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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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2010 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 unaudited interim results of Sunlight Real Estate Investment Trust (“**Sunlight REIT**”) for the six months ended 31 December 2010 (the “**Reporting Period**”) as follows:

FINANCIAL HIGHLIGHTS

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

	Six months ended 31 December 2010	Six months ended 31 December 2009	Change (%)
Turnover	262.5	239.8	9.4
Net property income	199.9	180.2	10.9
Cost-to-income ratio (%)	23.8	24.8	N/A
Profit after taxation ¹	467.7	378.0	23.7
Total distributable income	127.8	88.9	43.8
Distribution per unit ² (HK cents)	8.50	6.88	23.5
Payout ratio (%)	90.0	100.0	N/A
	At 31 December 2010	At 30 June 2010	Change (%)
Portfolio valuation	11,111.3	10,722.1	3.6
Net asset value ¹	7,149.4	6,722.2	6.4
Net asset value per unit ¹ (HK\$)	4.54	4.30	5.6
Gearing ratio ¹ (%)	33.7	35.3	N/A

Notes:

- The comparative figures have been restated as a result of the adoption of the amendments to Hong Kong Accounting Standard (“**HKAS**”) 12, “*Income Taxes*”. Please refer to note 2 to the interim financial results on page 15 for details.
- Please refer to “Distribution Statement” on page 13 for details.

DISTRIBUTION

The total distributable income of Sunlight REIT for the Reporting Period rose 43.8% year-on-year to HK\$127,797,792. Pursuant to the announcement dated 1 June 2010 in respect of the change in the distribution policy of Sunlight REIT with effect from FY2010/11, the Board of the Manager has resolved to declare an interim distribution of HK\$115,018,013, which implies a payout ratio of 90%. Distribution per unit (“DPU”) for the Reporting Period amounts to approximately HK 8.50 cents, representing a year-on-year increase of 23.5% as compared with HK 6.88 cents distributed in the previous corresponding period.

The increase in total distributable income was attributable to various factors, notably including the improvement in the underlying operational performance of Sunlight REIT, as well as interest saving achieved as a result of a series of capital management initiatives undertaken during FY2009/10.

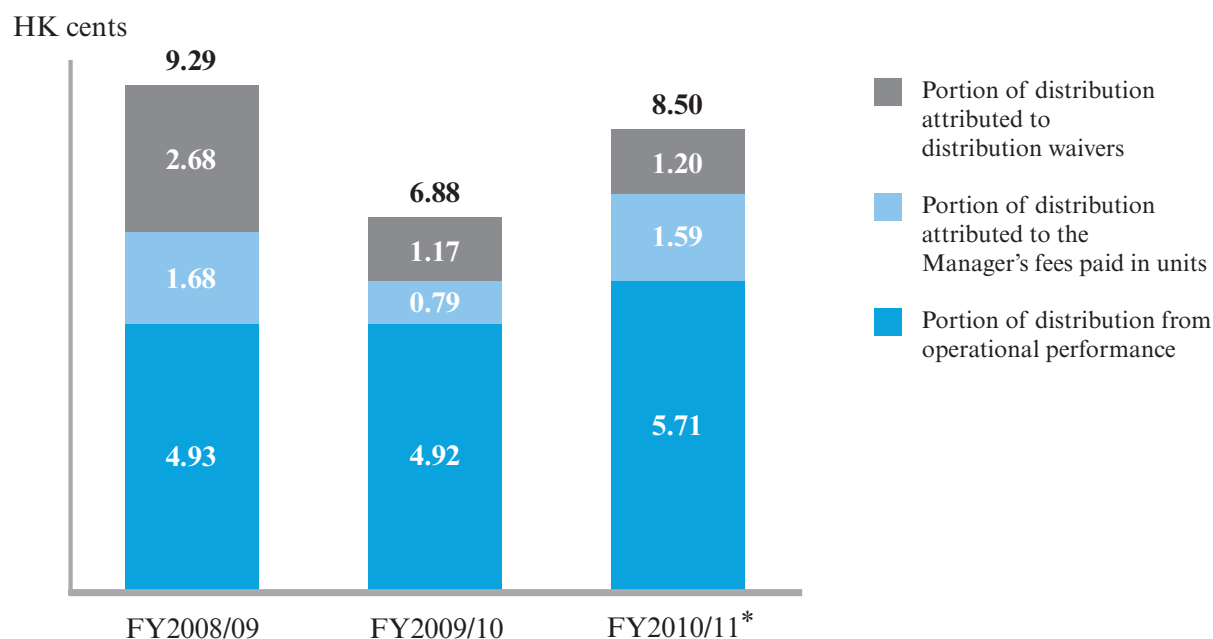
In addition to the ordinary course of business, the level of distributable income and DPU were also affected by certain policies and structures as depicted below:

