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SUNLIGHT REIT Sunlight Real Estate Investment Trust

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance
(Chapter 571 of the Laws of Hong Kong))
(Stock Code : 435)

**Managed by
Henderson Sunlight Asset Management Limited**

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2011 AND CLOSURE OF REGISTER OF UNITHOLDERS

The board of directors (the “**Board**”) of Henderson Sunlight Asset Management Limited (the “**Manager**”) is pleased to announce the final results of Sunlight Real Estate Investment Trust (“**Sunlight REIT**”) for the year ended 30 June 2011 as follows:

FINANCIAL HIGHLIGHTS

(in HK\$’ million, unless otherwise specified)

	2011	2010	Change (%)
For the year ended 30 June:			
Turnover	532.5	488.6	9.0
Net property income	407.4	369.9	10.1
Profit after taxation ¹	1,655.1	1,389.1	19.1
Total distributable income	264.5	186.5	41.8
Cost-to-income ratio (%)	23.5	24.3	N/A
Distribution per unit ² (HK cents)	17.60	14.39	22.3
Payout ratio	90.5%	100%	N/A
At 30 June:			
Portfolio valuation	12,222.2	10,722.1	14.0
Net asset value ¹	8,261.9	6,722.2	22.9
Net asset value per unit ¹ (HK\$)	5.21	4.30	21.2
Gearing ratio ¹ (%)	30.6	35.3	N/A

Notes:

1. The comparative figures have been restated as a result of the adoption of the amendments to Hong Kong Accounting Standard (“**HKAS**”) 12, “*Income Taxes*”.
2. Please refer to “Distribution Statement” for detailed information.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

Sunlight REIT recorded a 9.0% increase in turnover to HK\$532.5 million from the previous financial year. Property operating expenses for the year amounted to HK\$125.1 million, resulting in a 10.1% year-on-year growth in net property income to HK\$407.4 million. Meanwhile, reflecting the benefit of a series of interest rate swaps transactions entered into in the previous financial year, interest expense on bank borrowings for the year was reduced by 11.4% to HK\$117.6 million. Finally, with the gain in fair value of investment properties amounting to HK\$1,493.7 million (FY2009/10: HK\$1,344.2 million), profit after taxation for the year was HK\$1,655.1 million, up 19.1% from the previous year.

Operational Statistics

The overall portfolio occupancy at 30 June 2011 stood at 98.9%, up from 96.8% a year earlier. Occupancy of the office portfolio improved from 95.9% to 98.8%, while the retail portfolio was practically fully let. Overall passing rent continued its ascent and registered a year-on-year growth of 6.8% to HK\$29.8 per sq. ft.. Sectorally, office and retail passing rents improved 6.4% to HK\$21.7 per sq. ft. and 8.1% to HK\$46.9 per sq. ft. respectively from a year earlier. The relatively small increase in office passing rent reflects the fact that rental reversion for a typical three-year lease was minimal as office rent registered its previous peak in early 2008.

During the year, a total of 562,701 sq. ft. (including both new letting and renewal) were leased out. The level of office tenant retention rate was 68.7% compared to 61.8% recorded in the same period last year, while as a result of the tenant improvement strategy of the Manager, tenant retention in respect of the retail portfolio was lower at 67.4% in FY2010/11 compared to 84.5% in FY2009/10.

At 30 June 2011, the weighted average lease length by gross rentable area (“**GRA**”) was 2.7 years for the entire portfolio. Lease expiries on or before 30 June 2012 account for 40.8% of office GRA and 36.2% of retail GRA. The average unit rent for the expiring office and retail leases are HK\$19.5 per sq. ft. and HK\$43.3 per sq. ft. respectively.

