The University of Hong Kong. In 2012, Mr. Kwok was appointed as an Honorary Professor of the Department of Real Estate and Construction, Faculty of Architecture of The University of Hong Kong.

Mr. Kwok has over 30 years of experience in the finance and business management areas which include responsibilities in the corporate investment, finance and treasury and project management activities of the HLD group of companies since 1987, including group re-organisation, privatisation proposals and corporate acquisitions.

Mr. Kwan Kai Cheong

BAcc, FCA (Aust.), FHKICPA, FHKIoD

Independent Non-executive Director

Mr. Kwan, aged 65, is presently the President of Morrison & Company Limited, a business consultancy firm. He is a non-executive director of China Properties Group Limited and an independent non-executive director of United Photovoltaics Group Limited, Win Hanverky Holdings Limited, Greenland Hong Kong Holdings Limited, Dynagreen Environmental Protection Group Co., Limited and CK Life Sciences Int'l., (Holdings) Inc. (all being companies listed on the Main Board of the Stock Exchange). He is also an independent non-executive director of both HK Electric Investments Manager Limited and HK Electric Investments Limited. HK Electric Investments Manager Limited is the trustee-manager of HK Electric Investments, which is a trust the units of which together with the shares of HK Electric Investments Limited are listed on the Stock Exchange as share stapled units. Mr. Kwan also served as an independent non-executive director of Hutchison Harbour Ring Limited (now known as China Oceanwide Holdings Limited), which is listed on the Main Board of the Stock Exchange, until December 2014.

Mr. Kwan holds a Bachelor of Accountancy (Honours) degree from the University of Singapore (since renamed National University of Singapore). He is also a fellow of the Institute of Chartered Accountants in Australia, the Hong Kong Institute of Certified Public Accountants and

The Hong Kong Institute of Directors. He completed the Stanford Executive Program in 1992.

Mr. Ma Kwong Wing

FHKIoD, FHKSI, FCCA, FCIS, FCS, CPA, ACIB, AHKIB

Independent Non-executive Director

Mr. Ma, aged 69, served with Hang Seng Bank Limited for over 30 years in various business areas and functions (including compliance) prior to his retirement in October 2005. He was appointed as the Company Secretary of Hang Seng Bank Limited in 1988 and Assistant General Manager (while remaining as Company Secretary) in January 1993. In September 2013, Mr. Ma was appointed as an independent non-executive director of United Photovoltaics Group Limited, a company listed on the Main Board of the Stock Exchange. Since 11 May 2015, Mr. Ma has ceased to act as the Honorary Secretary to the Board of Trustees of the Ho Leung Ho Lee Foundation (a charitable trust).

Mr. Ma is a fellow of The Hong Kong Institute of Directors, the Hong Kong Securities and Investment Institute, the Association of Chartered Certified Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. He is also a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and an associate member of The Chartered Institute of Bankers and The Hong Kong Institute of Bankers.

Dr. Tse Kwok Sang

BSc, MBA, MSc, PhD, ASA, MHKIoD, JP

Independent Non-executive Director

Dr. Tse, aged 58, is currently Associate Professor of Finance, School of Economics and Finance of The University of Hong Kong.

Dr. Tse has published widely on the subject of real estate finance and economics, financial regulations and capital markets and investments. He is also a member of the CFP Examination Committee. Currently Dr. Tse is a Co-opted Executive Councillor of the New Territories Heung Yee Kuk and a Justice of the Peace. He is also an independent non-executive director of AP Asia Absolute Return Fund Limited which is listed on the Irish Stock Exchange, and an independent non-executive director of Wing Lee Property Investments Limited, the shares of which are listed on the Main Board of the Stock Exchange. With effect from 9 July 2015, Dr. Tse was appointed as an independent non-executive director of Addchance Holdings Limited, the shares of which are also listed on the Main Board of the Stock Exchange.

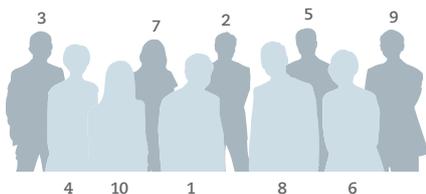
Dr. Tse holds a Ph.D. in Finance from Michigan State University in the United States. He is an associate member of the Society of Actuaries (ASA) and a member of The Hong Kong Institute of Directors.

Board of Directors and Senior Management



► Senior Management

1. Mr. Wu Shiu Kee, Keith
2. Mr. Leung Kwok Hoe, Kevin
3. Mr. Wong Chi Ming
4. Ms. Lo Yuk Fong, Phyllis
5. Mr. Hah Yick Yat, Kelvin
6. Ms. Kan Shuk Fan, Winnie
7. Ms. Chung Siu Wah
8. Mr. Lee Kiu Ming
9. Mr. Poon Hung Tak
10. Ms. Ho Kuk Fong



► Senior Management

Mr. Wu Shiu Kee, Keith

Chief Executive Officer, Executive Director and Responsible Officer

Mr. Wu is responsible for the implementation of the strategy and objectives as set by the Board, ensuring that Sunlight REIT is operating in accordance with the stated strategies, policies and regulations. In addition, he takes charge of the day-to-day management and operations of the Manager.

Details of his experience are set out in “Board of Directors” on page 36.

Mr. Leung Kwok Hoe, Kevin

General Manager – Investment and Investor Relations and Responsible Officer

Mr. Leung is responsible for, among other matters, formulating and implementing the Manager's investment management plans for Sunlight REIT, formulating and implementing fund investment strategy and policy, identifying, researching and evaluating potential acquisitions or divestments consistent with Sunlight REIT's investment strategy, and developing a research platform. He is also responsible for all communication with unitholders and other key stakeholders of Sunlight REIT.

Mr. Leung has over 20 years of experience in finance and treasury, investment and fund management fields. Prior to joining the Manager, he was the Investment Manager and a Responsible Officer of The Link Management Limited (now known as Link Asset Management Limited), the manager of The Link Real Estate Investment Trust (now known as Link Real Estate Investment Trust).

Mr. Leung holds a Master of Applied Science in Biopharmaceutical from The University of New South Wales in Australia, a Bachelor of Economics degree and a Bachelor of Laws degree, both from The University of Sydney in Australia. He is also a Chartered Financial Analyst.

Mr. Wong Chi Ming

General Manager – Asset Management and Responsible Officer

Mr. Wong is responsible for, among other matters, driving the operating performance of Sunlight REIT's property portfolio, planning and developing asset enhancement strategies for recommendation to the Chief Executive Officer and to the Board, and directing the development and implementation of marketing strategies and business development plans for Sunlight REIT.

Mr. Wong has over 20 years of experience in the leasing and property management fields. Between 2006 and April 2010, Mr. Wong was the Chief Leasing Administration Manager of the Property Manager of Sunlight REIT. Prior to joining the Property Manager, Mr. Wong was a Leasing Manager of HLD from 2005 to 2006. He also previously worked for Hang Lung Properties Limited from 1990 to 2005 and was its property manager from 1994 to 2005.

Mr. Wong holds a Bachelor of Engineering degree from The University of Hong Kong and a Master of Corporate Governance degree from the Open University of Hong Kong. He is an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries, and is a holder of Hong Kong Estate Agent's Licence (Individual).

Ms. Lo Yuk Fong, Phyllis

Chief Financial Officer and Responsible Officer

Ms. Lo is principally responsible for supervising the overall financial management of Sunlight REIT, including but not limited to financial reporting, taxation and cash flow management, monitoring of capital expenditure, reviewing of and making recommendation on financing matters and budget preparation.

Ms. Lo has over 25 years of experience in financial management and company secretarial functions. Prior to joining the Manager, Ms. Lo was the Chief Financial Officer of a media company previously listed in Singapore.

Ms. Lo holds a Bachelor of Business Administration degree from The Chinese University of Hong Kong. She is a member of the Institute of Chartered Accountants in England & Wales and a fellow of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

In August 2015, Ms. Lo has been approved by the SFC as a Responsible Officer of the Manager.

Board of Directors and Senior Management

Mr. Hah Yick Yat, Kelvin

Corporate Services Manager

Mr. Hah is responsible for, among other matters, human resources management, procurement and office administration, supporting the Manager's core asset management and investment management functions through the provision of ancillary back-office services and ensuring the optimal efficiency and operation of the information technology systems.

Mr. Hah has over 15 years of experience in the finance and administration areas; in particular, he was the Finance and Administration Officer of Eastar Technology Limited, a subsidiary of Henderson Cyber Limited between 2000 and 2003.

Mr. Hah holds a Bachelor of Arts degree in Economics from the University of British Columbia in Canada, a Professional Diploma in Marketing from the University of California, Berkeley, in the United States and a Master of Science degree in Financial Management from the University of London.

Ms. Kan Shuk Fan, Winnie

Internal Auditor

Ms. Kan is responsible for, among other things, reviewing the Manager's internal control system and reporting to the Board through the Audit Committee periodically.

Ms. Kan has over 15 years of experience in the audit and finance field. Prior to joining the Manager, she was a senior internal auditor of the Airport Authority Hong Kong.

Ms. Kan holds a Master of Business Administration degree from The University of Manchester, a Bachelor of Laws

(Honours) degree from the Manchester Metropolitan University and a Bachelor of Arts (Honours) degree in Accountancy from the City University of Hong Kong. She is also a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Ms. Kan is a Certified Internal Auditor and a Certified Information Systems Auditor awarded by The Institute of Internal Auditors and the Information Systems Audit and Control Association (ISACA) respectively. She is also a Certified Fraud Examiner awarded by Association of Certified Fraud Examiners.

Ms. Chung Siu Wah

Compliance Manager and Company Secretary

Ms. Chung is responsible for, among other things, design and implementation of adequate internal systems and controls so as to ensure that both Sunlight REIT and the Manager are in compliance with the relevant statutory requirements and all other applicable laws, rules and regulations.

In addition to her role as Compliance Manager, Ms. Chung has also served as the Company Secretary of the Manager since November 2011. Ms. Chung has over 20 years of experience in the company secretarial field. Prior to joining the Manager, she was the Assistant Company Secretary of Hopewell Holdings Limited.

Ms. Chung holds a Bachelor of Arts degree in Accountancy from the City University of Hong Kong; and is also an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

Mr. Lee Kiu Ming

General Manager

Mr. Lee is responsible for formulating and implementing business plans and strategies and business development of the Property Manager. Mr. Lee has over 20 years of marketing, leasing and property management experience in the property field in Hong Kong. Prior to joining the Property Manager, he was a Leasing Manager in the Portfolio Leasing Department of HLD.

Mr. Lee holds a Bachelor of Social Science degree from The Chinese University of Hong Kong and a Bachelor of Science degree (Estate Management) from the University of Reading in the United Kingdom.

Mr. Poon Hung Tak

Deputy General Manager – Property Management

Mr. Poon works with the General Manager to oversee the building operations of the Property Manager.

Mr. Poon has over 25 years of experience in property management. Prior to joining the Property Manager, he was an Estate Manager in the Portfolio Leasing Department of HLD.

Mr. Poon holds a Master of Business Administration in Construction and Real Estate degree from the University of Reading in the United Kingdom, a Bachelor of Arts degree from The University of Hong Kong and a Professional Diploma in Real Estate Administration from the School of Professional and Continuing Education of The University of Hong Kong. He is also a professional member of the Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors.

Ms. Ho Kuk Fong

Assistant General Manager – Leasing

Ms. Ho works with the General Manager to oversee the marketing and leasing administration of the Property Manager.

Ms. Ho has over 20 years of experience in property leasing. Prior to joining the Property Manager, she was the Senior Leasing Manager of Sun Hung Kai Real Estate Agency Limited.

Ms. Ho holds a Master of Science in Real Estate degree from the University of Hong Kong, a Postgraduate Diploma in Surveying (Real Estate Development) from The University of Hong Kong and a Diploma in Property Development from the School of Professional and Continuing Education of the University of Hong Kong.

Corporate Governance Report

The Manager is committed to upholding a high level of corporate governance standard. Good corporate governance entails a sound and effective system of checks and balances, and requires practices and procedures that promote awareness and observance of stakeholder rights. To ensure that the above objectives are satisfied and the relevant legislations and regulations 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 operations of Sunlight REIT. The Compliance Manual is reviewed regularly and modifications are made if necessary or if relevant legislations or regulations have been enacted or amended. Please refer to “Amendments to the Compliance Manual” on page 49 for details of the updates of the Compliance Manual made during the Year.

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

The key components of the corporate governance policies are set out below.

Checks and Balances

Structure of Sunlight REIT

Sunlight REIT is a collective investment scheme authorised by the SFC under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”) and regulated by the provisions of the REIT Code issued by the SFC. The Manager is licensed by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. Mr. Wu Shiu Kee, Keith, Chief Executive Officer and Executive Director, Mr. Leung Kwok Hoe, Kevin, General Manager – Investment and Investor Relations, and Mr. Wong Chi Ming, General Manager – Asset Management, are approved as responsible officers of the Manager pursuant to the requirements of section 125 of the SFO and paragraph 5.4 of the REIT Code. Subsequent to the Year, Ms. Lo Yuk Fong, Phyllis, Chief Financial Officer, has been approved by the SFC as an additional responsible officer of the Manager.

The Trustee is registered as a trust company under section 77 of the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) and is qualified under the REIT Code to act as a trustee for collective investment schemes authorised under the SFO.

Role of the Trustee and the Manager

The Trustee is responsible for, among other things, the safe custody of the assets of Sunlight REIT on behalf of the unitholders.

The Manager is to manage and operate Sunlight REIT and to ensure that the financial and economic aspects of Sunlight REIT’s assets are professionally managed in the sole interest of the unitholders. The Trustee and the Manager are independent of each other.

The Board and Delegations

The Board principally oversees the day-to-day management and corporate governance of the Manager. The Board and management functions are largely separated; subject to certain matters specifically reserved to the Board itself, the day-to-day management duties are delegated to the management team of the Manager. Meanwhile, various board committees have been established with clear terms of reference, each of which is to assist the Board in supervising specific issues or functions of the Manager.

The Board takes the role to lead and map out the corporate strategy and direction of Sunlight REIT. It currently has a total of six Directors, consisting of one Executive Director (who is also the Chief Executive Officer), two Non-executive Directors (including the Chairman of the Board) and three Independent Non-executive Directors (“**INEDs**”). All Directors shall retire from office at every annual general meeting of the Manager but shall be eligible for re-election in accordance with the articles of association of the Manager. The positions of the Chairman of the Board and Chief Executive Officer are held by two different persons to ensure that segregation of duties and balance of authority are maintained.

As required by the Compliance Manual, at least one-third (and with a minimum of three) of the Directors shall be INEDs. The INEDs are responsible for ensuring that there is a strong independent element on the Board, and for effectively exercising independent judgment with regard to the overall corporate strategy and direction of the Manager as well as certain specific proposed policies and transactions. In assessing the independence of a Director, the Board takes into account the factors set out in the corporate governance policy as contained in the Compliance Manual, and each INED is required to provide to the Manager an annual written confirmation of his independence by reference to such factors. In the light of the new frequently asked question in relation to REITs published by the SFC, the Manager revised the Compliance Manual during the Year to stipulate that any further re-appointment of an INED who has served the Board for more than nine years shall be subject to a separate resolution to be approved by the unitholders. Such approval should be sought as soon as possible and no later than the annual general meeting immediately following the ninth anniversary of the INED’s appointment. The Board shall set out in the papers to the unitholders the reasons as to why it believes such INED continues to be independent and should be re-appointed.

The Board has adopted a board diversity policy with a view to achieving diversity of expertise and experience at the Board level and promoting the effectiveness of the Board as a whole. The size, composition and structure of the Board is reviewed on a regular basis with due consideration on different aspects of diversity including but not limited to age, cultural and educational background, gender, knowledge, length of service, professional experience and skills. The ongoing review of the Board's composition and recommendations on the appointment and re-appointment of Directors are matters within the terms of reference of the Remuneration and Nomination Committee. No measurable objectives have yet been set in respect of board diversity.

Except for the re-appointment of an INED who has served the Board for more than nine years, the appointment and removal of Directors is a matter for the Board and the shareholders of the Manager to determine in accordance with the provisions of the Compliance Manual, the articles of association of the Manager and the applicable law.

The Board meets on a regular basis and generally no less than four times in each financial year at approximately quarterly intervals. Directors are given written notices of board meetings at least fourteen days in advance of the regular meetings, with suitable arrangements in place to allow Directors to raise items in the agenda. Agenda and accompanying board papers are circulated at least three days before the scheduled date of a board meeting. Board consents are given by votes at board meetings, and written resolutions are signed by all Directors from time to time. Board process is further facilitated by the use of telephone conferences in cases where urgent decisions are required before the next regular board meeting or where certain Director(s) is/are out of town.

The Board has delegated certain functions to four board committees, namely the Audit Committee, the Investment Committee, the Remuneration and Nomination Committee and the Disclosures Committee to deal with specific issues which require extensive discussion.

Membership, Directors' attendance to meetings and major responsibilities of and key work performed by the Board and each of the board committees during the Year are summarised in the table on pages 44 and 45.

Subsequent to publication of the 2014/15 Interim Report of Sunlight REIT, the Manager was informed of the following changes in Director's information :

1. Mr. Kwan Kai Cheong was appointed as an independent non-executive director of CK Life Sciences Int'l., (Holdings) Inc., the shares of which are listed on the Main Board of the Stock Exchange, with effect from 24 March 2015;
2. Mr. Ma Kwong Wing has, since 11 May 2015, ceased to act as the Honorary Secretary to the Board of Trustees of the Ho Leung Ho Lee Foundation (a charitable trust);

3. Mr. Au Siu Kee, Alexander retired as an independent non-executive director of HLD with effect from 2 June 2015 and was appointed as an independent non-executive director of HIL with effect from 1 July 2015. The shares of both HLD and HIL are listed on the Main Board of the Stock Exchange; and
4. Dr. Tse Kwok Sang was appointed as an independent non-executive director of Addchance Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange, with effect from 9 July 2015.

Save as aforesaid, the Manager has not been notified of any change in Director's information.

Management functions of the Manager are delegated to six departments, headed up respectively by the General Manager – Investment and Investor Relations, the General Manager – Asset Management, the Chief Financial Officer, the Corporate Services Manager, the Internal Auditor and the Compliance Manager (who is also the Company Secretary). All department heads report directly to the Chief Executive Officer, with the Internal Auditor and the Compliance Manager also reporting directly to the Audit Committee and the Board respectively. Apart from regular communications among the department heads, management meetings are held periodically to coordinate and facilitate the implementation and operation of different management and business functions.

Pursuant to the Trust Deed, the Manager has the right to delegate to any person the performance of any act or the exercise of any power to manage and administer the assets of Sunlight REIT. In this regard, the Manager has appointed the Property Manager to provide property management, lease management and marketing services solely and exclusively for all the properties of Sunlight REIT located in Hong Kong, subject to the overall management and supervision of the Manager. A property management agreement (the "**Property Management Agreement**") was entered into between the Manager and the Property Manager on 29 November 2006, and was subsequently renewed on amended terms and conditions on 28 April 2009, 25 June 2012 and 12 May 2015 respectively.

The names and biographical details of the members of the Board and the management team members of the Manager and the principal officers of the Property Manager are set out under "Board of Directors and Senior Management" on pages 36 to 41.

During the Year, the Directors participated in various continuous professional training seminars and/or programmes to develop and refresh their knowledge and skills. Training records were provided to the Manager for records on a yearly basis. The costs of such training activities, if applicable, were borne by the Manager.