1. Pursuant to the Deeds of Distribution Waiver ^{note}, the extent of distribution waivers offered by certain subsidiaries of Henderson Land Development Company Limited (“HLD”) and certain subsidiaries of Shau Kee Financial Enterprises Limited (“SKFE”) 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).

Note: Please refer to note (iii) of the “Distribution Statement” on page 14 for details.

The chart below provides a year-on-year comparison of the DPU. 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.

Interim Distribution at a Glance



* Based on a payout ratio of 90%, HK\$12,779,779 (or approximately HK 0.94 cents per unit) has been retained as additional working capital.

Distribution Entitlement and Closure of Register of Unitholders

The record date for the interim distribution will be Thursday, 3 March 2011. The register of unitholders will be closed from Tuesday, 1 March 2011 to Thursday, 3 March 2011, both days inclusive, during which period no transfer of units will be effected. In order to be entitled to the interim distribution, all 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 Monday, 28 February 2011. Payment of interim distribution will be made to unitholders on Wednesday, 30 March 2011.

PORTFOLIO AT A GLANCE

Property	Operational Statistics									Property Financials				
	Occupancy (%)			Passing Rent ¹ (HK\$/sq. ft.)			Committed Rent ¹ (HK\$/sq. ft.)			Net Property Income (HK\$'000)		Capitalisation Rate at 31 Dec 10 (%)		Appraised Value at 31 Dec 10 ² (HK\$'000)
	at 31 Dec 10	at 30 Jun 10	at 31 Dec 09	at 31 Dec 10	at 30 Jun 10	at 31 Dec 09	1 Jul 10 – 31 Dec 10	1 Jan 10 – 30 Jun 10	1 Jul 09 – 31 Dec 09	First half of FY2010/11	First half of FY2009/10	Retail	Office	
Office Property														
Grade A														
248 Queen's Road East	99.4	94.9	91.7	24.8	24.7	25.0	25.5	22.7	24.4	53,219	45,003	4.40	4.15	2,945,000
Grade B														
Bonham Trade Centre	97.5	98.2	97.6	16.7	16.4	16.2	18.4	16.4	16.1	10,196	8,834	4.50	4.25	599,000
Righteous Centre	99.3	96.7	99.3	24.1	23.0	22.8	40.3	19.9	16.7	6,832	6,749	4.00	4.50	411,000
Winsome House Property	100.0	97.1	91.4	29.9	29.7	30.2	48.0	25.1	24.1	6,559	6,091	4.40	4.00	361,000
135 Bonham Strand Trade Centre Property	93.2	96.0	94.1	16.6	16.2	15.8	18.3	18.0	13.9	5,105	4,930	4.50	4.35	319,000
235 Wing Lok Street Trade Centre	94.8	97.9	94.5	12.2	11.7	11.5	15.4	11.8	10.9	2,944	2,826	4.65	4.45	189,000
Java Road 108 Commercial Centre	98.1	86.4	82.6	15.5	15.6	16.4	14.6	16.8	13.2	2,510	2,044	4.75	4.50	170,800
Yue Fai Commercial Centre Property	96.2	97.6	97.1	14.7	14.0	13.7	16.4	13.1	12.5	2,900	2,860	4.60	4.75	166,000
