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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

INTERIM RESULTS ANNOUNCEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 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 unaudited interim results of Sunlight Real Estate Investment Trust (“**Sunlight REIT**”) for the six months ended 31 December 2011 (“**Reporting Period**”) as follows :

FINANCIAL HIGHLIGHTS

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

	Six months ended 31 December 2011	Six months ended 31 December 2010	Change (%)
Turnover	285.9	262.5	8.9
Net property income	218.8	199.9	9.4
Cost-to-income ratio (%)	23.5	23.8	N/A
Profit after taxation	484.5	467.7	3.6
Total distributable income	146.7	127.8	14.8
Payout ratio (%)	90.5	90.0	N/A
Distribution per unit ¹ (HK cents)	8.30	8.50 ²	(2.4)
	At 31 December 2011	At 30 June 2011	Change (%)
Portfolio valuation	12,601.0	12,222.2	3.1
Net asset value	8,622.8	8,261.9	4.4
Net asset value per unit (HK\$)	5.39	5.21	3.5
Gearing ratio (%)	29.9	30.6	N/A

Notes :

1. Please refer to “Distribution Statement” for detailed information.
2. Distribution per unit for the six months ended 31 December 2010 was adjusted for distribution waivers.

PORTFOLIO AT A GLANCE

Property	Operational Statistics									Property Financials				
	Occupancy			Passing Rent ¹			Committed Rent ¹			Net Property Income		Capitalisation Rate		Appraised Value at 31 Dec 11 ² (HK\$ '000)
	(%)			(HK\$ / sq. ft.)			(HK\$ / sq. ft.)			(HK\$ '000)		at 31 Dec 11 (%)		
	at 31 Dec 11	at 30 Jun 11	at 31 Dec 10	at 31 Dec 11	at 30 Jun 11	at 31 Dec 10	1 Jul 11 - 31 Dec 11	1 Jan 11 - 30 Jun 11	1 Jul 10 - 31 Dec 10	First half of FY2011/12	First half of FY2010/11	Retail	Office	
Office Property														
Grade A														
248 Queen’s Road East	95.3	100.0	99.4	26.9	25.6	24.8	28.9	30.5	25.5	55,979	53,219	4.20	4.00	3,341,000
Grade B														
Bonham Trade Centre	96.4	97.9	97.5	18.7	17.8	16.7	21.3	19.1	18.4	10,845	10,196	4.20	4.00	698,000
Righteous Centre	99.3	97.0	99.3	30.0	27.8	24.1	22.3	64.9	40.3	8,436	6,832	3.80	4.10	499,000
Winsome House Property	94.3	100.0	100.0	32.0	32.2	29.9	46.1	31.5	48.0	6,593	6,559	4.20	4.00	420,000
135 Bonham Strand Trade Centre Property	99.3	97.8	93.2	17.9	17.5	16.6	17.8	18.5	18.3	6,059	5,105	4.20	4.00	369,000
235 Wing Lok Street Trade Centre	97.9	96.3	94.8	14.1	13.1	12.2	14.0	13.2	15.4	3,657	2,944	4.25	4.00	219,000
Java Road 108 Commercial Centre	96.1	98.1	98.1	16.7	15.8	15.5	17.4	23.9	14.6	3,070	2,510	4.20	4.10	205,300
Yue Fai Commercial Centre Property	96.6	99.4	96.2	15.9	15.3	14.7	14.9	18.9	16.4	3,558	2,900	4.20	4.25	205,000
On Loong Commercial Building Property	97.9	100.0	95.7	22.5	21.7	21.5	17.8	16.0	14.7	3,170	2,825	4.20	4.10	182,000
Everglory Centre	90.2	95.2	92.7	16.3	15.5	15.3	17.6	17.3	16.7	1,953	2,144	4.15	4.00	159,400
Sun Fai Commercial Centre Property	100.0	100.0	100.0	17.2	16.4	16.2	13.8	12.6	18.6	2,274	2,032	4.35	4.25	134,000
Wai Ching Commercial Building Property	100.0	97.2	95.6	8.2	7.6	7.1	8.4	9.1	7.8	599	432	4.35	4.00	43,300
Sub-total/Average	96.3	98.8	97.9	22.7	21.7	20.8	23.6	23.8	22.8	106,193	97,698			6,475,000
Retail Property														
New Town														
Sheung Shui Centre Shopping Arcade	99.6	98.6	99.3	78.6	76.1	72.7	76.5	116.6	85.9	52,113	46,600	4.40	N/A	2,903,000
Metro City Phase I Property	99.0	98.8	98.3	37.9	36.9	35.4	51.5	32.9	36.7	42,433	39,200	4.50	N/A	2,148,000
Kwong Wah Plaza Property	100.0	100.0	98.8	33.6	33.1	30.5	25.5	32.4	57.8	11,901	10,444	4.00	4.00	703,000
Urban														
Royal Terrace Property	100.0	100.0	100.0	26.4	26.4	26.4	N/A	N/A	33.0	1,877	1,844	4.25	N/A	116,600
Beverley Commercial Centre Property	100.0	100.0	100.0	39.5	38.0	35.6	44.5	39.6	40.1	1,724	1,530	4.30	N/A	93,000
Glory Rise Property	90.7	100.0	100.0	32.4	30.0	29.0	105.5	36.8	92.0	1,136	1,081	4.20	N/A	75,000
Supernova Stand Property	100.0	100.0	100.0	39.4	39.4	42.4	N/A	40.8	N/A	882	1,036	4.00	N/A	51,000
Palatial Stand Property	100.0	100.0	100.0	10.9	10.8	10.4	19.4	14.1	N/A	517	497	4.35	N/A	36,400
Sub-total/Average	99.3	99.1	98.8	48.4	46.9	44.9	59.4	50.5	54.2	112,583	102,232			6,126,000
Total/Average	97.3	98.9	98.2	31.1	29.8	28.5	29.8	32.7	31.0	218,776	199,930			12,601,000

