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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

ACQUISITION OF REMAINING INTERESTS IN ON LOONG COMMERCIAL BUILDING

The Manager is pleased to announce that:

on 8 May 2015, Sunlight REIT (through King Firm, a special purpose vehicle wholly-owned and controlled by Sunlight REIT) entered into the Exchange Agreement with the First Vendor (an Independent Third Party), pursuant to which King Firm agreed to sell 1st Floor of Yue Fai to the First Vendor in exchange for Unit 6A of On Loong and the Equality Money of HK\$8 million (i.e. the Exchange of Properties). On 3 July 2015, the Exchange of Properties was completed; and

on 26 June 2015, Sunlight REIT (through Glory Good, a special purpose vehicle wholly-owned and controlled by Sunlight REIT) entered into the Sale and Purchase Agreement with the Second Vendor (an Independent Third Party), pursuant to which Glory Good agreed to purchase 21st Floor of On Loong from the Second Vendor at the consideration of HK\$16.35 million (i.e. the Acquisition). On 3 August 2015, the Acquisition was completed.

The gross considerations in respect of the acquisition of Unit 6A of On Loong and disposal of 1st Floor of Yue Fai under the Exchange of Properties are HK\$5.8 million and HK\$13.8 million, respectively, representing a premium of approximately 42.51% and 1.47% to each of the appraised value of Unit 6A of On Loong and 1st Floor of Yue Fai at 30 April 2015, respectively. The gross consideration of the Acquisition, being HK\$16.35 million, represents a premium of approximately 69.78% to the appraised value of 21st Floor of On Loong at 31 May 2015. As opined by the Principal Valuer, it is often noted in the market that a premium price is offered by the majority owner of a building to acquire remaining units in the building in light of the benefit and value enhancement created through gaining bigger control and/or unification of title in a building.

The gross considerations of the Exchange of Properties and the Acquisition respectively constitute (i) approximately 0.21% and 0.25% 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 the relevant agreements); and (ii) approximately 0.08% and 0.10% (which are less than 15%) of the gross asset value of Sunlight REIT at 31 December 2014 (as disclosed in the 2014/15 Interim Report).

Following the Exchange Completion and the Acquisition Completion, Sunlight REIT (through its wholly-owned and controlled special purpose vehicles) became the sole owner of all the units of On Loong Commercial Building. The Manager is of the opinion that unifying the ownership of the building is in the interests of the Unitholders. Meanwhile, following the Exchange Completion and the completion of the YF Disposal, which took place on 31 July 2015, Sunlight REIT ceased to have any interest in Yue Fai Commercial Centre.

This announcement is made pursuant to paragraphs 10.3 and 10.4 of the REIT Code. The Manager is satisfied that no Unitholders' approval is required under the REIT Code and the Trust Deed for the Exchange of Properties and the Acquisition.

OVERVIEW

The Manager is pleased to announce that:

- (i) on 8 May 2015, Sunlight REIT (through King Firm, a special purpose vehicle wholly-owned and controlled by Sunlight REIT) entered into the Exchange Agreement with the First Vendor (an Independent Third Party), pursuant to which King Firm agreed to sell 1st Floor of Yue Fai to the First Vendor in exchange for Unit 6A of On Loong and the Equality Money of HK\$8 million (i.e. the Exchange of Properties). On 3 July 2015, the Exchange of Properties was completed; and
- (ii) on 26 June 2015, Sunlight REIT (through Glory Good, a special purpose vehicle wholly-owned and controlled by Sunlight REIT) entered into the Sale and Purchase Agreement with the Second Vendor (an Independent Third Party), pursuant to which Glory Good agreed to purchase 21st Floor of On Loong from the Second Vendor at the consideration of HK\$16.35 million (i.e. the Acquisition). On 3 August 2015, the Acquisition was completed.

SUMMARY OF KEY TERMS OF THE AGREEMENTS

The Exchange Agreement

Set out below is a summary of the key terms of the Exchange Agreement, the completion of which (i.e. the Exchange Completion) took place on 3 July 2015:

Date: 8 May 2015

Parties involved:

- (i) the First Vendor (as vendor of Unit 6A of On Loong and as purchaser of 1st Floor of Yue Fai); and
- (ii) King Firm (as vendor of 1st Floor of Yue Fai and as purchaser of Unit 6A of On Loong).

