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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**

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2012

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 2012 (the “**year**”) as follows :

FINANCIAL HIGHLIGHTS

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

	2012	2011	Change (%)
For the year ended 30 June :			
Turnover	581.7	532.5	9.2
Net property income	448.5	407.4	10.1
Cost-to-income ratio (%)	22.9	23.5	N/A
Profit after taxation	1,027.3	1,655.1	(37.9)
Total distributable income	298.4	264.5	12.8
Distribution per unit ^{note} (HK cents)	17.0	17.6	(3.4)
Payout ratio (%)	91.3	90.5	N/A
At 30 June :			
Portfolio valuation	13,038.8	12,222.2	6.7
Net asset value	9,022.0	8,261.9	9.2
Net asset value per unit (HK\$)	5.62	5.21	7.9
Gearing ratio (%)	28.8	30.6	N/A

Note : Distribution per unit for the previous year was enhanced by the effect of distribution waivers; please refer to “Distribution Statement” on page 14 for details.

PORTFOLIO STATISTICS

Property	Operational Statistics						Property Financials				
	Occupancy at 30 June (%)		Passing Rent ¹ at 30 June (HK\$ / sq. ft.)		Committed Rent ¹ (HK\$ / sq. ft.)		Net Property Income (HK\$ '000)		Capitalisation		Appraised Value at 30 June 2012 (HK\$ '000)
									Rate at 30 June 2012 (%)		
	2012	2011	2012	2011	FY2011/12	FY2010/11	FY2011/12	FY2010/11	Retail	Office	
Office Property											
Grade A											
248 Queen’s Road East	100.0	100.0	27.3	25.6	29.6	27.0	115,614	109,004	4.20	4.00	3,458,600
Grade B											
Bonham Trade Centre	99.7	97.9	19.3	17.8	21.1	18.9	22,322	20,522	4.20	4.00	723,000
Righteous Centre	92.5	97.0	31.5	27.8	22.6	48.5	17,278	13,569	3.80	4.10	518,000
Winsome House Property	97.2	100.0	33.6	32.2	35.4	34.7	13,823	12,966	4.20	4.00	432,000
135 Bonham Strand Trade Centre Property	99.1	97.8	18.8	17.5	17.8	18.4	12,080	10,454	4.20	4.00	376,000
235 Wing Lok Street Trade Centre	97.8	96.3	14.5	13.1	14.7	14.1	7,254	5,998	4.25	4.00	224,000
Java Road 108 Commercial Centre	94.2	98.1	17.8	15.8	19.1	16.4	6,272	5,386	4.20	4.10	211,000
Yue Fai Commercial Centre Property	99.4	99.4	16.3	15.3	14.7	17.6	7,348	6,118	4.20	4.25	210,000
On Loong Commercial Building Property	100.0	100.0	23.2	21.7	17.6	15.3	6,145	5,713	4.20	4.10	187,000
Everglory Centre	100.0	95.2	16.9	15.5	17.3	16.9	4,256	4,256	4.15	4.00	160,100
Sun Fai Commercial Centre Property	100.0	100.0	17.6	16.4	13.7	16.2	4,691	4,225	4.35	4.25	138,000
Wai Ching Commercial Building Property	100.0	97.2	8.6	7.6	8.5	8.4	1,421	901	4.35	4.00	44,600
Sub-total/Average	98.9	98.8	23.3	21.7	23.3	23.2	218,504	199,112			6,682,300
Retail Property											
New Town											
Sheung Shui Centre Shopping Arcade	98.8	98.6	82.4	76.1	89.4	99.4	106,763	95,689	4.40	N/A	2,981,000
Metro City Phase I Property	99.8	98.8	40.3	36.9	43.2	35.2	87,164	79,732	4.50	N/A	2,265,000
Kwong Wah Plaza Property	97.9	100.0	34.3	33.1	25.1	37.1	23,942	21,052	4.00	4.00	724,000
Urban											
Royal Terrace Property	100.0	100.0	29.7	26.4	40.8	33.0	3,808	3,678	4.25	N/A	124,500
Beverley Commercial Centre Property	100.0	100.0	41.6	38.0	45.4	39.8	3,518	3,072	4.30	N/A	97,000
Glory Rise Property ²	67.8	100.0	26.8	30.0	58.4	47.7	2,042	2,194	4.20	N/A	75,300
Supernova Stand Property	100.0	100.0	39.4	39.4	N/A	40.8	1,778	1,859	4.00	N/A	53,100
Palatial Stand Property	100.0	100.0	10.9	10.8	19.4	14.1	1,009	983	4.35	N/A	36,600
Sub-total/Average	98.6	99.1	50.8	46.9	54.3	52.2	230,024	208,259			6,356,500
Total/Average	98.8	98.9	32.1	29.8	31.1	31.8	448,528	407,371			13,038,800

Notes : 1. Passing rent and committed rent are expressed in terms of rent per month.