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

2. Valuation prepared by Knight Frank Petty Limited.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review

The overall occupancy of Sunlight REIT's portfolio stood at 97.3% at 31 December 2011 (30 June 2011 : 98.9%), being affected by a mild retreat of the office portfolio where occupancy declined from 98.8% to 96.3% during the Reporting Period. The retail portfolio continued to be practically fully let with an occupancy of 99.3% at 31 December 2011 (30 June 2011 : 99.1%).

In tandem with the rise in commercial market rents in the last few years, passing rent of the office portfolio continued its ascent, registering a year-on-year growth of 9.1% to HK\$22.7 per sq. ft. at 31 December 2011, while the average unit rent committed during the Reporting Period was HK\$23.6 per sq. ft.. Meanwhile, passing rent for the retail portfolio rose 7.8% year-on-year to HK\$48.4 per sq. ft. at 31 December 2011, with the average unit rent committed for the Reporting Period reaching HK\$59.4 per sq. ft.. During the Reporting Period, rental reversion for the office and retail portfolio was 15.8% and 24.6% respectively.

The mild decline in overall office occupancy during the Reporting Period was attributable to tenant migration activities notably at 248 Queen's Road East ("**248 QRE**") and Bonham Trade Centre. In particular, the retreat at 248 QRE was in line with the Manager's expectation given that a larger proportion of lease expiries took place in the first half of the financial year. However, it is anticipated that the level of occupancy would recover quickly in light of the satisfactory progress in ongoing leasing activities, largely driven by the momentum of office decentralisation and expansion of certain existing tenants. In respect of Bonham Trade Centre, it is the Manager's strategy to combine smaller vacant units so as to attract quality tenants requiring larger office space. A slowdown in leasing activities was also witnessed at Winsome House Property and Everglory Centre, but the impact on both income and occupancy was immaterial.

On the retail front, the continued influx of mainland shoppers at Sheung Shui Centre Shopping Arcade appealed to certain high-tech and telecom retailers which resulted in the opening of two quality outlets during the Reporting Period. Meanwhile, 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.

