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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 2012

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 2012 (“**Reporting Period**”) as follows :

FINANCIAL HIGHLIGHTS

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

	Six months ended 31 December 2012	Six months ended 31 December 2011	Change (%)
Turnover	308.6	285.9	7.9
Net property income	239.7	218.8	9.6
Cost-to-income ratio (%)	22.3	23.5	N/A
Profit after taxation	1,032.6	484.5	113.1
Total distributable income	149.6	146.7	2.0
Distribution per unit ^{note} (HK cents)	8.50	8.30	2.4
Payout ratio (%)	91.6	90.5	N/A
	At 31 December 2012	At 30 June 2012	Change (%)
Portfolio valuation	13,879.4	13,038.8	6.4
Net asset value	9,938.0	9,022.0	10.2
Net asset value per unit (HK\$)	6.17	5.62	9.8
Gearing ratio (%)	26.9	28.8	N/A

Note : Please refer to “Distribution Statement” for detailed information.

PORTFOLIO STATISTICS

Property	Operational Statistics						Property Financials				
	Occupancy (%)		Passing Rent ¹ (HK\$ / sq. ft.)		Rental Reversion ² (%)		Net Property Income (HK\$ '000)		Capitalisation Rate at 31 Dec 2012 (%)		Appraised Value at 31 Dec 2012 ³ (HK\$ '000)
	at 31 Dec 2012	at 30 Jun 2012	at 31 Dec 2012	at 30 Jun 2012	six months ended 31 Dec 2012	six months ended 30 Jun 2012	six months ended 31 Dec 2012	six months ended 31 Dec 2011	Retail	Office	
Office Property											
Grade A											
248 Queen's Road East	100.0	100.0	27.9	27.3	23.3	13.6	63,031	55,979	3.75	3.85	3,682,700
Grade B											
Bonham Trade Centre	99.7	99.7	20.7	19.3	26.3	28.7	12,812	10,845	4.20	3.85	760,100
Righteous Centre	96.5	92.5	33.0	31.5	30.4	20.6	8,869	8,436	3.60	3.95	567,700
Winsome House Property	100.0	97.2	35.0	33.6	40.3	32.5	7,511	6,593	4.00	3.85	462,400
135 Bonham Strand Trade Centre Property	100.0	99.1	19.4	18.8	13.3	17.8	6,009	6,059	4.20	3.85	393,300
235 Wing Lok Street Trade Centre	97.5	97.8	14.9	14.5	13.2	17.9	3,751	3,657	4.25	3.85	237,100
Yue Fai Commercial Centre Property	99.4	99.4	16.8	16.3	12.1	15.5	3,559	3,558	4.10	4.10	223,600
Java Road 108 Commercial Centre	100.0	94.2	19.0	17.8	25.2	19.6	3,241	3,070	4.20	3.95	221,500
On Loong Commercial Building Property	97.8	100.0	24.1	23.2	20.5	12.7	3,296	3,170	4.00	3.95	199,425
Everglory Centre	100.0	100.0	17.6	16.9	23.7	18.8	2,739	1,953	4.15	3.85	170,500
Sun Fai Commercial Centre Property	100.0	100.0	18.0	17.6	13.3	18.0	2,439	2,274	4.35	4.10	146,500
Wai Ching Commercial Building Property	100.0	100.0	9.1	8.6	23.0	23.3	695	599	4.20	3.85	47,100
Sub-total/Average	99.5	98.9	24.2	23.3	23.7	18.6	117,952	106,193			7,111,925
Retail Property											
New Town											
Sheung Shui Centre Shopping Arcade	97.4	98.8	87.9	82.4	33.7	33.1	58,162	52,113	4.40	N/A	3,170,800
Metro City Phase I Property	98.8	99.8	42.0	40.3	40.8	19.1	46,262	42,433	4.50	N/A	2,446,900
Kwong Wah Plaza Property	100.0	97.9	36.2	34.3	29.4	32.6	12,065	11,901	3.80	3.85	790,000
Urban											
Royal Terrace Property	100.0	100.0	44.8	29.7	N/A	19.5	1,891	1,877	4.25	N/A	149,400
Beverly Commercial Centre Property	100.0	100.0	44.9	41.6	32.0	25.6	1,891	1,724	4.30	N/A	118,600
Supernova Stand Property	100.0	100.0	40.6	39.4	N/A	N/A	907	882	4.00	N/A	54,700
Palatial Stand Property	75.2	100.0	11.7	10.9	27.1	N/A	410	517	4.35	N/A	37,100
Sub-total/Average	98.1	99.2⁴	54.4	51.1⁴	35.6	23.9⁴	121,588⁴	111,447⁴			6,767,500
Total/Average	99.1	99.0⁴	33.6	32.1⁴	29.7	21.9⁴	239,540⁴	217,640⁴			13,879,425