2. On 1 August 2012, the Manager agreed to dispose of the Glory Rise Property and the completion of the sale took place on 3 September 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

Sunlight REIT recorded a 9.2% increase in turnover to HK\$581.7 million from the previous year. Property operating expenses for the year was HK\$133.2 million, giving rise to a net property income of HK\$448.5 million, up 10.1% year-on-year. Finance costs for the year reduced by 25.2% from the preceding year to HK\$110.1 million, mainly attributable to the expiry of interest rate swaps (entered into in late 2006) as well as the initiation of a floating rate exposure. Consequently, interest coverage for the year under review improved to 3.86 times which compares favourably to 2.88 times recorded in the previous financial year. Profit after tax exhibited a year-on-year decline of 37.9% to HK\$1,027.3 million, principally reflecting a smaller gain in fair value of investment properties of HK\$808.3 million (FY2010/11: HK\$1,493.7 million).

At 30 June 2012, the overall portfolio occupancy remained stable at 98.8% (30 June 2011: 98.9%), of which the occupancy rates for the office and retail portfolio stood at 98.9% and 98.6% respectively. The passing rent of the overall portfolio of Sunlight REIT registered a growth of 7.7% to HK\$32.1 per sq. ft.. The average passing rent of the office portfolio was HK\$23.3 per sq. ft., an increase of 7.4% from the previous year, while the corresponding figures for the retail portfolio were HK\$50.8 per sq. ft. and 8.3% respectively.

During the year, a total of 550,193 sq. ft. (including both new letting and renewal) were leased out. The recent trend of office decentralisation has caused an increased level of tenant movements over the past years, which helped explain a lower tenant retention rate of 62.3% for the office portfolio in FY2011/12 as compared to 68.7% in the previous financial year. In the meantime, tenant retention rate in respect of the retail portfolio rose from 67.4% to 76.6%.

A rising cost base was a notable feature during the year as property operating expenses has increased 6.4% year-on-year. The statutory minimum wage ordinance which came into force in May 2011 has had a substantial impact on expenses relating to cleaning and security contracts. However, thanks to decent revenue growth and cost containment measures implemented on other building management fee components, the overall cost-to-income ratio in FY2011/12 was at 22.9%, which fared favourably to 23.5% recorded in the previous year.

Distribution

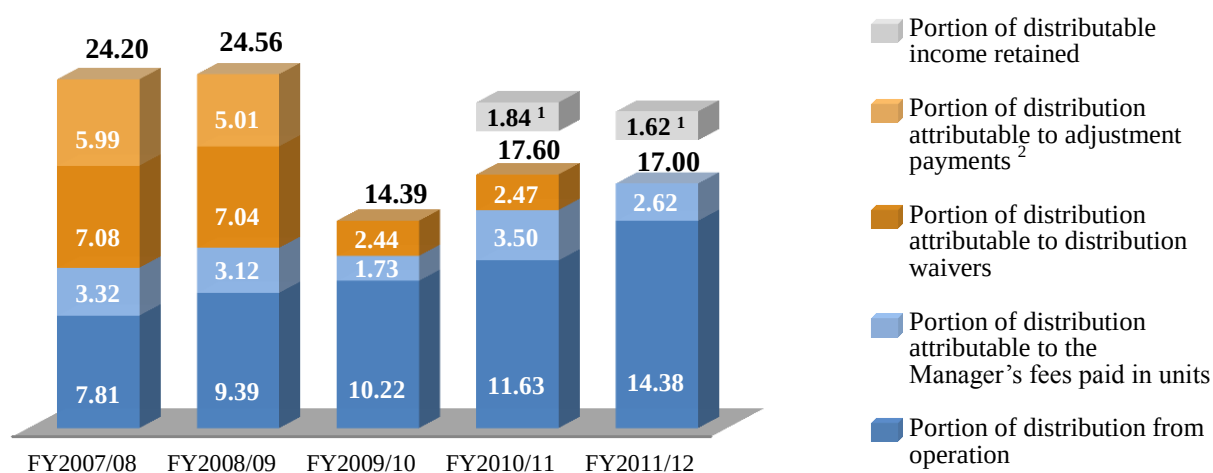
The total distributable income of Sunlight REIT for the year was HK\$298.4 million, representing an increase of 12.8% from HK\$264.5 million recorded in the previous year. The Board has resolved to declare a final distribution of HK 8.7 cents per unit, or HK\$139,686,000. Together with the interim distribution of HK\$132,748,000, total distributions for the year amounted to HK\$272,434,000, implying a payout ratio of 91.3%. The distribution per unit (“DPU”) for the year of HK 17.0 cents represents a slight decline of 3.4% as compared with HK 17.6 cents (based on a payout ratio of 90.5%) declared in the previous year. It should be noted that DPU in FY2010/11 was enhanced by distribution waivers of 50% (in respect of the units subscribed at the time of the initial public offering of Sunlight REIT (“IPO”)) extended by certain subsidiaries of Henderson Land Development Company Limited and of Shau Kee Financial Enterprises Limited (collectively, the “Sponsors”); on the basis of no distribution waivers, DPU declared in FY2011/12 actually rose 12.4% year-on-year. Based on the closing unit price of HK\$2.61 (recorded on the last trading day of the year), DPU for the year represents a distribution yield of 6.5%.

