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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 2013

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 2013 (“**Reporting Period**”) as follows :

FINANCIAL HIGHLIGHTS

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

	Six months ended 31 December 2013	Six months ended 31 December 2012	Change (%)
Turnover	336.5	308.6	9.0
Net property income	259.2	239.7	8.1
Cost-to-income ratio (%)	23.0	22.3	N/A
Profit after taxation	577.2	1,032.6	(44.1)
Total distributable income	167.5	149.6	12.0
Distribution per unit ^{Note} (HK cents)	9.60	8.50	12.9
Payout ratio (%)	92.9	91.6	N/A
	At 31 December 2013	At 30 June 2013	Change (%)
Portfolio valuation	14,873.9	14,408.8	3.2
Net asset value	10,979.5	10,531.7	4.3
Net asset value per unit (HK\$)	6.77	6.52	3.8
Gearing ratio (%)	25.2	25.9	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 2013 (%)		Appraised Value at 31 Dec 2013 ³ (HK\$ '000)
	at 31 Dec 2013	at 30 Jun 2013	at 31 Dec 2013	at 30 Jun 2013	six months ended 31 Dec 2013	six months ended 30 Jun 2013	six months ended 31 Dec 2013	six months ended 31 Dec 2012	Retail	Office	
Office											
Grade A											
248 Queen's Road East	97.8	98.5	31.3	29.2	32.7	39.7	63,735	63,031	3.75	3.85	3,888,000
Grade B											
Bonham Trade Centre	97.1	99.7	22.7	21.9	22.8	25.1	14,281	12,812	4.20	3.85	825,200
Righteous Centre	100.0	100.0	34.5	33.1	15.9	18.2	9,853	8,869	3.60	3.95	594,900
Winsome House Property	100.0	100.0	36.9	36.2	13.4	14.9	8,222	7,511	4.00	3.85	481,100
135 Bonham Strand Trade Centre Property	100.0	99.0	21.7	20.8	17.2	21.1	7,134	6,009	4.20	3.85	426,100
235 Wing Lok Street Trade Centre	98.9	98.9	16.3	15.4	16.2	13.7	4,285	3,751	4.25	3.85	259,300
Java Road 108 Commercial Centre	94.2	100.0	20.0	19.4	17.9	17.5	3,805	3,241	4.20	3.95	234,400
Yue Fai Commercial Centre Property	99.4	98.8	18.2	17.6	15.5	18.2	3,812	3,559	4.10	4.10	231,800
On Loong Commercial Building Property	97.8	96.7	26.5	26.0	14.7	13.6	3,603	3,296	4.00	3.95	209,100
Everglory Centre	100.0	100.0	19.3	18.3	19.5	26.1	3,113	2,739	4.15	3.85	181,000
Sun Fai Commercial Centre Property	100.0	100.0	20.0	19.1	19.6	20.9	2,722	2,439	4.35	4.10	150,500
Wai Ching Commercial Building Property	100.0	97.2	10.1	9.5	21.9	23.8	773	695	4.20	3.85	56,000
Sub-total/Average	98.2	99.0	26.6	25.2	24.9	24.9	125,338	117,952			7,537,400
Retail											
New Town											
Sheung Shui Centre Shopping Arcade	96.1	98.5	96.7	89.6	38.5	24.9	63,142	58,162	4.40	N/A	3,498,800
Metro City Phase I Property	98.6	99.5	44.5	43.2	17.5	21.5	50,567	46,262	4.50	N/A	2,603,800
Kwong Wah Plaza Property	99.3	100.0	40.7	38.3	37.0	32.8	13,718	12,065	3.80	3.85	862,600
Urban											
Royal Terrace Property	100.0	100.0	47.6	46.4	N/A	46.9	3,006	1,891	4.25	N/A	154,600
Beverley Commercial Centre Property	100.0	100.0	49.9	48.6	22.3	27.0	2,208	1,891	4.30	N/A	124,300
Supernova Stand Property	100.0	100.0	40.8	40.8	N/A	N/A	935	907	4.00	N/A	55,000
Palatial Stand Property	100.0	58.7	13.2	13.2	26.4	15.0	248	410	4.35	N/A	37,400
Sub-total/Average	98.0	98.4	58.8	56.2	28.8	25.1	133,824	121,588 ⁴			7,336,500
Total/Average	98.2	98.8	36.7	35.0	26.7	25.0	259,162	239,540 ⁴			14,873,900

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

At 31 December 2013, the overall portfolio occupancy of Sunlight REIT was 98.2% as compared to 98.8% recorded at 30 June 2013. The office portfolio registered an occupancy rate of 98.2%, representing a mild decline from 99.0% recorded at 30 June 2013. Occupancy of the retail portfolio experienced a slight drop to 98.0% as against 98.4% at 30 June 2013.

