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Sunlight Real Estate Investment Trust

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance
(Chapter 571 of the Laws of Hong Kong))

(Stock Code : 435)

Managed by
Henderson Sunlight Asset Management Limited
恒基陽光資產管理有限公司

DISPOSAL OF PROPERTIES BY PUBLIC TENDER

Reference is made to the announcement dated 14 April 2015 issued by the Manager in relation to the intention to dispose of the Four Properties (namely, Everglory Centre Property, Yue Fai Commercial Centre Property, Beverley Commercial Centre Property and Royal Terrace Property) on behalf of Sunlight REIT by way of a public tender. The public tender programme was closed on 26 May 2015.

The Manager is pleased to announce that on 29 May 2015, Sunlight REIT (through the respective Vendors) entered into the Accepted Tender Documents in respect of the Sale Properties (namely, Everglory Centre Property, Yue Fai Commercial Centre Property and Royal Terrace Property), and the Purchasers (all being Independent Third Parties) have paid an aggregate deposit in the amount of HK\$36 million pursuant to the terms of the Accepted Tender Documents. Completion of the disposals of the Target Property Companies and the Target Property shall take place on 31 July 2015 and 31 August 2015, respectively.

Subject to Post-completion Adjustments in respect of disposals of the Target Property Companies, the Aggregate Consideration of HK\$919,520,000 represents (i) a premium of approximately 51.7% to the aggregate Appraised Value of the Sale Properties; (ii) approximately 14.3% of the total market capitalisation of Sunlight REIT (based on the average closing price of the Units on the Stock Exchange for the five business days immediately preceding the date of this announcement); and (iii) 5.5% (which is less than 15%) of the gross asset value of Sunlight REIT as at 31 December 2014 (as disclosed in the 2014/15 Interim Report).

The Manager is satisfied that no Unitholders' approval is required under the REIT Code for the respective Vendors to accept the Tender Documents submitted by the Purchasers and the respective transactions contemplated thereunder.

Reference is made to the announcement dated 14 April 2015 issued by the Manager in relation to the intention to dispose of the Four Properties on behalf of Sunlight REIT by way of a public tender. The public tender programme was closed on 26 May 2015.

The Manager is pleased to announce that on 29 May 2015, Sunlight REIT (through the respective Vendors) entered into the Accepted Tender Documents in respect of the Sale Properties, which constitute binding agreements in respect of the disposal of the entire equity interests in the Target Property Companies (together with related loans) and the Target Property. Savills has been appointed as the sole agent for the Disposals and the Principal Valuer has been appointed to provide an Appraised Value for each of the Four Properties for the purpose of the Disposals.

Valid tenders were also received in respect of Beverley Commercial Centre Property. However, the Manager decided to withdraw Beverley Commercial Centre Property from the proposed sale by way of public tender. The Manager is of the opinion that the tenders received did not reach a sufficiently attractive level to fully reflect the value of this property. Pursuant to the Tender Documents, the Vendor expressly reserved its rights, among other things, not to accept the highest or any tender.

PARTICULARS OF THE DISPOSALS

The Consideration for each of the Sale Properties represents the highest price tendered for the purchase of the relevant Sale Property.

The Vendor, the Purchaser, the Consideration and the relevant appraised values of each Disposal are described below.

Subject matter of Disposal	Vendor	Purchaser ¹	Consideration (HK\$'000)	Appraised value as at 31 December 2014 (HK\$'000)	Appraised value as at 30 April 2015 (HK\$'000)	Premium of Consideration to appraised value as at 30 April 2015 (%)
Everglory Property Company	(1) Kasing Investment Limited ²	Merit Ascent International Limited	336,880 ^{4&5}	193,000	200,700	67.9
	(2) Sunlight REIT Finance Limited ³					
Yue Fai Property Company	(1) Hanway International Limited ²	ISKM Investment Pte. Ltd.	300,640 ^{4&5}	234,000	237,400	26.6
	(2) Sunlight REIT Finance Limited ³					
Royal Terrace Property	Smart Fortune Development Limited (i.e. Royal Terrace Property Company)	Most Right Limited	282,000	159,400	168,100	67.8
Total			919,520	586,400	606,200	51.7