On Loong Commercial Building Property	95.7	97.9	96.7	21.5	20.8	19.7	14.7	31.6	13.6	2,825	2,560	4.50	4.50	149,000
Everglory Centre	92.7	100.0	90.3	15.3	15.0	15.1	16.7	13.7	14.0	2,144	2,059	4.50	4.30	140,600
Sun Fai Commercial Centre Property	100.0	96.3	90.0	16.2	15.9	16.0	18.6	19.4	11.3	2,032	1,943	4.75	4.65	111,000
Wai Ching Commercial Building Property	95.6	95.6	94.5	7.1	7.0	7.4	7.8	7.0	6.5	432	520	4.75	4.65	34,300
Sub-total/Average	97.9	95.9	93.2	20.8	20.4	20.4	22.8	19.1	16.9	97,698	86,419			5,595,700
Retail Property														
New Town														
Sheung Shui Centre Shopping Arcade	99.3	99.8	98.8	72.7	70.2	68.8	85.9	56.6	94.8	46,600	42,993	4.40	N/A	2,639,000
Metro City Phase I Property	98.3	97.7	97.1	35.4	34.0	31.9	36.7	59.1	26.2	39,200	35,428	4.50	N/A	1,968,000
Kwong Wah Plaza Property	98.8	100.0	100.0	30.5	29.6	29.6	57.8	36.3	20.3	10,444	10,102	4.15	4.55	585,000
Urban														
Royal Terrace Property	100.0	95.5	100.0	26.4	26.1	25.0	33.0	31.6	16.6	1,844	1,693	4.75	N/A	99,000
Beverley Commercial Centre Property	100.0	100.0	100.0	35.6	33.7	32.6	40.1	35.3	35.9	1,530	1,356	4.75	N/A	77,000
Glory Rise Property	100.0	100.0	100.0	29.0	28.7	28.2	92.0	9.5	12.0	1,081	1,061	4.75	N/A	66,000
Supernova Stand Property	100.0	100.0	100.0	42.4	42.4	42.4	N/A	N/A	28.6	1,036	1,022	4.50	N/A	51,000
Palatial Stand Property	100.0	100.0	100.0	10.4	10.4	9.6	N/A	10.1	10.4	497	183	4.75	N/A	30,600
Sub-total/Average	98.8	98.8	98.3	44.9	43.4	41.9	54.2	50.9	36.9	102,232	93,838			5,515,600
Total/Average	98.2	96.8	94.9	28.5	27.9	27.5	31.0	28.5	24.0	199,930	180,257			11,111,300

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

2. Valuation prepared by Knight Frank Petty Limited.

N/A: Not applicable

OPERATION REVIEW

The overall occupancy of Sunlight REIT's portfolio improved to 98.2% at 31 December 2010 (30 June 2010: 96.8%), largely driven by further improvement in office occupancy from 95.9% to 97.9% during the Reporting Period. The retail portfolio was practically fully let, attaining an occupancy of 98.8% at 31 December 2010 (30 June 2010: 98.8%).

The passing rent of the office portfolio continued to edge higher, registering a year-on-year growth of 2.0% to HK\$20.8 per sq. ft. at 31 December 2010, while the average unit rent committed for all new and renewing leases during the Reporting Period was HK\$22.8 per sq. ft.. Meanwhile, passing rent for the retail portfolio rose 7.2% year-on-year to HK\$44.9 per sq. ft. at 31 December 2010 with the average unit rent committed for the Reporting Period reaching HK\$54.2 per sq. ft..

