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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
 恒基陽光資產管理有限公司

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

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 2014 (the “**Reporting Period**”) as follows :

FINANCIAL HIGHLIGHTS

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

	Six months ended 31 December 2014	Six months ended 31 December 2013	Change (%)
Turnover	370.8	336.5	10.2
Net property income	285.6	259.2	10.2
Cost-to-income ratio (%)	23.0	23.0	N/A
Profit after taxation	854.7	577.2	48.1
Distributable income	179.2	167.5	7.0
Distribution per unit ^{Note} (HK cents)	10.5	9.6	9.4
Payout ratio (%)	95.7	92.9	N/A
	At 31 December 2014	At 30 June 2014	Change (%)
Portfolio valuation	16,134.3	15,390.6	4.8
Net asset value	12,206.5	11,494.9	6.2
Net asset value per unit (HK\$)	7.48	7.06	5.9
Gearing ratio (%)	23.3	24.3	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 2014 (%)		Appraised Value at ³ 31 Dec 2014 (HK\$ '000)
	at 31 Dec 2014	at 30 Jun 2014	at 31 Dec 2014	at 30 Jun 2014	six months ended 31 Dec 2014	six months ended 30 Jun 2014	six months ended 31 Dec 2014	six months ended 31 Dec 2013	Office	Retail	
Office											
Grade A											
248 Queen's Road East ⁴	98.2	98.5	33.6	32.1	20.4	23.8	72,382	63,735	3.85	3.75	4,191,500
Grade B											
Bonham Trade Centre	98.9	97.4	25.3	24.1	22.2	27.1	15,887	14,281	3.85	4.20	909,200
Righteous Centre	97.5	100.0	39.6	36.2	22.2	21.9	10,897	9,853	3.95	3.60	638,400
Winsome House Property	94.3	97.2	38.8	38.0	18.1	13.2	8,366	8,222	3.85	4.00	497,400
135 Bonham Strand Trade Centre Property	98.5	100.0	22.9	22.3	15.4	18.7	7,630	7,134	3.85	4.20	460,700
235 Wing Lok Street Trade Centre	98.9	98.9	17.5	16.9	21.3	19.3	4,771	4,285	3.85	4.25	287,200
Java Road 108 Commercial Centre	92.3	100.0	21.8	20.5	20.9	15.9	3,909	3,805	3.95	4.20	248,800
Yue Fai Commercial Centre Property	95.8	99.4	19.4	18.8	14.7	17.9	3,953	3,812	4.10	4.10	246,800
On Loong Commercial Building Property	100.0	100.0	28.1	27.3	19.3	18.1	3,635	3,603	3.95	4.00	231,700
Everglory Centre	95.2	100.0	20.7	19.7	22.1	23.8	3,123	3,113	3.85	4.15	193,000
Sun Fai Commercial Centre Property	100.0	98.1	21.2	20.6	12.5	18.3	2,801	2,722	4.10	4.35	161,400
Wai Ching Commercial Building Property	97.2	100.0	11.3	10.7	25.2	25.0	817	773	3.85	4.20	61,000
Sub-total/Average	97.8	98.7	28.8	27.5	20.1	21.7	138,171	125,338			8,127,100
Retail											
New Town											
Sheung Shui Centre Shopping Arcade	99.3	97.4	107.3	102.9	31.7	34.5	71,895	63,142	N/A	4.40	3,904,200
Metro City Phase I Property	98.8	98.3	45.6	44.9	13.5	18.6	53,263	50,567	N/A	4.50	2,783,100
Kwong Wah Plaza Property	97.9	99.3	43.9	43.8	28.8	28.1	15,390	13,718	3.85	3.80	938,700
Urban											
Royal Terrace Property	100.0	100.0	45.3	47.6	N/A	N/A	2,893	3,006	N/A	4.25	159,400
Beverley Commercial Centre Property	98.7	94.5	52.3	51.8	10.5	15.5	2,202	2,208	N/A	4.30	125,800
Supernova Stand Property	100.0	100.0	47.6	47.6	N/A	23.8	1,164	935	N/A	4.00	58,200
Palatial Stand Property	100.0	100.0	13.2	13.2	N/A	N/A	630	248	N/A	4.35	37,800
Sub-total/Average	98.9	98.2	63.4	61.6	23.7	28.8	147,437	133,824			8,007,200
Total/Average	98.1	98.6	39.8	38.2	21.4	25.2	285,608	259,162			16,134,300

Notes : 1. Passing rent is calculated on the basis of average rent per sq. ft. for all occupied gross rentable area ("GRA") on the relevant date.

2. Rental reversion is calculated on the basis of change in effective rent of the leases renewed during the relevant period.

3. Valuation prepared by Jones Lang LaSalle Limited.

4. The property has been renamed as Sunlight Tower with effect from 1 January 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review

At 31 December 2014, the overall portfolio occupancy of Sunlight REIT was 98.1% as compared to 98.6% recorded at 30 June 2014. The office portfolio achieved an occupancy rate of 97.8%, representing a mild decline from 98.7% recorded at 30 June 2014. Occupancy of the retail portfolio experienced a slight increase to 98.9% as against 98.2% at 30 June 2014.