<i>Subject matter:</i>	Pursuant to the Exchange Agreement, King Firm shall sell 1st Floor of Yue Fai to the First Vendor in exchange for Unit 6A of On Loong and the Equality Money.
<i>Payment of the Equality Money:</i>	The Equality Money, in the sum of HK\$8 million, shall be paid by the First Vendor in the following manner: (i) a deposit equivalent to 10% of the Equality Money in the sum of HK\$800,000 shall be paid by the First Vendor to King Firm upon signing of the Exchange Agreement in cash; and (ii) the balance of the Equality Money in the sum of HK\$7.2 million shall be paid by the First Vendor to King Firm at the Exchange Completion in cash.
<i>Condition of property:</i>	Each of Unit 6A of On Loong and 1st Floor of Yue Fai will be exchanged on an “as is” basis and delivered with vacant possession, free from encumbrances and any third party rights.
<i>Conditions precedent:</i>	Completion is not subject to the fulfillment of any conditions precedent.
<i>Stamp duty^{note}:</i>	All stamp duty payable on the Equality Money or otherwise payable under the Exchange Agreement shall be borne by the First Vendor solely.

Note: By virtue of section 25(7) of the Stamp Duty Ordinance (Chapter 117 of the laws of Hong Kong), only the Equality Money shall be chargeable with stamp duty in respect of the Exchange of Properties.

Each of the First Vendor and King Firm has given indemnities, warranties and undertakings under the Exchange Agreement in customary terms for transactions of similar nature and scale.

The Sale and Purchase Agreement

Set out below is a summary of the key terms of the Sale and Purchase Agreement, the completion of which (i.e. the Acquisition Completion) took place on 3 August 2015:

<i>Date:</i>	26 June 2015
<i>Parties involved:</i>	(i) the Second Vendor (as vendor); and (ii) Glory Good (as purchaser).
<i>Subject matter:</i>	The Second Vendor shall sell and Glory Good shall purchase 21st Floor of On Loong pursuant to the terms of the Sale and Purchase Agreement.

Consideration: The purchase price for 21st Floor of On Loong is HK\$16.35 million, which shall be paid by Glory Good in the following manner:

- (i) a deposit in the sum of HK\$1,635,000 shall be paid by Glory Good to the Second Vendor upon signing of the Sale and Purchase Agreement in cash; and
- (ii) the balance of the purchase price in the sum of HK\$14,715,000 shall be paid by Glory Good to the Second Vendor on or before the date of Acquisition Completion in cash.

Condition of property: 21st Floor of On Loong will be sold on an “as is” basis and delivered with vacant possession, free from encumbrances and any third party rights.

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

Stamp duty: All stamp duty payable in relation to the Acquisition will be borne by Glory Good.

The Second Vendor has given indemnities, warranties and undertakings under the Sale and Purchase Agreement in customary terms for transactions of similar nature and scale.