FY2011/12 marks the cessation of all Sponsors’ support (originated at the time of the IPO), and thus the total distributable income and DPU are fully reflecting the underlying operational performance of Sunlight REIT, subject to the payout ratio and the proportion of Manager’s fees to be paid in units. For the year under review, the Manager has elected to receive 70% of its base fee and variable fee in units (FY2010/11: 100% in units), while pursuant to the announcement issued on 11 May 2012, the Manager has elected to receive its base fee and variable fee for FY2012/13 as to 50% in cash and 50% in units.

A year-on-year comparison of the DPU is illustrated in the chart ‘Distribution at a Glance’. Contributions from operation, cash savings from 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. The effect of payout ratio is also illustrated by showing the portion of distributable income retained.

Distribution at a Glance

(HK cents)



Notes : 1. HK\$25,997,000 or HK 1.62 cents per unit (FY2010/11 : HK\$25,158,000 or approximately HK 1.84 cents per unit) have been retained.

2. The adjustment payments were calculated based on several deeds of adjustment payments, which covered the period from the date of IPO to 30 June 2009.

Distribution Entitlement and Closure of Register of Unitholders

The record date for the final distribution will be Tuesday, 25 September 2012. The register of unitholders will be closed from Friday, 21 September 2012 to Tuesday, 25 September 2012, both days inclusive, during which period no transfer of units will be effected. In order to be entitled to the final distribution, completed transfer forms accompanied by the relevant unit certificates must be lodged for registration with the unit registrar of Sunlight REIT, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Thursday, 20 September 2012. Payment of the final distribution will be made to unitholders on Tuesday, 30 October 2012.

Financial Position

The valuation of the portfolio at 30 June 2012 was appraised at HK\$13,038.8 million, representing a 6.7% appreciation from HK\$12,222.2 million registered at 30 June 2011. Office properties accounted for 51.2% of the total appraised value and exhibited a year-on-year increase of 6.7%, while retail properties accounted for the remainder and recorded a 6.6% increase as compared to the valuation conducted a year ago.

The higher property valuation reduced the gearing ratio of Sunlight REIT, defined as total borrowings as a percentage of gross assets, from 30.6% to 28.8% and expanded net assets by 9.2% to HK\$9,022.0 million (30 June 2011: HK\$8,261.9 million). Net asset value per unit rose 7.9% to HK\$5.62 (FY2010/11: HK\$5.21), after taking into account the effect of payment of Manager's fees in units and the cancellation of repurchased units during the year.

The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets was 34.1%. In respect of contingent liabilities, Sunlight REIT has provided a guarantee to a commercial bank for its issuance of bank guarantees in lieu of deposit to electricity utility companies in the total amount of HK\$4.7 million at 30 June 2012.

Capital Management

As reported in the interim report of FY2011/12, on 23 August 2011, Sunlight REIT entered into certain credit facility agreements, pursuant to which secured facilities totaling HK\$4,050.0 million, including a HK\$3,950.0 million term loan facility and a HK\$100.0 million revolving credit facility, have been provided to Sunlight REIT. The new facilities bear interest at HIBOR plus 100 basis points, and are for a term of three years from the date of the first drawdown. The drawdown of the entire term loan facility took place on 21 September 2011, the proceeds of which were utilised to refinance all the then prevailing term loan facility which was due for repayment on 21 December 2011. At 30 June 2012, the revolving credit facility remained fully undrawn.