In tandem with a solid rental reversion of 24.9% achieved during the Reporting Period, passing rent of the office portfolio continued its ascent, registering a growth of 5.6% to HK\$26.6 per sq. ft. at 31 December 2013. Meanwhile, passing rent for the retail portfolio rose 4.6% to HK\$58.8 per sq. ft. at 31 December 2013, supported by an encouraging rental reversion of 28.8%.

During the Reporting Period, rental reversion at 248 Queen's Road East, the flagship property of Sunlight REIT, was a strong 32.7%. However, such encouraging performance was somewhat offset by a one-time rise in agency commission outlay incidental to increased new letting activities, thus resulting in a milder 1.1% year-on-year growth in net income contribution by the property. In terms of the entire office portfolio, the slightly lower occupancy was principally due to a small rise in vacancy rates at 248 Queen's Road East, Bonham Trade Centre and Java Road 108 Commercial Centre.

On the retail front, influx of mainland shoppers continued to sustain the performance of Sheung Shui Centre Shopping Arcade which exhibited an impressive rental reversion of 38.5% during the Reporting Period. Occupancy retreated marginally to 96.1%, mainly reflecting the Manager's strategy in reconfiguring certain key lettable areas of the property. Meanwhile, despite the commencement of the first phase of the renovation programme, rental reversion at Metro City Phase I Property was still a respectable 17.5%, while achieving a high occupancy rate of 98.6%.

Operating Results

Sunlight REIT achieved a 9.0% growth in turnover to HK\$336.5 million for the Reporting Period. Property operating expenses amounted to HK\$77.3 million, resulting in an 8.1% increase in net property income to HK\$259.2 million. Meanwhile, total finance costs rose a mild 2.0% year-on-year to HK\$61.0 million, aided by interest savings from reduced fixed rate hedging relating to the term loan facilities. As EBITDA¹ of Sunlight REIT grew 7.1% year-on-year to HK\$217.9 million, the interest coverage ratio² for the Reporting Period consequently improved to 4.60 times as compared to 3.90 times recorded in the previous corresponding period. After taking into account 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\$577.2 million for the Reporting Period (first half of FY2012/13: HK\$1,032.6 million).

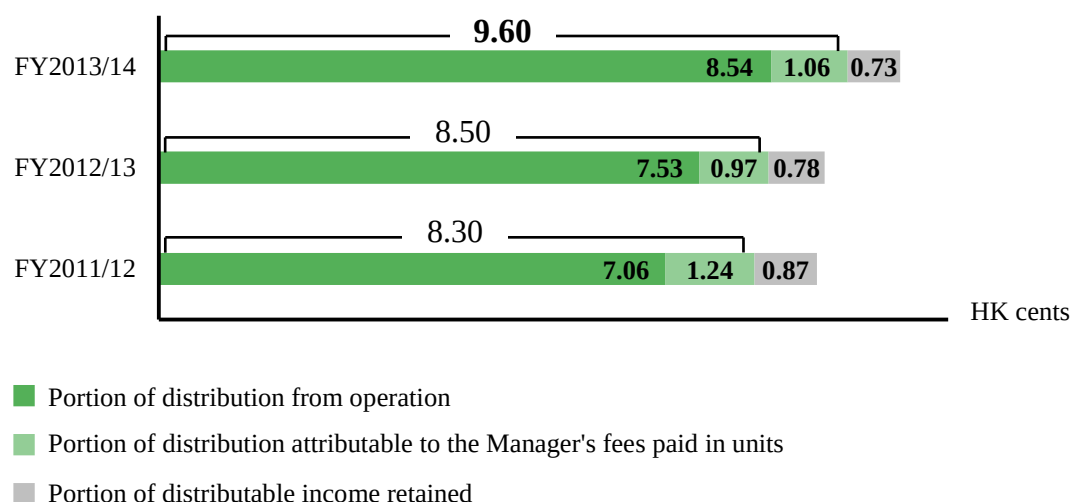
- Notes :
1. EBITDA represents net earnings before change in fair value of investment properties, interest expenses, taxation, depreciation and amortisation.
 2. Interest coverage ratio is calculated by dividing EBITDA by cash interest expense incurred on gross borrowings.