Tenant acquisition was at the forefront of Sunlight REIT's leasing strategy during the Reporting Period. In respect of the office portfolio, the Manager successfully capitalised on the prevailing decentralisation dynamics and captured quality multinational brand names into 248 Queen's Road East. On the retail front, the influx of mainland shoppers at Sheung Shui Centre Shopping Arcade appealed to prominent Chinese medicine retailers such as Tong Ren Tang which has opened an outlet in October 2010. Tenant repositioning was also underway at Metro City Phase I Property in conjunction with the proposed enhancement program which should uplift the image and footfall of the shopping mall.

FINANCIAL REVIEW

On the back of a 9.4% year-on-year growth in total revenue, Sunlight REIT reported a turnover of HK\$262.5 million for the Reporting Period. After deducting property operating expenses of HK\$62.6 million, net property income came in at HK\$199.9 million, which implies a year-on-year growth of 10.9%. Cost-to-income ratio was 23.8% as compared with 24.8% recorded in the previous interim period. As a result of the execution of certain interest rate swaps arrangements in the previous financial year, total finance costs for the Reporting Period was HK\$74.4 million, representing a reduction of HK\$17.2 million as compared with the same period last year. After taking into account other non-property operating expenses and the change in fair value of the investment properties for the period, Sunlight REIT's profit after taxation for the Reporting Period was HK\$467.7 million.

Sunlight REIT's portfolio was appraised by Knight Frank Petty Limited at HK\$11,111.3 million at 31 December 2010, representing an increase of 3.6% from the valuation of HK\$10,722.1 million at 30 June 2010. Office and retail properties accounted for 50.4% and 49.6% of the total appraised value and registered an appreciation of 3.7% and 3.5% in comparison with their respective valuation at 30 June 2010. Consequently, the net asset value of Sunlight REIT appreciated by 6.4% to arrive at HK\$7,149.4 million at 31 December 2010 or HK\$4.54 per unit (30 June

2010 (restated): HK\$6,722.2 million or HK\$4.30 per unit). The Manager wishes to point out that the interim financial results of Sunlight REIT have 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 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 2 to the interim financial results on page 15.)

At 31 December 2010, the gearing ratio of Sunlight REIT, defined as total borrowings as a percentage of gross assets, stood at 33.7% as compared with 35.3% at 30 June 2010. Gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets was 39.2% at 31 December 2010. 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 31 December 2010.

Sunlight REIT has in place total loan facilities of HK\$3,975.0 million comprising a term loan facility of HK\$3,950.0 million which has been fully drawn and a HK\$25.0 million revolving credit facility of which HK\$15.0 million has been drawn. These facilities, which will mature on 20 December 2011 and are classified as current liabilities in the consolidated balance sheet, are secured by, among others, the investment properties of Sunlight REIT, a floating charge over its bank balances and assignment of proceeds from tenancies.

In order to minimise financial market risks and maintain financial flexibility, Sunlight REIT has entered into certain interest rate swap arrangements, under which the effective interest rate of the term loan for this financial year is approximately 2.978% per annum.

Details of all the interest rate swaps are listed in the table below:

Notional amount (HK\$' million)	Swap counterparty	Tenure	Interest rate* (per annum)
2,450	The Hongkong and Shanghai Banking Corporation Limited (“HSBC”)	30 June 2010 – 30 June 2011	3.500%
500	HSBC	30 June 2010 – 28 June 2013	2.615%
500	HSBC	30 June 2010 – 28 June 2013	1.925%
500	Standard Chartered Bank	30 June 2010 – 28 June 2013	1.840%

* Includes the credit spread of 0.45% per annum under the existing term loan.

At 31 December 2010, Sunlight REIT had total bank and cash balances of HK\$237.1 million. Taking into consideration the recurrent income generated from its operations, the current cash position and the undrawn credit facility available, it has sufficient financial resources to satisfy its working capital, distribution payment and capital expenditure requirements.