Corporate Governance Report

Membership, attendance to meetings and major responsibilities of and key work performed by the Board and board committees during the Year are summarised below :

	Board of Directors	Audit Committee
Membership and attendance to meetings (No. of meetings attended/No. of meetings eligible to attend)		
Mr. Au Siu Kee, Alexander	Chairman and Non-executive Director (9/9)	N/A
Mr. Wu Shiu Kee, Keith	Chief Executive Officer and Executive Director (9/9) ¹	N/A
Mr. Kwok Ping Ho	Non-executive Director (9/9)	N/A
Mr. Kwan Kai Cheong	Independent Non-executive Director ² (9/9)	Chairman (4/4)
Mr. Ma Kwong Wing	Independent Non-executive Director ² (6/9) ⁴	Member (3/4) ⁴
Dr. Tse Kwok Sang	Independent Non-executive Director ² (9/9)	Member (4/4)
Major responsibilities		
	<ul style="list-style-type: none"> – leads and guides the corporate strategy and direction of Sunlight REIT – oversees the day-to-day management and corporate governance of the Manager 	<ul style="list-style-type: none"> – reviews the completeness, accuracy, clarity and fairness of financial statements of Sunlight REIT – monitors overall risk management – reviews and monitors connected party transactions – appoints auditor of Sunlight REIT and recommends its remuneration to the Board – reviews and assesses the effectiveness of the internal control system – reviews Sunlight REIT's compliance with legal and regulatory requirements – reviews the adequacy of resources, qualifications and experience of staff in relation to the accounting and financial reporting functions, and their training programmes and budget – oversees internal control structure and financial reporting procedure of Sunlight REIT – reviews the conduct and performance of special purpose vehicles of Sunlight REIT
Summary of key work		
During the Year, the Board and its committees considered, approved, reviewed and/or formulated the matters summarised herein :	<ul style="list-style-type: none"> – financial results of Sunlight REIT and the Manager – reports and recommendations from board committees – announcements/reports, including release of quarterly operational statistics and interim and annual reports of Sunlight REIT – annual operating and CAPEX budget of Sunlight REIT – update of the contingency plan – election of percentage of the Manager's base fee and variable fee to be paid in cash and/or units – execution of interest rate swaps – upgrade of information technology and revamp of corporate website – revision of the Compliance Manual – recommendation to unitholders on amendments to the Trust Deed and extension of period of waiver in respect of certain continuing connected party transactions – re-appointment of Directors – disposal of non-core properties – acquisition of the remaining interest in a property – selection of new principal valuer – engagement of KPMG for review on risk assessment and internal audit effectiveness 	<ul style="list-style-type: none"> – internal audit reports – financial results of Sunlight REIT – adequacy of resources, qualification and experience of staff in relation to accounting and financial reporting functions – internal control system – auditor re-appointment and their reports – update of the contingency plan – connected party transactions of Sunlight REIT – guidelines on connected party transactions

N/A : Not applicable as the Director is not a member of the committee

Notes :

- At the Board meeting held on 15 January 2015, Mr. Wu Shiu Kee, Keith was excused from participating in the discussion relating to his remuneration package as the CEO of the Manager.
- At least one of the INEDs possess appropriate professional qualifications or accounting or related financial management expertise.
- Mr. Kwan Kai Cheong was appointed as alternate to Mr. Ma Kwong Wing for the sole purpose of attending the Disclosures Committee meeting on 4 February 2015 on behalf of Mr. Ma.
- Mr. Ma Kwong Wing was unable to attend the meetings held in the first quarter of 2015 due to personal reasons.

Investment Committee		Remuneration and Nomination Committee		Disclosures Committee	
Chairman	(4/4)	Chairman	(2/2)	N/A	
Member	(4/4)	N/A		Chairman	(2/2)
N/A		N/A		N/A	
N/A		Member	(2/2)	Alternate ³	(1/1)
N/A		Member	(1/2) ⁴	Member	(1/2) ⁴
Member	(4/4)	N/A		N/A	
<ul style="list-style-type: none"> – oversees the investment strategy of and proposals to Sunlight REIT, including budget review, acquisition and disposal of properties, and asset enhancement proposals – ensures the establishment and functioning of internal controls for investment and financial matters – ensures compliance with investment objectives, policies and restrictions as contained in the REIT Code and the Trust Deed 		<ul style="list-style-type: none"> – oversees the human resources strategy and policies – identifies and recommends candidates of board members to the Board – evaluates the performance of the Board and its members – reviews the terms and conditions of employment of senior executives and Board members 		<ul style="list-style-type: none"> – reviews matters relating to the disclosure of information to unitholders and in public announcements – ensures compliance with applicable legal requirements and the continuity, accuracy, clarity and completeness of information disseminated to the public and applicable regulatory authorities 	
<ul style="list-style-type: none"> – financial results of Sunlight REIT – annual business plan and CAPEX budget of Sunlight REIT – derivative positions and risk assessment in respect of derivative instruments – services of financial service providers – investment restrictions under the REIT Code and the Trust Deed – potential disposal/acquisition of properties 		<ul style="list-style-type: none"> – staff performance appraisal – staff budget and policy on staff benefits – board structure, performance of board and committee members – re-appointment of Directors 		<ul style="list-style-type: none"> – public regulatory filings and other documents filed with the applicable regulatory authorities – announcements and reports including interim and annual reports of Sunlight REIT and other corporate communications to unitholders 	

Reporting and Transparency

Interest of, and Dealings in Units by, Directors, the Manager or the Substantial Unitholders

The Manager has adopted a code governing dealings in securities of Sunlight REIT by Directors (the “**Dealings Code**”) which is also applicable to the Manager itself. Similar dealing requirements are also applicable to employees of the Manager. Certain restrictions and notification requirements as provided under the Listing Rules are extended in the Dealings Code to apply to unit buy-back by the Manager on behalf of Sunlight REIT.

Pursuant to the Dealings Code, any Director who wishes to deal in any securities of Sunlight REIT must first have regard to the provisions of the SFO with respect to, among other things, insider dealing and market misconduct, as if those provisions of the SFO applied to any securities of Sunlight REIT.

A practical guidance note on the operation of the Dealings Code, setting out additional information and procedures for seeking clearance under the Dealings Code, is provided to the Directors and the Manager.

The Manager has also adopted procedures in monitoring disclosure of interests by the Directors and the Manager. The provisions of Part XV of the SFO are deemed to apply to the Manager and the Directors, and also indirectly cover unitholders and persons claiming through or under him/her.

Director(s) who is(are) aware of or privy to any inside information or any negotiations or agreements related to intended acquisitions or disposals by Sunlight REIT which are either notifiable transactions under Chapter 14 of the Listing Rules (as if such rules were applicable to Sunlight REIT) or connected party transactions under the REIT Code or are in possession of any inside information must immediately refrain from dealing in any securities of Sunlight REIT until (i) proper disclosure of the information has been made in accordance with the REIT Code and any applicable provisions of the Listing Rules; or (ii) the aforesaid negotiations or agreements related to such intended acquisitions or disposals have lapsed. Directors who are privy to relevant negotiations or agreements or any inside information should caution those Directors who are not that there may be unpublished inside information and that they must not deal in any securities of Sunlight REIT for a similar period.

In general, Directors must not make any unauthorised disclosure of confidential information or make any use of such information for the advantage of themselves or others.

Unitholders with a holding of 5% or more of the units in issue, or the Manager and Directors with an interest in the units in issue, have a notifiable interest and are required to notify the Stock Exchange and the Manager of their holdings in Sunlight REIT and certain changes thereof (in general, within three business days). The Manager is under a duty to keep a register of interests pursuant to the notifications, and the said register is available for inspection by unitholders without charge during normal business hours. Please refer to “Disclosure of Interests” on pages 55 to 57 for information relating to holdings of Directors, the Manager and the substantial unitholders at 30 June 2015.

Conflicts of Interests and Business Competitions with HLD, SKFE and other companies

The Manager and the Property Manager are both indirect wholly-owned subsidiaries of HLD. One of the non-executive Directors of the Manager is an executive director of HLD. The Chairman (who is also a non-executive Director) of the Manager was an independent non-executive director of HLD until retirement with effect from 2 June 2015 and was appointed as an independent non-executive director of HLD, a subsidiary of HLD, with effect from 1 July 2015. Each of SKFE and HLD has interest in units of Sunlight REIT through various subsidiaries; in particular, the Manager has received and may continue to receive units of Sunlight REIT by virtue of all or part of its entitlement to the fees for asset management services rendered to Sunlight REIT.

SKFE, HLD and a number of their subsidiaries and associates are and/or may be engaged in, among other things, development, investment and management of retail, office and other properties in and outside Hong Kong. There can be no assurance that conflicts of interests will not arise between Sunlight REIT, the Manager, the Property Manager, SKFE, HLD and other companies in the future. The Manager may experience conflicts of interests as a result of other roles of its board members and/or the activities and interests of its affiliates in acquiring and disposing of potential investments. As a wholly-owned subsidiary of HLD, the Manager may experience conflicts of interests in connection with any potential acquisitions from or other transactions with HLD or its affiliates and in agreeing on the terms of such potential acquisitions or transactions.

At the operational level, the Manager and the Property Manager may also experience conflicts of interests with HLD or its affiliates in connection with identifying and competing for potential tenants and procurement of

services. The Manager may also experience conflicts of interests in its role in overseeing the provision of services by the Property Manager pursuant to the Property Management Agreement.

Potential conflicts of interests may also arise in connection with or in relation to (i) any potential property-related acquisitions or disposals and/or competition with other companies for potential tenants in the event that any Director, senior executive or officer of the Manager or the Property Manager is also a shareholder or director of such other companies; (ii) tenancy related matters in the event that any Director, senior executive or officer of the Manager or the Property Manager is also a shareholder or director of a tenant or potential tenant (or of its holding company) of Sunlight REIT; and (iii) tenancy agency services provided by the principal valuer of Sunlight REIT and/or its affiliates.

To ensure that all conflicts of interests relating to Sunlight REIT can be managed and/or avoided, a number of measures have been taken to deal with these issues, including but not limited to the following :

1. the Manager will not manage any REIT other than Sunlight REIT nor manage any other real estate assets other than those owned by Sunlight REIT;
2. the Manager has its own functional units and systems and operates independently from its shareholders;
3. the Manager has established internal control systems to ensure that connected party transactions between Sunlight REIT and its connected persons are monitored and undertaken on terms in compliance with the REIT Code and that other potential conflicts of interests situation that may arise are monitored;
4. a Director with a conflict of interests shall disclose his interest to the Board and abstain from voting on the relevant matter and not be counted in the quorum at which any resolution in relation to that item is proposed;
5. a register of other directorships, and senior positions (which may give rise to conflict of interests), held by the Directors is maintained and updated from time to time; and
6. confirmation from the principal valuer of Sunlight REIT that it has established stringent internal controls and guidelines to its staff with respect to confidentiality and conflict of interest obligations, and has also assured the Manager that the provision of tenancy agency services would neither affect its performance nor jeopardise its independence as principal valuer of Sunlight REIT.

The Manager assures that it is capable of performing, and shall continue to perform, its duties for Sunlight REIT independent of HLD's related businesses and in the best interests of Sunlight REIT and the unitholders.

Financial Statements

Financial statements of Sunlight REIT are prepared in accordance with accounting principles generally accepted in Hong Kong with a financial year end of 30 June and a financial half-year end of 31 December. In accordance with the REIT Code, the annual reports and financial statements of Sunlight REIT are published and distributed to unitholders within four months following the end of each financial year, and for semi-annual reports within two months following the end of the relevant period.

The Directors acknowledge their responsibility for the preparation of financial statements of Sunlight REIT and its subsidiaries for the Year, which give a true and fair view of the state of affairs of Sunlight REIT and its subsidiaries at 30 June 2015 and of their results and cash flows for the year then ended and are properly prepared in accordance with the statutory requirements and applicable accounting standards.

Results Announcements

Pursuant to the requirements under the REIT Code, results announcements of Sunlight REIT are released on a semi-annual basis.

It is customary for the Manager to conduct briefings with unitholders, investors, analysts and the press immediately following the release of results announcements. Such information, including the relevant presentation materials and announcements, are made available to the public through Sunlight REIT's website.

Other Announcements

To keep unitholders abreast of the position of Sunlight REIT, public announcements of material information and developments with respect to Sunlight REIT are made by the Manager in a timely and transparent manner in accordance with the applicable regulatory requirements. Subsequent briefings with analysts and the press may also be convened by the Manager if necessary.

Corporate Governance Report

Auditor

The Manager has engaged KPMG as the auditor for Sunlight REIT. In order to maintain KPMG's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, the Audit Committee, under its terms of reference, considers all audit and non-audit services to be provided by KPMG. During the Year, KPMG was engaged to provide consultancy service in relation to reviewing the risk management and internal audit functions of the Manager. Please refer to "Management of Business Risk" on pages 50 and 51 for further details. Fees payable to the auditor of Sunlight REIT during the Year amounted to HK\$1,860,000 for audit and audit related services and HK\$1,280,000 for non-audit services respectively.

The responsibilities of the auditor with respect to financial reporting are set out in "Independent Auditor's Report" on page 75.

Accountability and Communication

Investor Relations

The Manager is committed to providing an open and effective communication platform, ensuring that unitholders and the investment community at large are informed of the ongoing developments of Sunlight REIT. The Manager reinforces this platform by utilising a variety of interactive means to engage and maintain dialogues with investors and analysts. The Manager believes feedback and comments from the investment community are critical to shaping the future direction of Sunlight REIT.

To the extent possible under the current regulatory framework, communications with investors are conducted through :

1. direct communication including physical meetings conducted with the senior management of the Manager, both locally and overseas;
2. guided property tours organised by the Manager and the Property Manager team;
3. provision of regular communication materials; and
4. announcements and press releases posted on Sunlight REIT's website, including disclosures made pursuant to regulatory requirements or on a voluntary basis.

Other than annual and interim results announcements, the Manager also voluntarily releases the operational statistics of Sunlight REIT twice every year. As the first REIT in Hong

Kong to undertake this initiative, the Manager believes that such disclosure will enhance financial transparency and provide greater confidence to investors.

During the Year, the corporate website of Sunlight REIT was revamped with enhanced features and was launched in March 2015.

Promotional Expenses

Pursuant to the waiver granted by the SFC on 27 April 2009 from strict compliance with paragraph 9.13(b) of the REIT Code, certain expenses of advertising or promotional activities are allowed to be paid out of the deposited property of Sunlight REIT. A further waiver was granted by the SFC on 30 April 2012 to expand the scope of such expenses to include the fees, costs and expenses incurred in relation to any fund raising exercise, any assets or otherwise in connection with Sunlight REIT, and the expenses are collectively referred to as the "**Promotional Expenses**".

During the Year, the Promotional Expenses incurred were HK\$514,000. Pursuant to the conditions of the said waivers and having reviewed the supporting evidence as it may reasonably deem necessary, the Audit Committee has confirmed that such Promotional Expenses were incurred in accordance with the internal control procedures of the Manager, and solely for the purposes as set out in the relevant clauses of the Trust Deed relating to Promotional Expenses.

Unitholders' Rights

Unitholders are encouraged to attend general meetings of Sunlight REIT. In accordance with the Trust Deed, at least ten business days' notice of every meeting shall be given to the unitholders, except that at least twenty-one days' notice of the meeting shall be given to the unitholders where a special resolution is proposed for consideration at such meeting. For an annual general meeting, not less than twenty business days' notice shall be given to the unitholders. The notice will specify the place, day and hour of the meeting and the terms of any resolution to be proposed thereat.

As required by the Trust Deed, any resolution put to the meeting shall be decided on a poll and the results of the poll shall be published by way of an announcement. Pursuant to the waiver granted by the SFC on 13 March 2015 from strict compliance with paragraphs 2.16, 2.23 and 9.9(h) of the REIT Code, where the chairman of

a general meeting of the unitholders in good faith so decides, a resolution which relates purely to procedural or administrative matters is allowed to be voted by a show of hands, rather than by way of poll and the results of the voting shall be published by way of an announcement.

The Trustee or the Manager may at any time convene a meeting of unitholders. Pursuant to the Trust Deed, not less than two unitholders registered as together holding not less than 10% of the outstanding units in issue for the time being are entitled to request the Manager in writing to convene a meeting of unitholders. In addition, unitholders may send their enquiries to the Board or may put forward proposals at general meeting, in both cases, to the investor relations team of the Manager by email or to the registered office of the Manager by post. Please refer to "Corporate Information" on page 123 for contact details.

General Meetings

The convening of an annual general meeting by the Manager is one of the principal communication channels with unitholders. It provides an opportunity for unitholders to obtain a better understanding of and, if necessary, to enquire the Board about Sunlight REIT's operating performance.

The 2014 annual general meeting was held on 3 November 2014 (the "AGM") and attended by all Directors. Details of the resolution passed at the AGM were set out in the AGM notice and the poll results announcement was published on 3 November 2014.

At the extraordinary general meeting held on 13 March 2015 (the "2015 EGM"), the resolutions to approve, among other things, (i) the proposed expansion of the scope of the investment policy and objective of Sunlight REIT; (ii) the proposed amendments to the Trust Deed; and (iii) the proposed extension of period of waiver in respect of certain continuing connected transactions, were duly passed by way of poll. Details of the above resolutions were set out in the circular dated 17 February 2015 and the poll results announcement was published on 13 March 2015. All Directors attended the 2015 EGM except Mr. Ma Kwong Wing who was unable to attend the meeting due to personal reasons.

Amendments to the Trust Deed

At the 2015 EGM, special resolutions were passed to approve, among other things, the expansion of Sunlight REIT's investment scope and the consequential and

other miscellaneous amendments to the Trust Deed. Accordingly, the Trustee and the Manager had executed the sixth supplemental deed to the Trust Deed to give effect to the relevant amendments.

Amendments to the Compliance Manual

During the Year, the Compliance Manual was updated mainly to (i) include the corporate governance and risk mitigation measures and procedures with respect to the expanded investment scope of Sunlight REIT in relation to property types, property development and related activities and relevant investments as approved by the unitholders at the 2015 EGM; (ii) align with the requirements in the Listing Rules in relation to the new code provisions on risk management which will take effect in January 2016; (iii) update the terms of reference of the Audit Committee with regard to the updates of the REIT Code and the Listing Rules; (iv) provide for the re-appointment arrangement for INEDs serving for more than nine years; and (v) incorporate other miscellaneous amendments and tidying up changes for latest regulatory developments, terminology updates and internal consistency.

Matters to be decided by Unitholders by Special Resolution

A meeting of unitholders when convened may, by way of special resolution and in accordance with the Trust Deed, approve, among others, the following matters :

- any modification, variation, alteration or addition to the Trust Deed which shall be agreed by the Trustee and the Manager as provided in the Trust Deed (save for issues that are necessary to comply with applicable regulatory requirements);
- removal of the Trustee;
- disposal of an investment within two years from the date of its acquisition;
- termination or merger of Sunlight REIT in compliance with applicable provisions of the Codes on Takeovers and Mergers and Share Buy-backs;
- any change in the investment policy and objective of Sunlight REIT; and
- any increase in the maximum remuneration (other than any additional fee as allowed under the Trust Deed) or any change to the structure of the remuneration of the Trustee or the Manager.

Corporate Governance Report

Issues of Further Units Post-Listing

Further issue of units in Sunlight REIT is subject to compliance with the pre-emption provisions contained in the REIT Code. Such provisions generally require that, unless the REIT Code otherwise permits, further issues of units shall be offered on a pro rata basis to existing unitholders. If new units are not offered on a pro rata basis, the approval of unitholders by way of an ordinary resolution is required unless the aggregate number of new units issued during the financial year does not increase the total number of units in issue at the end of the previous financial year by more than 20%.

New Units Issued

Except for an aggregate of 11,906,287 new units issued to the Manager as payment of part of the Manager's fees, there were no other new units issued during the Year.

Buy-back, Sale or Redemption of Units

Pursuant to the general mandate granted by unitholders at the AGM, the Manager bought back on behalf of Sunlight REIT a total of 1,000,000 units on the Stock Exchange in November 2014, for an aggregate consideration of approximately HK\$3.4 million (excluding buy-back expenses). The highest and the lowest price paid per unit for such buy-backs were HK\$3.46 and HK\$3.36 respectively. All bought back units were cancelled prior to the end of the Year. Subsequent to the Year, the Manager bought back on behalf of Sunlight REIT a total of 1,850,000 units on the Stock Exchange in July 2015, for an aggregate consideration of approximately HK\$7.0 million (excluding buy-back expenses). The highest and the lowest price paid per unit for such buy-backs were HK\$3.93 and HK\$3.67 respectively. All bought back units were cancelled in July 2015.

Save as disclosed above, there was no purchase, sale or redemption of units by Sunlight REIT or its wholly owned and controlled entities during the Year.

Update on the US Foreign Account Tax Compliance Act (FATCA)

Subsequent to the signing of the inter-governmental agreement between the Hong Kong Special Administrative Region and the US for the implementation of FATCA on 13 November 2014, Sunlight REIT has issued an announcement on 5 December 2014 to update the

unitholders on the matter and registered as a foreign financial institution with the US Internal Revenue Service in December 2014.

Acquisition and Disposal of Properties

Pursuant to a public tender launched in April 2015, Sunlight REIT entered into binding agreements with various purchasers in May 2015 to dispose of three properties, namely Everglory Centre, Yue Fai Commercial Centre Property (excluding the 1st Floor) and Royal Terrace Property. Completion of the disposals took place in July and August 2015.