Distribution

For the Reporting Period, total distributable income of Sunlight REIT was HK\$167.5 million, representing an increase of 12.0% from HK\$149.6 million recorded in the previous corresponding period. The Board of the Manager has resolved to declare an interim distribution of HK 9.60 cents per unit, or HK\$155,616,000, which implies a payout ratio of 92.9%. The interim distribution was 12.9% ahead of the HK 8.50 cents (based on a payout ratio of 91.6%) paid in the previous corresponding period, and represented an annualised distribution yield of 6.40% based on the closing unit price of HK\$3.00 on the last trading day of the Reporting Period.

The chart below provides a year-on-year comparison of interim distribution per unit (“DPU”). The effect on interim DPU attributable to contributions from operations and cash savings from Manager’s fees paid in units are shown separately. The effect of payout ratio is also exhibited by the portion of distributable income retained.

Interim DPU at a Glance



Distribution Entitlement and Closure of Register of Unitholders

The record date for the interim distribution will be Thursday, 6 March 2014. The register of unitholders will be closed from Tuesday, 4 March 2014 to Thursday, 6 March 2014, 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, 3 March 2014. The ex-distribution date for the interim distribution will be Friday, 28 February 2014, and payment of the interim distribution will be made to unitholders on Thursday, 27 March 2014.

Financial Position

The valuation of Sunlight REIT’s portfolio at 31 December 2013 was appraised at HK\$14,873.9 million, representing an increase of 3.2% from HK\$14,408.8 million recorded at 30 June 2013. Office and retail properties accounted for 50.7% and 49.3% of the valuation respectively, which implies an appreciation of 2.8% and 3.6% in comparison with their respective valuation at 30 June 2013.

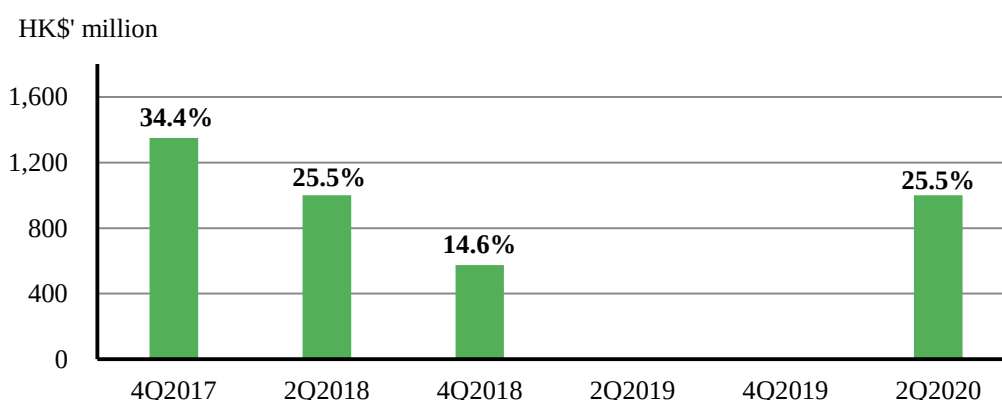
The higher property valuation consequently reduced the gearing ratio of Sunlight REIT, defined as total borrowings as a percentage of gross assets, from 25.9% at 30 June 2013 to 25.2% and expanded net assets by 4.3% to HK\$10,979.5 million at 31 December 2013 (30 June 2013: HK\$10,531.7 million). After taking into account the effect of payment of Manager's fees in units and the cancellation of repurchased units during the period, net asset value per unit rose 3.8% to HK\$6.77 per unit (30 June 2013: HK\$6.52 per unit). Gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets was 29.6% at 31 December 2013. 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 2013.