PORTFOLIO AT A GLANCE

Property	Operational Statistics						Property Financials				
	Occupancy at 30 June (%)		Passing Rent ^{Note} at 30 June (HK\$/sq. ft.)		Committed Rent ^{Note} (HK\$/sq. ft.)		Net Property Income (HK\$'000)		Capitalisation Rate at 30 June 2011 (%)		Appraised Value at 30 June 2011 (HK\$'000)
	2011	2010	2011	2010	1 Jul 10 – 30 Jun 11	1 Jul 09 – 30 Jun 10	FY2010/11	FY2009/10	Retail	Office	
Office Property											
Grade A											
248 Queen's Road East	100.0	94.9	25.6	24.7	27.0	23.6	109,004	92,754	4.20	4.00	3,225,000
Grade B											
Bonham Trade Centre	97.9	98.2	17.8	16.4	18.9	16.2	20,522	18,944	4.20	4.00	684,000
Righteous Centre	97.0	96.7	27.8	23.0	48.5	17.2	13,569	13,423	3.80	4.10	479,000
Winsome House Property	100.0	97.1	32.2	29.7	34.7	24.8	12,966	12,372	4.20	4.00	407,000
135 Bonham Strand Trade Centre Property	97.8	96.0	17.5	16.2	18.4	16.1	10,454	9,560	4.20	4.00	363,000
235 Wing Lok Street Trade Centre	96.3	97.9	13.1	11.7	14.1	11.3	5,998	6,004	4.25	4.00	215,000
Java Road 108 Commercial Centre	98.1	86.4	15.8	15.6	16.4	15.0	5,386	4,077	4.20	4.10	196,000
Yue Fai Commercial Centre Property	99.4	97.6	15.3	14.0	17.6	12.8	6,118	5,909	4.20	4.25	195,000
On Loong Commercial Building Property	100.0	97.9	21.7	20.8	15.3	26.7	5,713	5,085	4.20	4.10	173,000
Everglory Centre	95.2	100.0	15.5	15.0	16.9	13.9	4,256	4,205	4.15	4.00	154,500
Sun Fai Commercial Centre Property	100.0	96.3	16.4	15.9	16.2	16.5	4,225	3,995	4.35	4.25	129,000
Wai Ching Commercial Building Property	97.2	95.6	7.6	7.0	8.4	6.8	901	975	4.35	4.00	41,300
Sub-total / Average	98.8	95.9	21.7	20.4	23.2	17.9	199,112	177,303			6,261,800
Retail Property											
New Town											
Sheung Shui Centre Shopping Arcade	98.6	99.8	76.1	70.2	99.4	71.0	95,689	89,317	4.40	N/A	2,836,000
Metro City Phase I Property	98.8	97.7	36.9	34.0	35.2	35.5	79,732	71,836	4.50	N/A	2,094,000
Kwong Wah Plaza Property	100.0	100.0	33.1	29.6	37.1	25.9	21,052	20,548	4.00	4.00	668,000
Urban											
Royal Terrace Property	100.0	95.5	26.4	26.1	33.0	19.9	3,678	3,347	4.25	N/A	112,200
Beverley Commercial Centre Property	100.0	100.0	38.0	33.7	39.8	35.6	3,072	2,838	4.30	N/A	91,000
Glory Rise Property	100.0	100.0	30.0	28.7	47.7	10.0	2,194	2,106	4.20	N/A	73,000
Supernova Stand Property	100.0	100.0	39.4	42.4	40.8	28.6	1,859	2,053	4.00	N/A	51,000
Palatial Stand Property	100.0	100.0	10.8	10.4	14.1	10.3	983	559	4.35	N/A	35,200
Sub-total / Average	99.1	98.8	46.9	43.4	52.2	42.6	208,259	192,604			5,960,400
Total / Average	98.9	96.8	29.8	27.9	31.8	26.0	407,371	369,907			12,222,200

Note: Passing rent and committed rent are expressed in terms of rent per month.

Cost Control

After a period of quiescence, rising cost became a notable operational factor during the year. While the cost-to-income ratio of 23.5% in the year under review compared favourably to 24.3% recorded in the previous year, the absolute amount of property operating expenses has increased to HK\$125.1 million from HK\$118.7 million. The increment is largely due to items that are related to rental income or value of the portfolio such as rental commission and government rates. Items relating to the management of the properties such as repair and maintenance, marketing and promotions, and building management fee components such as utilities, security and cleaning expenses, have been mostly well contained.

Distribution

The total distributable income of Sunlight REIT for the year was HK\$264,452,000, representing an increase of 41.8% from HK\$186,479,000 recorded in the previous year.

The Board of the Manager has resolved to declare a final distribution of HK 9.1 cents per unit, or HK\$124,276,000. Together with the interim distribution of HK\$115,018,000, total distributions for the year came to HK\$239,294,000, implying an effective payout ratio of 90.5%. The distribution per unit (“DPU”) for the year was HK 17.6 cents, representing a year-on-year increase of 22.3% as compared with HK 14.39 cents declared in the previous year.

In addition to the ordinary course of business, the level of distributable income and DPU were also affected by the following policies and structures:

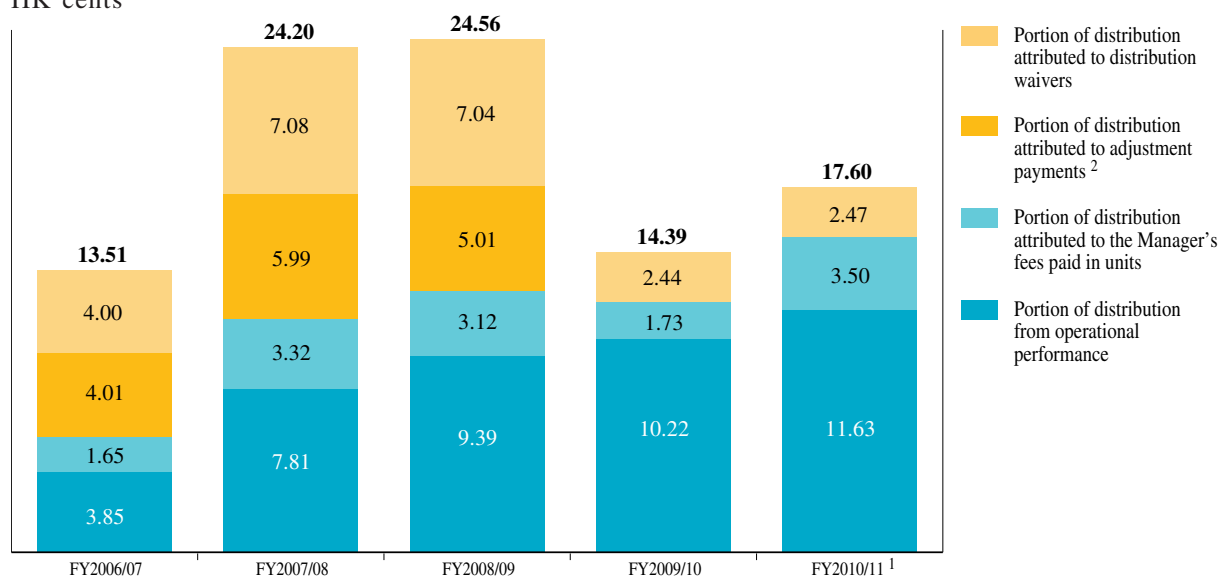
1. Pursuant to the Deeds of Distribution Waiver (with details contained in note (ii) of the “Distribution Statement” on page 15 of this announcement), the extent of distribution waivers offered by certain subsidiaries of Henderson Land Development Company Limited and certain subsidiaries of Shau Kee Financial Enterprises Limited has been reduced from 60% in FY2009/10 to 50% in FY2010/11; and
2. Pursuant to the announcement issued on 1 June 2010, the Manager has elected to receive its base fee and variable fee for FY2010/11 entirely in units (FY2009/10: 50% in cash and 50% in units).