In July 2015, Sunlight REIT disposed of the 1st Floor of Yue Fai Commercial Centre in exchange for Unit 6A of On Loong Commercial Building and an equality money of HK\$8 million.

In August 2015, Sunlight REIT acquired the remaining units (namely, the 21st Floor) of On Loong Commercial Building and since then has become the sole owner of all the units of On Loong Commercial Building.

For details of the above transactions, please refer to announcements of Sunlight REIT issued on 14 April 2015, 29 May 2015, 31 July 2015, 3 August 2015 and 31 August 2015 respectively.

Save as disclosed above, there was no acquisition and disposal of properties by Sunlight REIT or its wholly owned and controlled entities during the Year.

Risk Management, Internal Control and Compliance

Management of Business Risks

The Board, assisted by the Investment Committee and the Audit Committee, takes the responsibilities to review the financial performance of the Manager and Sunlight REIT against the previously approved budget, to review any risks associated with the management and performance of Sunlight REIT, to examine liability management and to act upon any advice or comments from the auditor of Sunlight REIT.

In respect of risk management, mitigating strategies are formulated by the management team to combat with all identified risks, and are overseen by the Chief Executive Officer and the Board on an ongoing basis. In addition,

the Board will review from time to time relevant analyses and proposals prior to approving any major transactions. In view of the recent consultation conclusions on risk management and internal control published by the Stock Exchange and to ensure the effectiveness of the risk management framework and internal control system, the Board engaged KPMG as consultant to conduct a review on the risk management and internal audit functions of the Manager and the Property Manager. Upon finalisation of the review, a revised risk management policy will be adopted by the Manager to ensure major risks are identified, assessed and mitigated under this revamped risk management framework.

Internal Control

The Board is responsible for establishing a sound and effective system of internal control which is designed for (i) safeguarding the interests of the unitholders; (ii) safeguarding the assets of Sunlight REIT against misappropriation; (iii) ensuring proper maintenance of accounting records for the provision of reliable financial information; and (iv) ensuring compliance with relevant legislation and regulations.

Adequate measures have been established by the Board to provide effective internal controls, including a well-defined organisational structure with clear lines of responsibility and limits of authority, a reliable management reporting system, and proper budgetary and management accounting control policies.

Led by the Internal Auditor, the Internal Audit Department (the "IAD") plays a major role in support of the Board to monitor the internal governance of Sunlight REIT. Key tasks of the IAD include unrestricted access to review and to conduct comprehensive audits of practices, procedures, expenditure and internal controls of all business and support units of Sunlight REIT. The IAD adopts a risk-based approach to review all major operations of Sunlight REIT on a regular basis, and conducts special reviews of areas of concern identified by senior management or the Audit Committee. Results of all the audit and special reviews are discussed at the Audit Committee meetings.

Through the Audit Committee and the IAD, the Board has conducted an annual review on the effectiveness and robustness of the internal control system of Sunlight REIT for the Year which covered all material control areas including financial, operational and compliance and risk management

functions. The annual review also encompassed the adequacy of resources, qualifications and experiences of staff carrying out Sunlight REIT's accounting and financial reporting functions and their training programmes and budget. Based on the findings of the annual review, the Board is satisfied with the internal control system currently put in place for Sunlight REIT.

The Manager has maintained Policy of Reporting of Irregularities to encourage and guide all staff of the Manager and Property Manager to raise matters of concern internally in good faith, with the pledge that such reporting will be treated fairly, and to the extent possible be protected from reprisal.

For the Year, no material irregularity or deficiency in internal control has come to the attention of the Audit Committee.

Confirmation of Compliance with the Dealings Code

Specific enquiry has been made with all Directors and the Manager, and all of them have confirmed that they complied with the required standard as set out in the Dealings Code from time to time throughout the Year.

Public Float

At 30 June 2015, based on information that is publicly available and within the knowledge of the Directors, Sunlight REIT has maintained a public float of not less than 25% of the outstanding units in issue as required by the SFC.

Review of Annual Report

This annual report has been reviewed by the Audit Committee and the Disclosures Committee in accordance with their respective terms of reference.

Employees

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

Connected Party Transactions

Information in respect of the transactions entered into between Sunlight REIT and its connected persons (as defined in paragraph 8.1 of the REIT Code) during the Year, other than those transactions that are excluded pursuant to waivers granted by the SFC and/or exempted from the disclosure requirements, is set out in this section.

Connected Party Transactions – Income and Expenses

The following tables set out information on all the connected party transactions (other than those disclosed under the section headed “Connected Party Transactions with the Trustee Connected Persons” below) from which Sunlight REIT derived its income or in which Sunlight REIT incurred its expenses during the Year :

(a) Income

Name of Connected Person	Relationship with Sunlight REIT ^{Note}	Nature of the Connected Party Transactions	Income for the Year (HK\$'000)	Rental and Other Deposits Received at 30 June 2015 (HK\$'000)
Henderson Sunlight Asset Management Limited	The Manager	Leasing	5,297	1,386
Henderson Sunlight Property Management Limited	Associated company of the Manager	Leasing	3,522	950
Henderson Real Estate Agency Limited	Associated company of the Manager	Joint effort arrangements	1,964	–
Galaxy Hotel Management Company Limited	Associated company of the Manager	Leasing	434	111
Citistore (Hong Kong) Limited	Associated company of the Manager	Licensing	36	–
Total			11,253	2,447

(b) Expenses

Name of Connected Person	Relationship with Sunlight REIT ^{Note}	Nature of the Connected Party Transactions	Expenses for the Year (HK\$'000)
Goodwill Management Limited	Associated company of the Manager	Property management and operations and licence fee	1,225
Hang Yick Properties Management Limited	Associated company of the Manager	Property management and operations	9,747
Henderson Sunlight Property Management Limited	Associated company of the Manager	Property management and related services and marketing services	49,462
Megastrength Security Services Company Limited	Associated company of the Manager	Security services	2,350
Metro City Management Limited	Associated company of the Manager	Property management and operations	1,977
Sheung Shui Centre Management Limited	Associated company of the Manager	Property management and operations	2,217
Contender Limited	Associated company of the Manager	Facilities leasing	161
Miramar Hotel & Investment (Express) Limited	Associated company of the Manager	Vehicle hiring	2
Jones Lang LaSalle Limited	Principal Valuer	Leasing agency fee	344
Total			67,485

Note : Within the meaning of the REIT Code.

Connected Party Transactions with the Trustee Connected Persons

The following table sets out information on all the connected party transactions entered into between Sunlight REIT and the Trustee (and its directors, senior executives, officers, controlling entities, holding companies, subsidiaries and associated companies) and the HSBC Group¹ (collectively, the “**Trustee Connected Persons**”) during the Year :

Name of Connected Person	Relationship with Sunlight REIT ²	Nature of the Connected Party Transactions	Income/ Expenses for the Year (HK\$'000)	Rental and Other Deposits Received at 30 June 2015 (HK\$'000)
Leasing Transactions :				
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Leasing ³	8,259	2,415
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Licensing ⁴	189	50
Hang Seng Bank Limited	Trustee Connected Persons	Leasing ⁵	9,687	2,639
Ordinary Banking and Financial Services⁶ :				
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Interest income received/ receivable on bank deposits	11	–
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Interest expenses, security trustee and other charges on bank borrowings, interest expenses on interest rate swaps and other bank charges	27,431	–
HSBC Broking Securities (Asia) Limited	Trustee Connected Persons	Brokerage commission	6	–
Hang Seng Bank Limited	Trustee Connected Persons	Interest expense on bank borrowing and other bank charges	4,182	–
During the Year, two interest rate swaps with notional amount of HK\$150 million and HK\$300 million were entered into with The Hongkong and Shanghai Banking Corporation Limited on 21 October 2014 and 15 January 2015 respectively. Please refer to “Financial Review” on page 30 for details.				

Corporate Finance Transactions⁷ :

During the Year, an advisory fee of approximately HK\$1.6 million was paid to The Hongkong and Shanghai Banking Corporation Limited in relation to the engagement by the Manager in June 2014 as the financial adviser on a proposed acquisition of a Grade A office building in East Kowloon (please refer to “Proposed Property Acquisition and Proposed Unit Subscription” on page 54 for details).

Notes :

1. HSBC Group means The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries and, unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries (being the subsidiaries of the Trustee but excluding those subsidiaries formed in its capacity as the Trustee of Sunlight REIT).
2. Within the meaning of the REIT Code.
3. A lease in respect of Shop Nos. 1024-31, Sheung Shui Centre Shopping Arcade, with gross floor area of 5,390 sq. ft., renewed for a term of 3 years from 4 November 2014 to 3 November 2017.
4. A licence in respect of external wall signage Nos. 1 & 82-93, Level 1, and light box F2, Level 2, Sheung Shui Centre Shopping Arcade.
5. A lease in respect of Shop No. 211, Metro City Phase I Property, with gross floor area of 7,628 sq. ft., renewed for a term of 3 years from 17 February 2015 to 16 February 2018; and a new lease in respect of Shops No. 1040-42, Sheung Shui Centre Shopping Arcade, with gross floor area of 1,235 sq. ft., for a term of 3 years from 29 September 2014 to 28 September 2017.
6. In general, “ordinary banking and financial services” include bank deposits and interest earned therefrom, loan facilities and interest rate swaps including interest and charges paid thereto and other banking or financial services.
7. The engagement of The Hongkong and Shanghai Banking Corporation Limited for its provision of corporate finance advice, which falls within the category of “corporate finance transactions” between Sunlight REIT and HSBC Group, is covered by a waiver granted by the SFC to Sunlight REIT on 30 November 2006 from strict compliance with the requirement under paragraphs 8.9 and 8.11 of the REIT Code to seek unitholders’ prior approval and to make announcements and circulars.

Connected Party Transactions

Proposed Property Acquisition and Proposed Unit Subscription

On 22 June 2014, Sunlight REIT announced that it had entered into (i) a conditional sale and purchase agreement with HLD and certain of its subsidiaries for the proposed acquisition of a property holding company which holds the entire interest in a Grade A office building situated at No. 712 Prince Edward Road East, Kowloon (the **“Proposed Property Acquisition”**); and (ii) a conditional unit subscription agreement with a subsidiary of HLD, Richful Resources Limited (**“Richful”**), for the proposed issuance of 201,025,641 new units in Sunlight REIT (the **“Proposed Subscription Units”**) to Richful (collectively the **“Proposed Transactions”**). The Proposed Transactions, which were conditional upon the approval by the independent unitholders, constituted connected party transactions of Sunlight REIT under the REIT Code.

The Proposed Transactions were not approved by the independent unitholders at the extraordinary general meeting held on 15 August 2014 (the **“2014 EGM date”**) and did not proceed.

Other Disclosures under the REIT Code

Pursuant to note (2) to paragraph 8.10 of the REIT Code, services provided by the Manager, the Trustee and the Principal Valuer to Sunlight REIT as contemplated under the constitutive documents shall not be deemed connected party transactions but particulars of such services (except where any services transaction has a value of not more than HK\$1 million), such as terms and remuneration, shall be disclosed in the relevant semi-annual or annual report.

During the Year, the aggregate amount of fees payable by Sunlight REIT to the Manager (including fees paid in the form of units) and to the Trustee under the Trust Deed were approximately HK\$85.7 million and HK\$4.4 million respectively. Particulars of services provided by the Trustee, the Manager and the Principal Valuer, including terms and remuneration, are set out in notes 26(b)(i), (ii) and (iv) to the Consolidated Financial Statements. The fees payable to the Principal Valuer (excluding the fees payable in relation to leasing agency fee as disclosed on page 52) during the Year was less than HK\$1 million.

Confirmation by the INEDs of the Manager

The INEDs of the Manager confirm that they have reviewed all relevant connected party transactions during the Year as disclosed in the paragraphs headed **“Connected Party Transactions – Income and Expenses”** and **“Connected Party Transactions with the Trustee Connected Persons”** above and are satisfied that those transactions have been entered into :

- (i) in the ordinary and usual course of business of Sunlight REIT;
- (ii) on normal commercial terms (to the extent that there are sufficient comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Sunlight REIT than terms readily available to or from (as appropriate) independent third parties; and
- (iii) in accordance with the relevant agreements and the Manager’s internal procedures governing them, if any, on terms that are fair and reasonable and in the interests of the unitholders of Sunlight REIT as a whole.

Confirmation by the Manager and the Trustee

Each of the Manager and the Trustee confirms that the engagement of The Hongkong and Shanghai Banking Corporation Limited as the financial adviser for the Proposed Transactions as described above has complied with the general conditions of the waiver granted by the SFC to Sunlight REIT on 30 November 2006 in respect of **“corporate finance transactions”** between Sunlight REIT and the HSBC Group, except that the existence of such waiver was not disclosed in the circular of Sunlight REIT dated 25 July 2014 issued in relation to the Proposed Transactions due to an inadvertent omission, and that the Trustee has not been involved in the making of any decision to enter into any of the above corporate finance transactions on behalf of Sunlight REIT (subject to the Trustee’s duties of oversight under the REIT Code and the Trust Deed) including the selection of the financial adviser for the Proposed Transactions.

Confirmation by Auditor of Sunlight REIT

Pursuant to the waivers granted by the SFC from strict compliance with the requirement under Chapter 8 of the REIT Code, the Manager has engaged KPMG, being the auditor of Sunlight REIT, to report on the continuing connected party transactions on the leasing and licensing arrangements (including facilities leasing), property management and operations (including joint effort arrangements and security services), ordinary banking and financial services and corporate finance transactions for the Year in accordance with Hong Kong Standard on Assurance Engagements 3000 **“Assurance Engagements Other Than Audits or Reviews of Historical Financial Information”** and with reference to Practice Note 740 **“Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules”** issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing the auditor’s findings and conclusions in respect of the aforesaid continuing connected party transactions disclosed in this annual report in accordance with the waivers and a copy of such letter will be provided to the SFC.

Disclosure of Interests

The REIT Code requires connected persons (as defined in paragraph 8.1 of the REIT Code) of Sunlight REIT to disclose their interests in units. Further, certain provisions of Part XV of the SFO in relation to disclosure of interest are deemed, pursuant to Schedule C of the Trust Deed, to apply to each of the Manager, its Directors or chief executive, and also indirectly to certain persons interested in or having a short position in units.

As mentioned under “Connected Party Transactions” on page 54, 201,025,641 Proposed Subscription Units were proposed to be issued to Richful. In addition, 5,128,205 new units (the “**Proposed Acquisition Fee Units**”) were proposed to be issued to the Manager as payment of acquisition fee in relation to the Proposed Property Acquisition. Interests of the relevant parties at 30 June 2014 pursuant to Part XV of the SFO included deemed interests in the Proposed Subscription Units and the Proposed Acquisition Fee Units. As the Proposed Transactions were not approved by the independent unitholders at the 2014 EGM date, the relevant parties ceased to have deemed interests in the Proposed Subscription Units and the Proposed Acquisition Fee Units with effect from the 2014 EGM date.

Holdings of the Manager, its Directors or Chief Executive

At 30 June 2015 and 30 June 2014, the interests and short position in units of the Manager, its Directors or chief executive as recorded in the register required to be kept by the Manager under Schedule C of the Trust Deed (the “**Register**”), were as follows :

Name	At 30 June 2015		At 30 June 2014		Change in % Interest
	Number of Units Interested (long position)	% of Interest in Units ¹	Number of Units Interested (long position)	% of Interest in Units ²	
The Manager ³	89,226,150	5.446	82,448,068	5.066	0.380
Au Siu Kee, Alexander ⁴	1,530,000	0.093	1,530,000	0.094	-0.001
Wu Shiu Kee, Keith ⁵	600,000	0.037	600,000	0.037	–

Notes :

1. The percentages expressed are based on the total number of units in issue of 1,638,486,780 at 30 June 2015.
2. The percentages are arrived by comparing the relevant number of interested units with the total number of units in issue of 1,627,580,493 at 30 June 2014 (which did not include the Proposed Subscription Units and the Proposed Acquisition Fee Units).
3. After the issuance of an aggregate of 11,906,287 new units to the Manager during the Year as payment of part of the Manager’s base fee and variable fee, the Manager beneficially owned 89,226,150 units at 30 June 2015 (30 June 2014: interested in 82,448,068 units, after taking into the account the 5,128,205 Proposed Acquisition Fee Units in which the Manager had a deemed interest at 30 June 2014 under Part XV of the SFO). Subsequent to the 2014 EGM date, a disclosure of interest notice was submitted to the Stock Exchange to reflect the fact that the Manager ceased to have deemed interest in the Proposed Acquisition Fee Units.
4. At 30 June 2015, Mr. Au Siu Kee, Alexander, Chairman and Non-executive Director of the Manager, was interested in 1,530,000 units (30 June 2014: 1,530,000 units) under Part XV of the SFO. Of the 1,530,000 units, 201,000 units were beneficially held by Mr. Au, 1,229,000 units were jointly held with his spouse, and the remaining 100,000 units were beneficially held by his spouse individually.
5. At 30 June 2015, Mr. Wu Shiu Kee, Keith, Chief Executive Officer and Executive Director of the Manager, beneficially held 600,000 units (30 June 2014: 600,000 units).

Other than the above, none of the Manager, its Directors or chief executive was beneficially interested (or deemed to be interested) in units or held any short position in units at 30 June 2015 and 30 June 2014 as recorded in the Register.

Disclosure of Interests

Holdings of Substantial Unitholders

At 30 June 2015 and 30 June 2014, the interests and short position in units of the following substantial unitholders, as recorded in the Register, were as follows :

Name	At 30 June 2015		At 30 June 2014		Change in % Interest
	Number of Units Interested (long position)	% of Interest in Units ¹	Number of Units Interested (long position)	% of Interest in Units ²	
Lee Shau Kee ³	607,211,175	37.06	801,458,734	49.24	-12.18
Lee Financial (Cayman) Limited ³	374,072,708	22.83	374,072,708	22.98	-0.15
Leesons (Cayman) Limited ³	374,072,708	22.83	374,072,708	22.98	-0.15
Leeworld (Cayman) Limited ³	374,072,708	22.83	374,072,708	22.98	-0.15
SKFE ³	374,072,708	22.83	374,072,708	22.98	-0.15
Uplite Limited ³	224,443,625	13.70	224,443,625	13.79	-0.09
Wintrade Limited ³	149,629,083	9.13	149,629,083	9.19	-0.06
Henderson Development Limited ³	233,138,467	14.23	427,386,026	26.26	-12.03
HLD ³	233,138,467	14.23	427,386,026	26.26	-12.03
Hopkins (Cayman) Limited ³	233,138,467	14.23	427,386,026	26.26	-12.03
Riddick (Cayman) Limited ³	233,138,467	14.23	427,386,026	26.26	-12.03
Rimmer (Cayman) Limited ³	233,138,467	14.23	427,386,026	26.26	-12.03
Richful ³	67,378,972	4.11	268,404,613	16.49	-12.38
Silchester International Investors LLP ⁴	257,791,150	15.73	257,791,150	15.84	-0.11
Silchester International Investors International Value Equity Trust ⁴	113,294,922	6.91	113,294,922	6.96	-0.05

Notes :

1. The percentages expressed are based on the total number of units in issue of 1,638,486,780 at 30 June 2015.
2. The percentages are arrived at by comparing the relevant number of interested units with the total number of units in issue of 1,627,580,493 at 30 June 2014 (which did not include the Proposed Subscription Units and the Proposed Acquisition Fee Units).
3. At 30 June 2015, 224,443,625 units were owned by Uplite Limited and 149,629,083 units were owned by Wintrade Limited. Uplite Limited and Wintrade Limited were wholly-owned subsidiaries of Financial Enterprise Properties Limited which in turn was wholly-owned by SKFE. SKFE was wholly-owned by Lee Financial (Cayman) Limited as the trustee of a unit trust, the units of which were held by Leesons (Cayman) Limited and Leeworld (Cayman) Limited as the respective trustees of two discretionary trusts. Each of Lee Financial (Cayman) Limited, Leesons (Cayman) Limited and Leeworld (Cayman) Limited was thus taken to be interested in the total of 374,072,708 units owned by Uplite Limited and Wintrade Limited.