Capital Management

In September 2013, Sunlight REIT entered into several bilateral credit facility agreements with certain banks and was granted an aggregate amount of HK\$1,925.0 million in term loan facilities (the “**Facilities**”). The drawdown of the Facilities took place in October 2013 and had been applied toward refinancing the remaining part of the term loan facility due in 2014.

In December 2013, Sunlight REIT was also granted an unsecured revolving credit facility of HK\$300.0 million. Consequently, Sunlight REIT had in place total loan facilities of HK\$4,225.0 million at 31 December 2013, comprising term loan facilities of HK\$3,925.0 million which were fully drawn and the above mentioned revolving credit facility that remained undrawn. The term loan facilities, carrying a blended interest margin of 1.24% per annum over HIBOR (before interest rate swap arrangements) and a weighted loan maturity period of 4.8 years, are secured by a pool of securities (shared on a pari passu basis) including, among others, a mortgage over certain properties held by Sunlight REIT with an appraised value of HK\$12,657.6 million at 31 December 2013, assignment of proceeds under tenancies and a floating charge over the bank balances relating to these properties.

Debt Maturity Profile



In order to mitigate financial market risks, Sunlight REIT has maintained certain interest rate swap arrangements. At 31 December 2013, approximately 66.2% (or HK\$2,600.0 million) of Sunlight REIT's indebtedness was hedged to fixed rates, having incorporated the commencement of two interest rate swaps with an aggregate notional amount of HK\$800.0 million and a weighted tenure of 4.6 years. The terms of all the current interest rate swaps are summarised below :

Tenure	Notional amount (HK\$' million)	Weighted average interest rate^{Note} (per annum)
4 July 2011 – 30 June 2016	1,500	2.0973%
7 October 2011 – 28 September 2018	300	1.5975%
2 July 2013 – 29 June 2018	500	0.8150%
2 October 2013 – 29 September 2017	300	1.3100%
Total :	2,600	1.7022%

Note : This represents the weighted average interest rate currently payable on the interest rate swap contracts, excluding the relevant interest margin under the respective term loan agreements. The tenure of these contracts may or may not exactly match with that of Sunlight REIT's indebtedness.

The medium term note programme has not been utilised since its establishment in March 2013, while the Manager continued to execute on-market unit repurchase on behalf of Sunlight REIT. During the Reporting Period, a total of 1,500,000 units was repurchased (at an average price of approximately HK\$3.06 per unit) and cancelled.

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 2013, Sunlight REIT had total cash and bank balances of HK\$301.0 million, and had no exposure to fixed income securities. Taking into consideration the recurrent income generated from its operations, the current cash position and sources of funding available, the Manager is of the view that Sunlight REIT has sufficient financial resources to satisfy its working capital, distribution payment and capital expenditure requirements.

OUTLOOK

Sunlight REIT delivered a set of interim results that reflects satisfactory growth in DPU driven by underlying rental reversion and cash interest savings. Looking ahead, tenancy expiries in the second half of FY2013/14 would account for 19.3% of the office gross rentable area ("GRA") and 17.4% of the retail GRA respectively. Barring unforeseen circumstances and in spite of the moderating growth momentum in commercial market rents, the Manager anticipates that rental reversion would stay as a positive feature for the rest of this financial year. In addition, it is also envisaged that the level of overall occupancy would remain satisfactory, supported by organic expansion of certain existing tenants and solid demand for retail space at strategic locations.

Despite a still favourable leasing cycle, the adverse impact on Sunlight REIT as a result of strong domestic wage growth is not to be ignored, as reflected by the 12.2% increase in operating expenses during the Reporting Period. Structural issues such as the adjustment in minimum wage and the chronic shortage of labour in the property sector means that more efficient allocation of property management resources is essential and would stand at the forefront of the Manager's operational agenda. In sum, the Manager considers that the upward pressure on operating cost has yet to run its full course.

In respect of asset enhancement, the Manager is currently focusing its attention on the asset enhancement programme for Metro City Phase I Property. Phase 1 of the project involving the façade and atrium upgrade has already begun. Incentivised by a promising outlook upon completion of the project, the Manager is committed to mitigating disruption to tenants and shoppers to ensure an efficient execution of the project. Meanwhile, ceiling and lighting improvement works at Sheung Shui Centre Shopping Arcade were completed and should enhance the shopping environment with corresponding energy and cost savings. On the office property front, improvement works, notably including the lobby facelift and the upgrading of air-conditioning facilities at 248 Queen's Road East, will also be implemented.