Operating Results

Sunlight REIT reported an 8.9% growth in turnover to HK\$285.9 million for the Reporting Period. In tandem with accelerating inflation and wage pressure, property operating expenses recorded a 7.2% increase from the same period last year to HK\$67.1 million. As revenue growth continued to outpace that of operating cost, net property income grew 9.4% to reach HK\$218.8 million, while the overall cost-to-income ratio showed a further improvement to 23.5% as compared to 23.8% recorded in the previous interim period. Meanwhile, reflecting the benefit of the expiry of the interest rate swaps entered into at the time of the initial public offering of Sunlight REIT (the "**IPO**") and the balance between floating and fixed rate exposure, total finance costs for the Reporting Period was HK\$50.8 million, representing a reduction of HK\$23.6 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 reported a profit after taxation of HK\$484.5 million for the Reporting Period (first half of FY2010/11 : HK\$467.7 million).

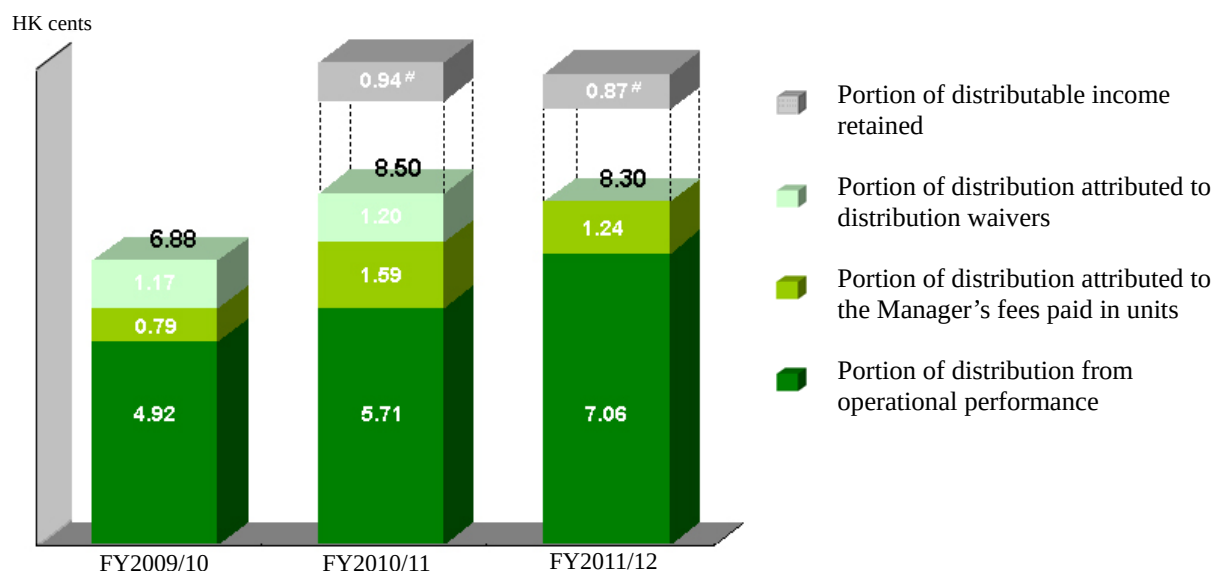
Distribution

For the Reporting Period, the total distributable income of Sunlight REIT rose 14.8% year-on-year to HK\$146,687,000. The Board of the Manager has resolved to declare an interim distribution of HK 8.30 cents per unit, or HK\$132,748,000, which implies a payout ratio of 90.5%. The interim distribution declared represents a year-on-year decline of 2.4% as compared with HK 8.50 cents (based on a payout ratio of 90%) distributed in the previous corresponding period. It should be noted that the distribution per unit (“DPU”) in the previous year was enhanced by a 50% distribution waivers (in respect of the units subscribed at the time of the IPO) extended by certain subsidiaries of Henderson Land Development Company Limited (“HLD”) and of Shau Kee Financial Enterprises Limited (“SKFE”) (collectively, the “Sponsors”). On the basis of no distribution waivers, the interim DPU declared in FY2011/12 actually rose 13.7% from the same period last year. Based on the closing unit price of HK\$2.22 (on the last trading day of the Reporting Period), the interim distribution represents an annualised yield of 7.48%.