Apart from the above, at 30 June 2015, 76,533,345 units were owned by Cobase Limited, 67,378,972 units were owned by Richful and 89,226,150 units were owned by the Manager. Cobase Limited and Richful were wholly-owned subsidiaries of Brightland Enterprises Limited, and the Manager was a wholly-owned subsidiary of Latco Investment Limited, both of which in turn were wholly-owned by HLD. Henderson Development Limited ("HD") owned more than one-third of the issued share capital of HLD. HD was wholly-owned by Hopkins (Cayman) Limited ("Hopkins") as the trustee of a unit trust, the units of which were held by Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick") as the respective trustees of two discretionary trusts. At 30 June 2015, each of HD, HLD, Hopkins, Riddick and Rimmer was taken to be interested in a total of 233,138,467 units under Part XV of the SFO.

At 30 June 2015, under Part XV of the SFO, by virtue of being the beneficial owner of the entire issued share capital of the trustees of the above unit trusts and discretionary trusts, Dr. Lee Shau Kee was taken to be interested in 607,211,175 units.

At 30 June 2015, the units mentioned under this note were beneficially held or interested in by connected persons of Sunlight REIT.

The interests in units of Dr. Lee Shau Kee, HD, HLD, Hopkins, Riddick, Rimmer and Richful at 30 June 2014 set out in the above table have taken into account the 201,025,641 Proposed Subscription Units and/or the 5,128,205 Proposed Acquisition Fee Units in which they had deemed interests at 30 June 2014 under Part XV of the SFO. Subsequent to the 2014 EGM date, disclosure of interest notices for Dr. Lee Shau Kee, HD, HLD, Hopkins, Riddick, Rimmer and Richful were submitted to the Stock Exchange to reflect the fact that they ceased to have deemed interests in the Proposed Subscription Units and/or the Proposed Acquisition Fee Units.

- At 30 June 2015, in accordance with the notices given to the Manager pursuant to Part XV of the SFO, Silchester International Investors LLP ("**Silchester LLP**"), in its capacity as investment manager, was interested in 257,791,150 units, and Silchester International Investors International Value Equity Trust ("**Silchester Trust**") beneficially owned 113,294,922 units. The Manager has subsequently been notified informally that at 30 June 2015, (i) Silchester LLP was interested in 250,899,150 units (representing approximately 15.31% of the total number of units in issue); and (ii) Silchester Trust was beneficially interested in 111,369,922 units (representing approximately 6.80% of the total number of units in issue), and such interest has been included as part of the interests (reported above) of Silchester LLP.

Holdings of other Connected Persons

So far as is known to the Manager and save as disclosed above, the holdings of units of other connected persons (as defined in paragraph 8.1 of the REIT Code, subject to the exclusion granted by the SFC) of Sunlight REIT at 30 June 2015 were as follows :

Name of Connected Persons	Number of Units Held	% of Unit Holding ¹
Chan Wing Cheng ²	130,000	0.0079
Lee King Yue ³	50,000	0.0031
Lee Pui Ling, Angelina ⁴	2,307	0.0001
Lo Yuk Fong, Phyllis ⁵	100,000	0.0061
Persons related to the Trustee ⁶	24,910,252	1.5203

Notes :

- The percentages expressed is based on the total number of units in issue of 1,638,486,780 at 30 June 2015.
- Mr. Chan Wing Cheng was a connected person by virtue of being a director of a company controlled by the family trust of Dr. Lee Shau Kee. Mr. Chan held 130,000 units at 30 June 2014.
- Mr. Lee King Yue was a connected person by virtue of being a director of HLD and certain of its subsidiaries. Mr. Lee held 50,000 units at 30 June 2014.
- Mrs. Lee Pui Ling, Angelina was a connected person by virtue of being a director of HLD and one of its subsidiaries. Mrs. Lee held 2,307 units at 30 June 2014.
- Ms. Lo Yuk Fong, Phyllis was a connected person by virtue of being a senior executive of the Manager. Ms. Lo was interested in 100,000 units at 30 June 2014.
- The Manager has been informed that (i) certain controlling entities, holding companies, subsidiaries or associated companies of the Trustee and (ii) certain directors, senior executives and officers of the Trustee and their associates (as defined in the REIT Code) were beneficially interested in 24,860,252 units and 50,000 units respectively at 30 June 2015. Certain controlling entities, holding companies, subsidiaries or associated companies of the Trustee were beneficially interested in 18,704,000 units at 30 June 2014.

Valuation Report



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27 July 2015

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17/F, Tower 2 & 3, HSBC Centre
1 Sham Mong Road
Kowloon
Hong Kong

Henderson Sunlight Asset Management Limited
30/F, 248 Queen's Road East
Wan Chai
Hong Kong

Dear Sirs

SUNLIGHT REIT – YEAR END VALUATION AS AT 30 JUNE 2015

Instructions

We refer to the instruction from Henderson Sunlight Asset Management Limited (“the **Manager**”), acting as the manager of Sunlight Real Estate Investment Trust (“**Sunlight REIT**”), and HSBC Institutional Trust Services (Asia) Limited (“**Trustee**”) to conduct property valuations (“**Valuation**”) for the Sunlight REIT’s property portfolio (“the **Portfolio**”) as at 30 June 2015 for the Annual Report in compliance with the relevant requirements set out in the Code on Real Estate Investment Trusts (“**REIT Code**”) issued by the Securities and Futures Commission of Hong Kong (“**SFC**”), the trust deed of Sunlight REIT and, where applicable, the Listing Rules of The Stock Exchange of Hong Kong.

We confirm that we have inspected the Portfolio, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing our opinion of market value of the Portfolio, with the benefit of existing tenancies, as at 30 June 2015 (the “**Date of Valuation**”).

The Portfolio

The Portfolio as identified to us for this valuation is listed below :

- (1) Sunlight Tower, 248 Queen's Road East, Wan Chai, Hong Kong (“**Sunlight Tower Property**”)
- (2) Bonham Trade Centre, 50 Bonham Strand, Sheung Wan, Hong Kong (“**Bonham Trade Centre Property**”)

- (3) Righteous Centre, 585 Nathan Road, Mong Kok, Kowloon, Hong Kong ("**Righteous Centre Property**")
- (4) Various Portions in Winsome House, 73 Wyndham Street, Central, Hong Kong ("**Winsome House Property**")
- (5) Various Portions in 135 Bonham Strand Trade Centre, 135 Bonham Strand, Sheung Wan, Hong Kong ("**135 Bonham Strand Trade Centre Property**")
- (6) 235 Wing Lok Street Trade Centre, 235 Wing Lok Street, Sheung Wan, Hong Kong ("**235 Wing Lok Street Trade Centre Property**")
- (7) Java Road 108 Commercial Centre, 108 Java Road, North Point, Hong Kong ("**Java Road 108 Commercial Centre Property**")
- (8) Various Portions in Yue Fai Commercial Centre, 208 Aberdeen Main Road, Aberdeen, Hong Kong ("**Yue Fai Commercial Centre Property**")
- (9) On Loong Commercial Building (except Office 1 on 6th Floor and Offices 1 and 2 on 21st Floor), 276-278 Lockhart Road, Wan Chai, Hong Kong ("**On Loong Commercial Building Property**")
- (10) Everglory Centre, 1B Kimberley Street, Tsim Sha Tsui, Kowloon, Hong Kong ("**Everglory Centre Property**")
- (11) Various Portions in Sun Fai Commercial Centre, 576 Reclamation Street, Mong Kok, Kowloon, Hong Kong ("**Sun Fai Commercial Centre Property**")
- (12) Various Portions in Wai Ching Commercial Building, 77 Wai Ching Street, Yau Ma Tei, Kowloon, Hong Kong ("**Wai Ching Commercial Building Property**")
- (13) Commercial Development (including all shops, the Restaurant and the Kindergarten) and Car Parks in the Podium and Basement, Sheung Shui Centre, 3 Chi Cheong Road, Sheung Shui, New Territories, Hong Kong ("**Sheung Shui Centre Property**")
- (14) Commercial Development and Car Parks, Metro City Phase I, 1 Wan Hang Road, Tseung Kwan O, Sai Kung, New Territories, Hong Kong ("**Metro City Phase I Property**")
- (15) Various Portions in Kwong Wah Plaza, 11 Tai Tong Road, Yuen Long, New Territories, Hong Kong ("**Kwong Wah Plaza Property**")
- (16) Various Shops on Ground Floor, Signage Space and Island, Carparking Space Nos. 1-24 on 1st Floor, Nos. 1-25 on 2nd Floor and Motorcycle Parking Space Nos. M1-M10 on 3rd Floor, Royal Terrace, 933 King's Road, North Point, Hong Kong ("**Royal Terrace Property**")
- (17) Various Shop Units on Ground Floor, Beverley Commercial Centre, 87-105 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong ("**Beverley Commercial Centre Property**")
- (18) Shops 1 to 9 on Ground Floor and Commercial Common Areas and Facilities, Supernova Stand, 28 Mercury Street, North Point, Hong Kong ("**Supernova Stand Property**")
- (19) Shop Nos. 1 to 7 on Ground Floor and shop No. 8 on Ground Floor and its Roof; Office Nos. 1 and 2 on 1st Floor; Advertising Spaces 1-5, Commercial Common Areas and Facilities, Private Staircase and Landing and the Reserved Portion, Palatial Stand, 118 Wuhu Street, Hung Hom, Kowloon, Hong Kong ("**Palatial Stand Property**")

Valuation Report

Valuer's Interest

We hereby certify Jones Lang LaSalle Limited is unaware of any of our business, relationship or interest is in real, potential or apparent conflict with the performance required for the above-mentioned assignment. We also confirm we are independent of Sunlight REIT, the Trustee, and the Manager.

Basis of Valuation

All work is carried out in accordance with Chapter 6.8 of the REIT Code, "The HKIS Valuation Standards 2012 Edition" published by The Hong Kong Institute of Surveyors ("**HKIS**"), the "International Valuation Standards" published by the International Valuation Standards Council ("**IVSC**") and the "RICS Valuation – Professional Standards" published by the Royal Institution of Chartered Surveyors ("**RICS**") subject to variation to meet local established law. Unless otherwise stated, our valuations are undertaken as External Valuers as defined in the relevant Valuation Standards.

Our valuation is made on the basis of Market Value as defined by IVSC and adopted by HKIS and RICS, set out as :

"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Our valuation presented in the report would represent 100% interest of the Portfolio and not the share holdings of the company holding the Portfolio interest hereof.

Valuation Methodologies

We have relied on the Direct Comparison method and Income Capitalisation Approach in arriving at our valuation conclusion.

Direct Comparison Approach

The direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transferred its legal ownership. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

This method has inherent limitations in quantitatively capturing various property specific characteristics including the quality of occupancy, existing rental income and reversionary potential, management and levels of performance of the Portfolio, existing tenant covenants and investors' expectations on returns. The ability to apply these assumptions in the income capitalisation approach is more appropriate for valuing an investment property where investors' emphasis on delivering returns is of paramount importance. The specific factors and assumptions applied within the income capitalisation approach have been derived via analysis and appreciation of market evidence and expectations.

The direct comparison approach is however useful as a cross check to the overall unit values (per square foot) derived from the income capitalisation approach.

Income Capitalisation Approach

The income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and our interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in our valuation have reference to our view of recent lettings, within the subject building and other comparable premises.

In determining the capitalisation rates for the Portfolio, we have made particular reference to recent major investment transactions. The range of Capitalisation Rates adopted in our valuation is as follows :

Retail : 2.80% to 4.50%
Office : 3.10% to 4.00%
Car Park : 4.10% to 6.00%

Valuation Reconciliation

Our valuation of the property interests would be a reconciliation of the results of the above valuation methods and the assessed value will be analysed in terms of estimated net property yield and on a dollar per square foot basis.

Valuation Assumptions

Assumptions

The valuations have been made on the assumption that Sunlight REIT sells the property interests in the open market without the benefit of deferred-terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could serve to affect the values of the property interests.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Portfolio nor for any expenses or taxation which may be incurred in effecting sales. Unless otherwise stated, it is assumed that the Portfolio is free of encumbrances, restrictions and outgoings of an onerous nature which could affect the capital values of the properties.

Title Investigation and Encumbrances

We have conducted searches of the Land Registry records of the Portfolio. However, we have not examined the original documents to verify ownership or to ascertain the existence of any lease amendments, which may not appear on the copies handed to us. All documents and leases have been used for reference only and all dimensions, measurements and areas are approximate.

Property Inspection

We have inspected the exterior, and where possible the interior of the Portfolio during the period between 16 June 2015 and 19 June 2015.

We have not conducted formal site and structural surveys and, as such, we cannot report that the Portfolio is free from rot, infestation or any other structural defects. We have not carried out a building survey, nor have we inspected those parts of the Portfolio which are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts. No tests have been carried out to any of the services.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the Portfolio, or has since been incorporated, and we are therefore unable to report that the Portfolio is free from risk in this respect. For the purpose of this valuation we have assumed that such investigations would not disclose the presence of any such material to any significant extent.

Valuation Report

Site Investigation

We have not carried out any investigations on site in order to determine the suitability of ground conditions and services etc. for future redevelopment, nor did we undertake archaeological, ecological or environmental surveys. Our valuation is on the basis that these aspects are satisfactory and that where developments are contemplated, no extraordinary expenses or delays will be incurred during the construction period due to these, or to archaeological or ecological matters. In the course of our assessments, we have assumed that there is no contamination affecting the Portfolio or the neighbouring land. However, should it be established subsequently that contamination exists at the Portfolio or on any neighbouring land, or that the premises have been or are being put to any contaminative use, we reserve the right to adjust the values reported herein.

Plant and Machinery

Our valuation normally includes all plant and machinery that form part of the building services installations. However, process plant, machinery and equipment which may have been installed wholly in connection with the occupiers' commercial processes, together with furniture and furnishings, tenants' fixtures and fittings are excluded in our valuation.

Telecommunication Facilities

We have assumed that all telecommunication facilities at the Portfolio are permitted and that all necessary approvals have been obtained from the relevant authorities.

Acknowledgement of Information

We have relied to a considerable extent on the information provided by the Manager and have accepted advice given to us on such matters as identification of the Portfolio, planning approvals, statutory notices, easements, tenure, occupation, floor plans, floor areas, tenancy schedule and all other relevant matters.

In the course of our valuation, we have also made reference to inter alia, the following information provided by the Manager :

1. Copy of tenancy schedule of the Portfolio as at 30 April 2015, 31 May 2015, and 30 June 2015;
2. Copy of other retail incomes and car park incomes of the Portfolio from June 2014 to May 2015;
3. Copy of expense report of the Portfolio from July 2014 to May 2015; and
4. Copy of layout plans of the Portfolio.

Dimensions, measurements and areas included in the report are based on information contained in copies of documents provided to us and are therefore only approximations. No on site measurements have been taken. We have not been instructed to independently verify the information provided. We have also been advised by the Manager that no material facts have been omitted/withheld from the information provided to us. Our valuation is totally dependent on the adequacy and accuracy of the information supplied and/or the assumptions made. Should these prove to be incorrect or inadequate, the accuracy of the valuation may be affected.

We have not seen original planning and/or development and occupation consents. We have assumed that the Portfolio has been erected, and is being occupied and used, in accordance with such consents and that there are no outstanding statutory notices.

Summary of Valuation

A summary of our opinion of the market value of each property, subject to the existing tenancies, as at 30 June 2015, is as follows :

Property Name	Approximate Gross Rentable Area (sq. ft.)	No. of Parking Lots (excluding motor and bicycle spaces)	Market Value as at 30 June 2015 (HK\$ million)	Adopted Capitalisation Rate			Estimated Net Property Yield (%)
				Retail (%)	Office (%)	Car Park (%)	
1 Sunlight Tower Property	376,381	46	4,306.0	3.75	3.85	4.50	3.7
2 Bonham Trade Centre Property	117,909	N/A	1,003.1	4.00	3.65	N/A	3.6
3 Righteous Centre Property	51,767	N/A	662.5	3.60	3.95	N/A	3.9
4 Winsome House Property	40,114	N/A	538.7	3.80	3.65	N/A	3.5
5 135 Bonham Strand Trade Centre Property	63,915	N/A	505.1	4.00	3.65	N/A	3.6
6 235 Wing Lok Street Trade Centre Property	52,285	N/A	314.3	4.00	3.65	N/A	3.6
7 Java Road 108 Commercial Centre Property	37,923	N/A	254.0	4.20	3.95	N/A	3.9
8 Yue Fai Commercial Centre Property	42,751	N/A	287.0	3.60	3.60	N/A	3.2
9 On Loong Commercial Building Property	25,564	N/A	239.3	3.90	3.85	N/A	3.7
10 Everglory Centre Property	29,802	N/A	309.1	3.10	3.10	N/A	2.3
11 Sun Fai Commercial Centre Property	26,151	N/A	169.5	4.25	4.00	N/A	4.0
12 Wai Ching Commercial Building Property	16,321	N/A	65.5	4.10	3.75	N/A	3.5
13 Sheung Shui Centre Property	122,339	297	4,060.7	4.40	N/A	6.00	4.4
14 Metro City Phase I Property	188,889	452	2,891.3	4.50	N/A	5.50	4.4
15 Kwong Wah Plaza Property	64,842	N/A	958.8	3.80	3.85	N/A	3.7
16 Royal Terrace Property	9,565	49	246.4	2.80	N/A	4.10	2.6
17 Beverley Commercial Centre Property	7,934	N/A	126.5	4.30	N/A	N/A	3.9
18 Supernova Stand Property	4,226	N/A	59.2	4.00	N/A	N/A	4.1
19 Palatial Stand Property	8,625	N/A	38.3	4.35	N/A	N/A	2.2
Total	1,287,303	844	17,035.3				3.9

Valuation

We are of the opinion that the market value of the unencumbered leasehold interest of the Portfolio, subject to the existing tenancies, as at 30 June 2015, was in the sum of **HK\$17,035,300,000 (HONG KONG DOLLARS SEVENTEEN BILLION THIRTY FIVE MILLION AND THREE HUNDRED THOUSAND)**.

The notional apportionment of the Retail Properties and Office Properties was as follows :

	Market Value (HK\$)	Estimated Net Property Yield (%)
Retail Properties	8,381,200,000	4.2
Office Properties	8,654,100,000	3.6
Total	17,035,300,000	3.9

We enclose herewith our summary valuation report.

Conversion Factor

Conversion factors used in this report are : 1 square metre = 10.764 square feet
1 metre = 3.2808 feet

Yours faithfully
For and on behalf of
Jones Lang LaSalle Limited

Lau Chun-kong MRICS, FHKIS, RPS (GP)
International Director
Licence No.: E-131615

Valuation Report

Summary Valuation Report^{Note}

Sunlight Tower Property

Sunlight Tower, 248 Queen's Road East, Wan Chai, Hong Kong

Description

The building is a 40-storey (including a mechanical floor) commercial building with ancillary car parking facilities erected on an L-shaped site having a registered site area of approximately 1,442.84 sq. m. (15,531 sq. ft.). The building was completed in 1998. The property comprises all units within the building having a total gross rentable area of approximately 34,966.65 sq. m. (376,381 sq. ft.). It also comprises 8 lorry parking spaces and 38 car parking spaces on 1st to 4th Floors of the building.

Land Tenure

Inland Lot No. 506 is held under a Government Lease for a term of 999 years commencing from 16 November 1855. The annual Government rent payable for the lot is 36 pounds 10 shillings.

Inland Lot No. 387 is held under a Government Lease for a term of 999 years commencing from 16 March 1855. The annual Government rent payable for the lot is 20 pounds 4 shillings and 10 pence.

Monthly Rental Income as at 30 June 2015

HK\$12,770,000 exclusive of rates, management fees and air-conditioning charges

Monthly Car Parking Income as at 30 June 2015

HK\$298,000 exclusive of operating expenses, rates, Government rents and management fees

Monthly Licence Income as at 30 June 2015

HK\$9,700 exclusive of rates and management fees

Market Value in existing state as at 30 June 2015

HK\$4,306,000,000

Estimated Net Property Yield

3.7%

Bonham Trade Centre Property

Bonham Trade Centre, 50 Bonham Strand, Sheung Wan, Hong Kong

Description

The building is a 28-storey commercial building erected on a trapezoid site having a registered site area of approximately 720.27 sq. m. (7,753 sq. ft.). The building was completed in 1998. The property comprises all units within the building having a total gross rentable area of approximately 10,954.01 sq. m. (117,909 sq. ft.). It also comprises a yard on Ground Floor of the building with an area of approximately 16.50 sq. m. (178 sq. ft.).

Land Tenure

Inland Lot No. 15 is held under a Government Lease for a term of 999 years commencing from 26 December 1860. The annual Government rent payable for the subject section of the lot is HK\$11.9.