On capital management, the Manager has always committed to optimising the capital structure as demonstrated by its effort in restructuring the borrowing profile of Sunlight REIT, resulting in a more flexible capital structure, a reasonable base of unencumbered assets and a diversified maturity profile spanning 2017 to 2020. Notwithstanding a steepening US yield curve, the prospect of a near term surge in local interest rates is of low likelihood. With two-thirds of debt being hedged to fixed rates, Sunlight REIT is adequately insulated from interest rate fluctuations, while the Manager would endeavour to monitor developments on the monetary front from time to time.

During the Reporting Period, the Manager continued to explore potential acquisition opportunities in supplementing the organic growth prospects of Sunlight REIT. However, volume of commercial property transactions dropped significantly as overall investment sentiment was hampered by anti-speculative fiscal measures, notably including the imposition of heavier stamp duties levied on property transactions. Looking ahead, while the Manager is fully committed to expanding the footprint of Sunlight REIT in light of the conducive operating and funding environment, such pursuit would only be conducted with clear benefits to unitholders. Meanwhile, in light of the steep discount of Sunlight REIT's unit price relative to its asset backing, both unit repurchase and the disposal of certain non-core and/or fully valued properties represent viable options that the Manager would actively contemplate in the foreseeable future.

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 requires a good system 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

At 31 December 2013, based on information that is publicly available and within the knowledge of the Directors, Sunlight REIT has maintained a public float of not less than 25% of the outstanding units in issue as required by the Securities and Futures Commission.

New Units Issued

Except for an aggregate of 6,167,279 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 28 October 2013, the Manager repurchased on behalf of Sunlight REIT a total of 1,500,000 units on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in November 2013, for an aggregate consideration of approximately HK\$4.6 million (excluding repurchase expenses). The highest and the lowest price paid per unit for such repurchases were HK\$3.08 and HK\$3.03 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 2013/14 Interim Report of Sunlight REIT will be sent to unitholders on or about 25 February 2014.

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 2013 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 31 December	
		2013	2012
	Note	\$'000	\$'000
Turnover	4	336,474	308,650
Property operating expenses	5	<u>(77,312)</u>	<u>(68,904)</u>
Net property income		259,162	239,746
Other income		1,606	1,681
Gain on disposal of investment properties		-	2,088
Administrative expenses		(42,913)	(40,100)
Net increase in fair value of investment properties		<u>450,874</u>	<u>913,719</u>
Profit from operations		668,729	1,117,134
Finance costs on interest bearing liabilities	6(a)	<u>(61,046)</u>	<u>(59,827)</u>
Profit before taxation and transactions with unitholders	6	607,683	1,057,307
Income tax	7	<u>(30,517)</u>	<u>(24,673)</u>
Profit after taxation and before transactions with unitholders		<u><u>577,166</u></u>	<u><u>1,032,634</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2013 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2013	2012
	\$'000	\$'000
Profit after taxation and before transactions with unitholders	577,166	1,032,634
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss :		
- Changes in fair value of cash flow hedges recognised during the period	<u>4,440</u>	<u>6,868</u>
Total comprehensive income for the period	<u><u>581,606</u></u>	<u><u>1,039,502</u></u>

CONSOLIDATED BALANCE SHEET

At 31 December 2013

(Expressed in Hong Kong dollars)