FY2011/12 marks the cessation of all Sponsors’ support (originated at the time of the IPO), and thus the total distributable income and DPU will be 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. Pursuant to the announcement issued on 18 May 2011, the Manager has elected to receive 70% of its base fee and variable fee for the current financial year in units (FY2010/11 : 100% in units).

The chart below provides a year-on-year comparison of the DPU. Contributions from operation, distribution waivers and the change in the payment structure of Manager’s fees 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.

Interim DPU at a Glance



: HK\$13,939,000 or HK 0.87 cents per unit (first half of FY2010/11 : HK\$12,780,000 or approximately HK 0.94 cents per unit) has been retained.

Distribution Entitlement and Closure of Register of Unitholders

The record date for the interim distribution will be Friday, 2 March 2012. The register of unitholders will be closed from Wednesday, 29 February 2012 to Friday, 2 March 2012, both days inclusive, during which period no transfer of units will be effected. In order to be entitled to

the interim 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 Tuesday, 28 February 2012. Payment of the interim distribution will be made to unitholders on Friday, 30 March 2012.

Financial Position

Sunlight REIT's portfolio was appraised by Knight Frank Petty Limited at HK\$12,601.0 million at 31 December 2011, representing an increase of 3.1% from the valuation of HK\$12,222.2 million appraised at 30 June 2011. Office and retail properties accounted for 51.4% and 48.6% of the valuation and registered an appreciation of 3.4% and 2.8% in comparison with their respective valuation at 30 June 2011. Consequently, the net asset value of Sunlight REIT rose 4.4% to arrive at HK\$8,622.8 million or HK\$5.39 per unit at 31 December 2011 (30 June 2011 : HK\$8,261.9 million or HK\$5.21 per unit).

At 31 December 2011, the gearing ratio of Sunlight REIT, defined as total borrowings as a percentage of gross assets, stood at 29.9% as compared with 30.6% at 30 June 2011. Gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets was 34.8% at 31 December 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 31 December 2011.

Capital Management

On 23 August 2011, Sunlight REIT successfully entered into credit facility agreements (the "**New Facility Agreements**") with a syndicate of banks (the "**Banks**"). Under the New Facility Agreements, Sunlight REIT has been granted by the Banks with aggregate new facilities amounting to HK\$4,050.0 million, which comprises a HK\$3,950.0 million term loan facility (the "**New Term Loan Facility**") and a HK\$100.0 million revolving credit facility (the "**New RCF**"). 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 New Term Loan Facility and the New RCF are secured by, among others, the investment properties of Sunlight REIT, assignment of proceeds under tenancies and a floating charge over its bank balances.

The drawdown of the entire New Term Loan Facility took place on 21 September 2011, the proceeds of which was utilised to refinance all the then prevailing term loan facilities which was due for repayment on 21 December 2011.

In order to minimise financial market risks and maintain financial flexibility, Sunlight REIT has maintained certain interest rate swap arrangements, as the effective interest rate of the term loan (including credit spread) for the Reporting Period was approximately 2.24% per annum. During the Reporting Period, an additional interest rate swap with a notional amount of HK\$300.0 million was entered into for a period of seven years starting from 7 October 2011. This transaction represents the first swap arrangement for Sunlight REIT with a maturity beyond five years. The effective 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.

To ensure that Sunlight REIT maintains sufficient liquidity to meet operational and distribution requirements, it is the Manager's treasury management policy (being in compliance with relevant regulatory requirements) to place funds derived from operations as short term bank deposits or fixed income securities which must be of investment grade, with maturity profile to be compatible with the projected funding requirements. At 31 December 2011, Sunlight REIT had a total bank and cash balances of HK\$234.6 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, Sunlight REIT has sufficient financial resources to satisfy its working capital, distribution payment and capital expenditure requirements.

OUTLOOK

Sunlight REIT delivered a set of resilient interim results amid a turbulent global economic environment. Looking ahead, in light of the lingering economic uncertainties in both Europe and the US exacerbated by global credit tightening, the Manager will stay vigilant and proactive so as to ensure that Sunlight REIT is well positioned to withstand the potential volatilities ahead. The mild softening of the local commercial leasing market would nonetheless present the Manager with an opportunity to nurture and optimise tenant relationship and mix in order to pave way for long term growth.