A year-on-year comparison of the DPU is shown in the chart “Distribution at a Glance”. Contributions from operational performance, the change in the payment structure of Manager’s fees and distribution waivers are shown separately to illustrate the effect of each component on the DPU.

It should be noted that the distribution waivers as mentioned above will lapse with effect from FY2011/12. Meanwhile, pursuant to the announcement issued on 18 May 2011, the Manager has elected to receive its base fee and variable fee for FY2011/12 as to 30% in cash and 70% in units.

Distribution at a Glance

HK cents



Notes:

1. If the payout ratio were 100%, DPU for the year would be HK 19.44 cents while DPU derived from operational performance would be HK 12.86 cents.
2. The adjustment payments were calculated based on several Deeds of Adjustment Payments, which covered the period from 21 December 2006 (date of listing) to 30 June 2009 and had lapsed with effect from 1 July 2009.

Distribution Entitlement and Closure of Register of Unitholders

The record date for the final distribution will be Wednesday, 28 September 2011. The register of unitholders will be closed from Monday, 26 September 2011 to Wednesday 28 September 2011, 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, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Friday, 23 September 2011. Payment of final distribution will be made to unitholders on Thursday, 27 October 2011.

Financial Position

The valuation of the portfolio at 30 June 2011 was appraised at HK\$12,222.2 million, representing a 14.0% appreciation from HK\$10,722.1 million achieved at 30 June 2010. Office properties accounted for 51.2% of the total appraised value and registered a year-on-year increase of 16.1% while retail properties accounted for the remainder and recorded an 11.9% increase as compared to the valuation conducted at 30 June 2010.

Consequently, the gearing ratio of Sunlight REIT, defined as total borrowings as a percentage of gross assets, was reduced from 35.3% to 30.6%, while net assets reached HK\$8,261.9 million (2010 (restated): HK\$6,722.2 million), which translates into a 21.2% increase in net asset value per unit to HK\$5.21 (2010 (restated): HK\$4.30). In the year under review, Sunlight REIT has incorporated the adjustments as a result of the adoption of the amendments to HKAS 12, “*Income Taxes*”, issued in December 2010. Such adoption has had a material impact on the net asset value of Sunlight REIT given the substantive elimination of deferred tax liabilities from its consolidated financial statements. Prior to the restatement, the net asset value per unit at 30 June 2010 was HK\$3.40 (for further details, please refer to note 3 on page 18 of this announcement).

The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets was 35.9% at 30 June 2011. 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 companies in the total amount of HK\$4.7 million at 30 June 2011.

Capital Management

At 30 June 2011, Sunlight REIT had in place total loan facilities of HK\$3,975.0 million comprising a term loan facility of HK\$3,950.0 million which had been fully drawn and a HK\$25.0 million revolving credit facility that remained undrawn. These facilities will mature on 20 December 2011 and are secured by, among others, the investment properties of Sunlight REIT, a floating charge over its bank balances and assignment of proceeds from tenancies. On refinancing, new facilities comprising a term loan facility of HK\$3,950.0 million and a revolving credit facility of HK\$100.0 million are already in place following the signing of the loan agreements on 23 August 2011. These new facilities will bear interest at HIBOR plus 100 basis points, and are for a term of three years with final maturity in 2014. It is expected that full drawdown of the term loan facility will take place in late September to refinance the existing term loan facility.

In order to minimise financial market risks and to capitalise on the low interest rate environment, during the year under review, three new forward interest rate swaps transactions, each with a notional amount of HK\$500.0 million, were entered into for a period of five years starting from 4 July 2011. The terms of the interest rate swaps are summarised below:

Notional amount (HK\$' million)	Tenure	Average interest rate* (per annum)
1,500	30 June 2010 — 28 June 2013	1.68%
1,500	4 July 2011 — 30 June 2016	2.10%

* Excludes credit spread

The Manager has adopted a prudent cash management policy. Rental receipts are placed as short term bank deposits to ensure flexibility in meeting operational requirements of Sunlight REIT. At 30 June 2011, Sunlight REIT had total bank and cash balances of HK\$261.3 million. Taking into consideration the recurrent income generated from its operations, the current cash position and credit facilities available, Sunlight REIT has sufficient financial resources to satisfy its working capital, distribution payment and capital expenditure requirements.