	Note	31 December 2013 (Unaudited) \$'000	30 June 2013 (Audited) \$'000
Non-current assets			
Fixed assets			
- Investment properties		14,873,900	14,408,800
- Other fixed assets		87	102
		<u>14,873,987</u>	<u>14,408,902</u>
Deferred tax assets		1,028	3,875
Derivative financial instruments		27,325	25,471
Prepayments		2,133	3,159
Reimbursement rights		<u>203,413</u>	<u>203,413</u>
		<u>15,107,886</u>	<u>14,644,820</u>
Current assets			
Trade and other receivables	9	28,637	24,342
Cash and bank balances		301,005	329,126
Tax recoverable		<u>149,866</u>	<u>158,096</u>
		<u>479,508</u>	<u>511,564</u>
Total assets		<u>15,587,394</u>	<u>15,156,384</u>
Current liabilities			
Tenants' deposits		(167,340)	(159,982)
Rent receipts in advance		(6,886)	(5,183)
Trade and other payables	10	(208,674)	(215,441)
Derivative financial instruments		(32,474)	(27,912)
Tax payable		<u>(27,617)</u>	<u>(41,774)</u>
		<u>(442,991)</u>	<u>(450,292)</u>
Net current assets		<u>36,517</u>	<u>61,272</u>
Total assets less current liabilities		<u>15,144,403</u>	<u>14,706,092</u>

CONSOLIDATED BALANCE SHEET (continued)

At 31 December 2013

(Expressed in Hong Kong dollars)

	31 December 2013 (Unaudited) \$'000	30 June 2013 (Audited) \$'000
Non-current liabilities, excluding net assets attributable to unitholders		
Secured bank borrowings	(3,866,368)	(3,874,760)
Deferred tax liabilities	(275,535)	(269,409)
Derivative financial instruments	<u>(23,040)</u>	<u>(30,188)</u>
	<u>(4,164,943)</u>	<u>(4,174,357)</u>
Total liabilities, excluding net assets attributable to unitholders	<u>(4,607,934)</u>	<u>(4,624,649)</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u><u>10,979,460</u></u>	<u><u>10,531,735</u></u>
Number of units in issue	<u><u>1,620,998,045</u></u>	<u><u>1,616,330,766</u></u>
Net asset value attributable to unitholders per unit	<u><u>\$6.77</u></u>	<u><u>\$6.52</u></u>

DISTRIBUTION STATEMENT

For the six months ended 31 December 2013 - unaudited
(Expressed in Hong Kong dollars)

		Six months ended 31 December	
		2013	2012
	Note	\$'000	\$'000
Profit after taxation and before transactions with unitholders		577,166	1,032,634
Adjustments :			
- Gain on disposal of investment properties		-	(2,088)
- Net increase in fair value of investment properties		(450,874)	(913,719)
- Manager's fees paid or payable in the form of units		18,529	17,044
- Non-cash finance costs on interest bearing liabilities		13,732	7,683
- Deferred tax	7	8,973	8,024
		(409,640)	(883,056)
Total distributable income (note (i))		167,526	149,578
Payout ratio (note (ii))		92.9%	91.6%
Interim distribution (note (ii))		155,616	136,991
Distribution per unit (note (ii))		9.60 cents	8.50 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 \$155,616,000 for the six months ended 31 December 2013 (2012: \$136,991,000), representing a payout ratio of 92.9% (2012: 91.6%), is calculated by multiplying the interim distribution per unit of 9.60 cents by 1,620,998,045 units in issue at 31 December 2013 (2012: 8.50 cents by 1,611,664,307 units in issue at 31 December 2012).
- (iii) The interim distribution is expected to be paid on 27 March 2014 to unitholders whose names appear on the register of unitholders on 6 March 2014.
- (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 in Hong Kong 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 new Hong Kong Financial Reporting Standards (“**HKFRSs**”) and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following development is relevant to the Group’s financial statements :

- HKFRS 13, *Fair value measurement*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impact of the adoption of HKFRS 13 is discussed below :

HKFRS 13, *Fair value measurement*

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The Group will provide those disclosures in notes to the interim financial report. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group’s assets and liabilities.

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					
	2013			2012		
	(Unaudited)			(Unaudited)		
	Office properties \$'000	Retail properties \$'000	Total \$'000	Office properties \$'000	Retail properties \$'000	Total \$'000
Turnover						
- rental income	130,967	138,047	269,014	121,504	126,080	247,584
- car park income	1,791	12,570	14,361	1,575	11,088	12,663
- rental related income	27,505	25,594	53,099	25,476	22,927	48,403
	160,263	176,211	336,474	148,555	160,095	308,650
Property operating expenses	(34,925)	(42,387)	(77,312)	(30,603)	(38,301)	(68,904)
Net property income	125,338	133,824	259,162	117,952	121,794	239,746
Administrative expenses	(19,499)	(18,990)	(38,489)	(18,418)	(17,182)	(35,600)
Segment results	105,839	114,834	220,673	99,534	104,612	204,146
Net increase in fair value of investment properties	204,276	246,598	450,874	428,118	485,601	913,719
Gain on disposal of investment properties	-	-	-	-	2,088	2,088
Finance costs on interest bearing liabilities			(61,046)			(59,827)
Income tax			(30,517)			(24,673)
Interest income			1,604			1,681
Unallocated net expenses			(4,422)			(4,500)
Profit after taxation and before transactions with unitholders			577,166			1,032,634
Depreciation	7	8	15	6	6	12