Reflecting the solid rental reversion of 20.1% during the Reporting Period, passing rent of the office portfolio continued to rise, registering a growth of 4.7% to HK\$28.8 per sq. ft. at 31 December 2014. Meanwhile, passing rent for the retail portfolio rose 2.9% to HK\$63.4 per sq. ft. at 31 December 2014, supported by an encouraging rental reversion of 23.7%.

During the Reporting Period, rental reversion at 248 Queen's Road East stayed at a strong 20.4%. The property also achieved a high retention rate of 92.6% compared to 70.7% in the same period last year, thanks to the tenancy renewal with a major tenant which constitutes 16.4% of the GRA of the property. In terms of the entire office portfolio, the slightly lower occupancy was principally due to a small rise in vacancy rates at Righteous Centre, Winsome House Property and Java Road 108 Commercial Centre.

On the retail front, necessity shopping continued to sustain the performance of Sheung Shui Centre Shopping Arcade which exhibited an impressive rental reversion of 31.7% during the Reporting Period. Its occupancy has increased to 99.3% at 31 December 2014 from 97.4% at 30 June 2014, mainly reflecting the successful reconfiguration of certain key areas of the property. Meanwhile, despite the ongoing renovation programme, rental reversion at Metro City Phase I Property was maintained at a respectable 13.5% with an occupancy rate of 98.8%.

In tandem with revamping the office lobby and the associated retail space of 248 Queen's Road East, the Manager has renamed this flagship property of Sunlight REIT as Sunlight Tower with effect from 1 January 2015. A key hallmark of Sunlight Tower is its emphasis on energy savings, and in this regard the Manager is pleased to report that total electricity usage (measured by kilowatt hours) at this property during the Reporting Period exhibited a noteworthy decline of 10.3% year-on-year, largely attributable to the debut installation of a water-cooled chiller since May 2014.

On the retail front, the completion of the first phase of the Metro City Phase I Property renovation has given the shopping mall a refreshed and enlivened image, which should appeal to shoppers and attract quality tenants to join. Meanwhile, notwithstanding a satisfactory rate of tenant retention and rental reversion, the Manager remains committed to creating further value for the benefit of its stakeholders. This is illustrated by its effort in revitalising the composition and format of the food and beverage trades at both Sheung Shui Centre Shopping Arcade and Metro City Phase I Property, a leasing strategy which has proved highly rewarding in terms of both customer footfall and rental contribution.

Operating Results

Sunlight REIT reported a 10.2% growth in turnover to HK\$370.8 million for the Reporting Period. Property operating expenses amounted to HK\$85.2 million, resulting in a 10.2% increase in net property income to HK\$285.6 million. Meanwhile, finance costs decreased 10.4% year-on-year to HK\$54.7 million, mainly attributable to a relatively smaller fee amortisation relating to loan refinancing activities. Administrative expenses recorded an increase of 28.3% to HK\$55.1 million due to a write-off of professional fees incurred for the proposed property acquisition in mid-2014. As EBITDA¹ of Sunlight REIT grew 6.7% year-on-year to HK\$232.6 million, the interest coverage ratio² for the Reporting Period consequently improved to 4.77 times as compared to 4.60 times recorded in the same period last year. 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\$854.7 million for the Reporting Period (first half of FY2013/14: HK\$577.2 million).

Distribution

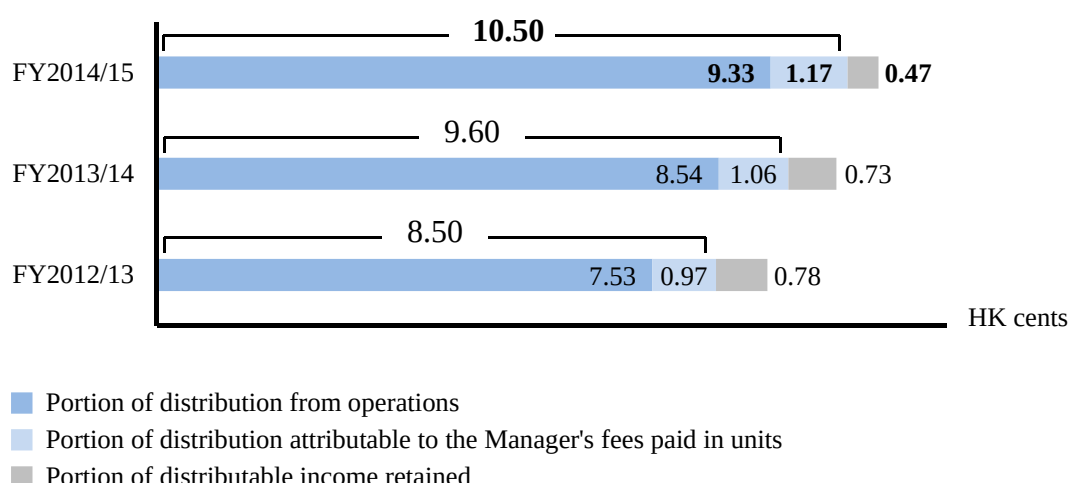
For the Reporting Period, distributable income of Sunlight REIT came in at HK\$179.2 million, representing an increase of 7.0% from HK\$167.5 million recorded in the previous corresponding period. The Board of the Manager has resolved to declare an interim distribution per unit (“**DPU**”) of HK 10.5 cents, or HK\$171.4 million, which implies a payout ratio of 95.7%. The higher payout ratio was determined by the Board after principally taking into account the transaction costs of HK\$8.3 million incurred for the proposed property acquisition (which did not proceed) during the period. The interim DPU was 9.4% ahead of the HK 9.6 cents paid in the same period last year, and represented an annualised distribution yield of 6.0% based on the closing unit price of HK\$3.50 on the last trading day of the Reporting Period.