As the Manager has already concluded a substantial portion of the leases at 248 QRE expiring in the current financial year, any further impact resulting from potential volatilities in the Grade A office market should be greatly mitigated. For the portfolio as a whole, expiries in the second half of FY2011/12 account for 18.1% of the office gross rentable area ("**GRA**") and 24.2% of the retail GRA, while the average unit rent for the expiring office and retail leases are HK\$20.4 per sq. ft. and HK\$40.7 per sq. ft. respectively. Barring unforeseen circumstances, the Manager is confident that positive rental reversion for the overall portfolio of Sunlight REIT would remain a sustainable feature for the rest of the financial year.

The Manager will be turning its full attention to map out the asset enhancement plan for Metro City Phase I Property. The process will be spearheaded by strategic leasing initiatives, notably including a major tenant mix reconfiguration on the lower level of the complex. The Manager is encouraged by the level of enthusiasm indicated by existing tenants and is anticipating to commence phase one of the enhancement works by the end of 2012.

At 31 December 2011, approximately 83.5% of Sunlight REIT's debt exposure has been hedged to fixed rates for an average tenure of approximately 3.34 years. The Manager is comfortable with the current balance between floating and fixed rate exposure, but will continue to monitor the interest rate environment closely with a view to capitalising on the prevailing low interest rate environment.

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 the Directors, more than 25% of the outstanding units in issue were held in public hands at 31 December 2011.

New Units Issued

Except for an aggregate of 12,883,263 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 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 2011/12 Interim Report of Sunlight REIT will be sent to unitholders on or about 24 February 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 six months ended 31 December 2011 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 31 December	
	Note	2011	2010
		\$'000	\$'000
Turnover	4	285,848	262,499
Property operating expenses	5	<u>(67,072)</u>	<u>(62,569)</u>
Net property income		218,776	199,930
Other income		1,741	824
Administrative expenses		(40,564)	(32,739)
Net increase in fair value of investment properties		<u>374,825</u>	<u>388,646</u>
Profit from operations		554,778	556,661
Finance costs on interest bearing liabilities	6(a)	<u>(50,792)</u>	<u>(74,350)</u>
Profit before taxation and transactions with unitholders	6	503,986	482,311
Income tax	7	<u>(19,532)</u>	<u>(14,645)</u>
Profit after taxation and before transactions with unitholders		<u><u>484,454</u></u>	<u><u>467,666</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2011 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2011	2010
	\$'000	\$'000
Profit after taxation and before transactions with unitholders	484,454	467,666
Other comprehensive income for the period		
Changes in fair value of cash flow hedges recognised during the period	<u>(29,167)</u>	<u>35,110</u>
Total comprehensive income for the period	<u>455,287</u>	<u>502,776</u>

CONSOLIDATED BALANCE SHEET

At 31 December 2011

(Expressed in Hong Kong dollars)

	Note	31 December 2011 (Unaudited) \$'000	30 June 2011 (Audited) \$'000
Non-current assets			
Fixed assets			
- Investment properties		12,601,000	12,222,200
- Other fixed assets		37	44
		<u>12,601,037</u>	<u>12,222,244</u>
Deferred tax assets		5,289	5,649
Reimbursement rights		<u>203,932</u>	<u>203,932</u>
		<u>12,810,258</u>	<u>12,431,825</u>
Current assets			
Trade and other receivables	9	27,819	26,518
Pledged deposits		234,435	261,119
Cash at bank and in hand		155	177
Tax recoverable		<u>159,101</u>	<u>168,563</u>
		<u>421,510</u>	<u>456,377</u>
Total assets		<u>13,231,768</u>	<u>12,888,202</u>
Current liabilities			
Tenants' deposits		(136,675)	(135,324)
Rent receipts in advance		(4,768)	(5,284)
Trade and other payables	10	(211,320)	(222,699)
Secured bank borrowings		-	(3,948,116)
Derivative financial instruments		(44,632)	(45,938)
Current taxation		<u>(13,343)</u>	<u>(17,879)</u>
		<u>(410,738)</u>	<u>(4,375,240)</u>
Net current assets/(liabilities)		<u>10,772</u>	<u>(3,918,863)</u>
Total assets less current liabilities		<u>12,821,030</u>	<u>8,512,962</u>