Notes:

1. To the best of the Manager's belief, the Purchasers are potential real estate investors.
2. Kasing Investment Limited and Hanway International Limited are the holding companies of the entire equity interests in Everglory Property Company and Yue Fai Property Company respectively.
3. Sunlight REIT Finance Limited shall assign the benefit of the loan owing by each of the Target Property Companies respectively to it to the relevant Purchaser.
4. The Consideration for each of the Everglory Property Disposal and the Yue Fai Property Disposal shall be subject to Post-completion Adjustments as detailed in the section headed "Summary of Key Terms of the Accepted Tender Documents – Post-completion Adjustments" below.
5. The Consideration has been determined with reference to the value of the relevant Property, as well as the net current assets/liabilities of the relevant Target Property Company (the amount of which is immaterial).

SUMMARY OF KEY TERMS OF THE ACCEPTED TENDER DOCUMENTS

Set out below is a summary of the key terms of the Tender Documents submitted by the Purchasers and accepted by the Vendors (being the Accepted Tender Documents). Save for the identities of the Vendors and the Purchasers, the subject matter of Disposal and the relevant Consideration set out above and the terms which are applicable to the disposals of the Target Property only or the disposals of the Target Property Companies only as detailed below, the terms and conditions of each Accepted Tender Document are substantially the same.

Acceptance Date: 29 May 2015

Parties involved: Please refer to the section headed "Particulars of the Disposals" above.

Terms of Payment:

- (i) an Initial Deposit was paid by the Purchaser by way of a cashier's order payable to the solicitors of the Vendor(s) at the time the Purchaser submitted the Tender Document;
- (ii) a further deposit equivalent to a sum of 10% of the Consideration less the Initial Deposit (the Initial Deposit and the further deposit shall, together, represent 10% of the Consideration) shall be payable by the Purchaser to the solicitors of the Vendor(s) by way of a cashier's order on or before 3 June 2015; and
- (iii) the balance of the Consideration, being 90% of the Consideration, shall be paid by the Purchaser to the Vendor(s) on the Completion Date.

Condition: The Property is sold subject to and with the benefit of the Tenancies.

Conditions precedent: Completion is not subject to the fulfillment of any conditions precedent.

Completion: Neither party shall be obliged to complete the Accepted Tender Document unless the other party complies with its respective obligations stated therein. Completion of the disposals of the Target Property Companies and the Target Property shall take place on 31 July 2015 and 31 August 2015, respectively (or such other date as the parties may mutually agree in writing).

Vendors' indemnity: In respect of the disposals of the Target Property Companies only:

The Vendors shall indemnify the Purchaser from and against liability of the relevant Target Property Company for taxation resulting from the Inland Revenue Department of Hong Kong disallowing deductions of (i) management and property management fees of the relevant Target Property Company and/or (ii) rental commission incurred by the relevant Target Property Company, from the profits tax assessments of the relevant Target Property Company in the years of assessment before Completion. The Vendors' indemnity is subject to the limitations (such as, among others, time limit and amount of total liability) set out in the Accepted Tender Document.

Purchaser's guarantee: Where the Purchaser is a body corporate, the ultimate beneficial owner(s) of the Purchaser shall irrevocably guarantee or undertake to the Vendor(s), among other things, the performance of the Purchaser's obligations (including payment obligations) in accordance with the terms of the Accepted Tender Document.

The Vendors have not provided any guarantee to the Purchasers under the Accepted Tender Documents.