Notes : 1. Passing rent is expressed in terms of rent per month.

2. Calculated on the basis of change in effective rent of the leases that have been renewed during the relevant period.

3. Valuation prepared by Jones Lang LaSalle Limited.

4. These figures have been adjusted to eliminate the effect of the Glory Rise Property, the disposal of which was completed on 3 September 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review

The overall portfolio occupancy of Sunlight REIT stood at 99.1% at 31 December 2012 (30 June 2012: 99.0%), being supported by a practically fully let office portfolio where occupancy improved from 98.9% to 99.5% during the Reporting Period. A slight retreat notwithstanding, occupancy for the retail portfolio remained highly satisfactory, achieving a level of 98.1% at 31 December 2012 (30 June 2012: 99.2%).

In tandem with the rise in commercial market rents over the past six months, passing rent of the office portfolio continued its ascent, registering a growth of 3.9% from 30 June 2012 to HK\$24.2 per sq. ft.. The average unit rent committed during the Reporting Period was HK\$24.4 per sq. ft., as rental reversion was a solid 23.7%. Meanwhile, passing rent for the retail portfolio rose 6.5% from 30 June 2012 to HK\$54.4 per sq. ft., with the average unit rent committed for the Reporting Period reaching HK\$60.5 per sq. ft., thanks to an even more impressive rental reversion of 35.6%.

Full occupancy had been a notable feature of 248 Queen's Road East during the Reporting Period as this flagship property achieved a rental reversion of 23.3%. In terms of the entire office portfolio, the mild occupancy improvement was principally led by a recovery in occupancy at Righteous Centre and Java Road 108 Commercial Centre, both being beneficiaries of the prevailing demand for decentralised office space.

On the retail front, the unabated influx of mainland shoppers has further buoyed the already fine performance of Sheung Shui Centre Shopping Arcade which attained a rental reversion of 33.7% during the Reporting Period. Meanwhile, benefitted from the ongoing tenant repositioning strategy in conjunction with the proposed enhancement programme, the performance of Metro City Phase I Property has been particularly impressive, as demonstrated by its strong rental reversion of 40.8%.