CONSOLIDATED BALANCE SHEET (continued)

At 31 December 2011

(Expressed in Hong Kong dollars)

	31 December 2011 (Unaudited) \$'000	30 June 2011 (Audited) \$'000
Non-current liabilities, excluding net assets attributable to unitholders		
Secured bank borrowings	(3,908,167)	-
Deferred tax liabilities	(246,337)	(237,748)
Derivative financial instruments	(43,759)	(13,286)
	<u>(4,198,263)</u>	<u>(251,034)</u>
Total liabilities, excluding net assets attributable to unitholders	<u>(4,609,001)</u>	<u>(4,626,274)</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>8,622,767</u>	<u>8,261,928</u>
Number of units in issue	<u>1,599,374,927</u>	<u>1,586,491,664</u>
Net asset value attributable to unitholders per unit	<u>\$5.39</u>	<u>\$5.21</u>

DISTRIBUTION STATEMENT

For the six months ended 31 December 2011 - unaudited
(Expressed in Hong Kong dollars)

		Six months ended 31 December	
		2011	2010
	Note	\$'000	\$'000
Profit after taxation and before transactions with unitholders		484,454	467,666
Adjustments :			
- Net increase in fair value of investment properties		(374,825)	(388,646)
- Manager's fees paid or payable in the form of units		21,970	27,831
- Non-cash finance costs on interest bearing liabilities		6,139	14,977
- Deferred tax	7	8,949	5,970
		(337,767)	(339,868)
Total distributable income		146,687	127,798
Payout ratio (note (i))		90.5%	90%
Interim distribution (notes (ii) and (vi))		132,748	115,018
Distribution per unit :			
- Before adjusting for distribution waivers (notes (ii), (iii) and (iv))		8.30 cents	7.30 cents
- After adjusting for distribution waivers (notes (iii) and (v))		N/A	8.50 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 current policy of the Manager is to distribute to unitholders an amount not less than 90% of Sunlight REIT’s annual distributable income for each financial year.
- (ii) The interim distribution of \$132,748,000 for the six months ended 31 December 2011, representing a payout ratio of 90.5%, 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.

DISTRIBUTION STATEMENT (continued)

For the six months ended 31 December 2011 - 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 (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) The 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, was calculated by dividing the interim distribution for that period of \$115,018,000, representing a payout ratio of 90%, by 1,574,557,232 units in issue at 31 December 2010.
- (v) The 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, was calculated by dividing the interim distribution for that period of \$115,018,000 by 1,353,735,912 units, which was 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>

- (vi) The interim distribution is expected to be paid on 30 March 2012 to unitholders whose names appear on the register of unitholders on 2 March 2012.
- (vii) The interim 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 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 a number of amendments to Hong Kong Financial Reporting Standards (“**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 financial statements:

- Hong Kong Accounting Standard (“**HKAS**”) 24 (revised 2009), “*Related party disclosures*”
- Improvements to HKFRSs (2010)

The above developments related primarily to clarification of certain disclosure requirements applicable to the Group’s financial statements. These developments have had no material impact on the contents of the interim financial report.

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.

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 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

For the purposes of assessing segment performance and allocating resources between segments, 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 Manager's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below :

	Six months ended 31 December					
	2011 (Unaudited)			2010 (Unaudited)		
	Office properties \$'000	Retail properties \$'000	Total \$'000	Office properties \$'000	Retail properties \$'000	Total \$'000
Turnover						
- rental income	111,252	117,091	228,343	102,845	107,424	210,269
- car park income	1,541	9,652	11,193	1,568	8,644	10,212
- rental related income	24,484	21,828	46,312	22,076	19,942	42,018
	137,277	148,571	285,848	126,489	136,010	262,499
Property operating expenses	(31,084)	(35,988)	(67,072)	(28,791)	(33,778)	(62,569)
Net property income	106,193	112,583	218,776	97,698	102,232	199,930
Administrative expenses	(16,807)	(16,037)	(32,844)	(14,734)	(14,460)	(29,194)
Segment results	89,386	96,546	185,932	82,964	87,772	170,736
Net increase in fair value of investment properties	209,721	165,104	374,825	201,046	187,600	388,646
Finance costs on interest bearing liabilities			(50,792)			(74,350)
Income tax			(19,532)			(14,645)
Interest income			1,741			824
Unallocated net expenses			(7,720)			(3,545)
Profit after taxation and before transactions with unitholders			484,454			467,666
Depreciation	3	4	7	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	
	2011	2010
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Rental income	228,343	210,269
Car park income	11,193	10,212
Rental related income	46,312	42,018
	285,848	262,499