OUTLOOK

Sunlight REIT delivered a promising set of interim results thanks to the improved domestic and multinational demand for commercial properties and a buoyant retail environment. Looking ahead, in light of the sustainable recovery of the Hong Kong economy, the Manager remains optimistic of the operational performance of Sunlight REIT for the rest of this financial year. However, the strength of the local commercial property market does not make the task of sustaining and cultivating long term income growth for Sunlight REIT any less challenging, and it requires nothing less than a vigilant and proactive approach in order to ensure that cost and income are well managed under all circumstances. As such, the Manager will continue to devote substantial resources in lease management, asset enhancement, capital management, as well as in exploring acquisition opportunities.

In the near term, the Manager will concentrate on the imminent expiries in the second half of FY2010/11, which account for 19.5% of the office gross rentable area (“**GRA**”) and 20.7% of the retail GRA, with the average unit rent for the expiring office and retail leases at HK\$19.4 per sq. ft. and HK\$45.1 per sq. ft. respectively. In handling both lease renewals and new letting, the Manager will endeavour to strike an optimal balance between rental growth and trade mix configuration so as to ensure that income sustainability can be achieved without compromising tenant quality.

As the core renovation works at Sheung Shui Centre Shopping Arcade have been substantially completed, the Manager is turning more of its attention to Metro City Phase I Property. This is envisaged to be a long term project which will strategically involve both space and tenant reconfigurations to improve traffic and circulation on the lower floor of this two-storey shopping centre. Meanwhile, green initiatives are also becoming increasingly important in the asset enhancement agenda. Given the recent success of such initiatives particularly on the deployment of LED lighting and additional energy saving devices, the Manager is exploring the possibility of improving and labeling the environmental performance of certain buildings through obtaining green building certification.

In terms of capital management, the HK\$3,975.0 million credit facilities that were put in place at the time of the initial public offering will mature on 20 December 2011. The Manager has been actively exploring and structuring a debt profile that would be able to capitalise on the prevailing low interest rate environment, and the aim is to conclude the terms of the refinancing exercise before the end of this financial year.

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.

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

Public Float

Based on information that is publicly available to the Manager and within the knowledge of its directors, more than 25% of the outstanding units in issue were held in public hands at 31 December 2010.

New Units Issued

Except for an aggregate of 10,515,964 new units issued to the Manager as payment of part of the Manager’s fees, there were no other new units issued during the Reporting Period.

Repurchase, Sale or Redemption of Units

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

Review of Interim Results

The interim results of Sunlight REIT for the Reporting Period have been reviewed by the Audit Committee and the Disclosures Committee in accordance with their respective terms of references. The interim financial report has also been reviewed by the auditor in accordance with Hong Kong Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”, issued by the Hong Kong Institute of Certified Public Accountants.

ISSUANCE OF INTERIM REPORT

The 2010/11 Interim Report of Sunlight REIT will be sent to unitholders on or about 22 February 2011.

FORWARD-LOOKING STATEMENTS

This announcement contains several statements that are “forward-looking” or which 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.

CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2010 — unaudited

(Expressed in Hong Kong dollars)

		Six months ended 31 December	
		2010	2009
	Note	\$'000	\$'000
			(restated)
Turnover	4	262,499	239,842
Property operating expenses	5	<u>(62,569)</u>	<u>(59,585)</u>
Net property income		199,930	180,257
Other income		824	342
Administrative expenses		(32,739)	(29,957)
Net increase in fair value of investment properties		<u>388,646</u>	<u>331,933</u>
Profit from operations		556,661	482,575
Finance costs on interest bearing liabilities	6(a)	<u>(74,350)</u>	<u>(91,584)</u>
Profit before taxation and transactions with unitholders	6	482,311	390,991
Income tax	7	<u>(14,645)</u>	<u>(13,031)</u>
Profit after taxation and before transactions with unitholders		<u><u>467,666</u></u>	<u><u>377,960</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2010 — unaudited

(Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2010	2009
	\$'000	\$'000
		(restated)
Profit after taxation and before transactions with unitholders	467,666	377,960
Other comprehensive income for the period		
Changes in fair value of cash flow hedges	<u>35,110</u>	<u>28,090</u>
Total comprehensive income for the period	<u>502,776</u>	<u>406,050</u>

CONSOLIDATED BALANCE SHEET

At 31 December 2010

(Expressed in Hong Kong dollars)

		31 December 2010 (Unaudited) \$'000	30 June 2010 (Audited) \$'000 (restated)
	Note		
Non-current assets			
Fixed assets			
— Investment properties		11,111,300	10,722,100
— Other fixed assets		33	33
		11,111,333	10,722,133
Deferred tax assets		5,383	5,562
Reimbursement rights		203,932	203,932
		11,320,648	10,931,627
Current assets			
Trade and other receivables	9	28,161	23,639
Pledged deposits		236,912	224,876
Cash at bank and in hand		158	135
Tax recoverable		168,962	46,545
		434,193	295,195
Total assets		11,754,841	11,226,822
Current liabilities			
Tenants' deposits		(126,052)	(121,272)
Rent receipts in advance		(5,983)	(3,163)
Trade and other payables	10	(213,538)	(96,408)
Secured bank borrowings		(3,961,145)	(15,000)
Derivative financial instruments		(33,134)	(59,191)
Current taxation		(9,443)	(19,035)
		(4,349,295)	(314,069)
Net current liabilities		(3,915,102)	(18,874)
Total assets less current liabilities		7,405,546	10,912,753

CONSOLIDATED BALANCE SHEET (continued)

At 31 December 2010

(Expressed in Hong Kong dollars)

	31 December 2010 (Unaudited) \$'000	30 June 2010 (Audited) \$'000 (restated)
Non-current liabilities, excluding net assets attributable to unitholders		
Secured bank borrowings	—	(3,944,141)
Deferred tax liabilities	(231,263)	(225,472)
Derivative financial instruments	(24,850)	(20,929)
	<u>(256,113)</u>	<u>(4,190,542)</u>
Total liabilities, excluding net assets attributable to unitholders	<u>(4,605,408)</u>	<u>(4,504,611)</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u><u>7,149,433</u></u>	<u><u>6,722,211</u></u>
Number of units in issue	<u><u>1,574,557,232</u></u>	<u><u>1,564,041,268</u></u>
Net asset value attributable to unitholders per unit	<u><u>\$4.54</u></u>	<u><u>\$4.30</u></u>

DISTRIBUTION STATEMENT

For the six months ended 31 December 2010 — unaudited

(Expressed in Hong Kong dollars)

		Six months ended 31 December	
		2010	2009
	Note	\$'000	\$'000
			(restated)
Profit after taxation and before transactions with unitholders		467,666	377,960
Adjustments:			
— Net increase in fair value of investment properties		(388,646)	(331,933)
— Manager's fees paid or payable in the form of units		27,831	12,236
— Non-cash finance costs on interest bearing liabilities		14,977	24,660
— Deferred tax	7	5,970	5,940
		(339,868)	(289,097)
Total distributable income (note (i))		127,798	88,863
Payout ratio (note (ii))		90%	100%
Interim distribution		115,018	88,863
Distribution per unit:			
— Before adjusting for distribution waivers (notes (iii) and (iv))		7.30 cents	5.71 cents
— After adjusting for distribution waivers (notes (iii) and (v))		8.50 cents	6.88 cents

Notes:

- (i) Pursuant to the Code on Real Estate Investment Trusts 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. 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) The total distributable income for the six months ended 31 December 2010 amounted to \$127,797,792 (2009: \$88,862,915). The Board of the Manager has resolved to declare an interim distribution of \$115,018,013 (2009: \$88,862,915), which implies a payout ratio of 90% (2009: 100%).