Operating Results

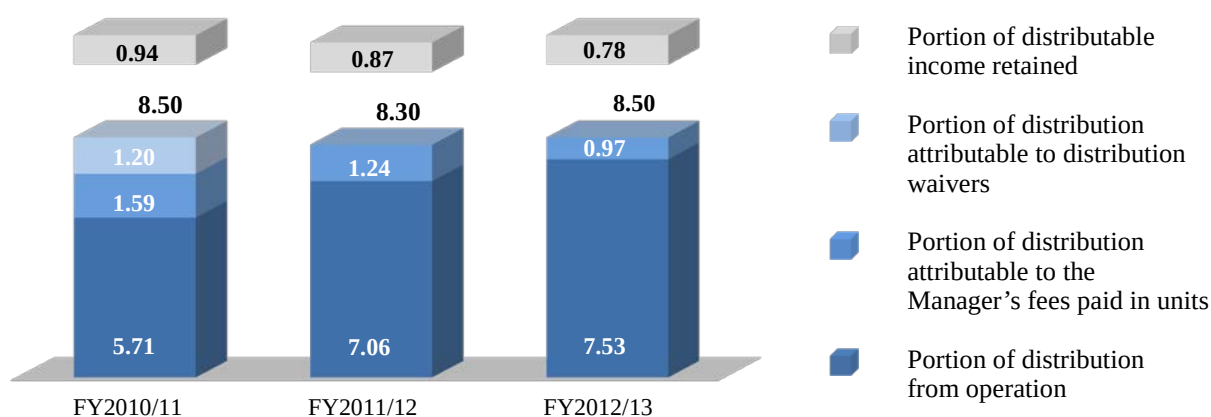
Sunlight REIT reported a 7.9% growth in turnover to HK\$308.6 million for the Reporting Period. Property operating expenses amounted to HK\$68.9 million, resulting in a 9.6% growth in net property income to reach HK\$239.7 million, while the overall cost-to-income ratio showed a further improvement to 22.3% as compared to 23.5% recorded in the previous interim period. Meanwhile, total finance costs for the Reporting Period was HK\$59.8 million, representing an increase of HK\$9.0 million as compared with the same period last year. This was mainly attributable to a higher credit spread upon refinancing of the term loan in September 2011. After taking into account the gain on disposal of the Glory Rise Property (HK\$2.1 million), 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\$1,032.6 million for the Reporting Period (first half of FY2011/12: HK\$484.5 million).

Distribution

Notwithstanding the encouraging operational performance of Sunlight REIT for the first half of FY2012/13, the level of distributable income had been mildly impacted by the onset of a higher effective tax rate primarily due to past tax losses having been fully utilised for certain properties, and the election of a larger cash component for the Manager's fees (50% in FY2012/13 versus 30% in FY2011/12). For the Reporting Period, total distributable income of Sunlight REIT was HK\$149,578,000, representing an increase of 2.0% from HK\$146,687,000 recorded in the previous corresponding period. The Board of the Manager has resolved to declare an interim distribution of HK 8.50 cents per unit, or HK\$136,991,000, which implies a payout ratio of 91.6%. The interim distribution declared represents a year-on-year increase of 2.4% as compared with HK 8.30 cents (based on a payout ratio of 90.5%) distributed in the previous corresponding period. Based on the closing unit price of the Reporting Period of HK\$3.30, the interim distribution represents an annualised yield of 5.15%.

The chart below provides a year-on-year comparison of distribution per unit ("DPU"). Contributions from operations, 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.

Interim DPU at a Glance (HK cents)



Distribution Entitlement and Closure of Register of Unitholders

The record date for the interim distribution will be Thursday, 7 March 2013. The register of unitholders will be closed from Tuesday, 5 March 2013 to Thursday, 7 March 2013, 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 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, 4 March 2013. Payment of the interim distribution will be made to unitholders on Thursday, 28 March 2013.

Financial Position

Sunlight REIT's portfolio was appraised by Jones Lang LaSalle Limited at HK\$13,879.4 million at 31 December 2012, representing an increase of 7.1% from the valuation of HK\$12,963.5 million appraised at 30 June 2012 (after adjusting for the effect on disposal of the Glory Rise Property in September 2012). Office and retail properties accounted for 51.2% and 48.8% of the valuation respectively, which implies an appreciation of 6.4% and 7.7% in comparison with their respective valuation at 30 June 2012.

The higher property valuation reduced the gearing ratio of Sunlight REIT, defined as total borrowings as a percentage of gross assets, from 28.8% at 30 June 2012 to 26.9% and expanded net assets by 10.2% to HK\$9,938.0 million at 31 December 2012 (30 June 2012: HK\$9,022.0 million). Net asset value per unit rose 9.8% to HK\$6.17 per unit (30 June 2012: HK\$5.62 per unit). Gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets was 31.9% at 31 December 2012. 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 31 December 2012.

Capital Management

At 31 December 2012, Sunlight REIT has in place total loan facilities of HK\$4,025.0 million, comprising a term loan facility of HK\$3,925.0 million which has been fully drawn and a HK\$100.0 million revolving credit facility that was undrawn. These facilities, which will mature on 21 September 2014, are secured by, among others, the investment properties of Sunlight REIT, assignment of proceeds under tenancies and a floating charge over its bank balances.