5. Property operating expenses

	Six months ended 31 December	
	2011	2010
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Building management fee	25,877	22,790
Property manager's fees	18,049	17,359
Government rent and rates	9,465	8,559
Marketing and promotion expenses	4,964	4,535
Car park operating costs (note)	3,796	3,433
Other direct costs	4,921	5,893
	67,072	62,569

Note : Included property manager's fees of \$1,043,000 (2010 : \$908,000).

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	
	2011	2010
	(Unaudited)	(Unaudited)
	\$'000	\$'000
(a) Finance costs on interest bearing liabilities		
Interest on secured bank borrowings	44,603	59,366
Other borrowing costs	6,189	14,984
	50,792	74,350

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

	Six months ended 31 December	
	2011	2010
	(Unaudited)	(Unaudited)
	\$'000	\$'000
(b) Other items		
Interest income	(1,741)	(824)
Manager's fees	31,386	27,831
Property manager's fees	19,092	18,267
Trustee's remuneration	1,698	1,551
Auditor's remuneration		
- Audit services	685	600
- Other services	490	370
Valuation fees	325	325
Other legal and professional fees	4,844	1,220
Bank charges	364	220

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	
	2011	2010
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Current tax - Provision for Hong Kong		
Profits Tax		
Provision for the period	10,546	8,675
Under-provision in respect of prior periods	37	-
	10,583	8,675
Deferred tax		
Origination and reversal of temporary differences	8,949	5,970
	19,532	14,645

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

During the six months ended 31 December 2011, 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 SKFE, HLD, Henderson Investment Limited, Henderson Development Limited and Jetwin International Limited) (collectively referred to as the “**Vendors**”) pursuant to the tax indemnity.

8. Earnings per unit before transactions with unitholders

The basic earnings per unit before transactions with unitholders for the six months ended 31 December 2011 amounted to \$0.30 (2010 : \$0.30). 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 \$484,454,000 (2010 : \$467,666,000) and the weighted average of 1,591,112,834 units in issue during the period (2010 : 1,567,756,147 units).

Diluted earnings per unit before transactions with unitholders for the six months ended 31 December 2011 and 2010 are not presented as there was no potential dilution of earnings per unit before transactions with unitholders.

9. Trade and other receivables

	31 December 2011 (Unaudited) \$'000	30 June 2011 (Audited) \$'000
Rental receivables	17,193	17,954
Deposits and prepayments	8,248	6,481
Other receivables	1,859	1,663
Amounts due from related companies	519	420
	27,819	26,518

\$5,002,000 (30 June 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.

The ageing analysis of rental receivables is as follows :

	31 December 2011 (Unaudited) \$'000	30 June 2011 (Audited) \$'000
Current	13,515	14,600
Less than 1 month overdue	3,246	2,613
More than 1 month and up to 3 months overdue	423	381
More than 3 months and up to 6 months overdue	9	26
More than 6 months overdue	-	334
	17,193	17,954

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 2011 (Unaudited) \$'000	30 June 2011 (Audited) \$'000
Creditors and accrued charges	27,628	31,614
Manager's fees payable	15,837	18,943
Amounts due to related companies	<u>167,855</u>	<u>172,142</u>
	<u>211,320</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 four 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 period end. The amounts are unsecured, interest-free and have no fixed terms of repayment except for the amount due to the Trustee of \$864,000 (30 June 2011 : \$1,022,000) which is due within 30 days.

11. Comparative figures

Certain comparative figures have been reclassified to conform with the current period'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, 14 February 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.