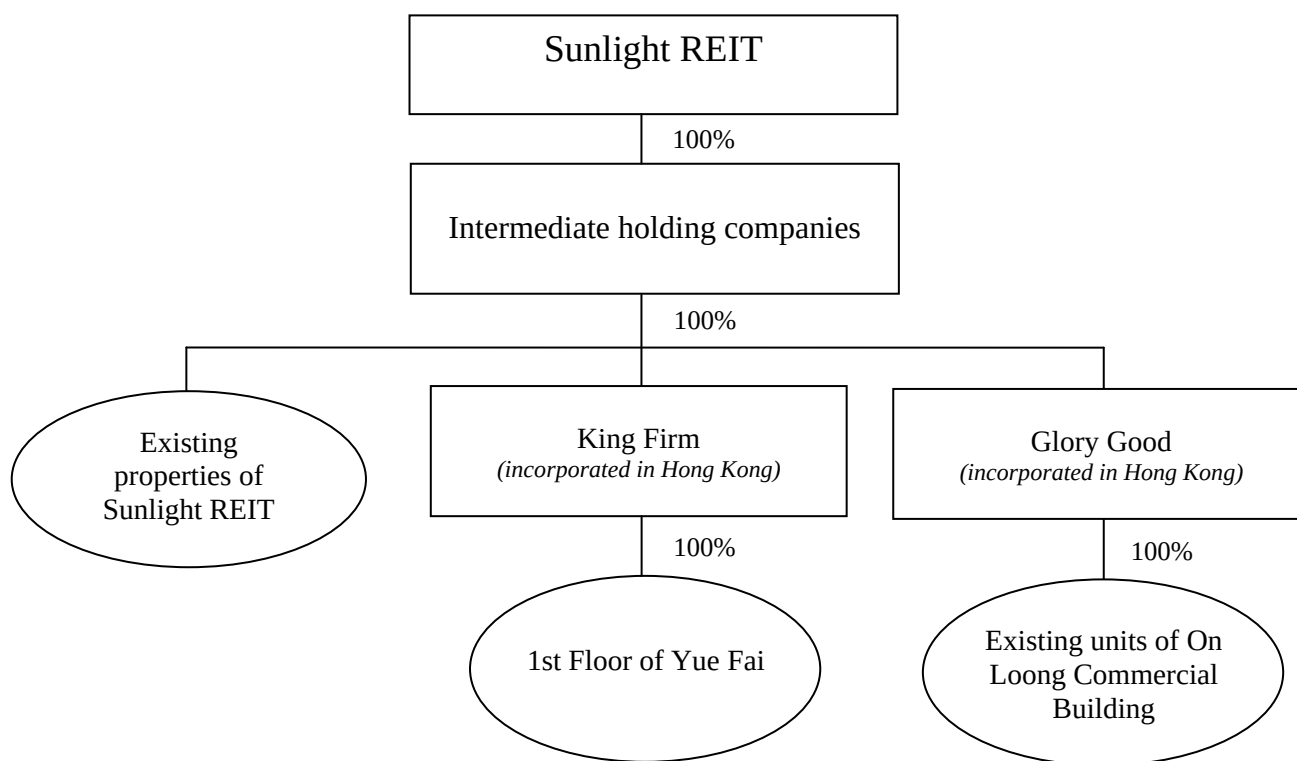
Comparative summary of gross consideration and appraised value in respect of the Exchange of Properties and Acquisition

Based on and with reference to the appraised value of the relevant property (as assessed by the Principal Valuer), the gross consideration (determined after commercial negotiation on arm’s length basis) and the premium to appraised value in respect of the Exchange of Properties and Acquisition (as the case may be) are set out as follows:

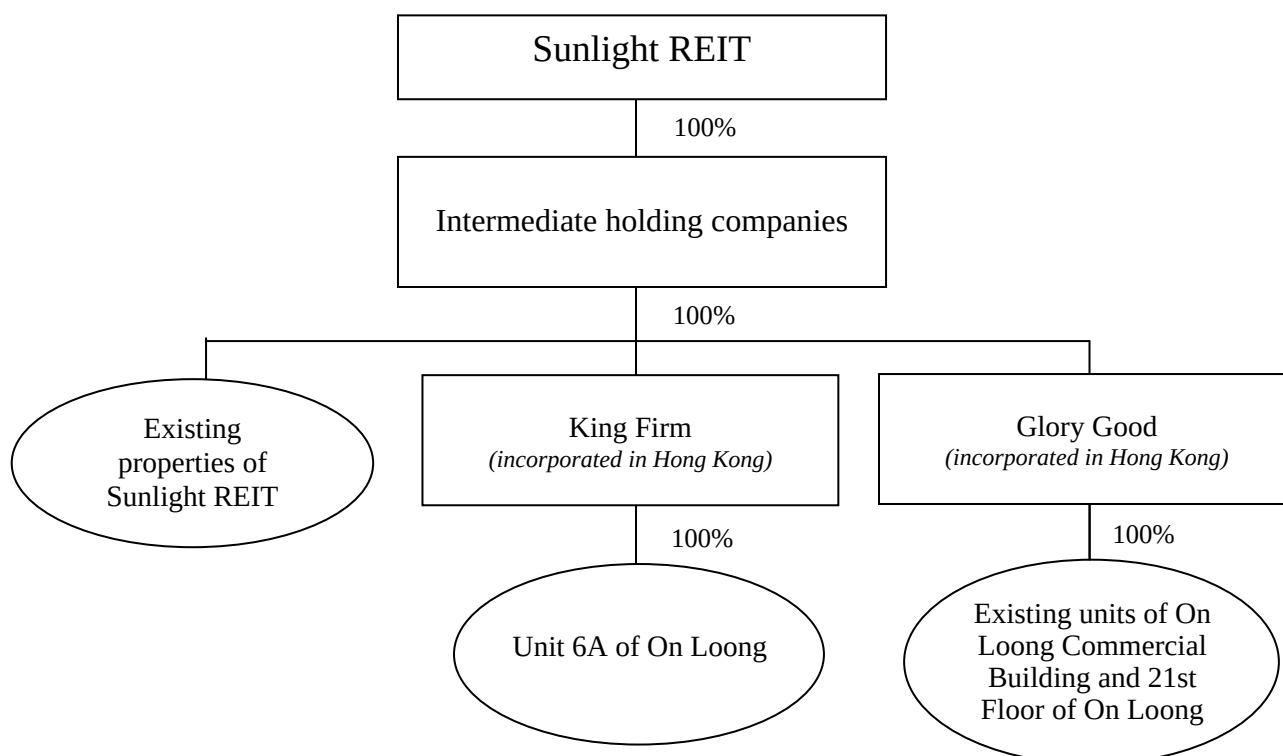
Property	Gross consideration (HK\$’000)	Appraised value at 30 April 2015 (HK\$’000)	Appraised value at 31 May 2015 (HK\$’000)	Premium of consideration to appraised value (approximate %)
1st Floor of Yue Fai	13,800	13,600	N/A	1.47
Unit 6A of On Loong	5,800	4,070	N/A	42.51
21st Floor of On Loong	16,350	N/A	9,630	69.78

Simplified holding structure prior to and following the Exchange Completion and Acquisition Completion

The diagram below illustrates the properties held by King Firm and Glory Good prior to the Exchange Completion and the Acquisition Completion:



The diagram below illustrates the properties held by King Firm and Glory Good after the Exchange Completion and the Acquisition Completion:



INFORMATION RELATING TO 1ST FLOOR OF YUE FAI, UNIT 6A OF ON LOONG AND 21ST FLOOR OF ON LOONG

1st Floor of Yue Fai

1st Floor of Yue Fai comprises Office Nos.1 to 6 on the first floor of Yue Fai Commercial Centre, No. 208 Aberdeen Main Road, Aberdeen, Hong Kong, with a total gross rentable area of approximately 2,048 sq. ft.. It was acquired and held by Sunlight REIT for a period of more than two years from the date of the Exchange Agreement. At the date of Exchange Completion, 1st Floor of Yue Fai was vacant.

The turnover of 1st Floor of Yue Fai for the six months ended 31 December 2014 (calculated by making an adjustment to exclude the contribution from other floors of Yue Fai Commercial Centre) was approximately HK\$184,000, representing approximately 0.05% of the total turnover of the entire portfolio of Sunlight REIT for the relevant period. At 31 December 2014, the appraised value of 1st Floor of Yue Fai was HK\$13.4 million, representing approximately 0.08% of the total appraised value of the entire portfolio of Sunlight REIT at the relevant date.

As disclosed in the announcements dated 29 May 2015 and 31 July 2015 issued by the Manager, Sunlight REIT (through Hanway International Limited and Sunlight REIT Finance Limited) disposed of various shop units on the Ground Floor and various office units on various floors (except the First Floor) of Yue Fai Commercial Centre (the “**YF Disposal**”) by way of public tender. Following the Exchange Completion and the completion of the YF Disposal, which took place on 31 July 2015, Sunlight REIT ceased to have any interest in Yue Fai Commercial Centre.

Further information and particulars relating to 1st Floor of Yue Fai 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 disclosed therein includes the other units and floors of such property owned by Sunlight REIT.