Failure to comply with terms of the Accepted Tender Document / failure to complete:

In respect of the disposals of the Target Property only:

- (i) If the Purchaser fails to observe or comply with any of the terms and conditions of the Accepted Tender Document, the Vendor may terminate the Accepted Tender Document by giving notice of termination in writing to the Purchaser or its solicitors. The Initial Deposit and further deposit (if already paid by the Purchaser) shall be forfeited by the Vendor absolutely. Upon such determination, the Vendor may resell, let or otherwise deal with the Target Property or any part(s) thereof. Without prejudice to the Vendor's right to recover the actual loss which may flow from the Purchaser's breach of the Accepted Tender Document, on such resale any deficiency in price (after taking into account the amount, if any, forfeited by the Vendor) shall be made good and all expenses attending such resale or any attempted resale shall be borne by the Purchaser and such deficiency and expenses shall be recoverable by the Vendor from the Purchaser.
- (ii) If the Vendor fails to complete the disposal of the Target Property in accordance with the terms of the Accepted Tender Document, the Purchaser is entitled to take legal proceedings to enforce specific performance of the Accepted Tender Document.

In respect of the disposals of the Target Property Companies only:

- (i) If the Purchaser fails to observe or comply with any of the terms and conditions of the Accepted Tender Document, the Vendor(s) may (a) defer Completion to a date not more than ten days after the Completion Date; or (b) proceed to Completion so far as practicable; or (c) rescind the Accepted Tender Document without liability on its part or the other party to the Accepted Tender Document or any other third party; or (d) waive all or any of the obligations of the Purchaser under the Accepted Tender Document. If the Vendor(s) rescind(s) the Accepted Tender Document, the Purchaser shall pay all the costs, charges and expenses incurred by the respective Vendor(s) in connection with and incidental to the negotiation, preparation, execution, termination and completion of the Accepted Tender Document on a full indemnity basis without prejudice to any other right or claim of the Vendors against the Purchaser under the Accepted Tender Document.
- (ii) If the Vendor(s) fail(s) to complete the disposal of the Target Property Company in accordance with the terms of the Accepted Tender Document, the Purchaser may (a) defer Completion to a date not more than ten days after the Completion Date; or (b) proceed to Completion so far as practicable; or (c) waive all or any of the obligations of the Vendor(s) under the Accepted Tender Document.

*Post-completion
Adjustments*

In respect of the disposals of the Target Property Companies only:

The Consideration is subject to upward or downward adjustment with reference to the change in the net current assets/liabilities of the relevant Target Property Company as determined by comparing the net current assets/liabilities (i) at Completion as shown in the completion statement to be reviewed by an independent accountant and (ii) at the date of relevant sale and purchase agreement as estimated by the Manager.

To the best estimate of the Manager, such adjustment (if any) will not be material and will not result in a change in the classification of the Disposals.

The Manager is satisfied that all the terms and conditions (including guarantee and indemnity arrangements disclosed above) are customary for transactions of similar nature and scale.

INFORMATION RELATING TO THE SALE PROPERTIES

Brief Description

Everglory Centre Property

Everglory Centre Property, includes the whole block of Everglory Centre, No. 1B Kimberley Street, Tsim Sha Tsui, Kowloon, Hong Kong.

Yue Fai Commercial Centre Property

Yue Fai Commercial Centre Property includes various shop units on the Ground Floor and various office units on various floors (except the First Floor) of Yue Fai Commercial Centre, No. 208 Aberdeen Main Road, Aberdeen, Hong Kong.

Royal Terrace Property

Royal Terrace Property includes various shop units on the Ground Floor, signage space and island and various car and motorcycle parking spaces of Royal Terrace, No. 933 King's Road, North Point, Hong Kong.

Other than the First Floor of Yue Fai Commercial Centre, the Sale Properties constitute Sunlight REIT's entire interest in Everglory Centre, Yue Fai Commercial Centre and Royal Terrace.