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	
	2013	2012
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Rental income	269,014	247,584
Car park income	14,361	12,663
Rental related income	53,099	48,403
	<u>336,474</u>	<u>308,650</u>

5. Property operating expenses

	Six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Building management fee	27,930	25,992
Property manager's fees	21,785	19,637
Government rent and rates	12,833	10,098
Marketing and promotion expenses	4,840	4,343
Car park operating costs (note)	4,395	3,963
Bad debts expenses	43	1
Other direct costs	5,486	4,870
	<u>77,312</u>	<u>68,904</u>

Note : Included property manager's fees of \$1,306,000 (2012: \$1,152,000).

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	
	2013	2012
	(Unaudited)	(Unaudited)
	\$'000	\$'000
(a) Finance costs on interest bearing liabilities		
Interest on secured bank borrowings	47,254	52,068
Other borrowing costs	13,792	7,759
	61,046	59,827

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	
	2013	2012
	(Unaudited)	(Unaudited)
	\$'000	\$'000
(b) Other items		
Interest income	(1,604)	(1,681)
Manager's fees	37,058	34,465
Property manager's fees (note (i))	23,091	20,789
Trustee's remuneration and charges	1,936	1,837
Auditor's remuneration		
- Audit services	694	790
- Other services	413	560
Valuation fees	274	310
Other legal and professional fees	1,086	1,580
Commission to property agents	1,990	1,341
Bank charges	275	218

Notes :

- (i) Included rental commission of \$6,604,000 (2012: \$5,942,000).
- (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	
	2013	2012
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Current tax - Provision for Hong Kong Profits Tax		
Provision for the period	21,544	16,649
Deferred tax		
Origination and reversal of temporary differences	<u>8,973</u>	<u>8,024</u>
	<u>30,517</u>	<u>24,673</u>

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 2013 amounted to \$0.36 (2012: \$0.64). 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 \$577,166,000 (2012: \$1,032,634,000) and the weighted average of 1,617,945,106 units in issue during the period (2012: 1,607,665,794 units).

Diluted earnings per unit before transactions with unitholders for the six months ended 31 December 2013 and 2012 are not presented as there was no potential dilution of earnings per unit before transactions with unitholders.

9. Trade and other receivables

	31 December 2013 (Unaudited) \$'000	30 June 2013 (Audited) \$'000
Rental receivables	12,821	11,991
Deposits and prepayments	12,798	9,517
Other receivables	2,402	2,383
Amounts due from related companies	616	451
	<u>28,637</u>	<u>24,342</u>

\$4,763,000 (30 June 2013: \$4,769,000) 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 date of revenue recognition and net of allowance for doubtful debts, is as follows :

	31 December 2013 (Unaudited) \$'000	30 June 2013 (Audited) \$'000
Current	9,937	8,410
Less than 1 month overdue	2,033	2,858
More than 1 month and up to 3 months overdue	293	385
More than 3 months and up to 6 months overdue	95	192
More than 6 months overdue	463	146
	<u>12,821</u>	<u>11,991</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 2013 (Unaudited) \$'000	30 June 2013 (Audited) \$'000
Creditors and accrued charges	30,928	26,879
Manager's fees payable	18,807	20,603
Amounts due to related companies	<u>158,939</u>	<u>167,959</u>
	<u>208,674</u>	<u>215,441</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 (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 at the date of acquisition and the potential tax liabilities are indemnified by the Vendors. The relevant balances of 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 \$1,934,000 (30 June 2013: \$1,070,000) which is due within 30 days.

11. Comparative figures

Certain comparative figures have been reclassified to conform to 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, 13 February 2014

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.