In order to minimise financial market risks, Sunlight REIT has maintained certain interest rate swap arrangements, and the effective interest rate of the term loan (including credit spread) for the year was approximately 2.44% per annum. During the year, an additional interest rate swap with a notional amount of HK\$300.0 million was entered into for a period of seven years. The terms of all 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%
300	7 October 2011 – 28 September 2018	1.5975%

* Excludes the credit spread of 1% per annum under the existing term loan.

During the year under review, the Manager has undertaken certain strategies aimed at capitalising on the substantial discount at which the units are trading to net asset value. Notably, the Manager executed a spate of on-market repurchase of units on behalf of Sunlight REIT in June 2012, as a total of 3,600,000 units were repurchased (at an average price of approximately HK\$2.46 per unit) and cancelled before the end of the year.

At 30 June 2012, Sunlight REIT had a total bank and cash balances of HK\$260.9 million, and had no exposure to fixed income securities. Taking into consideration the recurrent income generated from its operations, the current cash position and credit facilities available, the Manager is of the view that Sunlight REIT has sufficient financial resources to satisfy its working capital, distribution payment and capital expenditure requirements.

OUTLOOK

The headwinds in the global economy, together with a more moderate pace of expansion for the mainland economy, is likely to curtail the upside of both investment sentiment and consumer demand. Nonetheless, capital and rental values of the commercial property market should be buttressed by a dearth of new supply. As far as the Grade A office market is concerned, new supply in the next twelve months will again be in the neighbourhood of 1 million sq. ft., and there will be no significant easing of the tight supply situation until 2016. In the meantime, decentralisation will become an increasingly dominating trend from which Sunlight REIT's office properties have benefitted and will continue to do so. Further, the redevelopment and revitalisation in the immediate vicinity of 248 Queen's Road East are gathering momentum; such transformation is envisaged to provide long term benefit to the largest office property of Sunlight REIT.

The absence of new supply also applies to the retail property market, the prospects of which, however, would be dependent on growth in visitors from China and their propensity to spend. While it would be reasonable to expect a more subdued growth path going forward, the Manager considers that the impact on rental reversion would be relatively mild given the portfolio's balanced exposure to both local and overseas shoppers. At the time of writing, the Shenzhen authorities have announced that multiple-entry permits will be granted to Shenzhen residents who do not hold local household registration documents. Upon implementation, this policy is expected to further stimulate cross-border shopping in Hong Kong, on which both the Sheung Shui Centre Shopping Arcade and Kwong Wah Plaza Property are well positioned to capitalise.

Lease expiries in FY2012/13 will constitute 41.4% and 39.0% of Sunlight REIT's total gross rentable area and rental income respectively. Based on the current assessment of the relevant factors and barring unforeseen circumstances, the Manager is reasonably optimistic that positive rental reversion would be an achievable target in FY2012/13. However, it is also anticipated that the upward cycle in operating cost has yet to run its full course, notwithstanding the likelihood of a gradual tapering in domestic inflation. In this regard, the Manager would make every effort to keep cost under control.

Turning to distribution, the Manager would like to mention that the election of a higher cash component for Manager's fees (50% in FY2012/13 versus 30% in FY2011/12) would have a mild adverse impact on the level of distributable income and DPU; such impact would hopefully be mitigated by enhancement activities to be conducted by the Manager.

FY2012/13 marks the commencement of the upgrading and refurbishment project of Metro City Phase I Property. In order to optimise cost and performance, and to harmonise with the tenancy expiry profile, this is going to be a multi-phased project spanning the next few years. The Manager believes there is significant potential for Metro City Phase I Property to achieve a quantum leap in footfall and income on completion of the upgrade.

On capital management, HK\$1,500 million worth of interest rate swaps are due for expiry by June 2013. The management team will monitor the evolving developments in the financial market and ensure that interest rate risks of Sunlight REIT are being optimally managed. Meanwhile, given the positive feedback from the investment community, the unit repurchase strategy is expected to continue, subject to further granting of the general repurchase mandate by unitholders in the forthcoming annual general meeting, and as long as there is value to be created for the benefit of unitholders.

Since its inception in December 2006, Sunlight REIT has gone from strength to strength. In extending this impressive track record, the Manager shall endeavour to walk the extra mile to unlock the underlying potential of the portfolio, and shall continually seek to improve the corresponding facilities and services. Meanwhile, the major asset enhancement projects are designed to further improve Sunlight REIT's capability to generate a high quality recurring income stream, so as to support the growth in distribution for unitholders in the long term.

POST BALANCE SHEET EVENT

Subsequent to the end of the year, the Manager announced that it agreed to dispose of the Glory Rise Property to an independent third party for a total consideration of HK\$78.5 million, representing a 4.25% premium to the valuation at 30 June 2012 of HK\$75.3 million and an exit yield (on net property income of FY2011/12) of 2.6%. Completion of the sale took place on 3 September 2012.