DISTRIBUTION STATEMENT (continued)

For the six months ended 31 December 2010 — unaudited
(Expressed in Hong Kong dollars)

Notes: (continued)

- (iii) 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 initial public offering of Sunlight REIT. According to the register of unitholders maintained by the Unit Registrar, these unitholders did not dispose of such units during the period.
- (iv) The distribution per unit, before adjusting for distribution waivers as mentioned in (iii) above, of 7.30 cents (2009: 5.71 cents), is calculated by dividing the interim distribution for the period of \$115,018,013 by 1,574,557,232 units in issue at 31 December 2010 (2009: \$88,862,915 by 1,557,460,630 units).
- (v) The distribution per unit, after adjusting for distribution waivers as mentioned in (iii) above, of 8.50 cents (2009: 6.88 cents), is calculated by dividing the interim distribution for the period of \$115,018,013 by 1,353,735,912 units (2009: \$88,862,915 by 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	(220,821,320)	(264,985,583)
	<u>1,353,735,912</u>	<u>1,292,475,047</u>

- (vi) The interim distribution is expected to be paid on 30 March 2011 to unitholders whose names appear on the register of unitholders on 3 March 2011.

NOTES TO THE INTERIM FINANCIAL RESULTS

(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.

1. General (continued)

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. Changes in accounting policies

The Hong Kong Institute of Certified Public Accountants has issued two revised Hong Kong Financial Reporting Standards (“**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 financial statements:

- Amendment 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*”

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 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 financial statements in the current or 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.

2. Changes in accounting policies (continued)

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

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 six months ended 31 December 2009. 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	Effect of adoption of amendments to HKAS 12	As restated
	\$’000	\$’000	\$’000
Consolidated income statement for the six months ended 31 December 2009:			
— Income tax expense	66,566	(53,535)	13,031
— Profit after taxation and before transactions with unitholders	324,425	53,535	377,960
— Basic earnings per unit before transactions with unitholders	\$0.21	\$0.03	\$0.24
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 assets 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	4,263,544	1,184,600	5,448,144

2. 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 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.

3. 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 senior executive management of the Manager 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

In accordance with HKFRS 8, segment information disclosed in the interim financial results has been prepared in a manner consistent with the information used by the senior executive management of the Manager for the purposes of assessing segment performance and allocating resources between segments. In this regard, the senior executive management of the Manager monitors the results attributable to each reportable segment on the following bases:

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).

3. Segment reporting (continued)

Segment results (continued)

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

	Six months ended 31 December					
	2010			2009		
	(Unaudited)			(Unaudited) (restated)		
	Office properties \$'000	Retail properties \$'000	Total \$'000	Office properties \$'000	Retail properties \$'000	Total \$'000
Turnover						
— rental income	102,845	107,424	210,269	92,479	98,744	191,223
— car park income	1,568	8,644	10,212	1,417	7,971	9,388
— rental related income	22,076	19,942	42,018	20,668	18,563	39,231
	126,489	136,010	262,499	114,564	125,278	239,842
Property operating expenses	(28,791)	(33,778)	(62,569)	(28,145)	(31,440)	(59,585)
Net property income	97,698	102,232	199,930	86,419	93,838	180,257
Administrative expenses	(14,734)	(14,460)	(29,194)	(13,191)	(12,626)	(25,817)
Segment results	82,964	87,772	170,736	73,228	81,212	154,440
Net increase in fair value of investment properties	201,046	187,600	388,646	144,933	187,000	331,933
Finance costs on interest bearing liabilities			(74,350)			(91,584)
Income tax			(14,645)			(13,031)
Interest income			824			287
Unallocated net expenses			(3,545)			(4,085)
Profit after taxation and before transactions with unitholders			467,666			377,960
Depreciation	3	2	5	3	2	5

4. Turnover

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

	Six months ended 31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Rental income	210,269	191,223
Car park income	10,212	9,388
Rental related income	42,018	39,231
	<u>262,499</u>	<u>239,842</u>

5. Property operating expenses

	Six months ended 31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Building management fee	22,790	23,040
Property manager's fees	17,359	15,571
Government rent and rates	8,559	7,981
Marketing and promotion expenses	4,535	4,292
Car park operating costs (note)	3,433	3,324
Other direct costs	5,893	5,377
	<u>62,569</u>	<u>59,585</u>

Note: Included property manager's fees of \$908,000 (2009: \$825,000).