Marine Lot Nos. 142 and 144 are held under their respective Government Leases each for a term of 981 years commencing from 26 December 1860. The total annual Government rent payable for the lots is HK\$124.8.

Monthly Rental Income as at 30 June 2015

HK\$3,020,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2015

HK\$1,003,100,000

Estimated Net Property Yield

3.6%

Note : A full version of the valuation report in English language is available for public inspection at the registered office of the Manager.

The estimated net property yield is based on the monthly net rental incomes as at 30 June 2015 and the average monthly net income receivable from parking lots, licence fees, turnover rents, etc. during the period from June 2014 to May 2015.

Righteous Centre Property

Righteous Centre, 585 Nathan Road, Mong Kok, Kowloon, Hong Kong

Description

The building is a 26-storey (including a mechanical floor) commercial building erected on a rectangular site having a registered site area of approximately 300.30 sq. m. (3,232 sq. ft.). The building was completed in 1996. The property comprises all units within the building having a total gross rentable area of approximately 4,809.27 sq. m. (51,767 sq. ft.).

Land Tenure

Kowloon Inland Lot Nos. 6827 and 7097 are held under Conditions of Renewal No. 5654 and Conditions of Regrant No. 5759 respectively each for a term of 150 years commencing from 25 December 1887.

The annual Government rents payable for Section A of Kowloon Inland Lot No. 6827 and Kowloon Inland Lot No. 7097 are HK\$78 and HK\$150 respectively.

Monthly Rental Income as at 30 June 2015

HK\$2,040,000 exclusive of rates, management fees and air-conditioning charges

Monthly Licence Income as at 30 June 2015

HK\$107,600 exclusive of rates and management fees

Market Value in existing state as at 30 June 2015

HK\$662,500,000

Estimated Net Property Yield

3.9%

Winsome House Property

Various Portions in Winsome House, 73 Wyndham Street, Central, Hong Kong

Description

The building is a 27-storey commercial building completed in 1999. The property comprises the majority portion of the building having a total gross rentable area of approximately 3,726.68 sq. m. (40,114 sq. ft.). It also comprises various flat roofs on the Upper and Lower Ground Floors with a total area of approximately 34.37 sq. m. (370 sq. ft.).

Land Tenure

Inland Lot Nos. 5025 and 994 are held under their respective Government Leases each for a term of 999 years commencing from 26 June 1843. The total annual Government rent payable for the lots are HK\$146.

Inland Lot No. 7968 is held under Conditions of Exchange No. 8224 for a term of 999 years commencing from 22 January 1844. The annual Government rent payable for the lot is HK\$30.

Monthly Rental Income as at 30 June 2015

HK\$1,580,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2015

HK\$538,700,000

Estimated Net Property Yield

3.5%

Valuation Report

135 Bonham Strand Trade Centre Property

Various Portions in 135 Bonham Strand Trade Centre, 135 Bonham Strand, Sheung Wan, Hong Kong

Description

The building is a 25-storey (including a mechanical floor) commercial building completed in 2000. The property comprises the majority portion of the subject building having a total gross rentable area of approximately 5,937.85 sq. m. (63,915 sq. ft.).

Land Tenure

Marine Lot No. 173 is held under a Government Lease for a term of 999 years commencing from 26 December 1860. The total annual Government rent payable for the subject sections of the lot is HK\$88.

Inland Lot No. 6896 is held under a Government Lease for a term of 75 years commencing from 14 November 1952 renewable for a further term of 75 years. The annual Government rent payable for the lot is HK\$196.

Monthly Rental Income as at 30 June 2015

HK\$1,500,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2015

HK\$505,100,000

Estimated Net Property Yield

3.6%

235 Wing Lok Street Trade Centre Property

235 Wing Lok Street Trade Centre, 235 Wing Lok Street, Sheung Wan, Hong Kong

Description

The building is a 26-storey commercial building erected on an irregular site with a registered site area of approximately 282.42 sq. m. (3,040 sq. ft.). The building was completed in 2000. The property comprises all units within the building having a total gross rentable area of approximately 4,857.40 sq. m. (52,285 sq. ft.).

Land Tenure

Marine Lot No. 37A is held under a Government Lease for a term of 979 years commencing from 26 December 1863. The annual Government rent payable for the lot is HK\$316.63.

Monthly Rental Income as at 30 June 2015

HK\$950,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2015

HK\$314,300,000

Estimated Net Property Yield

3.6%

Java Road 108 Commercial Centre Property

Java Road 108 Commercial Centre, 108 Java Road, North Point, Hong Kong

Description

The building is a 25-storey commercial building erected on a rectangular site having a registered site area of approximately 228.26 sq. m. (2,457 sq. ft.). The building was completed in 1998. The property comprises all units within the building having a total gross rentable area of approximately 3,523.13 sq. m. (37,923 sq. ft.).

Land Tenure

Inland Lot No. 3539 is held under a Government Lease for a term of 75 years commencing from 12 June 1933 renewable for a further term of 75 years. The total annual Government rent payable for the lots is HK\$188,912.

Monthly Rental Income as at 30 June 2015

HK\$820,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2015

HK\$254,000,000

Estimated Net Property Yield

3.9%

Yue Fai Commercial Centre Property

Various Portions in Yue Fai Commercial Centre, 208 Aberdeen Main Road, Aberdeen, Hong Kong

Description

The building is a 26-storey commercial building completed in 1997. The property comprises the majority portion of the building having a total gross rentable area of approximately 3,971.66 sq. m. (42,751 sq. ft.). It also comprises two flat roofs on the 1st Floor with a total area of approximately 80.73 sq. m. (869 sq. ft.) and roof area of approximately 92.72 sq. m. (998 sq. ft.).

Land Tenure

Aberdeen Inland Lot No. 62 is held under a Government Lease for a term of 999 years commencing from 26 December 1860 at an annual Government rent at a part of HK\$7.28.

Monthly Rental Income as at 30 June 2015

HK\$760,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2015

HK\$287,000,000

Estimated Net Property Yield

3.2%

Valuation Report

On Loong Commercial Building Property

On Loong Commercial Building (except Office 1 on the 6th Floor and Office 1 and 2 on the 21st Floor), 276-278 Lockhart Road, Wan Chai, Hong Kong

Description

The building is a 23-storey commercial building completed in 1984. The property comprises the majority portion of the building having a total gross rentable area of approximately 2,374.95 sq. m. (25,564 sq. ft.). It also comprises two flat roofs on the 4th Floor with a total area of approximately 46.92 sq. m. (505 sq. ft.) and roof area of approximately 28.80 sq. m. (310 sq. ft.).

Land Tenure

Inland Lot Nos. 7061 and 7062 are each held under a Government Lease for a term of 99 years commencing from 11 May 1928 renewable for a further term of 99 years at a total annual Government rent of HK\$20.

Monthly Rental Income as at 30 June 2015

HK\$730,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2015

HK\$239,300,000

Estimated Net Property Yield

3.7%

Everglory Centre Property

Everglory Centre, 1B Kimberley Street, Tsim Sha Tsui, Kowloon, Hong Kong

Description

The building is a 21-storey commercial building erected on a rectangular site having a registered site area of approximately 224.73 sq. m. (2,419 sq. ft.). The building was completed in 1999. The property comprises all units within the building having a total gross rentable area of approximately 2,768.67 sq. m. (29,802 sq. ft.).

Land Tenure

Kowloon Inland Lots Nos. 9455 and 9639 are held under Conditions of Regrant Nos. 9401 and 9502 respectively each for a term of 150 years commencing from 25 December 1892 at a total annual Government rent of HK\$284.

Monthly Rental Income as at 30 June 2015

HK\$603,000 exclusive of rates, management fees and air-conditioning charges

Monthly Licence Income as at 30 June 2015

HK\$1,200 exclusive of rates and management fees

Market Value in existing state as at 30 June 2015

HK\$309,100,000

Estimated Net Property Yield

2.3%

Sun Fai Commercial Centre Property

Various Portions in Sun Fai Commercial Centre,
576 Reclamation Street, Mong Kok, Kowloon, Hong Kong

Description

The building is a 15-storey commercial building completed in 1998. The property comprises the majority portion of the building having a total gross rentable area of approximately 2,429.49 sq. m. (26,151 sq. ft.). It also comprises various flat roofs on the 2nd and 3rd Floors with a total area of approximately 53.14 sq. m. (572 sq. ft.) and roof area of approximately 72.65 sq. m. (782 sq. ft.).

Land Tenure

Kowloon Inland Lot Nos. 10813, 10814 and 10815 are held under Conditions of Lease Extension Nos. 12068, 12269 and 12259 respectively each for a term commencing from 28 June 1985 and expiring on 30 June 2047 at an annual Government rent at 3% of the rateable value for the time being of each lot.

Monthly Rental Income as at 30 June 2015

HK\$560,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2015

HK\$169,500,000

Estimated Net Property Yield

4.0%

Wai Ching Commercial Building Property

Various Portions in Wai Ching Commercial Building,
77 Wai Ching Street, Yau Ma Tei, Kowloon, Hong Kong

Description

The building is a 19-storey commercial building completed in 1997. The property comprises the majority portion of the building with a total gross rentable area of approximately 1,516.26 sq. m. (16,321 sq. ft.).

Land Tenure

Kowloon Inland Lots Nos. 6167 and 6168 are held under their respective Government Leases each for a term of 75 years commencing from 18 September 1974 at a total annual Government rent at HK\$57,566 for the subject sections of the lots.

Monthly Rental Income as at 30 June 2015

HK\$190,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2015

HK\$65,500,000

Estimated Net Property Yield

3.5%

Valuation Report

Sheung Shui Centre Property

Commercial Development (including all Shops, The Restaurant and The Kindergarten); and Car Parks in the Podium and Basement, Sheung Shui Centre, 3 Chi Cheong Road, Sheung Shui, New Territories, Hong Kong

Description

The development is a residential development comprising six residential blocks over a 3-storey commercial/car parking podium plus one level car park basement completed in 1993. The property comprises all shop units within the commercial podium of the development with a total gross rentable area of approximately 11,365.57 sq. m. (122,339 sq. ft.). It also comprises 269 car parking spaces, 28 lorry parking spaces and 226 bicycle parking spaces on Basement and Level 1 of the development. It also comprises 6 loading and unloading spaces (with one of such loading and unloading space for each residential block for parking, loading and unloading of goods vehicles) on Level 1 of the development.

Land Tenure

Fanling Sheung Shui Town Lot No. 55 is held under New Grant No. 12406 for a term commencing from 16 October 1989 and expiring on 30 June 2047 at an annual Government rent at 3% of the rateable value for the time being of the lot.

Monthly Rental Income as at 30 June 2015

HK\$13,580,000 exclusive of rates, management fees and air-conditioning charges but inclusive of turnover rent

Monthly Car Parking Income as at 30 June 2015

HK\$987,700 exclusive of operating expenses, rates, Government rents and management fees

Monthly Licence Income as at 30 June 2015

HK\$190,600 exclusive of rates and management fees

Market Value in existing state as at 30 June 2015

HK\$4,060,700,000

Estimated Net Property Yield

4.4%

Metro City Phase I Property

Commercial Development and Car Parks, Metro City Phase I, 1 Wan Hang Road, Tseung Kwan O, Sai Kung, New Territories, Hong Kong

Description

The development comprises a 3-storey (Ground Floor to Level 2) commercial/car parking podium with six residential blocks erected thereon. The development was completed in 1996. The property comprises all the shop units on the Ground Floor and Level 2 of the commercial/car parking podium having a total gross rentable area of approximately 17,548.22 sq. m. (188,889 sq. ft.). It also comprises 452 car parking spaces, 20 motor cycle parking spaces and 14 bicycle parking spaces on Ground Floor to Level 2 of the development.

Land Tenure

Tseung Kwan O Town Lot No. 36 is held under New Grant No. 8275 for a term commencing from 29 November 1993 and expiring on 30 June 2047 at an annual Government rent at 3% of the rateable value for the time being of the lot.

Monthly Rental Income as at 30 June 2015

HK\$8,983,000 exclusive of rates, management fees and air-conditioning charges but inclusive of turnover rent

Monthly Car Parking Income as at 30 June 2015

HK\$1,352,600 exclusive of operating expenses, rates, Government rents and management fees

Monthly Licence Income as at 30 June 2015

HK\$120,600 exclusive of rates and management fees

Market Value in existing state as at 30 June 2015

HK\$2,891,300,000

Estimated Net Property Yield

4.4%

Kwong Wah Plaza Property

Various Portions in Kwong Wah Plaza, 11 Tai Tong Road, Yuen Long, New Territories, Hong Kong

Description

The building is a 17-storey (including a basement and a mechanical floor but excluding cocklofts) commercial building completed in 1998. The property comprises the majority portion of the building having a total gross rentable area of approximately 6,023.97 sq. m. (64,842 sq. ft.). It also comprises a Flat Roof on the 13th Floor with an area of approximately 16.35 sq. m. (176 sq. ft.).

Land Tenure

Lot No. 4015 in Demarcation District No. 120 is held under New Grant No. 4135 for a term commencing from 25 May 1993 and expiring on 30 June 2047 at an annual Government rent at 3% of the rateable value for the time being of the lot.

Monthly Rental Income as at 30 June 2015

HK\$2,970,000 exclusive of rates, management fees and air-conditioning charges

Monthly Licence Income as at 30 June 2015

HK\$10,300 exclusive of rates and management fees

Market Value in existing state as at 30 June 2015

HK\$958,800,000

Estimated Net Property Yield

3.7%

Royal Terrace Property

Various Shops on Ground Floor, Signage Space and Island, Car parking Space Nos. 1-24 on 1st Floor, Nos. 1-25 on 2nd Floor and Motorcycle Parking Space Nos. M1-M10 on 3rd Floor, Royal Terrace, 933 King's Road, North Point, Hong Kong

Description

The building is a 36-storey composite commercial/residential building with car parking and recreational facilities completed in 2002. The property comprises eleven shop units on the Ground Floor having a total gross rentable area of approximately 888.61 sq. m. (9,565 sq. ft.). It also comprises 49 car parking spaces and 10 motorcycle parking spaces on the whole of 1st to 3rd Floors of the building.

Land Tenure

Quarry Bay Marine Lot No. 4 is held under Government Lease for a term of 75 years commencing from 27 April 1931 renewable for a further term of 75 years. The total annual Government rent payable for the lots is part of HK\$934,976.

Monthly Rental Income as at 30 June 2015

HK\$410,000 exclusive of rates, management fees and air-conditioning charges but inclusive of turnover rent

Monthly Car Parking Income as at 30 June 2015

HK\$124,400 exclusive of operating expenses, rates, Government rents and management fees

Market Value in existing state as at 30 June 2015

HK\$246,400,000

Estimated Net Property Yield

2.6%

Valuation Report

Beverley Commercial Centre Property

Various Shop Units on Ground Floor, Beverley Commercial Centre, 87-105 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong

Description

The building is a 20-storey (including a basement) commercial building completed in 1982. The property comprises 60 shop units on the Ground Floor of the shopping arcade within the building, having a total gross rentable area of approximately 737.09 sq. m. (7,934 sq. ft.).

Land Tenure

Kowloon Inland Lots Nos. 10574, 10211, 10575, 10518, 10580, 10160, 10503, 10526, 10247 and 10616 are held under Conditions of Re-Grant Nos. 11117, 10318, 11118, 11125, 11098, 10312, 11134, 11053, 10404 and 11243 respectively each for a term of 150 years commencing from 25 December 1902. The total annual Government rent payable for the lots is HK\$7,576.

Monthly Rental Income as at 30 June 2015

HK\$410,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2015

HK\$126,500,000

Estimated Net Property Yield

3.9%

Supernova Stand Property

Shops 1 to 9 on the Ground Floor and Commercial Common Areas and Facilities, Supernova Stand, 28 Mercury Street, North Point, Hong Kong

Description

The building is a 27-storey composite commercial/residential building completed in 2001. The property comprises all nine shop units on the Ground Floor having a total gross rentable area of approximately 392.60 sq. m. (4,226 sq. ft.).

Land Tenure

Inland Lot No. 1366 is held under a Government Lease for a term of 999 years commencing from 24 February 1896 at an annual Government rent at a part of HK\$338.

Monthly Rental Income as at 30 June 2015

HK\$200,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2015

HK\$59,200,000

Estimated Net Property Yield

4.1%

Palatial Stand Property

Shop Nos. 1 to 7 on Ground Floor and Shop No. 8 on Ground Floor and its Roof; Office Nos. 1 and 2 on 1st Floor; Advertising Spaces 1-5 and Commercial Common Areas and Facilities, Private Staircase and Landing and the Reserved Portion, Palatial Stand, 118 Wuhu Street, Hung Hom, Kowloon, Hong Kong

Description

The building is a 20-storey residential tower built over a 3-storey commercial/garden podium completed in 2001. The property comprises the 8 shop units occupying the whole of the Ground Floor and two office units occupying the whole of the 1st Floor of the building having a total gross rentable area of approximately 801.28 sq. m. (8,625 sq. ft.). The property also comprises a Flat Roof on 1st Floor of the building with an area of approximately 56.02 sq. m. (603 sq. ft.).

Land Tenure

Hung Hom Inland Lot No. 522 is held under a Government Lease for a term of 150 years commencing from 14 September 1897 at an annual Government rent of HK\$34.

Hung Hom Inland Lots Nos. 509, 517, 510, 514, 515 and 504 are held under Conditions of Regrant Nos. 10274, 10340, 10273, 10579, 10356 and 10224 respectively each for a term of 150 years commencing from 14 September 1897. The total annual Government rent payable for the lots is HK\$204.

Monthly Rental Income as at 30 June 2015

HK\$70,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2015

HK\$38,300,000

Estimated Net Property Yield

2.2%

Trustee's Report

To the Unitholders of 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))

We hereby confirm that, in our opinion, the Manager of Sunlight Real Estate Investment Trust has, in all material respects, managed Sunlight Real Estate Investment Trust in accordance with the provisions of the Trust Deed dated 26 May 2006 (as modified, supplemented and amended by six supplemental deeds) for the year ended 30 June 2015.

HSBC Institutional Trust Services (Asia) Limited

(in its capacity as the trustee of Sunlight Real Estate Investment Trust)

Hong Kong, 10 September 2015

Independent Auditor's Report



Independent auditor's report to the unitholders of 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))

We have audited the consolidated financial statements of Sunlight Real Estate Investment Trust ("**Sunlight REIT**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 76 to 118, which comprise the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in net assets attributable to unitholders, the distribution statement and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Manager's responsibility for the consolidated financial statements

The Manager of Sunlight REIT is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the relevant provisions of the trust deed dated 26 May 2006 (as modified, supplemented and amended from time to time) (the "**Trust Deed**") and the relevant disclosure requirements set out in Appendix C of the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong (the "**REIT Code**") and for such internal control as the Manager of Sunlight REIT determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Appendix C of the REIT Code, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager of Sunlight REIT, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the disposition of the assets and liabilities of the Group as at 30 June 2015 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix C of the REIT Code.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

Consolidated Statement of Profit or Loss

For the year ended 30 June 2015
(Expressed in Hong Kong dollars)

	Note	2015 \$'000	2014 \$'000
Revenue	4 & 5	754,354	688,905
Property operating expenses	4 & 6	(167,774)	(153,840)
Net property income		586,580	535,065
Other income	7	3,603	3,678
Administrative expenses		(108,660)	(94,836)
Net increase in fair value of investment properties	11	1,596,525	961,041
Profit from operations		2,078,048	1,404,948
Finance costs on interest bearing liabilities	8(a)	(110,528)	(114,510)
Profit before taxation and transactions with unitholders	8	1,967,520	1,290,438
Income tax	9(a)	(64,817)	(60,391)
Profit after taxation and before transactions with unitholders		1,902,703	1,230,047

The notes on pages 83 to 118 form part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2015
(Expressed in Hong Kong dollars)

	2015 \$'000	2014 \$'000
Profit after taxation and before transactions with unitholders	1,902,703	1,230,047
Other comprehensive income for the year		
<i>Item that may be reclassified subsequently to profit or loss :</i>		
– Changes in fair value of cash flow hedges recognised during the year	2,558	3,658
Total comprehensive income for the year	1,905,261	1,233,705

The notes on pages 83 to 118 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 30 June 2015

(Expressed in Hong Kong dollars)

	Note	2015 \$'000	2014 \$'000
Non-current assets			
Fixed assets	11		
– Investment properties		16,192,800	15,390,600
– Other fixed assets		87	79
		16,192,887	15,390,679
Deferred tax assets	9(c)	–	566
Derivative financial instruments	13	8,841	19,989
Prepayments	14	–	17,735
Reimbursement rights	12	197,145	203,413
		16,398,873	15,632,382
Current assets			
Trade and other receivables	14	27,356	24,031
Cash and bank balances	15	464,334	345,254
Tax recoverable		157,569	150,198
		649,259	519,483
Investment properties and assets of disposal groups held for sale	16	849,564	–
		1,498,823	519,483
Total assets		17,897,696	16,151,865
Current liabilities			
Tenants' deposits	17	(186,975)	(178,638)
Rent receipts in advance		(10,161)	(9,459)
Trade and other payables	18	(309,563)	(215,784)
Bank borrowings	19	(10,000)	–
Derivative financial instruments	13	(34,122)	(33,188)
Tax payable		(55,072)	(50,406)
		(605,893)	(487,475)
Liabilities directly associated with the assets of disposal groups held for sale	16	(18,411)	–
		(624,304)	(487,475)
Net current assets		874,519	32,008
Total assets less current liabilities		17,273,392	15,664,390

Consolidated Statement of Financial Position (continued)

At 30 June 2015

(Expressed in Hong Kong dollars)

	Note	2015 \$'000	2014 \$'000
Non-current liabilities, excluding net assets attributable to unitholders			
Bank borrowings	19	(3,884,068)	(3,872,268)
Deferred tax liabilities	9(c)	(291,052)	(281,470)
Derivative financial instruments	13	(1,132)	(15,772)
		(4,176,252)	(4,169,510)
Total liabilities, excluding net assets attributable to unitholders			
		(4,800,556)	(4,656,985)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS			
		13,097,140	11,494,880
Number of units in issue			
	20	1,638,486,780	1,627,580,493
Net asset value attributable to unitholders per unit			
		\$7.99	\$7.06

The consolidated financial statements on pages 76 to 118 were approved and authorised for issue by Henderson Sunlight Asset Management Limited, as the manager of Sunlight Real Estate Investment Trust (the "**Manager**"), on 10 September 2015 and were signed on its behalf by :

Au Siu Kee, Alexander

Chairman

Wu Shiu Kee, Keith

Executive Director

The notes on pages 83 to 118 form part of these consolidated financial statements.

Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the year ended 30 June 2015
(Expressed in Hong Kong dollars)

	Note	2015 \$'000	2014 \$'000
At the beginning of the year		11,494,880	10,531,735
Profit after taxation and before transactions with unitholders		1,902,703	1,230,047
Other comprehensive income		2,558	3,658
Total comprehensive income for the year		1,905,261	1,233,705
Distribution paid to unitholders		(340,716)	(304,319)
Issuance of units to the Manager during the year	20	41,126	38,364
Units bought back	20	(3,397)	(4,585)
Units buy-back expenses	20	(14)	(20)
At the end of the year		13,097,140	11,494,880

The notes on pages 83 to 118 form part of these consolidated financial statements.

Distribution Statement

For the year ended 30 June 2015
(Expressed in Hong Kong dollars)

	Note	2015 \$'000	2014 \$'000
Profit after taxation and before transactions with unitholders		1,902,703	1,230,047
Adjustments : (note (i))			
– Net increase in fair value of investment properties	11	(1,596,525)	(961,041)
– Manager's fees paid or payable in the form of units		42,869	38,807
– Non-cash finance costs on interest bearing liabilities		11,800	19,632
– Deferred tax	9(a)	14,320	15,370
		(1,527,536)	(887,232)
Total distributable income (note (i))		375,167	342,815
Interim distribution, paid (notes (ii) and (iv))		171,448	155,616
Final distribution, to be paid to unitholders (notes (iii) and (iv))		188,213	169,268
Total distributions for the year (note (i))		359,661	324,884
Payout ratio (note (iii))		95.9%	94.8%
Distribution per unit :			
Interim distribution per unit, paid		10.5 cents	9.6 cents
Final distribution per unit, to be paid to unitholders		11.5 cents	10.4 cents
		22.0 cents	20.0 cents

Notes :

- (i) Pursuant to the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong (the "**REIT Code**") and the trust deed dated 26 May 2006 (as modified, supplemented and amended from time to time) (the "**Trust Deed**"), Sunlight Real Estate Investment Trust ("**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.

Distributable income means the amount calculated by the Manager as representing the consolidated profit after taxation and before transactions with unitholders of Sunlight REIT for the relevant financial period, as adjusted to eliminate the effects of certain adjustments (as defined in the Trust Deed) recorded in the consolidated statement of profit or loss for the relevant financial period. The adjustments for the year included an adjustment to eliminate non-cash finance costs on interest bearing liabilities of \$11,800,000, or 0.72 cents per unit (2014 : \$19,632,000, or 1.21 cents per unit).

- (ii) The interim distribution of \$171,448,000 for the six months ended 31 December 2014 (31 December 2013 : \$155,616,000) is calculated by multiplying the interim distribution per unit of 10.5 cents by 1,632,836,625 units in issue at 27 February 2015, the record date for 2015 interim distribution (31 December 2013 : 9.6 cents by 1,620,998,045 units in issue at 6 March 2014, the record date for 2014 interim distribution).
- (iii) The final distribution of \$188,213,000 for the year ended 30 June 2015 (2014 : \$169,268,000) is calculated by multiplying the final distribution per unit of 11.5 cents by 1,636,636,780 units* anticipated to be in issue at 5 October 2015, the record date for 2015 final distribution (the "**Record Date**") (2014 : 10.4 cents by 1,627,580,493 units in issue at 7 October 2014, the record date for 2014 final distribution).

Together with the interim distribution, the total distributions for the year ended 30 June 2015 represent a payout ratio of 95.9% (2014 : 94.8%) of Sunlight REIT's total distributable income for the year.

- (iv) The 2015 interim distribution was paid to unitholders on 12 March 2015. The 2015 final distribution is expected to be paid on 20 October 2015 to unitholders whose names appear on the register of unitholders on the Record Date.
- (v) The final distribution proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

* After the end of the reporting period, 1,850,000 units were bought back and cancelled in July 2015. It is anticipated that no additional units will be bought back and cancelled before the Record Date.

** Certain figures in these notes to distribution statement have been rounded to the nearest thousand.

The notes on pages 83 to 118 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 30 June 2015
(Expressed in Hong Kong dollars)

	Note	2015 \$'000	2014 \$'000
Operating activities			
Profit before taxation and transactions with unitholders		1,967,520	1,290,438
Adjustments :			
– Manager's fees paid or payable in the form of units		42,869	38,807
– Net increase in fair value of investment properties	11	(1,596,525)	(961,041)
– Finance costs on interest bearing liabilities	8(a)	110,528	114,510
– Depreciation	11	28	30
– Interest income	7	(3,456)	(3,677)
Operating cash flow before changes in working capital		520,964	479,067
(Increase)/decrease in trade and other receivables		(1,259)	408
Increase in tenants' deposits		13,872	18,656
Increase in rent receipts in advance		1,006	4,276
Increase/(decrease) in trade and other payables		607	(2,616)
Cash generated from operations		535,190	499,791
Tax paid			
– Hong Kong Profits Tax paid		(53,204)	(28,491)
Net cash generated from operating activities		481,986	471,300
Investing activities			
Interest received		3,515	3,580
Deposits and other cost paid for acquisition of investment properties		(2,861)	–
Deposits received from disposals of investment properties and subsidiaries		92,752	–
Payment for expenditure incurred for investment properties		(23,442)	(32,355)
Payment for purchase of other fixed assets		(36)	(7)
Decrease/(increase) in pledged deposits with original maturity over three months		112,985	(73,308)
Increase in bank deposits with original maturity over three months		(13,412)	(22,417)
Net cash generated from/(used in) investing activities		169,501	(124,507)
Financing activities			
Distribution paid to unitholders		(340,716)	(304,319)
Payment for buy-back of units		(3,411)	(4,605)
Other borrowing costs paid		–	(22,125)
Proceeds from new bank borrowings		10,000	1,925,000
Repayment of bank borrowings		–	(1,925,000)
Interest paid		(98,707)	(95,341)
Net cash used in financing activities		(432,834)	(426,390)
Net increase/(decrease) in cash and cash equivalents		218,653	(79,597)
Cash and cash equivalents at the beginning of the year	15	123,266	202,863
Cash and cash equivalents at the end of the year	15	341,919	123,266

The notes on pages 83 to 118 form part of these consolidated financial statements.

Notes to 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 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 providing unitholders with regular and stable cash distributions with the potential for sustainable long term growth of such distributions and enhancement in value of the property portfolio. It has its principal place of business at 30th Floor, Sunlight Tower, 248 Queen’s Road East, Wan Chai, Hong Kong.

2 Significant accounting policies

(a) Statement of compliance

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, the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix C of the REIT Code. These consolidated financial statements also comply with the relevant disclosure requirements of the Rules Governing the Listing of Securities on the SEHK as if those requirements were applicable to Sunlight REIT. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 30 June 2015 incorporate the financial statements of Sunlight REIT and its subsidiaries.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below :

- derivative financial instruments (see note 2(e)); and
- investment properties (see note 2(g)).

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 2(r)).

2 Significant accounting policies (continued)

(b) Basis of preparation of the consolidated financial statements (continued)

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 27.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment.

(d) Unitholders' funds as a financial liability

In accordance with the Trust Deed, Sunlight REIT has a limited life of 80 years less 1 day from the date of commencement of Sunlight REIT. In addition, Sunlight REIT is required to distribute to unitholders no less than 90% of its annual distributable income for each financial year in accordance with the Trust Deed and the REIT Code. Accordingly, the units contain contractual obligations to pay cash dividends and also upon the termination of Sunlight REIT, a share of all net cash proceeds derived from the sale or realisation of the assets of Sunlight REIT less any liabilities, in accordance with their proportionate interests in Sunlight REIT at the date of its termination. The unitholders' funds are therefore classified as financial liabilities in accordance with HKAS 32, *Financial instruments : Presentation*. It is shown on the consolidated statement of financial position as "Net assets attributable to unitholders".

(e) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 2(f)).

2 Significant accounting policies (continued)

(f) Hedging

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognised directly in other comprehensive income and accumulated separately in net assets attributable to unitholders. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

The associated gain or loss is reclassified from net assets attributable to unitholders to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in net assets attributable to unitholders until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from net assets attributable to unitholders to profit or loss immediately.

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(i)) to earn rental income and/or for capital appreciation.

Investment properties are stated at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(p)(i).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases.

(h) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and impairment losses.

Gains or losses arising from the retirement or disposal of an item of other fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of other fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows :

- Furniture and fixtures 3 – 5 years

Where parts of an item of other fixed assets have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 Significant accounting policies (continued)

(h) Other fixed assets (continued)

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that other fixed assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an item of other fixed assets is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised in profit or loss if the carrying amount of an item of other fixed assets exceeds its recoverable amount.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except for property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(g)).

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment losses of doubtful debts, except where the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment losses of doubtful debts.

Impairment losses for doubtful debts are recognised when there is objective evidence of impairment and are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. Objective evidence of impairment includes observable data that comes to the attention of the Group about events that have an impact on the asset's estimated future cash flows such as significant financial difficulty of the debtor.

2 Significant accounting policies (continued)

(j) Trade and other receivables (continued)

Impairment losses for rental receivables included within trade and other receivables whose recovery is considered doubtful but not remote are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against rental receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(k) Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(n) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in net assets attributable to unitholders, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in net assets attributable to unitholders, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2 Significant accounting policies (continued)

(n) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax balances and deferred tax balances, and movement therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met :

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either :
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 Significant accounting policies (continued)

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows :

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(ii) Car park income and rental related income

Car park income and rental related income are recognised as revenues on the accrual basis.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(q) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(r) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

2 Significant accounting policies (continued)

(r) Non-current assets held for sale (continued)

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs of disposal. The principal exceptions to this measurement policy so far as the financial statements of the Group are concerned are deferred tax assets, financial assets and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(s) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person :
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group.
- (b) An entity is related to the Group if any of the following conditions applies :
- (i) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (ii) The entity is controlled or jointly controlled by a person identified in (a).
 - (iii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Manager's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the settlements have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Changes in accounting policies

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

- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- *Annual Improvements to HKFRSs 2010–2012 Cycle*
- *Annual Improvements to HKFRSs 2011–2013 Cycle*

These developments have had no material impact on the Group's financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 Segment reporting

The Manager manages the Group's business by divisions. In a manner consistent with the way in which information is reported internally to the Manager's most senior executive management 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

For the purposes of assessing segment performance and allocating resources between segments, the senior executive management of the Manager monitors the results, assets and liabilities attributable to each reportable segment on the following bases :

Segment assets include all tangible, intangible and current assets with the exception of cash and bank balances, 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 the unallocated net income/(expenses).

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

4 Segment reporting (continued)

Segment results, assets and liabilities (continued)

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

	2015			2014		
	Office properties \$'000	Retail properties \$'000	Total \$'000	Office properties \$'000	Retail properties \$'000	Total \$'000
Revenue						
– rental income	294,590	309,083	603,673	269,853	282,539	552,392
– car park income	3,627	29,969	33,596	3,576	25,970	29,546
– rental related income	60,368	56,717	117,085	55,272	51,695	106,967
	358,585	395,769	754,354	328,701	360,204	688,905
Property operating expenses	(74,471)	(93,303)	(167,774)	(68,832)	(85,008)	(153,840)
Net property income	284,114	302,466	586,580	259,869	275,196	535,065
Administrative expenses	(44,995)	(43,968)	(88,963)	(40,994)	(39,941)	(80,935)
Segment results	239,119	258,498	497,617	218,875	235,255	454,130
Net increase in fair value of investment properties	883,872	712,653	1,596,525	420,839	540,202	961,041
Finance costs on interest bearing liabilities			(110,528)			(114,510)
Income tax			(64,817)			(60,391)
Interest income			3,456			3,677
Unallocated net expenses			(19,550)			(13,900)
Profit after taxation and before transactions with unitholders			1,902,703			1,230,047
Depreciation	12	16	28	14	16	30

4 Segment reporting (continued)

Segment results, assets and liabilities (continued)

	2015			2014		
	Office properties \$'000	Retail properties \$'000	Total \$'000	Office properties \$'000	Retail properties \$'000	Total \$'000
Segment assets	8,798,021	8,464,987	17,263,008	7,903,624	7,728,453	15,632,077
Derivative financial instruments			8,841			19,989
Cash and bank balances			464,334			345,254
Tax recoverable			157,571			150,198
Deferred tax assets			57			566
Unallocated assets			3,885			3,781
Total assets			17,897,696			16,151,865
Segment liabilities	(169,186)	(132,113)	(301,299)	(126,308)	(119,129)	(245,437)
Derivative financial instruments			(35,254)			(48,960)
Bank borrowings			(3,894,068)			(3,872,268)
Tax payable			(55,072)			(50,406)
Deferred tax liabilities			(295,281)			(281,470)
Unallocated liabilities			(219,582)			(158,444)
Total liabilities, excluding net assets attributable to unitholders			(4,800,556)			(4,656,985)
Capital expenditure incurred during the year	8,818	21,658	30,476	10,178	25,164	35,342

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

5 Revenue

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

	2015 \$'000	2014 \$'000
Rental income (note)	603,673	552,392
Car park income	33,596	29,546
Rental related income	117,085	106,967
	754,354	688,905

Note : Included additional rents based on business revenue of tenants amounting to \$2,185,000 (2014 : \$1,350,000).

6 Property operating expenses

	2015 \$'000	2014 \$'000
Building management fee	56,609	54,568
Property Manager's fees	49,462	46,591
Government rent and rates	32,380	26,487
Marketing and promotion expenses	11,348	10,242
Car park operating costs	6,286	5,994
Bad debts expenses	137	150
Other direct costs	11,552	9,808
	167,774	153,840

7 Other income

	2015 \$'000	2014 \$'000
Bank interest income	3,456	3,677
Others	147	1
	3,603	3,678

8 Profit before taxation and transactions with unitholders

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

	2015 \$'000	2014 \$'000
(a) Finance costs on interest bearing liabilities		
Interest on bank borrowings	98,429	94,669
Other borrowing costs	12,099	19,841
	110,528	114,510

Other borrowing costs represent various financing charges and the amortisation of the debts establishment fees for the bank borrowings (note 19).

	2015 \$'000	2014 \$'000
(b) Other items		
Manager's fees	85,739	77,614
Property Manager's fees (note (i))	49,462	46,591
Trustee's remuneration and charges	4,349	3,963
Auditor's remuneration		
– Audit services	1,860	1,800
– Other services	1,280	1,023
Valuation fees	770	547
Other legal and professional fees	11,703	8,444
Commission to property agents	2,539	2,522
Bank charges	343	461

Notes :

- (i) Included rental commission of \$14,014,000 (2014 : \$13,295,000).
- (ii) 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.

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

9 Income tax

(a) Income tax in the consolidated statement of profit or loss represents :

	2015 \$'000	2014 \$'000
Current tax — Provision for Hong Kong Profits Tax		
Provision for the year	50,827	45,190
Over-provision in respect of prior years	(330)	(169)
	50,497	45,021
Deferred tax		
Origination and reversal of temporary differences	14,320	15,370
	64,817	60,391

Provision for Hong Kong Profits Tax has been made at 16.5% on the estimated assessable profits for the current and prior years, taking into account a one-off reduction of 75% of the tax payable for the year of assessment 2014/15 subject to a ceiling of \$20,000 allowed by the Government of Hong Kong Special Administrative Region for each business (2014 : the same statutory concession, except that the ceiling was \$10,000, was granted for the year of assessment 2013/14 and was taken into account in calculating the provision for 2014).

In the financial year ended 30 June 2014, the Inland Revenue Department (“IRD”) raised additional profits tax assessments on certain subsidiaries of the Group for the year of assessment 2007/08 in an aggregate amount of \$1,021,000 as the IRD disallowed the deductions of the management and property management fees and in some cases certain rental commission incurred by these subsidiaries. During the year ended 30 June 2015, the IRD further raised additional profits tax assessments on certain subsidiaries of the Group in respect of such disallowance for the year of assessment 2008/09, with one of the subsidiaries covering the years of assessment up to 2013/14 in an aggregate amount of \$7,176,000. Notices of objection were filed with the IRD and tax reserve certificates of \$8,197,000 in total have been purchased. Based on the opinion of the Group’s legal and tax advisers, the Manager is of the view that there are strong grounds to object the additional profits tax assessments raised.

(b) Reconciliation between tax expense and accounting profit at applicable tax rate :

	2015 \$'000	2014 \$'000
Profit before taxation and transactions with unitholders	1,967,520	1,290,438
Notional tax on profit before taxation and transactions with unitholders, calculated at the Hong Kong Profits Tax rate of 16.5%	324,641	212,922
Tax effect of non-deductible expenses	6,822	5,500
Tax effect of non-taxable income	(264,008)	(159,178)
Tax effect of current year’s tax losses not recognised	–	21
Tax effect of prior years’ tax losses and other temporary differences recognised/derecognised	(279)	2,621
Tax effect of prior years’ tax losses utilised in the current year	(2,029)	(1,326)
Over-provision in respect of prior years	(330)	(169)
Actual tax expense	64,817	60,391

9 Income tax (continued)

(c) Deferred tax assets and liabilities recognised :

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows :

Deferred tax arising from :	Depreciation allowances in excess of related depreciation \$'000	Reclassification of assets to investment properties \$'000	Tax losses \$'000	Total \$'000
At 1 July 2013	115,537	159,709	(9,712)	265,534
Charged to profit or loss	15,079	–	291	15,370
At 30 June 2014	130,616	159,709	(9,421)	280,904
At 1 July 2014	130,616	159,709	(9,421)	280,904
Charged to profit or loss	13,563	–	757	14,320
Transfer to assets held for sale (note 16)	(11,357)	–	7,185	(4,172)
At 30 June 2015	132,822	159,709	(1,479)	291,052

	2015 \$'000	2014 \$'000
Represented by :		
Net deferred tax assets recognised in the consolidated statement of financial position	–	(566)
Net deferred tax liabilities recognised in the consolidated statement of financial position	291,052	281,470
	291,052	280,904

(d) Deferred tax assets not recognised :

In accordance with the accounting policy set out in note 2(n), the Group has not recognised deferred tax assets in respect of unused tax losses of certain subsidiaries of \$121,030,000 (2014 : \$135,019,000) as it is probable that sufficient future taxable profits will not be available against which the deductible unused tax losses can be utilised. The Hong Kong tax losses do not expire under current tax legislation.