OUTLOOK

The escalating uncertainties in global financial markets pose grave risks to the pace of world economic growth. However, barring another global recession, the Manager is cautiously optimistic that the domestic economy, given its strong fundamentals, will be resilient in the face of turbulence in the financial markets. With the continued focus on Hong Kong as a gateway between China and the rest of the world, office demand for both prime and peripheral locations is expected to remain strong. Meanwhile, the shortage in new office supply is apparent — according to government and market estimates, the average new supply for Grade A offices over the next four to five years is unlikely to exceed 1 million sq. ft. per annum, versus a five-year historical take-up average of approximately 1.6 million sq. ft. per annum.

However, the Manager does envisage challenges ahead. Besides the global economic uncertainties, the growing dynamics of office decentralisation implies that tenant competition and movements are likely to become a more prominent feature. Meanwhile, the consistently favourable China economic factor is a vital assumption behind the rental prospects of retail space. Finally, cost containment on the operational front will be a stern test for the Manager as it aims to temper the rising inflationary pressure with more efficient resource allocation.

Beginning FY2011/12, Sunlight REIT will no longer enjoy distribution waivers from the vendors of its portfolio. This, together with the cash outlay for the Manager's fees, would have an impact on DPU, albeit mild.

On the asset enhancement front, refurbishment works at the ground floor and associated lobby areas of Righteous Centre in Mong Kok are expected to be completed by the end of September 2011. With an unrivalled location at one of the busiest areas of Nathan Road, the rental prospects of this property are promising. Longer term, a key agenda on asset enhancement is a major overhaul of Metro City Phase I Property. A multi-phase project spanning the next few years, the purpose of this enhancement initiative is to redesign and rebuild the image of the property, with an ultimate objective of a quantum leap in both income and footfall as the Manager targets to transform this property to become an attractive destination mall.

Since the listing of Sunlight REIT in December 2006, the appraised value of its portfolio and net property income have grown 34.5% and 93.7%, representing compound annual growth rates of 6.4% and 14.1% respectively ^{note}. The cumulative DPU has totaled HK 94.26 cents, while the level of gearing has fallen from 41.2% at the time of the initial public offering (“**IPO**”) to the current 30.6%. In addition, there have been numerous qualitative improvements in the portfolio, in terms of structural improvements, as well as enhancement in tenant mix and quality.

Going forward, the Manager aspires to reach even higher ground in the next five years. The management team will continue to focus on maintaining a high level of occupancy and maximising the underlying potential of the portfolio through proactive management programs. The prospect of expanding the size of the portfolio as and when appropriate will also be a long term priority. By revitalising the portfolio of Sunlight REIT and creating a more conducive environment where people prefer to work and choose to shop, the Manager is hopeful of further enhancing Sunlight REIT’s capability to generate a high quality recurring income stream, which in turn will translate into sustainable return for the unitholders.

Note: The appraised value of the portfolio and net property income disclosed in the offering circular of Sunlight REIT were HK\$9,090.0 million (at 30 September 2006) and HK\$210.4 million (for the year ended 30 June 2006) respectively.

EMPLOYEES

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

CORPORATE GOVERNANCE

The Manager is committed to the highest level of corporate governance practices and procedures. Good corporate governance relies on an optimal mix of checks and balances and emphasises on high transparency to and alignment of interests with unitholders. To ensure that 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 operation of Sunlight REIT. The Compliance Manual is reviewed regularly and modifications are made if necessary or if relevant legislations or regulations have been amended.

On 23 July 2010, the Compliance Manual, together with the trust deed dated 26 May 2006 (as amended) (the “**Trust Deed**”), were modified, among other things, to comply with the revision of the Code on Real Estate Investment Trusts (the “**REIT Code**”) on 25 June 2010 which has extended the application of the Codes on Takeovers and Mergers and Share Repurchases to Real Estate Investment Trusts authorised by the Securities and Futures Commission.

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

A summary of the key components of the corporate governance policies that have been adopted and complied with by the Manager and Sunlight REIT will be set out in the forthcoming annual report of Sunlight REIT.

Public Float

Based on information that is publicly available to the Manager and within the knowledge of the Directors, more than 25% of the outstanding units in issue were held in public hands at 30 June 2011.

New Units Issued

Except for an aggregate of 22,450,396 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.

Repurchase, Sale or Redemption of Units

During the year, there was no purchase, sale or redemption of units by Sunlight REIT or its wholly owned and controlled entities.

Review of Final Results

The final results of Sunlight REIT for the year have been reviewed by the Audit Committee and the Disclosures Committee in accordance with their respective terms of references. Meanwhile, this preliminary results announcement has been agreed with KPMG, the auditor of Sunlight REIT.

ISSUANCE OF ANNUAL REPORT

The annual report of Sunlight REIT will be sent to unitholders on or about 20 September 2011.

FORWARD-LOOKING STATEMENTS

This announcement contains several statements that are forward-looking or use certain forward-looking terminologies. These statements are based on the current beliefs, assumptions, expectations and projections of the Board of the Manager regarding the industry and markets in which Sunlight REIT operates. These statements are subject to risks, uncertainties and other factors beyond the Manager's control, which may cause actual results or performance to differ materially from those expressed or implied in such statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2011
(Expressed in Hong Kong dollars)

		2011	2010
	Note	\$'000	(restated) \$'000
Turnover	4 & 5	532,462	488,584
Property operating expenses	4 & 6	<u>(125,091)</u>	<u>(118,677)</u>
Net property income		407,371	369,907
Other income	7	1,882	635
Administrative expenses		(70,829)	(63,810)
Net increase in fair value of investment properties		<u>1,493,665</u>	<u>1,344,215</u>
Profit from operations		1,832,089	1,650,947
Finance costs on interest bearing liabilities	8(a)	<u>(147,281)</u>	<u>(234,270)</u>
Profit before taxation and transactions with unitholders	8	1,684,808	1,416,677
Income tax	9	<u>(29,700)</u>	<u>(27,559)</u>
Profit after taxation and before transactions with unitholders		<u><u>1,655,108</u></u>	<u><u>1,389,118</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