Operational statistics and financial information

<i>Property</i>	<i>Gross Rentable Area (approximate)</i>			<i>Occupancy¹ at 31 March 2015 (%)</i>	<i>For the six months ended 31 December 2014</i>				<i>At 31 December 2014</i>	
	<i>Office (sq. ft.)</i>	<i>Retail (sq. ft.)</i>	<i>Total (sq. ft.)</i>		<i>Turnover (HK\$'000)</i>	<i>Approx. % of total turnover of the entire portfolio of Sunlight REIT (%)</i>	<i>Net Property Income (HK\$'000)</i>	<i>Approx. % of total Net Property Income of the entire portfolio of Sunlight REIT (%)</i>	<i>Appraised value (HK\$'000)</i>	<i>Approx. % of total appraised value of the entire portfolio of Sunlight REIT (%)</i>
Everglory Centre Property	25,896	3,906	29,802	100.0	4,326	1.17	3,123	1.09	193,000	1.20
Yue Fai Commercial Centre Property	39,224	1,479	40,703	97.0	5,363 ²	1.45	3,842 ²	1.35	234,000	1.45
Royal Terrace Property	0	9,565	9,565	100.0	3,417	0.92	2,893	1.01	159,400	0.99
Total :	65,120	14,950	80,070	N/A	13,106	3.54	9,858	3.45	586,400	3.64

Notes:

1. *Calculated on the basis of occupied Gross Rentable Area as a proportion of total Gross Rentable Area of the relevant property on the relevant date.*
2. *Calculated by making an adjustment to exclude the turnover or Net Property Income (as the case may be) contribution from the first floor of Yue Fai Commercial Centre.*

Further information and particulars relating to the Sale Properties may be found in the annual reports, interim reports and other announcements previously made by the Manager, save that the information relating to Yue Fai Commercial Centre Property disclosed therein includes the First Floor of that property (which is not included in the Disposals).

None of the Sale Properties were acquired in less than two years from the Acceptance Date. The Disposals constitute the disposal of the entire interest of the respective Vendors in each of the Sale Properties. Following Completion, Sunlight REIT and the respective Vendors will cease to have any interest in any of the Sale Properties.

REASONS FOR AND FINANCIAL IMPACTS OF THE DISPOSALS

The Consideration for each of the Disposals is higher than the Appraised Value of the relevant Sale Property, and thus the Disposals are accretive in view of the discount of the traded price of the Units to the net asset value per Unit. Further, the Disposals involve non-core properties of Sunlight REIT and will enable the Manager to streamline its operations and allocate resources more efficiently.

Upon Completion, Sunlight REIT is expected to record a one-off gain from the Disposals, the amount of which is determined by comparing the net proceeds derived from the Disposals with the book value of the Sale Properties at the Completion Date (such book value will incorporate the appraised value of the Sale Properties as at 30 June 2015, being the latest applicable valuation date prior to Completion). In light of the premium of the Consideration to Appraised Value achieved for each of the Sale Properties, the appraised value of each of the Sale Properties as at 30 June 2015 is expected to rise and reflect the value of these market transactions. Accordingly, the one-off gain from the Disposals is envisaged to be small. However, an increase in the fair value of investment properties (attributable to, among other things, the rise in valuation of the Sale Properties) is expected to be recorded by Sunlight REIT in the financial year ending 30 June 2015.

Pursuant to the Trust Deed, the Manager is entitled to receive a divestment fee equivalent to 0.5% of the Appraised Value. With due consideration, the Board has resolved not to charge the said divestment fee in respect of this transaction. Meanwhile, the Trustee has informed the Manager that it will not charge additional fee in connection with the Disposals.

Upon Completion, it is expected that the Disposals will lead to a slightly lower net property income and distribution beginning from the Completion Date. Given the size of the Disposals, such financial impact is expected to be limited. As there is no current intention to apply certain proceeds from the Disposals for partial repayment of Sunlight REIT's bank borrowings, it is envisaged that the Disposals will not result in a material change in the gearing ratio of Sunlight REIT.

USE OF PROCEEDS

The total gross proceeds from the Disposals, being the Aggregate Consideration, are HK\$919,520,000. The Manager currently intends to use the net proceeds, after deducting the relevant expenses in the amount of approximately HK\$10,500,000 from the Aggregate Consideration, for general working capital of Sunlight REIT.