10 Earnings per unit before transactions with unitholders

The basic earnings per unit before transactions with unitholders for the year ended 30 June 2015 amounted to \$1.17 (2014 : \$0.76). 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 \$1,902,703,000 (2014 : \$1,230,047,000) and the weighted average of 1,632,195,886 units in issue during the year (2014 : 1,620,013,212 units).

Diluted earnings per unit before transactions with unitholders for the years ended 30 June 2015 and 2014 are not presented as there was no potential dilution of earnings per unit before transactions with unitholders.

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

11 Fixed assets

	Furniture and fixtures \$'000	Investment properties \$'000	Total \$'000
Cost or valuation :			
At 1 July 2013	169	14,408,800	14,408,969
Additions	7	20,759	20,766
Net increase in fair value	–	961,041	961,041
At 30 June 2014	176	15,390,600	15,390,776
Representing :			
Cost	176	–	176
Valuation – 2014	–	15,390,600	15,390,600
	176	15,390,600	15,390,776
At 1 July 2014	176	15,390,600	15,390,776
Additions	36	48,175	48,211
Net increase in fair value	–	1,596,525	1,596,525
	212	17,035,300	17,035,512
Transfer to assets held for sale (note 16)	–	(842,500)	(842,500)
At 30 June 2015	212	16,192,800	16,193,012
Representing :			
Cost	212	–	212
Valuation – 2015	–	16,192,800	16,192,800
	212	16,192,800	16,193,012
Accumulated depreciation :			
At 1 July 2013	67	–	67
Charge for the year	30	–	30
At 30 June 2014	97	–	97
At 1 July 2014	97	–	97
Charge for the year	28	–	28
At 30 June 2015	125	–	125
Net book value :			
At 30 June 2015	87	16,192,800	16,192,887
At 30 June 2014	79	15,390,600	15,390,679

11 Fixed assets (continued)

(a) Fair value measurement of investment properties

Fair value hierarchy

HKFRS 13, *Fair value measurement*, requires the fair value of investment properties measured at the end of the reporting period on a recurring basis to be categorised into the three-level fair value hierarchy as defined in HKFRS 13. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows :

- Level 1 valuations : Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations : Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations : Fair value measured using significant unobservable inputs

The Group's investment properties measured at fair value are not categorised as Level 1 and Level 2 valuations.

During the years ended 30 June 2015 and 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

Valuation process

The Group's investment properties were revalued at 30 June 2015 and 2014 by Jones Lang LaSalle Limited ("JLL"), an independent firm of professional surveyors who have among their staff Members of The Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis.

The Manager has reviewed the valuation results performed by the independent surveyors for financial reporting purposes by verifying all major inputs and assumptions, and assessing the reasonableness of property valuation. Such valuation was performed at each interim and annual reporting date and was reviewed and approved by senior management.

Valuation methodologies

The fair values of the Group's investment properties at 30 June 2015 and 2014 were arrived at using the income capitalisation approach cross-referenced to the direct comparison approach. The income capitalisation approach is based on the capitalisation of the current passing rental income and potential reversionary income over the remaining tenure of the property from the date of valuation at appropriate investment yields to arrive at the capital value. The direct comparison approach is based on comparing the properties to be valued directly with other comparable properties which recently changed hands.

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

11 Fixed assets (continued)

(a) Fair value measurement of investment properties (continued)

Level 3 valuation methodologies

The following table presents the significant unobservable inputs :

	30 June 2015		
	Market unit rent	Capitalisation rate	Occupancy rate
In Hong Kong			
– Office	\$11.7 to \$37.8	3.10% to 4.00%	94.8% to 100%
– Retail	\$16.8 to \$152.0	2.80% to 4.50%	58.7% to 100%
	30 June 2014		
	Market unit rent	Capitalisation rate	Occupancy rate
In Hong Kong			
– Office	\$10.7 to \$36.4	3.85% to 4.10%	97.1% to 100%
– Retail	\$16.7 to \$145.0	3.60% to 4.50%	92.9% to 100%

The fair value measurement of investment property is positively correlated to the market unit rent and the occupancy rate and negatively correlated to the capitalisation rate.

All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

(b) The analysis of the fair value of investment properties is as follows :

	2015 \$'000	2014 \$'000
In Hong Kong		
– long leases	7,219,700	6,960,900
– medium-term leases	8,973,100	8,429,700
	16,192,800	15,390,600

(c) Certain investment properties of the Group have been mortgaged to secure banking facilities granted to the Group (see note 19).

12 Reimbursement rights

The amount represents the reimbursement rights recognised pursuant to the tax indemnity provided by the vendors (comprising subsidiaries of Shau Kee Financial Enterprises Limited (“**SKFE**”), Henderson Land Development Company Limited (“**HLD**”), Henderson Investment Limited, Henderson Development Limited (“**HD**”) and Jetwin International Limited) (collectively referred to as the “**Vendors**”) to the extent of certain relevant deferred tax liabilities recognised by the subsidiaries at the date of acquisition. As the Group entered into binding agreements in respect of the disposals of two subsidiaries during the year ended 30 June 2015, the reimbursement rights amounted to \$6,268,000 were reclassified as disposal groups held for sale (see note 16).

13 Derivative financial instruments

	2015		2014	
	Assets \$'000	Liabilities \$'000	Assets \$'000	Liabilities \$'000
Interest rate swaps — cash flow hedges				
Current portion	–	(34,122)	–	(33,188)
Non-current portion	8,841	(1,132)	19,989	(15,772)
	8,841	(35,254)	19,989	(48,960)

The Group uses interest rate swaps to hedge the exposure to movements in interest rates in relation to its floating rate term loans by swapping from floating rates to fixed rates.

At 30 June 2015, the Group had interest rate swaps in place with an aggregate notional amount of \$3,050,000,000 (2014 : \$2,600,000,000). The interest rate swaps will mature on 30 June 2016, 29 September 2017, 29 June 2018, 28 September 2018 and 31 December 2018 (2014 : 30 June 2016, 29 September 2017, 29 June 2018 and 28 September 2018) respectively and have fixed swap interest rates ranging from 0.815% per annum to 2.17% per annum (2014 : 0.815% per annum to 2.17% per annum).

The above derivatives are measured at fair value at the end of the reporting period. Their fair values are determined based on the discounted cash flow model.

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

14 Trade and other receivables

	2015 \$'000	2014 \$'000
Rental receivables	13,340	12,812
Deposits and prepayments	10,029	25,974
Other receivables	1,689	2,345
Amounts due from related companies	2,298	635
	27,356	41,766
Represented by :		
Current portion	27,356	24,031
Non-current portion	–	17,735
	27,356	41,766

At 30 June 2014, the balance under non-current portion represented progress payments for the improvement works carried out on certain investment properties of the Group which were in progress at the end of the reporting period.

\$4,147,000 (2014 : \$4,757,000) 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.

At the end of the reporting period, the ageing analysis of rental receivables, based on the date of revenue recognition and net of allowance for doubtful debts, is as follows :

	2015 \$'000	2014 \$'000
Current	10,476	9,386
Less than 1 month overdue	1,835	2,632
More than 1 month and up to 3 months overdue	393	341
More than 3 months and up to 6 months overdue	360	199
More than 6 months overdue	276	254
	13,340	12,812

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. Further details on the Group's credit policy are set out in note 21(a).

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

15 Cash and bank balances

	2015 \$'000	2014 \$'000
Pledged bank balances and deposits with original maturity within three months (note 19)	312,834	88,172
Deposits with original maturity within three months	25,804	30,033
Cash at bank and in hand	3,281	5,061
Cash and cash equivalents	341,919	123,266
Pledged deposits with original maturity over three months (note 19)	86,586	199,571
Deposits with original maturity over three months	35,829	22,417
	464,334	345,254

16 Investment properties and disposal groups held for sale

On 14 April 2015, the Manager intended to dispose of certain properties of the Group by way of a public tender. On 29 May 2015, the Group, through certain of its wholly-owned subsidiaries, accepted the tender documents submitted by certain independent third parties, which constituted binding agreements in respect of the disposals of two subsidiaries, namely Strong Bright Technology Limited and Lucky Million Development Limited (collectively the "**Subsidiaries**"), and one property, namely Royal Terrace Property ("**Royal Terrace**"), for an aggregate consideration of \$919,520,000 (subject to post-completion adjustments). Strong Bright Technology Limited was the owner of Everglory Centre and Lucky Million Development Limited was the owner of Yue Fai Commercial Centre Property, excluding the first floor.

On 8 May 2015, the Group, through a wholly-owned subsidiary, entered into an exchange agreement with an independent third party to sell the first floor of Yue Fai Commercial Centre ("**1/F Yue Fai**") in exchange for Unit 6A of On Loong Commercial Building ("**Unit 6A of On Loong**") and a sum of \$8,000,000 (the "**Exchange of Properties**"). The gross considerations in respect of the disposal of 1/F Yue Fai and the acquisition of Unit 6A of On Loong are \$13,800,000 and \$5,800,000 respectively.

- (a) The assets and liabilities attributed to the Subsidiaries, which have been reclassified as disposal groups held for sale at 30 June 2015, are as follows :

	\$'000
Investment properties	580,800
Reimbursement rights	6,268
Deferred tax assets	57
Trade and other receivables	737
Tax recoverable	2
Total assets of disposal groups held for sale	587,864
Tenants' deposits	5,535
Rent receipts in advance	304
Trade and other payables	8,343
Deferred tax liabilities	4,229
Total liabilities directly associated with the assets of disposal groups held for sale	18,411

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

16 Investment properties and disposal groups held for sale (continued)

- (b) The carrying amounts of Royal Terrace and 1/F Yue Fai in a total amount of \$261,700,000 have been reclassified as investment properties held for sale at 30 June 2015.

17 Tenants' deposits

The tenants' deposits include \$125,769,000 (2014 : \$106,091,000) which is expected to be settled after more than one year. If tenancies are not renewed upon expiry, the remaining balances are expected to be settled within one year.

18 Trade and other payables

	2015 \$'000	2014 \$'000
Creditors and accrued charges	33,716	36,287
Deposits received from disposals of investment properties and subsidiaries	92,752	–
Manager's fees payable (note 26(b)(iii))	24,975	21,489
Amounts due to related companies	158,120	158,008
	309,563	215,784

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 primarily represent amounts received from certain Vendors for purchasing tax reserve certificates on their behalf in respect of the potential tax liabilities arising from the outstanding tax cases. The outstanding tax cases relate to the notional gains arising from reclassification of properties at the date of acquisition and the potential tax liabilities are indemnified by the Vendors. The relevant balances of tax reserve certificates were classified as tax recoverable under current assets at the year end. The amounts are unsecured, interest-free and have no fixed terms of repayment except for the amount due to the Trustee of \$1,272,000 (2014 : \$1,079,000) which is due within 30 days.

19 Bank borrowings

	2015 \$'000	2014 \$'000
Bank borrowings		
– Secured	3,884,068	3,872,268
– Unsecured	10,000	–
	3,894,068	3,872,268

The bank borrowings were repayable as follows :

	2015 \$'000	2014 \$'000
Within 1 year and included in current liabilities	10,000	–
After 2 years but within 5 years	3,884,068	2,894,437
After 5 years	–	977,831
	3,884,068	3,872,268
	3,894,068	3,872,268

Bank borrowings bear floating interest rates ranging from Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 1% per annum to HIBOR plus 1.55% per annum (2014 : HIBOR plus 1.05% per annum to HIBOR plus 1.55% per annum). The Group also entered into the interest rate swaps and details are set out in note 13.

Secured bank borrowings are guaranteed on a joint and several basis by the Trustee and Sunlight REIT Holding Limited, the holding company of all other subsidiaries of the Group, and are also secured by, among others, the followings :

- mortgages over the investment properties with a fair value of \$14,112,500,000 at 30 June 2015 (2014 : \$13,096,800,000) (note 11);
- floating charge over bank balances of \$22,498,000 (2014 : \$16,996,000) and \$376,922,000 (2014 : \$270,747,000) in bank accounts maintained respectively with The Hongkong and Shanghai Banking Corporation Limited and certain other banks in the name of Sunlight REIT Treasury Limited, a subsidiary of the Group;
- assignment of rental income and all other proceeds arising from and including all rights, title and interest under all tenancy agreements relating to each of the mortgaged investment properties; and
- first fixed charge over all present and future rights, title and interest in and to, all present and future shares in Sunlight REIT Finance Limited and Sunlight REIT Holding Limited, both being subsidiaries of the Group, and dividends and distributions thereof.

The effective interest rate of the bank borrowings at the end of the reporting period was 2.56% per annum (2014 : 2.44% per annum). The carrying amounts of the bank borrowings approximate their fair values.

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

20 Units in issue

	Number of units	
	2015	2014
At the beginning of the year	1,627,580,493	1,616,330,766
Issuance of units during the year	11,906,287	12,749,727
Units bought back	(1,000,000)	(1,500,000)
At the end of the year	1,638,486,780	1,627,580,493

Details of units issued during the year as payment of the Manager's fees are as follows :

	Average issue price per unit determined based on the Trust Deed \$	Aggregate amount of units issued \$'000	Number of units issued
Payment of the Manager's fees for the year			
2015			
1 April 2014 to 30 June 2014	3.2935	9,737	2,956,370
Adjustment of Manager's fees for the financial year 2013/14	3.2967	1,007	305,638
1 July 2014 to 30 September 2014	3.2724	9,798	2,994,124
1 October 2014 to 31 December 2014	3.4944	10,249	2,932,863
1 January 2015 to 31 March 2015	3.8035	10,335	2,717,292
		41,126	11,906,287
2014			
1 April 2013 to 30 June 2013	3.1849	9,050	2,841,331
Adjustment of Manager's fees for the financial year 2012/13	3.0185	1,252	414,783
1 July 2013 to 30 September 2013	3.1346	9,125	2,911,165
1 October 2013 to 31 December 2013	2.9816	9,403	3,153,825
1 January 2014 to 31 March 2014	2.7807	9,534	3,428,623
		38,364	12,749,727

20 Units in issue (continued)

Pursuant to the general mandate granted to the Manager by unitholders, the Group bought back a total of 1,000,000 units (2014 : 1,500,000 units) on the SEHK during the year ended 30 June 2015 at an aggregate consideration of \$3,397,000 (2014 : \$4,585,000). Details of the buy-backs were as follows :

	Number of units bought back	Price per unit		Aggregate consideration \$'000
		Highest \$	Lowest \$	
2015				
Month of buy-back				
November 2014	1,000,000	3.46	3.36	3,397
Total buy-back expenses				14
				3,411
2014				
Month of buy-back				
November 2013	1,500,000	3.08	3.03	4,585
Total buy-back expenses				20
				4,605

All bought back units were cancelled during the year.

21 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk arises from the potential failure of the Group's counterparties to meet their obligations under financial contracts. The Group is exposed to credit risk on its cash at bank and deposits with banks and financial institutions, as well as trade and other receivables.

In respect of credit exposures to tenants, credit risk exposure is minimised by undertaking transactions with a large number of counterparties and conducting credit reviews on prospective tenants. The Group also has policies in place to ensure that rental deposits are required from tenants prior to commencement of leases. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group regularly reviews the recoverable amount of each individual trade receivable to ensure that adequate provision for impairment losses is made for irrecoverable amounts.

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

21 Financial risk management and fair values of financial instruments (continued)

(a) Credit risk (continued)

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.

Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions.

(b) Liquidity risk

The Group maintains sufficient cash reserve and committed lines of funding from financial institutions with sound credit ratings to meet its liquidity requirements in the short and longer term.

The Group also monitors regularly its current and expected liquidity requirements and its compliance with lending covenants and limits on total borrowings as stipulated under the REIT Code.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay :

	2015					Carrying amount \$'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand \$'000	More than 1 year but less than 2 years \$'000	More than 2 years but less than 5 years \$'000	More than 5 years \$'000	Total \$'000	
Bank borrowings	72,686	62,514	4,015,506	–	4,150,706	3,894,068
Derivative financial instruments (net settled)	38,241	12,568	13,024	–	63,833	26,413
Tenants' deposits	61,206	77,427	44,342	4,000	186,975	186,975
Creditors and accrued charges	33,716	–	–	–	33,716	33,716
Manager's fees payable in the form of cash	12,488	–	–	–	12,488	12,488
Amounts due to related companies	158,120	–	–	–	158,120	158,120
	376,457	152,509	4,072,872	4,000	4,605,838	4,311,780

21 Financial risk management and fair values of financial instruments (continued)

(b) Liquidity risk (continued)

	2014					Carrying amount \$'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand \$'000	More than 1 year but less than 2 years \$'000	More than 2 years but less than 5 years \$'000	More than 5 years \$'000	Total \$'000	
Bank borrowings	61,446	61,614	3,057,062	1,019,187	4,199,309	3,872,268
Derivative financial instruments (net settled)	34,396	34,420	16,026	–	84,842	28,971
Tenants' deposits	72,547	59,920	46,171	–	178,638	178,638
Creditors and accrued charges	36,287	–	–	–	36,287	36,287
Manager's fees payable in the form of cash	10,744	–	–	–	10,744	10,744
Amounts due to related companies	158,008	–	–	–	158,008	158,008
	373,428	155,954	3,119,259	1,019,187	4,667,828	4,284,916

(c) Interest rate risk

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings raised at variable interest rates expose the Group to cash flow interest rate risk. The Group managed its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. Details regarding the interest rate swaps are set out in note 13.

Sensitivity analysis

At 30 June 2015, if interest rates had been 100 basis points (2014 : 100 basis points) higher with all other variable held constant, the net assets attributable to unitholders would have been approximately \$60.6 million (2014 : \$70.4 million) higher as a result of an increase in the fair values of the cash flow hedges as described above. On the other hand, if interest rates had been 10 basis points (2014 : 10 basis points) lower with all other variable held constant, the net assets attributable to unitholders would have been approximately \$6.1 million (2014 : \$7.2 million) lower as a result of a decrease in the fair values of the cash flow hedges.

21 Financial risk management and fair values of financial instruments (continued)

(c) Interest rate risk (continued)

Sensitivity analysis (continued)

At 30 June 2015, if interest rates had been 100 basis points (2014 : 100 basis points) higher with all other variable held constant, the Group's profit after taxation and before transactions with unitholders and net assets attributable to unitholders would have been approximately \$7.3 million (2014 : \$11.1 million) lower as a result of higher interest expenses on floating rate borrowings. On the other hand, if interest rates had been 10 basis points (2014 : 10 basis points) lower with all other variable held constant, the Group's profit after taxation and before transactions with unitholders and net assets attributable to unitholders would have been approximately \$0.7 million (2014 : \$1.1 million) higher as a result of lower interest expenses on floating rate borrowings.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to interest rate risk at the end of the reporting period. The 100 basis points increase and 10 basis points decrease in interest rates represent the Manager's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period.

(d) Fair values

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

HKFRS 13, *Fair value measurement*, requires the fair value of financial instruments measured at the end of the reporting period on a recurring basis to be categorised into the three-level fair value hierarchy as defined in HKFRS 13. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows :

- Level 1 valuations : Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations : Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations : Fair value measured using significant unobservable inputs

At 30 June 2015 and 2014, the Group's only financial instruments carried at fair value are the interest rate swaps (see note 13), which fall under Level 2 of the fair value hierarchy described above.

During the years ended 30 June 2015 and 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occurred.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 30 June 2015 and 2014.

21 Financial risk management and fair values of financial instruments (continued)

(e) Estimation of fair values

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

22 Capital management

The Group's primary objective is to provide its unitholders risk-adjusted, long-term capital growth through investing in a diversified portfolio of office and retail properties in Hong Kong.

The Manager aims to support Sunlight REIT's operational and acquisition growth strategies within a prudent risk management framework, by employing an efficient capital management strategy.

The Manager believes that an efficient capital management strategy will improve total returns while reducing risks for unitholders by maintaining financial flexibility to meet capital expenditure requirements. The Manager will regularly review its capital management strategy to reflect Sunlight REIT's investment opportunities, its operating and the general economic environment and the REIT Code requirements.