(Expressed in Hong Kong dollars)

	2011 \$'000	2010 (restated) \$'000
Profit after taxation and before transactions with unitholders	<u>1,655,108</u>	<u>1,389,118</u>
Other comprehensive income for the year		
Cash flow hedges:		
Changes in fair value recognised during the year	46,630	59,986
Reclassification adjustments for amounts transferred to profit or loss in respect of finance costs on interest bearing liabilities	<u>—</u>	<u>52,632</u>
	<u>46,630</u>	<u>112,618</u>
Total comprehensive income for the year	<u>1,701,738</u>	<u>1,501,736</u>

CONSOLIDATED BALANCE SHEET

At 30 June 2011

(Expressed in Hong Kong dollars)

	Note	At 30 June 2011 \$'000	At 30 June 2010 (restated) \$'000	At 1 July 2009 (restated) \$'000
Non-current assets				
Fixed assets				
- Investment properties		12,222,200	10,722,100	9,364,000
- Other fixed assets		<u>44</u>	<u>33</u>	<u>36</u>
		12,222,244	10,722,133	9,364,036
Deferred tax assets		5,649	5,562	5,796
Reimbursement rights		<u>203,932</u>	<u>203,932</u>	<u>203,932</u>
		<u>12,431,825</u>	<u>10,931,627</u>	<u>9,573,764</u>
Current assets				
Trade and other receivables	11	26,518	23,639	109,087
Pledged deposits		261,119	224,876	222,864
Cash at bank and in hand		177	135	140
Tax recoverable		<u>168,563</u>	<u>46,545</u>	<u>41,296</u>
		<u>456,377</u>	<u>295,195</u>	<u>373,387</u>
Total assets		<u>12,888,202</u>	<u>11,226,822</u>	<u>9,947,151</u>
Current liabilities				
Tenants' deposits		(135,324)	(121,272)	(112,094)
Rent receipts in advance		(5,284)	(3,163)	(2,986)
Trade and other payables	12	(222,699)	(96,408)	(83,716)
Secured bank borrowings		(3,948,116)	(15,000)	—
Derivative financial instruments		—	(59,191)	—
Current taxation		<u>(17,879)</u>	<u>(19,035)</u>	<u>(15,332)</u>
		<u>(4,329,302)</u>	<u>(314,069)</u>	<u>(214,128)</u>

CONSOLIDATED BALANCE SHEET (continued)

At 30 June 2011

(Expressed in Hong Kong dollars)

	At 30 June 2011 \$'000	At 30 June 2010 (restated) \$'000	At 1 July 2009 (restated) \$'000
Net current (liabilities)/assets	<u>(3,872,925)</u>	<u>(18,874)</u>	<u>159,259</u>
Total assets less current liabilities	<u>8,558,900</u>	<u>10,912,753</u>	<u>9,733,023</u>
Non-current liabilities, excluding net assets attributable to unitholders			
Secured bank borrowings	—	(3,944,141)	(3,940,166)
Deferred tax liabilities	(237,748)	(225,472)	(212,673)
Derivative financial instruments	<u>(59,224)</u>	<u>(20,929)</u>	<u>(132,040)</u>
	<u>(296,972)</u>	<u>(4,190,542)</u>	<u>(4,284,879)</u>
Total liabilities, excluding net assets attributable to unitholders	<u>(4,626,274)</u>	<u>(4,504,611)</u>	<u>(4,499,007)</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>8,261,928</u>	<u>6,722,211</u>	<u>5,448,144</u>
Number of units in issue	<u>1,586,491,664</u>	<u>1,564,041,268</u>	<u>1,546,905,770</u>
Net asset value attributable to unitholders per unit	<u>\$ 5.21</u>	<u>\$ 4.30</u>	<u>\$ 3.52</u>

DISTRIBUTION STATEMENT

For the year ended 30 June 2011
(Expressed in Hong Kong dollars)

	Note	2011 \$'000	2010 (restated) \$'000
Profit after taxation and before transactions with unitholders		<u>1,655,108</u>	<u>1,389,118</u>
Adjustments:			
- Net increase in fair value of investment properties		(1,493,665)	(1,344,215)
- Manager's fees paid or payable in the form of units		61,110	26,993
- Cash flow hedges, reclassified from net assets attributable to unitholders		—	52,632
- Non-cash finance costs on interest bearing liabilities		29,710	48,918
- Deferred tax	9	<u>12,189</u>	<u>13,033</u>
		<u>(1,390,656)</u>	<u>(1,202,639)</u>
Total distributable income (note (i))		<u>264,452</u>	<u>186,479</u>
Interim distribution, paid		115,018	88,863
Final distribution, to be paid to unitholders (note (iii))		<u>124,276</u>	<u>97,616</u>
Total distributions for the year (note (i))		<u>239,294</u>	<u>186,479</u>
Payout ratio (note (iii))		90.5%	100%
Distribution per unit:			
- Before adjusting for distribution waivers (notes (ii), (iv) and (v))			
Interim distribution per unit, paid		7.30 cents	5.71 cents
Final distribution per unit, to be paid to unitholders		<u>7.83 cents</u>	<u>6.24 cents</u>
		<u>15.13 cents</u>	<u>11.95 cents</u>
- After adjusting for distribution waivers (notes (ii), (iii) and (vi))			
Interim distribution per unit, paid		8.50 cents	6.88 cents
Final distribution per unit, to be paid to unitholders		<u>9.10 cents</u>	<u>7.51 cents</u>
		<u>17.60 cents</u>	<u>14.39 cents</u>