In order to minimise financial market risks and maintain financial flexibility, Sunlight REIT has maintained certain interest rate swap arrangements and kept approximately 15.9% of Sunlight REIT's indebtedness in floating rate exposure. The effective interest rate of the term loan (including credit spread) for the Reporting Period was approximately 2.63% per annum (first half of FY2011/12: 2.24%). Based on an EBITDA¹ of HK\$203.4 million, the interest coverage ratio² of Sunlight REIT for the Reporting Period was 3.90 times versus 4.03 times recorded in the previous interim period. In light of the fact that HK\$1,500.0 million worth of interest rate swaps are due for expiry in June 2013, a forward start interest rate swap with a notional amount of HK\$500.0 million had been entered into for a tenure of five years effective 2 July 2013. The terms of all the interest rate swaps are summarised below :

Notional amount (HK\$' million)	Tenure	Average interest rate ³ (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%
500	2 July 2013 – 29 June 2018	0.815%

Notes : 1. EBITDA represents net earnings before interest, taxation, depreciation and amortisation.

2. Interest coverage ratio is calculated by dividing EBITDA by cash interest expenses incurred on gross borrowings.

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

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 2012, Sunlight REIT had a total bank and cash balances of HK\$330.2 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.

Asset Disposal and Unit Repurchase

On 1 August 2012, a sale and purchase agreement was entered into in respect of the disposal of the Glory Rise Property for a total consideration of HK\$78.5 million, which represents a premium of approximately 4.25% to its appraised value at 30 June 2012. The disposal, which was completed on 3 September 2012, will enable the Manager to streamline its operations and allocate resources more efficiently.

Meanwhile, the Manager continued to execute on-market purchase of Sunlight REIT units on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). During the Reporting Period, a total of 1,500,000 units was repurchased (at an average price of approximately HK\$3.16 per unit) and cancelled. Together with the previous round of repurchases which took place in June 2012, a total of 5,100,000 units has been cancelled thus far, representing 0.32% of the total units outstanding at 31 December 2012.

OUTLOOK

Sunlight REIT delivered a set of interim results that reflect an encouraging performance of its property portfolio, supported by both strong rental reversion and adequate cost containment. Looking ahead, tenancy expiries in the second half of FY2012/13 would account for 22.6% of the office GRA and 21.5% of the retail GRA, while the average unit rent for the expiring office and retail leases are HK\$22.3 per sq. ft. and HK\$48.4 per sq. ft. respectively. Barring unforeseen circumstances, the Manager anticipates that positive rental reversion would remain a key driver for growth for the rest of this financial year. In addition, it is envisaged that the level of overall occupancy would remain satisfactory in light of the still brisk demand for decentralised office space and organic expansion of certain existing tenants.

While Sunlight REIT is well positioned to capitalise on the favourable rental cycle, the enormous liquidity supply which aims to redress the global economic situation is likely to fuel inflation, not to mention the impact from fiscal initiatives such as, in the case of Hong Kong, the introduction (and upcoming revision) of minimum wage. In this regard, the Manager envisages that the upward cycle in operating cost for Sunlight REIT has yet to run its full course.

In respect of asset enhancement, with the completion of the lobby upgrading work at Winsome House Property, the Manager will be turning its attention to executing the asset enhancement plan for Metro City Phase I Property. The process is already spearheaded by strategic leasing initiatives, notably including tenant mix reconfiguration on the lower level of the complex. Meanwhile, ceiling and lighting improvement works at Sheung Shui Centre Shopping Arcade is expected to commence in the first half of 2013, which upon completion should further enhance the shopping environment as well as achieve additional energy and cost savings. On the office property front, improvement works notably including the upgrading of ancillary and supporting facilities at 248 Queen's Road East and Bonham Trade Centre, would continuously be implemented.