EMPLOYEES

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

CORPORATE GOVERNANCE

The Manager is committed to a high 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.

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 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 2012.

New Units Issued

Except for an aggregate of 22,692,260 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

Pursuant to the general mandate granted by unitholders at the annual general meeting held on 26 October 2011, the Manager repurchased in June 2012 on behalf of Sunlight REIT a total of 3,600,000 units on The Stock Exchange of Hong Kong Limited at an aggregate consideration of approximately HK\$8.9 million. The highest and the lowest price per unit paid for such repurchases were HK\$2.50 and HK\$2.41 respectively. All repurchased units were cancelled prior to the end of the year.

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

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 reference.

The figures contained in the preliminary announcement of the results of Sunlight REIT for the year have been compared by the auditor of Sunlight REIT, KPMG, Certified Public Accountants, to the amounts set out in the consolidated financial statements of Sunlight REIT for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by KPMG on this announcement.

ISSUANCE OF ANNUAL REPORT

The 2011/12 Annual Report of Sunlight REIT will be sent to unitholders on or about 24 September 2012.

FORWARD-LOOKING STATEMENTS

This announcement contains statements that are forward-looking and adopts certain forward-looking terminologies. These statements are made on the basis of the current beliefs, assumptions, expectations and projections of the Board and senior management 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 2012
(Expressed in Hong Kong dollars)

	Note	2012 \$'000	2011 \$'000
Turnover	4 & 5	581,685	532,462
Property operating expenses	4 & 6	(133,157)	(125,091)
Net property income		448,528	407,371
Other income	7	3,317	1,882
Administrative expenses		(79,753)	(70,829)
Net increase in fair value of investment properties		808,342	1,493,665
Profit from operations		1,180,434	1,832,089
Finance costs on interest bearing liabilities	8(a)	(110,131)	(147,281)
Profit before taxation and transactions with unitholders	8	1,070,303	1,684,808
Income tax	9	(43,053)	(29,700)
Profit after taxation and before transactions with unitholders		1,027,250	1,655,108

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012
(Expressed in Hong Kong dollars)

	2012 \$'000	2011 \$'000
Profit after taxation and before transactions with unitholders	1,027,250	1,655,108
Other comprehensive income for the year		
Changes in fair value of cash flow hedges recognised during the year	<u>(53,459)</u>	<u>46,630</u>
Total comprehensive income for the year	<u>973,791</u>	<u>1,701,738</u>

CONSOLIDATED BALANCE SHEET

At 30 June 2012

(Expressed in Hong Kong dollars)

	Note	2012 \$'000	2011 \$'000
Non-current assets			
Fixed assets			
- Investment properties		13,038,800	12,222,200
- Other fixed assets		78	44
		<u>13,038,878</u>	<u>12,222,244</u>
Deferred tax assets		4,743	5,649
Reimbursement rights		<u>203,413</u>	<u>203,932</u>
		<u>13,247,034</u>	<u>12,431,825</u>
Current assets			
Trade and other receivables	11	26,057	26,518
Pledged deposits		259,592	261,119
Cash at bank and in hand		1,288	177
Tax recoverable		<u>158,506</u>	<u>168,563</u>
		<u>445,443</u>	<u>456,377</u>
Total assets		<u>13,692,477</u>	<u>12,888,202</u>
Current liabilities			
Tenants' deposits		(144,598)	(135,324)
Rent receipts in advance		(4,360)	(5,284)
Trade and other payables	12	(211,490)	(222,699)
Secured bank borrowings		-	(3,948,116)
Derivative financial instruments		(47,410)	(45,938)
Current taxation		<u>(25,444)</u>	<u>(17,879)</u>
		<u>(433,302)</u>	<u>(4,375,240)</u>
Net current assets/(liabilities)		<u>12,141</u>	<u>(3,918,863)</u>
Total assets less current liabilities		<u>13,259,175</u>	<u>8,512,962</u>

CONSOLIDATED BALANCE SHEET (continued)

At 30 June 2012

(Expressed in Hong Kong dollars)

	2012 \$'000	2011 \$'000
Non-current liabilities, excluding net assets attributable to unitholders		
Secured bank borrowings	(3,915,850)	-
Deferred tax liabilities	(256,096)	(237,748)
Derivative financial instruments	(65,273)	(13,286)
	<u>(4,237,219)</u>	<u>(251,034)</u>
Total liabilities, excluding net assets attributable to unitholders	<u>(4,670,521)</u>	<u>(4,626,274)</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>9,021,956</u>	<u>8,261,928</u>
Number of units in issue	<u>1,605,583,924</u>	<u>1,586,491,664</u>
Net asset value attributable to unitholders per unit	<u>\$5.62</u>	<u>\$5.21</u>