Unit 6A of On Loong and 21st Floor of On Loong

Unit 6A of On Loong comprises Office No.1 on the 6th floor of On Loong Commercial Building, Nos. 276-278 Lockhart Road, Hong Kong, with a total gross rentable area of 552 sq. ft.. At the date of Exchange Completion, Unit 6A of On Loong was vacant.

21st Floor of On Loong comprises Office Nos.1 and 2 on the 21st floor of On Loong Commercial Building, Nos. 276-278 Lockhart Road, Hong Kong, with a total gross rentable area of 1,090 sq. ft.. At the date of Acquisition Completion, 21st Floor of On Loong was vacant.

REASONS FOR THE EXCHANGE OF PROPERTIES AND THE ACQUISITION

The gross consideration for the disposal of 1st Floor of Yue Fai is higher than its appraised value at 30 April 2015, and thus the disposal is accretive in view of the discount of the traded price of the Units to the net asset value per unit. Further, 1st Floor of Yue Fai was a non-core property of Sunlight REIT. As mentioned above, the remaining units and floors of Yue Fai Commercial Centre owned by Sunlight REIT had also been disposed of by way of public tender.

Prior to the Exchange Completion and the Acquisition Completion, Sunlight REIT (through its wholly-owned and controlled special purpose vehicles) owned a majority portion (94% in terms of undivided shares) of On Loong Commercial Building, whereas the remaining portion, being the undivided shares in respect of Unit 6A of On Loong and 21st Floor of On Loong, were owned by the First Vendor and the Second Vendor, respectively. Following the Exchange Completion and the Acquisition Completion, Sunlight REIT (through its wholly-owned and controlled special purpose vehicles) became the sole owner of all the units of On Loong Commercial Building.

Unifying the ownership of On Loong Commercial Building will enhance the capital value of the property and improve the overall internal rate of return of the property through (i) cost saving as a result of eliminating property management services rendered under the deed of mutual covenants in respect of On Loong Commercial Building; (ii) incremental rent/asset value for the entire property under single ownership; and (iii) benefit of positive carry under the current interest rate environment. It will also enable the Manager to have more flexibility in terms of usage and renovation of the building.

Each of Unit 6A of On Loong and 21st Floor of On Loong was acquired by Sunlight REIT at a substantial premium to its respective appraised value. As opined by the Principal Valuer, (i) it is often noted in the market that a premium price is offered by the majority owner of a building to acquire remaining units in the building in light of the benefit and value enhancement created through gaining bigger control and/or unification of title in a building; and (ii) it is generally noted that, other things being equal, the premium offered for the acquisition of the remaining units may go up along with the increase in ownership of the building by the majority owner. The Manager also reviewed recent en-bloc office transactions in the vicinity, of which a substantial premium of en-bloc office properties as compared to strata-titled offices is evident.

The Manager considers that it is in the interests of the Unitholders to pay such premium for the acquisition of the remaining units of On Loong Commercial Building, and is of the opinion that the benefits from unifying the ownership of the building will outweigh the cost involved in the acquisition.

FINANCIAL IMPACT AND FUNDING OF THE EXCHANGE OF PROPERTIES AND THE ACQUISITION

As the size and considerations involved in the Exchange of Properties and the Acquisition are not material, the transactions do not have any material adverse impact on the financial position of Sunlight REIT as compared to that at 31 December 2014 (as disclosed in the 2014/15 Interim Report).

The Manager currently has no plan for substantial renovation or improvement of each of Unit 6A of On Loong and 21st Floor of On Loong and does not expect any material capital expenditure in respect of the properties.

The purchase price for the Acquisition together with expenses of approximately HK\$18 million was funded by Sunlight REIT's own cash resources. Therefore, the Acquisition did not result in any change in the gearing ratio of Sunlight REIT upon the Acquisition Completion.

Pursuant to the Trust Deed, the Manager is entitled to receive (i) a divestment fee equivalent to 0.5% of the appraised value of 1st Floor of Yue Fai at 30 April 2015 and (ii) an acquisition fee equivalent to 1% of the appraised value of each of Unit 6A of On Loong at 30 April 2015 and 21st Floor of On Loong at 31 May 2015, respectively. With due consideration, the Board has resolved not to charge the said divestment fee and acquisition fee in respect of the Exchange of Properties and Acquisition. Meanwhile, the Trustee has informed the Manager that it will not charge additional fee in connection with the Exchange of Properties and the Acquisition, other than the Trustee's ongoing remuneration calculated in accordance with the Trust Deed.