On capital management, the Manager will continue to optimise the capital structure of Sunlight REIT as and when opportunity arises. The entering into of a forward start interest rate swap transaction during the Reporting Period signifies the Manager's intention to mitigate interest rate risk through capitalising on the prevailing flat yield curve. In addition, the Manager will also actively explore alternative financing channels with a view to diversifying the funding sources and the debt maturity profile of Sunlight REIT.

As unit repurchase will remain a strategic initiative as long as value can be created for unitholders, the Manager will, in the meantime, continue to embark on a strategy that may involve fine tuning the asset composition of Sunlight REIT. The previous disposal of the Glory Rise Property not only demonstrates the Manager's commitment to realise the intrinsic value of Sunlight REIT, it also serves to strengthen the financial war chest of Sunlight REIT for the purpose of both future acquisitions (as and when appropriate) as well as further repurchase of units. The Manager is confident that the pursuit of these activities would reap meaningful benefits for unitholders.

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 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 2012.

New Units Issued

Except for an aggregate of 7,580,383 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

Pursuant to the general mandate granted by unitholders at the annual general meeting held on 26 October 2011, the Manager repurchased on behalf of Sunlight REIT a total of 1,500,000 units on the Stock Exchange in October 2012 at an aggregate consideration of approximately HK\$4.7 million. The highest and the lowest price per unit paid for such repurchases were HK\$3.17 and HK\$3.14 respectively. All repurchased units were cancelled prior to the end of the Reporting Period.

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 Reporting Period.

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 reference. 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 2012/13 Interim Report of Sunlight REIT will be sent to unitholders on or about 27 February 2013.

FORWARD-LOOKING STATEMENTS

This announcement contains certain statements and terminologies that are forward-looking. 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 sectors in which Sunlight REIT operates. They are subject to risks, uncertainties and other factors beyond the Manager's control, the emergence of 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 2012 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 31 December	
	Note	2012 \$'000	2011 \$'000
Turnover	4	308,650	285,848
Property operating expenses	5	<u>(68,904)</u>	<u>(67,072)</u>
Net property income		239,746	218,776
Other income		1,681	1,741
Gain on disposal of investment properties		2,088	-
Administrative expenses		(40,100)	(40,564)
Net increase in fair value of investment properties		<u>913,719</u>	<u>374,825</u>
Profit from operations		1,117,134	554,778
Finance costs on interest bearing liabilities	6(a)	<u>(59,827)</u>	<u>(50,792)</u>
Profit before taxation and transactions with unitholders	6	1,057,307	503,986
Income tax	7	<u>(24,673)</u>	<u>(19,532)</u>
Profit after taxation and before transactions with unitholders		<u><u>1,032,634</u></u>	<u><u>484,454</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2012 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2012	2011
	\$'000	\$'000
Profit after taxation and before transactions with unitholders	1,032,634	484,454
Other comprehensive income for the period		
Changes in fair value of cash flow hedges recognised during the period	<u>6,868</u>	<u>(29,167)</u>
Total comprehensive income for the period	<u>1,039,502</u>	<u>455,287</u>

CONSOLIDATED BALANCE SHEET

At 31 December 2012

(Expressed in Hong Kong dollars)

		31 December 2012 (Unaudited) \$'000	30 June 2012 (Audited) \$'000
	Note		
Non-current assets			
Fixed assets			
- Investment properties		13,879,425	13,038,800
- Other fixed assets		66	78
		<u>13,879,491</u>	<u>13,038,878</u>
Deferred tax assets		4,321	4,743
Derivative financial instruments		1,057	-
Reimbursement rights		<u>203,413</u>	<u>203,413</u>
		<u>14,088,282</u>	<u>13,247,034</u>
Current assets			
Trade and other receivables	9	24,420	26,057
Pledged deposits		324,718	259,592
Cash at bank and in hand		5,468	1,288
Tax recoverable		<u>158,749</u>	<u>158,506</u>
		<u>513,355</u>	<u>445,443</u>
Total assets		<u>14,601,637</u>	<u>13,692,477</u>
Current liabilities			
Tenants' deposits		(152,703)	(144,598)
Rent receipts in advance		(4,826)	(4,360)
Trade and other payables	10	(214,748)	(211,490)
Derivative financial instruments		(39,650)	(47,410)
Tax payable		<u>(22,250)</u>	<u>(25,444)</u>
		<u>(434,177)</u>	<u>(433,302)</u>
Net current assets		<u>79,178</u>	<u>12,141</u>
Total assets less current liabilities		<u>14,167,460</u>	<u>13,259,175</u>