DISTRIBUTION STATEMENT

For the year ended 30 June 2012
(Expressed in Hong Kong dollars)

	Note	2012 \$'000	2011 \$'000
Profit after taxation and before transactions with unitholders		<u>1,027,250</u>	<u>1,655,108</u>
Adjustments :			
- Net increase in fair value of investment properties		(808,342)	(1,493,665)
- Manager's fees paid or payable in the form of units		45,928	61,110
- Non-cash finance costs on interest bearing liabilities		13,822	29,710
- Deferred tax	9	<u>19,773</u>	<u>12,189</u>
		<u>(728,819)</u>	<u>(1,390,656)</u>
Total distributable income (note (i))		<u>298,431</u>	<u>264,452</u>
Interim distribution, paid		132,748	115,018
Final distribution, to be paid to unitholders (notes (ii) and (iv))		<u>139,686</u>	<u>124,276</u>
Total distributions for the year (note (i))		<u>272,434</u>	<u>239,294</u>
Payout ratio (notes (ii) and (iv))		91.3%	90.5%
Distribution per unit :			
- Before adjusting for distribution waivers (notes (ii), (iii), (v), (vi) and (vii))			
Interim distribution per unit, paid		8.30 cents	7.30 cents
Final distribution per unit, to be paid to unitholders		<u>8.70 cents</u>	<u>7.83 cents</u>
		<u>17.00 cents</u>	<u>15.13 cents</u>
- After adjusting for distribution waivers (notes (iii), (iv) and (viii))			
Interim distribution per unit, paid		N/A	8.50 cents
Final distribution per unit, to be paid to unitholders		<u>N/A</u>	<u>9.10 cents</u>
		<u>N/A</u>	<u>17.60 cents</u>

DISTRIBUTION STATEMENT (continued)

For the year ended 30 June 2012
(Expressed in Hong Kong dollars)

Notes :

- (i) Pursuant to the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong (the “**REIT Code**”) and the trust deed dated 26 May 2006 (as amended) (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.
- (ii) For the year ended 30 June 2012, the total distributable income amounted to \$298,431,000. The final distribution of \$139,686,000 is calculated by multiplying the final distribution per unit of 8.70 cents by 1,605,583,924 units in issue at 30 June 2012.

The final distribution together with the interim distribution of \$132,748,000 represent a payout ratio of 91.3% of Sunlight REIT’s total distributable income for the year.
- (iii) Pursuant to two Deeds of Distribution Waiver dated 2 December 2006 as disclosed in Sunlight REIT’s offering circular dated 8 December 2006 (the “**Distribution Waivers**”), certain unitholders who subscribed for a total of 441,642,638 units 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 agreed to, where applicable, make payments to Sunlight REIT in case they disposed of these original units subscribed under the initial public offering of Sunlight REIT. The Distribution Waivers expired on 30 June 2011.
- (iv) For the year ended 30 June 2011, the total distributable income amounted to \$264,452,000. The final distribution of \$124,276,000, after adjusting for distribution waivers as mentioned in (iii) above, is calculated by multiplying the final distribution per unit of 9.10 cents by 1,365,670,344 units, which is arrived at as follows :

	At 30 June 2011
Units in issue	1,586,491,664
Less : Units held by the unitholders who agreed to waive their entitlement to distribution for the year	<u>(220,821,320)</u>
	<u><u>1,365,670,344</u></u>

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

DISTRIBUTION STATEMENT (continued)

For the year ended 30 June 2012
(Expressed in Hong Kong dollars)

Notes : (continued)

- (v) The final distribution per unit for the year ended 30 June 2011, before adjusting for distribution waivers as mentioned in (iii) above, of 7.83 cents, is calculated by dividing the final distribution of \$124,276,000 by 1,586,491,664 units in issue at 30 June 2011.
- (vi) The interim distribution of \$132,748,000 for the six months ended 31 December 2011 is calculated by multiplying the interim distribution per unit of 8.30 cents by 1,599,374,927 units in issue at 31 December 2011.
- (vii) The interim distribution per unit for the six months ended 31 December 2010, before adjusting for distribution waivers as mentioned in (iii) above, of 7.30 cents, is calculated by dividing the interim distribution for that period of \$115,018,000 by 1,574,557,232 units in issue at 31 December 2010.
- (viii) The interim distribution per unit for the six months ended 31 December 2010, after adjusting for distribution waivers as mentioned in (iii) above, of 8.50 cents, is calculated by dividing the interim distribution for that period of \$115,018,000 by 1,353,735,912 units, which is arrived at as follows :