6. Profit before taxation and transactions with unitholders

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

	Six months ended 31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	\$'000	\$'000
(a) Finance costs on interest bearing liabilities		
Interest on borrowings	59,366	66,905
Other borrowing costs	14,984	24,679
	<u>74,350</u>	<u>91,584</u>

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

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

The total amount represents finance costs on secured bank borrowings, whereas other borrowing costs represent the amortisation of the upfront payments for the interest rate swaps and various financing charges.

	Six months ended 31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	\$'000	\$'000
(b) Other items		
Interest income	(824)	(287)
Manager's fees	27,831	24,473
Property manager's fees	18,267	16,396
Trustee's remuneration	1,551	1,399
Auditor's remuneration		
— Audit services	600	577
— Other services	370	370
Valuation fees	325	366
Other legal and professional fees	1,220	2,070
Bank charges	220	225

Sunlight REIT did not appoint any director and the Group did not engage any employee during the period. No employee benefit expense has been incurred in the period accordingly.

7. Income tax

	Six months ended 31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	\$'000	\$'000
		(restated)
Current tax — Provision for Hong Kong		
Profits Tax		
Provision for the period	8,675	7,032
Under-provision in respect of prior years	—	59
	8,675	7,091
Deferred tax		
Origination and reversal of temporary differences	5,970	5,940
	14,645	13,031

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

8. Earnings per unit before transactions with unitholders

The basic earnings per unit before transactions with unitholders for the six months ended 31 December 2010 amounted to \$0.30 (2009 (restated): \$0.24). 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 \$467,666,000 (2009 (restated): \$377,960,000) and the weighted average of 1,567,756,147 units in issue during the period (2009: 1,550,519,662 units).

Diluted earnings per unit before transactions with unitholders for the six months ended 31 December 2010 and 2009 are not presented as there was no potential dilution of earnings per unit before transactions with unitholders.

9. Trade and other receivables

	31 December 2010 (Unaudited) \$'000	30 June 2010 (Audited) \$'000
Rental receivables	20,676	16,726
Deposits and prepayments	6,444	5,861
Other receivables	644	634
Amounts due from related companies	397	418
	<u>28,161</u>	<u>23,639</u>

\$5,036,000 (30 June 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:

	31 December 2010 (Unaudited) \$'000	30 June 2010 (Audited) \$'000
Current	15,713	10,833
Less than 1 month overdue	3,717	3,679
More than 1 month and up to 3 months overdue	491	1,204
More than 3 months and up to 6 months overdue	59	452
More than 6 months overdue	696	558
	<u>20,676</u>	<u>16,726</u>

9. Trade and other receivables (continued)

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

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

10. Trade and other payables

	31 December 2010 (Unaudited) \$'000	30 June 2010 (Audited) \$'000 (restated)
Creditors and accrued charges	26,992	31,652
Manager's fees payable	14,215	16,891
Amounts due to related companies	172,331	47,865
	<u>213,538</u>	<u>96,408</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 (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**") 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 as 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 period end. The amounts are unsecured, interest-free and have no fixed terms of repayment except for the amount due to the Trustee of \$793,000 (30 June 2010: \$909,000) which is due within 30 days.

11. 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 2.

By order of the Board
LO Yuk Fong, Phyllis
Company Secretary

Hong Kong, 14 February 2011

As at the date of this announcement, the Board of the Directors 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.