CONSOLIDATED BALANCE SHEET (continued)

At 31 December 2012

(Expressed in Hong Kong dollars)

	31 December 2012 (Unaudited) \$'000	30 June 2012 (Audited) \$'000
Non-current liabilities, excluding net assets attributable to unitholders		
Secured bank borrowings	(3,898,534)	(3,915,850)
Deferred tax liabilities	(263,698)	(256,096)
Derivative financial instruments	(67,221)	(65,273)
	<u>(4,229,453)</u>	<u>(4,237,219)</u>
Total liabilities, excluding net assets attributable to unitholders	<u>(4,663,630)</u>	<u>(4,670,521)</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>9,938,007</u>	<u>9,021,956</u>
Number of units in issue	<u>1,611,664,307</u>	<u>1,605,583,924</u>
Net asset value attributable to unitholders per unit	<u>\$6.17</u>	<u>\$5.62</u>

DISTRIBUTION STATEMENT

For the six months ended 31 December 2012 - unaudited
(Expressed in Hong Kong dollars)

		Six months ended 31 December	
		2012	2011
	Note	\$'000	\$'000
Profit after taxation and before transactions with unitholders		1,032,634	484,454
Adjustments :			
- Gain on disposal of investment properties		(2,088)	-
- Net increase in fair value of investment properties		(913,719)	(374,825)
- Manager's fees paid or payable in the form of units		17,044	21,970
- Non-cash finance costs on interest bearing liabilities		7,683	6,139
- Deferred tax	7	8,024	8,949
		(883,056)	(337,767)
Total distributable income (note (i))		149,578	146,687
Payout ratio (note (ii))		91.6%	90.5%
Interim distribution (note (ii))		136,991	132,748
Distribution per unit (note (ii))		8.50 cents	8.30 cents

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) The interim distribution of \$136,991,000 for the six months ended 31 December 2012 (2011: \$132,748,000), representing a payout ratio of 91.6% (2011: 90.5%), is calculated by multiplying the interim distribution per unit of 8.50 cents by 1,611,664,307 units in issue at 31 December 2012 (2011: 8.30 cents by 1,599,374,927 units in issue at 31 December 2011).
- (iii) The interim distribution is expected to be paid on 28 March 2013 to unitholders whose names appear on the register of unitholders on 7 March 2013.
- (iv) 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.

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 few amendments to Hong Kong Financial Reporting Standards that are first effective for the current accounting period of the Group. These include the amendments to Hong Kong Accounting Standard 12, *Income taxes – Deferred tax: recovery of underlying assets*, which the Group has already adopted in the prior period. None of the other developments are relevant to the Group’s interim financial report and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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, gain/(loss) on disposal 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					
	2012			2011		
	(Unaudited)			(Unaudited)		
	Office properties \$'000	Retail properties \$'000	Total \$'000	Office properties \$'000	Retail properties \$'000	Total \$'000
Turnover						
- rental income	121,504	126,080	247,584	111,252	117,091	228,343
- car park income	1,575	11,088	12,663	1,541	9,652	11,193
- rental related income	25,476	22,927	48,403	24,484	21,828	46,312
	148,555	160,095	308,650	137,277	148,571	285,848
Property operating expenses	(30,603)	(38,301)	(68,904)	(31,084)	(35,988)	(67,072)
Net property income	117,952	121,794	239,746	106,193	112,583	218,776
Administrative expenses	(18,418)	(17,182)	(35,600)	(16,807)	(16,037)	(32,844)
Segment results	99,534	104,612	204,146	89,386	96,546	185,932
Net increase in fair value of investment properties	428,118	485,601	913,719	209,721	165,104	374,825
Gain on disposal of investment properties	-	2,088	2,088	-	-	-
Finance costs on interest bearing liabilities			(59,827)			(50,792)
Income tax			(24,673)			(19,532)
Interest income			1,681			1,741
Unallocated net expenses			(4,500)			(7,720)
Profit after taxation and before transactions with unitholders			1,032,634			484,454
Depreciation	6	6	12	3	4	7