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

- (ix) The 2012 interim distribution was paid to unitholders on 30 March 2012. The 2012 final distribution is expected to be paid on 30 October 2012 to unitholders whose names appear on the register of unitholders on 25 September 2012.
- (x) The final distribution proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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 2012 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”) and 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 a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s consolidated financial statements :

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)

3. Changes in accounting policies (continued)

The impacts of these developments are discussed below :

- HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous years. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.
- Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the consolidated financial statements in the current and previous years.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, with the 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 early adopted the amendments to the consolidated financial statements for the year ended 30 June 2011.

Under the amendments, 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 values 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.

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 pledged deposits, cash at bank and in hand, 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.

4. Segment reporting (continued)

Segment results, assets and liabilities (continued)

Revenue and expenses are allocated to the reportable segments with reference to income generated and the expenses incurred by those segments.

The measure used for reporting segment performance is the “segment results” which exclude the net increase/(decrease) in fair value of investment properties, finance costs on interest bearing liabilities, income tax, interest income and the unallocated net income/(expenses).

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

	2012			2011		
	Office properties \$'000	Retail properties \$'000	Total \$'000	Office properties \$'000	Retail properties \$'000	Total \$'000
Turnover						
- rental income	226,992	238,746	465,738	208,284	219,385	427,669
- car park income	2,966	20,049	23,015	3,020	17,375	20,395
- rental related income	48,960	43,972	92,932	44,368	40,030	84,398
	278,918	302,767	581,685	255,672	276,790	532,462
Property operating expenses	(60,414)	(72,743)	(133,157)	(56,560)	(68,531)	(125,091)
Net property income	218,504	230,024	448,528	199,112	208,259	407,371
Administrative expenses	(34,964)	(33,469)	(68,433)	(32,587)	(31,177)	(63,764)
Segment results	183,540	196,555	380,095	166,525	177,082	343,607
Net increase in fair value of investment properties	412,738	395,604	808,342	865,943	627,722	1,493,665
Finance costs on interest bearing liabilities			(110,131)			(147,281)
Income tax			(43,053)			(29,700)
Interest income			3,312			1,878
Unallocated net expenses			(11,315)			(7,061)
Profit after taxation and before transactions with unitholders			1,027,250			1,655,108
Depreciation	7	9	16	6	5	11

4. Segment reporting (continued)

Segment results, assets and liabilities (continued)

	2012			2011		
	Office properties \$'000	Retail properties \$'000	Total \$'000	Office properties \$'000	Retail properties \$'000	Total \$'000
Segment assets	6,827,381	6,440,597	13,267,978	6,408,204	6,043,891	12,452,095
Pledged deposits			259,592			261,119
Cash at bank and in hand			1,288			177
Tax recoverable			158,506			168,563
Deferred tax assets			4,743			5,649
Unallocated assets			370			599
Total assets			<u>13,692,477</u>			<u>12,888,202</u>
Segment liabilities	(102,820)	(95,046)	(197,866)	(99,545)	(93,078)	(192,623)
Derivative financial instruments			(112,683)			(59,224)
Secured bank borrowings			(3,915,850)			(3,948,116)
Current taxation			(25,444)			(17,879)
Deferred tax liabilities			(256,096)			(237,748)
Unallocated liabilities			<u>(162,582)</u>			<u>(170,684)</u>
Total liabilities, excluding net assets attributable to unitholders			<u>(4,670,521)</u>			<u>(4,626,274)</u>
Capital expenditure incurred during the year	<u>7,792</u>	<u>516</u>	<u>8,308</u>	<u>1,757</u>	<u>4,700</u>	<u>6,457</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 :

	2012 \$'000	2011 \$'000
Rental income (note)	465,738	427,669
Car park income	23,015	20,395
Rental related income	<u>92,932</u>	<u>84,398</u>
	<u>581,685</u>	<u>532,462</u>

Note : Included additional rents based on business turnover of tenants amounting to \$2,086,000 (2011: \$1,246,000).

6. Property operating expenses

	2012 \$'000	2011 \$'000
Building management fee	50,296	45,536
Property manager's fees	36,231	34,828
Government rent and rates	19,267	17,496
Marketing and promotion expenses	9,920	8,998
Car park operating costs (note)	7,896	6,926
Bad debts expenses	6	577
Other direct costs	<u>9,541</u>	<u>10,730</u>
	<u>133,157</u>	<u>125,091</u>

Note : Included property manager's fees of \$2,124,000 (2011: \$1,872,000).