IMPLICATIONS UNDER THE REIT CODE AND OPINIONS OF THE MANAGER, THE BOARD AND THE TRUSTEE

Following the Exchange Completion and the Acquisition Completion, Sunlight REIT (through its wholly-owned and controlled special purpose vehicles) became the sole owner of all the units of On Loong Commercial Building. Meanwhile, following the Exchange Completion and the completion of the YF Disposal, which took place on 31 July 2015, Sunlight REIT ceased to have any interest in Yue Fai Commercial Centre.

The gross considerations in respect of the acquisition of Unit 6A of On Loong and disposal of 1st Floor of Yue Fai under the Exchange of Properties are HK\$5.8 million and HK\$13.8 million, respectively, representing a premium of approximately 42.51% and 1.47% to each of the appraised value of Unit 6A of On Loong and 1st Floor of Yue Fai at 30 April 2015, respectively. The gross consideration of the Acquisition, being HK\$16.35 million, represents a premium of approximately 69.78% to the appraised value of 21st Floor of On Loong at 31 May 2015.

As the Exchange of Properties constitutes one transaction involving both an acquisition and a disposal, the transaction is classified by reference to the larger of the acquisition or disposal. The gross considerations of the Exchange of Properties and the Acquisition thus respectively constitute (i) approximately 0.21% and 0.25% 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 the relevant agreements); and (ii) approximately 0.08% and 0.10% (which are less than 15%) of the gross asset value of Sunlight REIT at 31 December 2014 (as disclosed in the 2014/15 Interim Report).

This announcement is made pursuant to paragraphs 10.3 and 10.4 of the REIT Code. The Manager is satisfied that no Unitholders' approval is required under the REIT Code and the Trust Deed for the Exchange of Properties and the Acquisition.

The Manager has made a submission to the SFC in respect of paragraph 7.5(d) of the REIT Code and the SFC has allowed the use of three layers of special purpose vehicles by Sunlight REIT to hold Unit 6A of On Loong, subject to the Exchange Completion and the condition that there will be no change to the maximum number of layers of special purpose vehicles used by Sunlight REIT without further approval of the SFC.

To the best of the Manager's knowledge, information and belief, having made all reasonable enquiries, each of (i) the First Vendor, a registered trade union under the Trade Unions Ordinance (Chapter 332 of the laws of Hong Kong), (ii) the Second Vendor, a real estate investor, and (iii) the respective ultimate beneficial owners of the First Vendor and the Second Vendor is an Independent Third Party. Hence, neither the Exchange of Properties nor the Acquisition constitutes a connected party transaction of Sunlight REIT under the REIT Code.

The Board (including the independent non-executive Directors) is satisfied that each of the Exchange of Properties pursuant to the terms of the Exchange Agreement and the Acquisition pursuant to the terms of the Sale and Purchase Agreement are at arm's length, on normal commercial terms, and are fair and reasonable and in the interests of Sunlight REIT and the Unitholders as a whole.

The Manger has conducted due diligence, including physical inspection and examining of title deeds and documents, in respect of each of Unit 6A of On Loong and 21st Floor of On Loong. Based on the advice of its legal adviser, Mayer Brown JSM, the Manager is of the view that Sunlight REIT (through its wholly-owned and controlled special purpose vehicles) holds good marketable legal and beneficial title to Unit 6A of On Loong and 21st Floor of On Loong after the Exchange Completion and the Acquisition Completion respectively. No material non-compliance issues were identified during the due diligence process and the Manager is satisfied with the due diligence results.

Based and in sole reliance on the opinion of the Board and the information and confirmation given by the Manager to the Trustee and having taken into account its duties as set out in the REIT Code and the Trust Deed, the Trustee has no objection to the Exchange of Properties and the Acquisition. Further, on such basis, the Trustee is satisfied that:

- (i) each of the Exchange of Properties and the Acquisition is consistent with Sunlight REIT's investment policy and in compliance with the REIT Code and the Trust Deed; and
- (ii) no Unitholders' approval is required under the REIT Code and the Trust Deed for King Firm and Glory Good to enter into the Exchange Agreement and the Sale and Purchase Agreement, respectively and the respective transactions thereunder.