DISTRIBUTION STATEMENT (continued)

For the year ended 30 June 2011

(Expressed in Hong Kong dollars)

Notes:

- (i) Pursuant to the REIT Code and the Trust Deed, Sunlight REIT is in any event required to ensure that the total amounts distributed or distributable to unitholders shall be no less than 90% of annual distributable income for each financial year. The policy of the Manager was to distribute to unitholders 100% of Sunlight REIT's annual distributable income for each financial year. With effect from 1 July 2010, the distribution policy was revised and an amount not less than 90% of Sunlight REIT's annual distributable income for each financial year will be distributed to unitholders.
- (ii) Pursuant to two Deeds of Distribution Waiver dated 2 December 2006 as disclosed in Sunlight REIT's offering circular dated 8 December 2006, certain unitholders who subscribed for a total of 441,642,638 units have agreed to waive their entitlement, in varying extents, to receive distributions from Sunlight REIT in respect of any period up to 30 June 2011 and have agreed to, where applicable, make payments to Sunlight REIT in case they have disposed of these original units subscribed under the IPO of Sunlight REIT. According to the register of unitholders maintained by the Unit Registrar, these unitholders did not dispose of such units during the year.
- (iii) The total distributable income for the year ended 30 June 2011 amounted to \$264,452,000 (2010: \$186,479,000). The Board of the Manager has resolved to declare a final distribution per unit of 9.10 cents, after adjusting for distribution waivers as mentioned in (ii) above. The final distribution of \$124,276,000 is calculated by multiplying the final distribution per unit of 9.10 cents by 1,365,670,344 units, which is arrived as follows:

	At 30 June 2011	At 30 June 2010
Units in issue	1,586,491,664	1,564,041,268
Less: Units held by the unitholders who agreed to waive their entitlement to distribution for the year	<u>(220,821,320)</u>	<u>(264,985,583)</u>
	<u><u>1,365,670,344</u></u>	<u><u>1,299,055,685</u></u>

The final distribution together with the interim distribution of \$115,018,000 represents a payout ratio of 90.5% of Sunlight REIT's total distributable income for the year.

For the year ended 30 June 2010, the payout ratio was 100%. The final distribution per unit, after adjusting for distribution waivers as mentioned in (ii) above, of 7.51 cents, is calculated by dividing the final distribution of \$97,616,000 by 1,299,055,685 units.

DISTRIBUTION STATEMENT (continued)

For the year ended 30 June 2011

(Expressed in Hong Kong dollars)

Notes: (continued)

- (iv) The final distribution per unit, before adjusting for distribution waivers as mentioned in (ii) above, of 7.83 cents (2010: 6.24 cents), is calculated by dividing the final distribution of \$124,276,000 by 1,586,491,664 units in issue at 30 June 2011 (2010: \$97,616,000 by 1,564,041,268 units).
- (v) The interim distribution per unit for the six months ended 31 December 2010, before adjusting for distribution waivers as mentioned in (ii) above, of 7.30 cents, is calculated by dividing the interim distribution of \$115,018,000 by 1,574,557,232 units in issue at 31 December 2010 (six months ended 31 December 2009: 5.71 cents, calculated based on \$88,863,000 and 1,557,460,630 units in issue at 31 December 2009).
- (vi) The interim distribution per unit for the six months ended 31 December 2010, after adjusting for distribution waivers as mentioned in (ii) above, of 8.50 cents, is calculated by dividing the interim distribution of \$115,018,000 by 1,353,735,912 units (six months ended 31 December 2009: 6.88 cents, calculated based on \$88,863,000 and 1,292,475,047 units), which is arrived as follows:

	At 31 December 2010	At 31 December 2009
Units in issue	1,574,557,232	1,557,460,630
Less: Units held by the unitholders who agreed to waive their entitlement to distribution for the period	<u>(220,821,320)</u>	<u>(264,985,583)</u>
	<u>1,353,735,912</u>	<u>1,292,475,047</u>

- (vii) The 2011 interim distribution was paid to unitholders on 30 March 2011. The 2011 final distribution is expected to be paid on 27 October 2011 to unitholders whose names appear on the register of unitholders on 28 September 2011.

NOTES

(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 with the objective of producing stable and sustainable distributions to unitholders and to achieve long term growth in the net asset value per unit. It has its principal place of business at 30th Floor, 248 Queen’s Road East, Wan Chai, Hong Kong.

2. Basis of preparation

The final results set out in this announcement do not constitute the Group’s statutory consolidated financial statements for the year ended 30 June 2011 but are extracted from those consolidated financial statements.

The 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 consolidated financial statements also comply with the applicable disclosure provisions of the REIT Code and the Rules Governing the Listing of Securities on the SEHK.

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 the consolidated financial statements.