“Acceptance Date”	the date on which the Tender Documents submitted by the Purchasers were accepted by the Vendor(s), being 29 May 2015
“Accepted Tender Documents”	collectively, (i) Everglory Property Accepted Tender Document; (ii) Yue Fai Property Accepted Tender Document; and (iii) Royal Terrace Property Accepted Tender Document, and each an “ <i>Accepted Tender Document</i> ”
“Aggregate Consideration”	the aggregate consideration payable by the Purchasers to the Vendors in respect of the Disposals pursuant to the terms of the Accepted Tender Documents
“Appraised Value”	the appraised value of each of the Sale Properties as at 30 April 2015, as assessed by the Principal Valuer for the purposes of the Disposals
“Beverley Commercial Centre Property”	those portions of Beverley Commercial Centre, No.87-105 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong
“Board”	the board of Directors
“Completion”	the completion of the Disposals on the Completion Date pursuant to the terms of the Accepted Tender Documents
“Completion Date”	(i) in respect of the disposals of Target Property Companies, 31 July 2015; and (ii) in respect of the disposal of the Target Property, 31 August 2015
“Consideration”	the consideration payable by the relevant Purchaser in respect of the relevant Disposal pursuant to the terms of the relevant Accepted Tender Document
“Director(s)”	the director(s) of the Manager
“Disposals”	collectively, (i) Everglory Property Disposal; (ii) Yue Fai Property Disposal; and (iii) Royal Terrace Property Disposal, and each a “ <i>Disposal</i> ”
“Everglory Centre Property”	the whole block of Everglory Centre, No.1B Kimberley Street, Tsim Sha Tsui, Kowloon, Hong Kong, as described in further detail in the section “Information relating to the Sale Properties” of this announcement

“Everglory Property Accepted Tender Document”	the Tender Document submitted by the relevant Purchaser in respect of the entire equity interests in the Everglory Property Company together with related loans, which was accepted by the relevant Vendors on the Acceptance Date
“Everglory Property Company”	Strong Bright Technology Limited 昌明科技有限公司, the registered owner of Everglory Centre Property, a special purpose vehicle wholly-owned and controlled by Sunlight REIT
“Everglory Property Disposal”	the sale and purchase of the entire equity interests in the Everglory Property Company together with related loans pursuant to Everglory Property Accepted Tender Document
“Four Properties”	collectively, (i) Everglory Centre Property; (ii) Yue Fai Commercial Centre Property; (iii) Beverley Commercial Centre Property; and (iv) Royal Terrace Property, and each a “ <i>Property</i> ”
“Gross Rentable Area”	in respect of a Property, the area of the Property determined by the relevant Property Company at any given time to be rentable with the inclusion of its apportioned share of common or service areas used in common for the Property as a whole and also those areas used for ancillary purposes in relation to the management and care-taking of the Property (excluding area of car-parks)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Independent Third Party”	an independent third party who is not a connected person (within the meaning of Chapter 8 of the REIT Code) of Sunlight REIT
“Initial Deposit”	in respect of each Disposal, the initial deposit in the amount of HK\$12 million paid by a Purchaser at the time of submission of a Tender Document
“Manager”	Henderson Sunlight Asset Management Limited 恒基陽光資產管理有限公司, as the manager of Sunlight REIT
“Net Property Income”	in respect of any Property, the gross income generated from the leasing of the Property, including but not limited to rental, license, carpark income and rent-related income such as management and air-conditioning fee, after deducting the expenses and outgoings related to the ownership and the management of the same Property