DEFINITIONS

In this announcement, unless otherwise stated, the following definitions have the following meanings:

"1st Floor of Yue Fai"	the first floor of Yue Fai Commercial Centre, No. 208 Aberdeen Main Road, Aberdeen, Hong Kong, as described in the section headed "Information relating to 1st Floor of Yue Fai, Unit 6A of On Loong and 21st Floor of On Loong" of this announcement
"2014/15 Interim Report"	the interim report of Sunlight REIT for the six months ended 31 December 2014
"21st Floor of On Loong"	21st Floor of On Loong Commercial Building, Nos. 276-278 Lockhart Road, Hong Kong, as described in the section headed "Information relating to 1st Floor of Yue Fai, Unit 6A of On Loong and 21st Floor of On Loong" of this announcement

“Acquisition”	the purchase of 21st Floor of On Loong by Glory Good from the Second Vendor in accordance with the terms of the Sale and Purchase Agreement
“Acquisition Completion”	the completion of the Acquisition pursuant to the terms of the Sale and Purchase Agreement, which took place on 3 August 2015
“Board”	the board of Directors
“Director(s)”	the director(s) of the Manager
“Equality Money”	a sum of HK\$8 million which was paid by the First Vendor to King Firm pursuant to the Exchange Agreement
“Exchange Agreement”	an agreement for exchange dated 8 May 2015 in relation to the exchange of Unit 6A of On Loong and 1st Floor of Yue Fai entered into by King Firm and the First Vendor
“Exchange Completion”	the completion of the Exchange of Properties pursuant to the terms of the Exchange Agreement, which took place on 3 July 2015
“Exchange of Properties”	the sale by King Firm of 1st Floor of Yue Fai to the First Vendor in exchange for Unit 6A of On Loong together with the payment of the Equality Money in accordance with the terms of the Exchange Agreement
“First Vendor”	Hong Kong Brick-Laying & Construction Trade Workers’ Union, the registered owner of Unit 6A of On Loong immediately prior to the Exchange Completion and an Independent Third Party
“Glory Good”	Glory Good Development Limited 旺冠發展有限公司, a special purpose vehicle wholly-owned and controlled by Sunlight REIT and the purchaser of 21st Floor of On Loong under the Sale and Purchase Agreement
“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

“King Firm”	King Firm Enterprises Limited 奇芬企業有限公司, a special purpose vehicle wholly-owned and controlled by Sunlight REIT and the registered owner of 1st Floor of Yue Fai immediately prior to the Exchange Completion
“Manager”	Henderson Sunlight Asset Management Limited 恒基陽光資產管理有限公司, as the manager of Sunlight REIT
“Principal Valuer”	Jones Lang LaSalle Limited, the principal valuer of Sunlight REIT
“REIT Code”	Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong, as amended, supplemented and/or otherwise modified from time to time
“Sale and Purchase Agreement”	an agreement dated 26 June 2015 in relation to the sale and purchase of 21st Floor of On Loong entered into by the Second Vendor and Glory Good
“Second Vendor”	Ken-Wealth Limited, the registered owner of 21st Floor of On Loong immediately prior to the Acquisition Completion and an Independent Third Party
“SFC”	Securities and Futures Commission of Hong Kong
“Stock Exchange”	The 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
“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
“Unit 6A of On Loong”	Unit 6A of On Loong Commercial Building, Nos. 276-278 Lockhart Road, Hong Kong, as described in the section headed “Information relating to 1st Floor of Yue Fai, Unit 6A of On Loong and 21st Floor of On Loong” of this announcement

“Unitholder”	any person registered as holder of a Unit
“YF Disposal”	has the meaning given to it under the section headed “Information relating to 1st Floor of Yue Fai, Unit 6A of On Loong and 21st Floor of On Loong” of this announcement
“sq. ft.”	square feet
“% ”	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, 3 August 2015

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.