3. Changes in accounting policies

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

- Amendments to HKAS 39, “*Financial instruments: Recognition and measurement - eligible hedged items*”
- Amendment to HKAS 17, “*Leases*”
- HK (Int) 5, “*Presentation of financial statements - classification by the borrower of a term loan that contains a repayment on demand clause*”

3. Changes in accounting policies (continued)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, with exception of the amendments to HKAS 12, “*Income taxes*”, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40, “*Investment property*”. The amendments are effective for annual periods beginning on or after 1 January 2012, but as permitted by the amendments, the Group has decided to early adopt the amendments.

Early adoption of the amendments to HKAS 12, “Income taxes”

The change in accounting policy arising from the amendments to HKAS 12 is the only change which has had a material impact on the Group’s consolidated financial statements in the current and comparative periods. As a result of this change in accounting policy, the Group now measures any deferred tax liability in respect of its investment properties with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the balance sheet date. Previously, where these properties were held under leasehold interests, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the asset’s value through use.

This change in accounting policy has been applied retrospectively by restating the opening balances at 1 July 2009 and 2010, with consequential adjustments to comparatives for the year ended 30 June 2010. As the Group’s properties are located in Hong Kong, this has resulted in a reduction in the amount of deferred tax provided on valuation gain as follows:

	As previously reported \$’000	Effect of adoption of amendments to HKAS 12 \$’000	As restated \$’000
Consolidated income statement for the year ended 30 June 2010:			
- Income tax expense	245,770	(218,211)	27,559
- Profit after taxation and before transactions with unitholders	1,170,907	218,211	1,389,118
- Basic earnings per unit before transactions with unitholders	\$0.75	\$0.14	\$0.89
Consolidated balance sheet at 30 June 2010:			
- Deferred tax assets	—	5,562	5,562
- Trade and other payables	98,506	(2,098)	96,408
- Deferred tax liabilities	1,620,623	(1,395,151)	225,472
- Net asset attributable to unitholders	5,319,400	1,402,811	6,722,211
Consolidated balance sheet at 1 July 2009:			
- Deferred tax assets	65	5,731	5,796
- Trade and other payables	85,814	(2,098)	83,716
- Deferred tax liabilities	1,389,444	(1,176,771)	212,673
- Net assets attributable to unitholders	<u>4,263,544</u>	<u>1,184,600</u>	<u>5,448,144</u>

3. Changes in accounting policies (continued)

Other changes in accounting policies as a result of developments in HKFRSs

The amendment to HKAS 39 and the issuance of HK (Int) 5 have had no material impact on the Group's consolidated financial statements as the amendment and the Interpretation's conclusions were consistent with policies already adopted by the Group. The amendment introduced by the "Improvements to HKFRSs (2009)" omnibus standard in respect of HKAS 17, "Leases", did not result in a change of classification of the Group's leasehold land interests located in Hong Kong.

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 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).

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:

	2011			2010 (restated)		
	Office properties \$'000	Retail properties \$'000	Total \$'000	Office properties \$'000	Retail properties \$'000	Total \$'000
Turnover						
- rental income	208,284	219,385	427,669	188,949	201,976	390,925
- car park income	3,020	17,375	20,395	2,817	15,875	18,692
- rental related income	44,368	40,030	84,398	41,330	37,637	78,967
	255,672	276,790	532,462	233,096	255,488	488,584
Property operating expenses	(56,560)	(68,531)	(125,091)	(55,793)	(62,884)	(118,677)
Net property income	199,112	208,259	407,371	177,303	192,604	369,907
Administrative expenses	(32,587)	(31,177)	(63,764)	(28,531)	(28,187)	(56,718)
Segment results	166,525	177,082	343,607	148,772	164,417	313,189
Net increase in fair value of investment properties	865,943	627,722	1,493,665	573,479	770,736	1,344,215
Finance costs on interest bearing liabilities			(147,281)			(234,270)
Income tax			(29,700)			(27,559)
Interest income			1,878			580
Unallocated net expenses			(7,061)			(7,037)
Profit after taxation and before transactions with unitholders			<u>1,655,108</u>			<u>1,389,118</u>
Depreciation	<u>6</u>	<u>5</u>	<u>11</u>	<u>6</u>	<u>3</u>	<u>9</u>

4. Segment reporting (continued)

Segment results, assets and liabilities (continued)

	At 30 June 2011			At 30 June 2010 (restated)		
	Office properties \$'000	Retail properties \$'000	Total \$'000	Office properties \$'000	Retail properties \$'000	Total \$'000
Segment assets	6,408,204	6,043,891	12,452,095	5,539,313	5,409,982	10,949,295
Pledged deposits			261,119			224,876
Cash at bank and in hand			177			135
Tax recoverable			168,563			46,545
Deferred tax assets			5,649			5,562
Unallocated assets			599			409
Total assets			<u>12,888,202</u>			<u>11,226,822</u>
Segment liabilities	(99,545)	(93,078)	(192,623)	(87,973)	(85,048)	(173,021)
Derivative financial instruments			(59,224)			(80,120)
Secured bank borrowings			(3,948,116)			(3,959,141)
Current taxation			(17,879)			(19,035)
Deferred tax liabilities			(237,748)			(225,472)
Unallocated liabilities			(170,684)			(47,822)
Total liabilities, excluding net assets attributable to unitholders			<u>(4,626,274)</u>			<u>(4,504,611)</u>
Capital expenditure incurred during the year	<u>1,757</u>	<u>4,700</u>	<u>6,457</u>	<u>5,627</u>	<u>8,264</u>	<u>13,891</u>

5. Turnover

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

	2011 \$'000	2010 \$'000
Rental income (note)	427,669	390,925
Car park income	20,395	18,692
Rental related income	<u>84,398</u>	<u>78,967</u>
	<u>532,462</u>	<u>488,584</u>

Note: Included additional rents based on business turnover of tenants amounting to \$1,246,000 (2010: \$795,000).