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	
	2012	2011
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Rental income	247,584	228,343
Car park income	12,663	11,193
Rental related income	48,403	46,312
	<u>308,650</u>	<u>285,848</u>

5. Property operating expenses

	Six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Building management fee	25,992	25,877
Property manager's fees	19,637	18,049
Government rent and rates	10,098	9,465
Marketing and promotion expenses	4,343	4,964
Car park operating costs (note)	3,963	3,796
Other direct costs	4,871	4,921
	<u>68,904</u>	<u>67,072</u>

Note : Included property manager's fees of \$1,152,000 (2011: \$1,043,000).

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	
	2012	2011
	(Unaudited)	(Unaudited)
	\$'000	\$'000
(a) Finance costs on interest bearing liabilities		
Interest on secured bank borrowings	52,068	44,603
Other borrowing costs	7,759	6,189
	59,827	50,792

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

	Six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	\$'000	\$'000
(b) Other items		
Interest income	(1,681)	(1,741)
Manager's fees	34,465	31,386
Property manager's fees (note (i))	20,789	19,092
Trustee's remuneration and charges	1,837	1,698
Auditor's remuneration		
- Audit services	790	685
- Other services	560	490
Valuation fees	310	325
Other legal and professional fees	1,580	4,844
Commission to property agents	1,341	1,217
Bank charges	218	364

Notes :

- (i) Included rental commission of \$5,942,000 (2011: \$5,191,000).
- (ii) 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	
	2012	2011
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Current tax - Provision for Hong Kong Profits Tax		
Provision for the period	16,649	10,546
Under-provision in respect of prior periods	-	37
	16,649	10,583
Deferred tax		
Origination and reversal of temporary differences	8,024	8,949
	24,673	19,532

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 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 relevant deeds of tax covenants dated 21 December 2006.

8. Earnings per unit before transactions with unitholders

The basic earnings per unit before transactions with unitholders for the six months ended 31 December 2012 amounted to \$0.64 (2011: \$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 \$1,032,634,000 (2011: \$484,454,000) and the weighted average of 1,607,665,794 units in issue during the period (2011: 1,591,112,834 units).

Diluted earnings per unit before transactions with unitholders for the six months ended 31 December 2012 and 2011 are not presented as there was no potential dilution of earnings per unit before transactions with unitholders.

9. Trade and other receivables

	31 December 2012 (Unaudited) \$'000	30 June 2012 (Audited) \$'000
Rental receivables	13,332	17,072
Deposits and prepayments	6,855	6,010
Other receivables	3,309	2,345
Amounts due from related companies	924	630
	<u>24,420</u>	<u>26,057</u>

\$4,810,000 (30 June 2012: \$4,856,000) 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.

At the balance sheet date, the ageing analysis of rental receivables, based on the invoice date and net of allowance for doubtful debts, is as follows :

	31 December 2012 (Unaudited) \$'000	30 June 2012 (Audited) \$'000
Current	10,289	12,444
Less than 1 month overdue	2,523	3,346
More than 1 month and up to 3 months overdue	284	1,093
More than 3 months and up to 6 months overdue	106	176
More than 6 months overdue	130	13
	<u>13,332</u>	<u>17,072</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.

10. Trade and other payables

	31 December 2012 (Unaudited) \$'000	30 June 2012 (Audited) \$'000
Creditors and accrued charges	30,415	28,029
Manager's fees payable	17,512	18,139
Amounts due to related companies	<u>166,821</u>	<u>165,322</u>
	<u>214,748</u>	<u>211,490</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 period end. The amounts are unsecured, interest-free and have no fixed terms of repayment except for the amount due to the Trustee of \$957,000 (30 June 2012: \$959,000) which is due within 30 days.

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, 18 February 2013

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.