“Post-completion Adjustments”	adjustments to be made with reference to the net current assets/liabilities of the relevant Target Property Company at Completion Date, details of which are set out in the section headed “Summary of Key Terms of the Accepted Tender Documents – Post-completion Adjustments” of this announcement
“Principal Valuer”	Jones Lang LaSalle Limited, the principal valuer of Sunlight REIT
“Purchasers”	collectively, the entities set out in the column headed “Purchaser” in the table set out under the section headed “Particulars of the Disposals” of this announcement, and each a “ <i>Purchaser</i> ”
“REIT Code”	Code on Real Estate Investment Trusts issued by the SFC, as amended, supplemented and/or otherwise modified from time to time
“Royal Terrace Property”	those portions of Royal Terrace, No.933 King’s Road, North Point, Hong Kong, which represents Sunlight REIT’s entire interest therein, as described in further detail in the section “Information relating to the Sale Properties” of this announcement
“Royal Terrace Property Accepted Tender Document”	the Tender Document submitted by the relevant Purchaser in respect of Royal Terrace Property, which was accepted by the relevant Vendor on the Acceptance Date
“Royal Terrace Property Company”	Smart Fortune Development Limited 傑運發展有限公司, being the owner of Royal Terrace Property, a special purpose vehicle wholly-owned and controlled by Sunlight REIT
“Royal Terrace Property Disposal”	the sale and purchase of Royal Terrace Property pursuant to Royal Terrace Property Accepted Tender Document
“Sale Properties”	the properties to be sold pursuant to the Accepted Tender Documents, being, collectively, (i) Everglory Centre Property; (ii) Yue Fai Commercial Centre Property; and (iii) Royal Terrace Property, and each a “ <i>Sale Property</i> ”
“Savills”	Savills (Hong Kong) Limited, which has been appointed as the sole agent of the respective Vendor in connection with the Disposals
“SFC”	Securities and Futures Commission of Hong Kong
“Stock Exchange”	Stock Exchange of Hong Kong Limited

“Sunlight REIT”	Sunlight Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time
“Target Property”	the Royal Terrace Property
“Target Property Companies”	collectively, (i) Everglory Property Company; and (ii) Yue Fai Property Company, and each a “ Target Property Company ”
“Tenancies”	in relation to each of the Sale Properties, the leases, tenancy agreements, licences and/or lettings thereof (as may be supplemented and/or varied by side letter(s) and/or personal guarantee(s) and/or other documents incidental thereto), which shall include all subsequent leases, tenancy agreements, licences, side letters and other documents in relation to the letting of the relevant Property entered into or to be entered into by the relevant holding company of the relevant Property in its ordinary course of business before completion of the disposal of the relevant property
“Tender Document”	the standard form tender document submitted by interested tenderers with respect to the Four Properties
“Trust Deed”	the trust deed constituting Sunlight REIT dated 26 May 2006 as modified, supplemented and amended from time to time
“Trustee”	HSBC Institutional Trust Services (Asia) Limited 滙豐機構信託服務(亞洲)有限公司, in its capacity as the trustee of Sunlight REIT
“Unit”	one unit in Sunlight REIT
“Unitholder”	any person registered as holder of a Unit
“Vendors”	collectively, the entities set out in the column headed “Vendor” in the table set out under the section headed “Particulars of the Disposals” of this announcement, and each a “ Vendor ”
“Yue Fai Commercial Centre Property”	those portions of Yue Fai Commercial Centre, No.208 Aberdeen Main Road, Aberdeen, Hong Kong, which, save for the First Floor, represents Sunlight REIT’s entire interest therein, as described in further detail in the section “Information relating to the Sale Properties” of this announcement

“Yue Fai Property Accepted Tender Document”	the Tender Document submitted by the relevant Purchaser in respect of the entire equity interests in Yue Fai Property Company together with related loans, which was accepted by the relevant Vendors on the Acceptance Date
“Yue Fai Property Company”	Lucky Million Development Limited 利萬發展有限公司, the registered owner of Yue Fai Commercial Centre Property, a special purpose vehicle wholly-owned and controlled by Sunlight REIT
“Yue Fai Property Disposal”	the sale and purchase of the entire equity interests in the Yue Fai Property Company together with related loans pursuant to Yue Fai Property Accepted Tender Document
“% ”	per cent.

By order of the Board
HENDERSON SUNLIGHT ASSET MANAGEMENT LIMITED
 恒基陽光資產管理有限公司
 (as manager of Sunlight Real Estate Investment Trust)
CHUNG Siu Wah
Company Secretary

Hong Kong, 29 May 2015

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