In accordance to clause 7.9 of the REIT Code and clause 20.4 of the Trust Deed, Sunlight REIT's aggregate borrowings shall not exceed 45 per cent of the total gross asset value of the scheme. In the event that the limit is exceeded, the unitholders and the Securities and Futures Commission (the "SFC") shall be informed of the magnitude of the breach, the cause of the breach, and the proposed method of rectification. In cases where there is a breach, no further borrowing is permitted and the Manager shall use its best endeavours to reduce the excess borrowings. Furthermore, the unitholders and the SFC shall be informed on a regular basis as to the progress of the rectification. At 30 June 2015, Sunlight REIT's aggregate borrowings represent 22.0% (2014 : 24.3%) of its total gross asset value.

23 Capital commitments

Capital commitments outstanding at 30 June 2015 not provided for in the consolidated financial statements are as follows :

	2015 \$'000	2014 \$'000
Contracted for	27,626	28,338
Authorised but not contracted for	12,283	12,560
	39,909	40,898

24 Contingent liabilities

At the end of the reporting period, the Group 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 \$4,685,000 (2014 : \$4,685,000).

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

25 Significant leasing arrangements

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows :

	2015 \$'000	2014 \$'000
Within 1 year	644,233	605,797
After 1 year but within 5 years	476,130	499,143
After 5 years	34,346	–
	1,154,709	1,104,940

The operating leases typically run for an initial period of one to three years, with an option to renew the lease after that date at which time all terms are renegotiated.

26 Connected party transactions and material related party transactions

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group entered into the following transactions with certain connected and related parties, as defined under the REIT Code and HKAS 24 (Revised), *Related party disclosures*, during the year :

(a) Nature of relationship with connected/related parties

Connected/related party	Relationship with the Group
SKFE and other members of its group (collectively referred to as " SKFE Group ")	Significant holders of Sunlight REIT and their associates
HLD and other members of its group (collectively referred to as " HLD Group ")	Connected persons of SKFE Group, the Manager and the Property Manager
HD	Connected persons of SKFE Group and holding company of HLD Group
HSBC Institutional Trust Services (Asia) Limited (the " Trustee ")	The Trustee of Sunlight REIT
The Hongkong and Shanghai Banking Corporation Limited and other members of its group (collectively referred to as " HSBC Group ")	Connected persons of the Trustee
Henderson Sunlight Asset Management Limited (the " Manager ")	The Manager of Sunlight REIT and a member of HLD Group
Henderson Sunlight Property Management Limited (the " Property Manager ")	The Property Manager of Sunlight REIT and a member of HLD Group
JLL and other members of its group (collectively referred to as " JLL Group ")	The Principal Valuer of Sunlight REIT

26 Connected party transactions and material related party transactions (continued)

(b) Transactions with connected/related parties

	2015 \$'000	2014 \$'000
Rental and rental related income received/receivable from (note (i)) :		
– HLD Group	9,289	9,098
– HSBC Group	18,135	14,738
Property management expenses paid/payable to (note (i)) :		
– HLD Group	(17,517)	(16,911)
Facilities leasing expenses paid/payable to (note (i)) :		
– HLD Group	(163)	(70)
Manager's fees (note (iii))	(85,739)	(77,614)
Property Manager's fees (note (iii))	(49,462)	(46,591)
Trustee's remuneration and charges (note (iv))	(4,350)	(3,966)
Interest expenses, security trustee and other charges on bank borrowings, advisory fee, brokerage commission and other bank charges paid/payable to (notes (i) and (v)) :		
– HSBC Group	(16,462)	(22,631)
Interest paid/payable under the interest rate swaps (note (v)) :		
– HSBC Group	(16,758)	(14,571)
Interest income on bank deposits received/receivable from (note (i)) :		
– HSBC Group	11	77
Valuation fees and other charges paid/payable to (note (i)) :		
– JLL Group	(1,292)	(617)
Promotion income received/receivable from (note (i)) :		
– HLD Group	1,964	1,663
Additional consideration paid to (note (vi)) :		
– HLD Group and SKFE Group	(46)	(174)

26 Connected party transactions and material related party transactions (continued)

(b) Transactions with connected/related parties (continued)

Notes :

- (i) In the opinion of the Manager, these transactions were carried out on normal commercial terms and in the ordinary course of business.
- (ii) The Manager's fees are calculated as the aggregate of a base fee of 0.4% per annum of the value of all the properties of the Group and a variable fee of 3% per annum of the Group's Net Property Income (as defined in the Trust Deed).

Pursuant to the Trust Deed, the Manager is entitled to make an election for the payment of the Manager's fees, only to the extent that it is related to the Group's Properties (as defined in the Trust Deed), to be made in the form of cash and/or units.

On 24 June 2014 and 9 July 2014, the Manager made an election for the base fee and the variable fee for the financial year ended 30 June 2015 to be paid 50% in the form of cash and 50% in the form of units. On 16 June 2015, the Manager has elected to keep the split unchanged for the financial year ending 30 June 2016.

- (iii) Under the property management agreement entered into between the Manager and the Property Manager dated 29 November 2006 (as amended) (the "**Property Management Agreement**"), the Property Manager is entitled to receive a fee of 3% per annum of the Gross Property Revenue (as defined in the Property Management Agreement).

The Property Manager is also entitled to receive a commission equivalent to :

- one month's base rent or licence fee for securing a tenancy or licence of three years or more;
- one-half month's base rent or licence fee for securing a tenancy or licence of less than three years;
- one-half month's base rent or licence fee for securing a renewal of tenancy or licence irrespective of the duration of the renewal term;
- one-half month's base rent or licence fee or 10% of the total rent or licence fee, whichever is lower, for securing a tenancy, licence or renewal of tenancy or licence for a duration of less than 12 months; and
- one-fourth month's base rent or licence fee (as reviewed), for handling each rent or licence review during the term of a tenancy or licence provided for in the tenancy or licence agreement.

In addition to the above fees, the Property Manager is also reimbursed by relevant property companies for staff costs incurred for the management of properties of the Group.

- (iv) The Trustee's remuneration is calculated at 0.03% per annum on the first \$5 billion on the total assets of the Group, 0.025% per annum on the next \$5 billion on the total assets of the Group and 0.02% per annum on the balance, subject to minimum fees of \$50,000 per month. In accordance with the Trust Deed, the Trustee's remuneration may be increased, without obtaining unitholders' approval subject to one month's written notice to unitholders, to a maximum of 0.06% per annum of the total assets of the Group.
- (v) Interest expenses are calculated on the outstanding borrowings and interest rate swaps balance by reference to the interest rates as set out in notes 13 and 19.
- (vi) On 2 December 2006, the Group acquired certain companies from the Vendors by entering into several sale and purchase agreements. Pursuant to these agreements, the Group agreed to pay additional consideration for the purchase of shares in the relevant companies, in an amount equivalent to the tax loss benefits of such companies that are utilised by the Group to offset tax liabilities which would otherwise arise.

26 Connected party transactions and material related party transactions (continued)

(c) Balances with connected/related parties are as follows :

	2015 \$'000	2014 \$'000
Net amount due to :		
– SKFE Group	(78,379)	(78,379)
– HLD Group	(44,662)	(41,220)
– HD	(54,999)	(54,999)
– HSBC Group (note)	(1,043,737)	(1,037,647)
– JLL Group	(400)	(393)
Note :		
Deposits and cash placed with HSBC Group	22,754	17,221
Bank borrowings and interest payable to HSBC Group	(1,060,100)	(1,050,078)
Others	(6,391)	(4,790)
	(1,043,737)	(1,037,647)

27 Accounting estimates and judgements

The key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below.

(a) Valuation of investment properties

In arriving at the fair value of the investment properties, the Manager has considered information from different sources, including a valuation performed by an independent firm of professional valuers after taking into consideration the net rental income allowing for reversionary income potential, and other available market survey reports.

The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to current market selling prices and the appropriate capitalisation rates.

(b) Recognition of deferred tax assets

At 30 June 2015, the Group has recognised deferred tax assets in relation to the unused tax losses amounting to approximately \$52,511,000 (2014 : \$57,098,000). The realisability of the deferred tax assets mainly depends on whether it is probable that future taxable profits or taxable temporary differences will be available against which the asset can be utilised. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

28 Non-adjusting events after the reporting period

- (a) In July 2015, the Group bought back a total of 1,850,000 units on the SEHK at an aggregate consideration of \$6,956,000. All bought back units were cancelled in July 2015.
- (b) After the end of the reporting period, the Board of Directors of the Manager proposed a final distribution. Further details are disclosed in the "Distribution Statement" of the consolidated financial statements.
- (c) On 26 June 2015, the Group, through a wholly-owned subsidiary, entered into a sale and purchase agreement with an independent third party to acquire the 21st floor of On Loong Commercial Building at a consideration of \$16,350,000. The acquisition was completed on 3 August 2015.
- (d) The Exchange of Properties, the disposals of the Subsidiaries and the disposal of Royal Terrace were completed on 3 July 2015, 31 July 2015 and 31 August 2015 respectively. Further details are disclosed in note 16.

29 Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

30 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 30 June 2015

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 30 June 2015 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
<i>Annual Improvements to HKFRSs 2012–2014 cycle</i>	1 January 2016
<i>Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortisation</i>	1 January 2016
<i>HKFRS 15, Revenue from contracts with customers</i>	1 January 2017
<i>HKFRS 9, Financial instruments</i>	1 January 2018

The Manager is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

31 Principal subsidiaries

Details of the principal subsidiaries of Sunlight REIT are as follows :

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	% of shares held by Sunlight REIT	a subsidiary	Principal activity
Sunlight REIT Holding Limited	Cayman Islands	1 share of US\$1	100	–	Investment holding
Bayman Limited	British Virgin Islands/ Hong Kong	1 share	–	100	Property investment
Bestguard Investment Limited	Hong Kong	2 ordinary shares	–	100	Property investment
Country Max Development Limited	Hong Kong	10,000 ordinary shares	–	100	Property investment
Gain Fortune Development Limited	Hong Kong	3,000,000 ordinary shares	–	100	Property investment
Gallund Investment Limited	Hong Kong	20,000 ordinary shares	–	100	Property investment
Gentfair Development Limited	Hong Kong	10,000 ordinary shares	–	100	Property investment
Global Team Development Limited	Hong Kong	100 ordinary shares	–	100	Property investment
Glory Good Development Limited	Hong Kong	1,000 ordinary shares	–	100	Property investment
Glory Hero Development Limited	Hong Kong	3,000,000 ordinary shares	–	100	Property investment
Grand Faith Development Limited	Hong Kong	10,000,000 ordinary shares and 2 non-voting deferred shares	–	100	Property investment
Harzone Limited	Hong Kong	1,000 ordinary shares	–	100	Property investment
Jetwise Investment Limited	Hong Kong	10,000,000 ordinary shares and 10,000 non-voting deferred shares	–	100	Property investment
King Firm Enterprises Limited	Hong Kong	1 ordinary share	–	100	Property investment
Lucky Million Development Limited	Hong Kong	2 ordinary shares	–	100	Property investment
Multimark Investment Limited	Hong Kong	2 ordinary shares and 2 non-voting deferred shares	–	100	Property investment
Newcorp Development Limited	Hong Kong	2 ordinary shares	–	100	Property investment

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

31 Principal subsidiaries (continued)

Details of the principal subsidiaries of Sunlight REIT are as follows : (continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	% of shares held by Sunlight REIT	a subsidiary	Principal activity
Nicetex Development Limited	Hong Kong	2 ordinary shares and 2 non-voting deferred shares	–	100	Property investment
Russum Company Limited	Hong Kong	10,000,000 ordinary shares and 1,000 non-voting deferred shares	–	100	Property investment
Seiren Investment Limited	Hong Kong	10,000 ordinary shares	–	100	Property investment
Smart Fortune Development Limited	Hong Kong	10,000 ordinary shares	–	100	Property investment
Smartwise Services Limited	British Virgin Islands/ Hong Kong	1 share	–	100	Holding of domain name
Strong Bright Technology Limited	Hong Kong	10,000 ordinary shares	–	100	Property investment
Sunlight Crownwill Limited	British Virgin Islands/ Hong Kong	1 share	–	100	Property investment
Sunlight REIT Finance Limited	British Virgin Islands/ Hong Kong	1 share	–	100	Provision of finance functions
Sunlight REIT MTN Limited	British Virgin Islands/ Hong Kong	1 share	–	100	Provision of finance functions
Sunlight REIT Treasury Limited	British Virgin Islands/ Hong Kong	1 share	–	100	Provision of treasury functions
Tinselle Investment Limited	Hong Kong	10,000,000 ordinary shares and 10,000 non-voting deferred shares	–	100	Property investment
United Glory Development Limited	Hong Kong	2 ordinary shares	–	100	Property investment
Yu Loy Development Company Limited	Hong Kong	1,000,000 ordinary shares and 500 non-voting deferred shares	–	100	Property investment

Performance Table

(Expressed in Hong Kong dollars, unless otherwise specified)

	Note	2015	2014	2013	2012	2011
At 30 June :						
Net asset value (\$ million)		13,097	11,495	10,532	9,022	8,262
Net asset value per unit		7.99	7.06	6.52	5.62	5.21
Market capitalisation (\$ million)		6,472	5,322	5,124	4,191	3,950
For the year ended 30 June :						
Highest traded unit price		4.09	3.37	3.92	2.61	2.64
Highest premium of the traded unit price to net asset value per unit	1	N/A	N/A	N/A	N/A	N/A
Lowest traded unit price		3.05	2.71	2.61	1.91	1.98
Highest discount of the traded unit price to net asset value per unit (%)		61.8	61.6	60.0	66.0	62.0
Closing unit price		3.95	3.27	3.17	2.61	2.49
Distribution per unit (cents)	2	22.0	20.0	17.7	17.0	17.6
Payout ratio (%)		95.9	94.8	93.1	91.3	90.5
Distribution yield per unit (%)	3	5.6	6.1	5.6	6.5	7.1

Notes :

1. The highest traded unit price is lower than the net asset value per unit at the end of the year. Accordingly, premium of the traded unit price to net asset value per unit had not been recorded.
2. The distribution per unit in 2011 was enhanced by arrangement offered by certain subsidiaries of HLD and SKFE in the form of distribution waivers. Please refer to the offering circular of Sunlight REIT dated 8 December 2006 for more details.
3. Distribution yield per unit is calculated by dividing the distribution per unit by the closing unit price of the year.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of unitholders (the “**Unitholders**”) of Sunlight Real Estate Investment Trust (“**Sunlight REIT**”) will be held at The Ballroom, 18th Floor, The Mira Hong Kong, 118 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong on Thursday, 29 October 2015 at 10:00 a.m. for the following purposes :

- (1) To note the audited financial statements of Sunlight REIT together with the Auditor’s Report for the year ended 30 June 2015;
- (2) To note the appointment of Auditor of Sunlight REIT and the fixing of their remuneration;
- (3) To consider and, if thought fit, pass with or without modification, the following resolution as an Ordinary Resolution :

“THAT :

- (a) the exercise by Henderson Sunlight Asset Management Limited (the “**Manager**”) during the Relevant Period (as defined in paragraph (c) below) of all the powers of the Manager to buy back units of Sunlight REIT (“**Units**”) on behalf of Sunlight REIT on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), subject to and in accordance with the circular dated 31 January 2008 issued by the Securities and Futures Commission (the “**SFC**”) to management companies of SFC-authorized real estate investment trusts (“**REITs**”) in relation to on-market unit repurchases by SFC-authorized REITs, paragraph (b) below, the trust deed constituting Sunlight REIT (as modified, supplemented and amended from time to time) (the “**Trust Deed**”), the applicable laws of Hong Kong, the Code on Real Estate Investment Trusts, the applicable provisions of the Codes on Takeovers and Mergers and Share Buy-backs, the guidelines issued by the SFC from time to time, and applicable rules and regulations, be and is hereby generally and unconditionally approved;
- (b) the aggregate number of Units which may be bought back or agreed to be bought back on the Stock Exchange by the Manager on behalf of Sunlight REIT pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10 per cent. of the aggregate number of Units in issue at the date of the passing of this resolution, and such approval shall be limited accordingly; and
- (c) for the purpose of this resolution, “Relevant Period” means the period from the date of the passing of this resolution until the earliest of :
 - (i) the conclusion of the next annual general meeting of Unitholders of Sunlight REIT following the passing of this resolution;
 - (ii) the expiration of the period within which the meeting referred to in (i) above is required to be held under the Trust Deed; and
 - (iii) the revocation or variation of the authority conferred by this resolution by an ordinary resolution of the Unitholders at a general meeting.”; and

- (4) Each as a separate Ordinary Resolution, to re-appoint the following independent non-executive directors of the Manager :
- (a) Mr. Kwan Kai Cheong;
 - (b) Mr. Ma Kwong Wing; and
 - (c) Dr. Tse Kwok Sang.

By Order of the Board
HENDERSON SUNLIGHT ASSET MANAGEMENT LIMITED
(as manager of Sunlight Real Estate Investment Trust)
Chung Siu Wah
Company Secretary

Hong Kong, 24 September 2015

Notes :

- (a) Pursuant to the Trust Deed, every Unitholder is entitled to appoint no more than two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder.
- (b) In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited with the unit registrar of Sunlight REIT, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (the "**Unit Registrar**") not less than 48 hours before the time appointed for holding the meeting or adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or at any adjournment thereof, or the poll concerned, should you so wish. In the event that you attend the meeting or adjourned meeting (as the case may be) after having lodged a form of proxy, the form of proxy will be deemed to have been revoked.
- (c) In the case of joint Unitholders, the vote of the Unitholder who is first-named on the register of Unitholders, whether tendered in person or by proxy, shall be acceptable to the exclusion of the votes of other joint Unitholders. For this purpose, seniority shall be determined by the order in which the names stand in the register of Unitholders.
- (d) For the purpose of determining entitlements to attend and vote at the Annual General Meeting, the register of Unitholders of Sunlight REIT will be closed from Tuesday, 27 October 2015 to Thursday, 29 October 2015, both days inclusive, during which period no transfer of Units will be effected. In order to qualify to attend and vote at the meeting (or at any adjournment thereof), all unit certificates accompanied by the duly completed transfer forms must be lodged with the Unit Registrar no later than 4:30 p.m. on Monday, 26 October 2015.
- (e) The votes at the meeting will be taken by way of a poll.

Financial Calendar

For FY2014/15

Interim Results Announcement	5 February 2015
Issuance of Interim Report	13 February 2015
Ex-distribution date for interim distribution	23 February 2015
Closure of Register for entitlement of interim distribution	25 February 2015 to 27 February 2015, both days inclusive
Interim distribution paid at HK 10.5 cents per unit	12 March 2015
Final Results Announcement	10 September 2015
Issuance of Annual Report	24 September 2015
Ex-distribution date for final distribution	25 September 2015
Closure of Register for entitlement of final distribution	30 September 2015 to 5 October 2015, both days inclusive
Final distribution payable at HK 11.5 cents per unit	20 October 2015
Closure of Register for entitlement to attend and vote at Annual General Meeting	27 October 2015 to 29 October 2015, both days inclusive
Annual General Meeting	29 October 2015

Corporate Information

Board of Directors of the Manager

Chairman and Non-executive Director
Au Siu Kee, Alexander

Chief Executive Officer and Executive Director
Wu Shiu Kee, Keith

Non-executive Director
Kwok Ping Ho

Independent Non-executive Directors
Kwan Kai Cheong
Ma Kwong Wing
Tse Kwok Sang

Company Secretary of the Manager

Chung Siu Wah

Trustee

HSBC Institutional Trust Services (Asia) Limited

Auditor

KPMG

Principal Valuer*

Jones Lang LaSalle Limited

Legal Adviser

Woo, Kwan, Lee & Lo

Principal Bankers

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Oversea-Chinese Banking Corporation Limited, Hong Kong Branch
Sumitomo Mitsui Banking Corporation
Bank of Communications Co., Ltd. Hong Kong Branch

Registered Office of the Manager

30th Floor, Sunlight Tower,
248 Queen's Road East, Wan Chai,
Hong Kong

Unit Registrar

Tricor Investor Services Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

Investor Relations

Leung Kwok Hoe, Kevin
Tel : (852) 3669 2888
Fax : (852) 2285 9980
Email: ir@HendersonSunlight.com

Website

www.sunlightreit.com

* Pursuant to paragraph 6.10 of the REIT Code, Jones Lang LaSalle Limited shall retire as the principal valuer after it has conducted valuations of the real estate of Sunlight REIT for three consecutive years. Knight Frank Petty Limited has been appointed by the Trustee to fill the casual vacancy with effect from 1 September 2015.

Sunlight Real Estate Investment Trust

Managed by Henderson Sunlight Asset Management Limited

www.sunlightreit.com