7. Other income

	2012 \$'000	2011 \$'000
Bank interest income	3,312	1,878
Others	<u>5</u>	<u>4</u>
	<u>3,317</u>	<u>1,882</u>

8. Profit before taxation and transactions with unitholders

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

	2012 \$'000	2011 \$'000
(a) Finance costs on interest bearing liabilities		
Interest on secured bank borrowings	96,185	117,554
Other borrowing costs	<u>13,946</u>	<u>29,727</u>
	<u>110,131</u>	<u>147,281</u>

Other borrowing costs represent various financing charges and the amortisation of the debts establishment fees for the secured bank borrowings.

8. Profit before taxation and transactions with unitholders (continued)

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

	2012 \$'000	2011 \$'000
(b) Other items		
Manager's fees	65,611	61,110
Property manager's fees (note (i))	38,355	36,700
Trustee's remuneration and charges	3,491	3,328
Auditor's remuneration		
- Audit services	1,660	1,570
- Other services	611	570
Valuation fees	675	650
Other legal and professional fees	6,109	3,362
Commission to property agents	2,257	2,652
Bank charges	641	471

Notes :

- (i) Included rental commission of \$10,215,000 (2011: \$11,195,000).
- (ii) Sunlight REIT did not appoint any director and the Group did not engage any employee during the year. No employee benefit expense has been incurred in the year accordingly.

9. Income tax

	2012 \$'000	2011 \$'000
Current tax - Provision for Hong Kong Profits Tax		
Provision for the year	23,450	17,523
Over-provision in respect of prior years	(170)	(12)
	23,280	17,511
Deferred tax		
Origination and reversal of temporary differences	19,773	12,189
	43,053	29,700

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

9. Income tax (continued)

During the year ended 30 June 2012, the Group settled with the Inland Revenue Department in respect of the deductibility of certain taxation allowances claimed by certain subsidiaries of the Group in connection with the profits generated prior to the date of acquisition by Sunlight REIT. The relevant amount paid to the Inland Revenue Department was \$3,629,000 and was reimbursed by certain vendors (comprising subsidiaries of Shau Kee Financial Enterprises Limited, Henderson Land Development Company Limited, Henderson Investment Limited, Henderson Development Limited and Jetwin International Limited) (collectively referred to as the “**Vendors**”) pursuant to the tax indemnity.

10. Earnings per unit before transactions with unitholders

The basic earnings per unit before transactions with unitholders for the year ended 30 June 2012 amounted to \$0.64 (2011: \$1.05). 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 \$1,027,250,000 (2011: \$1,655,108,000) and the weighted average of 1,596,874,817 units in issue during the year (2011: 1,573,221,352 units).

Diluted earnings per unit before transactions with unitholders for the year ended 30 June 2012 and 2011 are not presented as there was no potential dilution of earnings per unit before transactions with unitholders.

11. Trade and other receivables

	2012 \$'000	2011 \$'000
Rental receivables	17,072	17,954
Deposits and prepayments	6,010	6,481
Other receivables	2,345	1,663
Amounts due from related companies	630	420
	<u>26,057</u>	<u>26,518</u>

\$4,856,000 (2011: \$5,060,000) 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.

11. Trade and other receivables (continued)

The ageing analysis of rental receivables is as follows :

	2012 \$'000	2011 \$'000
Current	12,444	14,600
Less than 1 month overdue	3,346	2,613
More than 1 month and up to 3 months overdue	1,093	381
More than 3 months and up to 6 months overdue	176	26
More than 6 months overdue	13	334
	<u>17,072</u>	<u>17,954</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

	2012 \$'000	2011 \$'000
Creditors and accrued charges	28,029	31,614
Manager's fees payable	18,139	18,943
Amounts due to related companies	165,322	172,142
	<u>211,490</u>	<u>222,699</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 4 months and payable in the form of cash and units.

The amounts due to related companies primarily represent amounts received from certain Vendors for purchasing tax reserve certificates on their behalf in respect of the potential tax liabilities arising from the outstanding tax cases. The outstanding tax cases relate to the notional gains arising from reclassification of properties at the date of acquisition and the potential tax liabilities are indemnified by the Vendors. The relevant tax reserve certificates were classified as tax recoverable under current assets at the year end. The amounts are unsecured, interest-free and have no fixed terms of repayment except for the amount due to the Trustee of \$959,000 (2011: \$1,022,000) which is due within 30 days.

13. Comparative figures

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

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

Hong Kong, 6 September 2012

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.