6. Property operating expenses

	2011 \$'000	2010 \$'000
Building management fee	45,536	44,797
Property manager's fees	34,828	31,239
Government rent and rates	17,496	16,174
Marketing and promotion expenses	8,998	8,593
Car park operating costs (note)	6,926	6,891
Bad debts expenses	577	90
Other direct costs	<u>10,730</u>	<u>10,893</u>
	<u>125,091</u>	<u>118,677</u>

Note: Included property manager's fees of \$1,872,000 (2010: \$1,690,000).

7. Other income

	2011 \$'000	2010 \$'000
Bank interest income	1,878	580
Others	<u>4</u>	<u>55</u>
	<u>1,882</u>	<u>635</u>

8. Profit before taxation and transactions with unitholders

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

	2011 \$'000	2010 \$'000
(a) Finance costs on interest bearing liabilities		
Interest on secured bank borrowings	117,554	132,684
Other borrowing costs	<u>29,727</u>	<u>48,954</u>
	147,281	181,638
Interest rate swaps: cash flow hedges, reclassified from net assets attributable to unitholders	<u>—</u>	<u>52,632</u>
	<u>147,281</u>	<u>234,270</u>

Other borrowing costs represent the amortisation of the upfront payments for the interest rate swaps and various financing charges.

	2011 \$'000	2010 \$'000
(b) Other items		
Manager's fees	61,110	53,986
Property manager's fees	36,700	32,929
Trustee's remuneration	3,328	2,997
Auditor's remuneration		
- Audit services	1,570	1,520
- Other services	570	370
Valuation fees	650	770
Other legal and professional fees	3,362	2,851
Bank charges	<u>471</u>	<u>475</u>

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.

9. Income tax

Income tax in the consolidated income statement represents:

	2011	2010 (restated)
	\$'000	\$'000
Current tax - Provision for Hong Kong Profits Tax		
Provision for the year	17,523	14,466
(Over)/under-provision in respect of prior years	<u>(12)</u>	<u>60</u>
	17,511	14,526
Deferred tax		
Origination and reversal of temporary differences	<u>12,189</u>	<u>13,033</u>
	<u>29,700</u>	<u>27,559</u>

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

10. Earnings per unit before transactions with unitholders

The basic earnings per unit before transactions with unitholders for the year ended 30 June 2011 amounted to \$1.05 (2010 (restated): \$0.89). 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 \$1,655,108,000 (2010 (restated): \$1,389,118,000) and the weighted average of 1,573,221,352 units in issue during the year (2010: 1,555,115,487 units).

Diluted earnings per unit before transactions with unitholders for the year ended 30 June 2011 and 2010 are not presented as there was no potential dilution of earnings per unit before transactions with unitholders.

11. Trade and other receivables

	2011 \$'000	2010 \$'000
Rental receivables	17,954	16,726
Deposits and prepayments	6,481	5,861
Other receivables	1,663	634
Amounts due from related companies	<u>420</u>	<u>418</u>
	<u>26,518</u>	<u>23,639</u>

\$5,060,000 (2010: \$5,086,000) 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.

The ageing analysis of rental receivables is as follows:

	2011 \$'000	2010 \$'000
Current	14,600	10,833
Less than 1 month overdue	2,613	3,679
More than 1 month and up to 3 months overdue	381	1,204
More than 3 months and up to 6 months overdue	26	452
More than 6 months overdue	<u>334</u>	<u>558</u>
	<u>17,954</u>	<u>16,726</u>

The Group has no significant concentrations of credit risk. The Manager is of the opinion that monthly rents in respect of leasing properties are received in advance and there is no specific credit terms given to the tenants. Sufficient rental deposits are held to cover potential exposure to credit risk.

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

12. Trade and other payables

	At 30 June 2011 \$'000	At 30 June 2010 (restated) \$'000	At 1 July 2009 (restated) \$'000
Creditors and accrued charges	31,614	31,652	33,909
Manager's fees payable	18,943	16,891	11,454
Amounts due to related companies	<u>172,142</u>	<u>47,865</u>	<u>38,353</u>
	<u>222,699</u>	<u>96,408</u>	<u>83,716</u>

All creditors and accrued charges are due within one month or on demand and expected to be settled within one year.

Manager's fees payable is due within four months and payable in the form of 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 tax reserve certificates were classified as tax recoverable under current assets at the current year end. The amounts due to related companies are unsecured, interest-free and have no fixed terms of repayment except for the amount due to the trustee of \$1,022,000 (2010: \$909,000) which is due within 30 days.

13. Restatement of comparatives

As a result of the early adoption of the amendments to HKAS 12, "Income taxes", certain comparative figures have been adjusted to reflect the decrease in accrual of deferred tax liabilities related to investment properties carried at fair value. Further details of these changes in accounting policies are disclosed in note 3.

By order of the Board
HENDERSON SUNLIGHT ASSET MANAGEMENT LIMITED
(as manager of Sunlight Real Estate Investment Trust)
LO Yuk Fong, Phyllis
Company Secretary

Hong Kong, 4 September 2011

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.