The chart on page 5 provides a comparison of the interim DPU of Sunlight REIT for the last three years. The portion of distribution attributable to operations and cash savings from Manager’s fees paid in units are shown separately. As the distributable income is not distributed in its entirety, the effect of payout ratio on interim DPU is also exhibited by way of the portion of distributable income retained.

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.

Interim DPU at a Glance



Distribution Entitlement and Closure of Register of Unitholders

The ex-distribution date and record date for the interim distribution are Monday, 23 February 2015 and Friday, 27 February 2015 respectively. The register of unitholders will be closed from Wednesday, 25 February 2015 to Friday, 27 February 2015, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 24 February 2015. Payment of the interim distribution will be made to unitholders on Thursday, 12 March 2015.

Financial Position

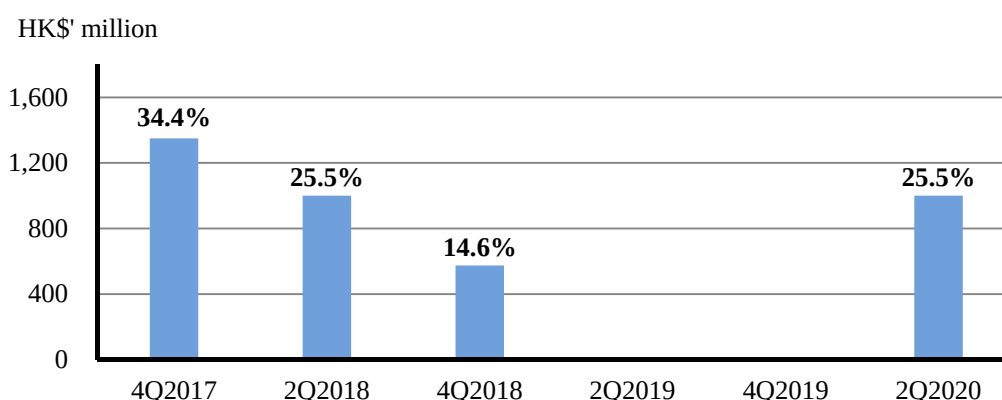
The portfolio of Sunlight REIT was appraised by the independent valuer at HK\$16,134.3 million at 31 December 2014, representing an increase of 4.8% from HK\$15,390.6 million recorded at 30 June 2014. As a result, the net assets of Sunlight REIT expanded by 6.2% to HK\$12,206.5 million at 31 December 2014 (30 June 2014: HK\$11,494.9 million). After taking into account the effect of payment of Manager's fees in units and the cancellation of units bought back during the Reporting Period, net asset value per unit rose 5.9% to HK\$7.48 per unit (30 June 2014: HK\$7.06 per unit).

As a result of the higher property valuation, the gearing ratio of Sunlight REIT, defined as total borrowings as a percentage of gross assets, has reduced from 24.3% at 30 June 2014 to 23.3% at 31 December 2014. Gross liabilities as a percentage of gross assets was 27.6% at 31 December 2014. 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, the amount of which was HK\$4.7 million at 31 December 2014.

Capital Management

At 31 December 2014, Sunlight REIT had in place total loan facilities of HK\$4,225.0 million, comprising term loan facilities of HK\$3,925.0 million which were fully drawn and an unsecured revolving credit facility of HK\$300.0 million that remained undrawn. The term loan facilities, carrying interest costs of a blended interest margin of 1.24% per annum over HIBOR (before interest rate swap arrangements) and a weighted loan maturity period of 3.8 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\$13,760.6 million at 31 December 2014, assignment of proceeds under tenancies and a floating charge over the bank balances relating to these properties.

Debt Maturity Profile



To mitigate financial market risks, Sunlight REIT has maintained certain interest rate swap arrangements. At 31 December 2014, approximately 70.1% (or HK\$2,750.0 million) of Sunlight REIT's indebtedness was hedged to fixed rates with a weighted tenure of 2.4 years, having incorporated an additional interest rate swap with a notional amount of HK\$150.0 million entered into during the Reporting Period. On 15 January 2015, the Manager capitalised on the favourable interest rate environment and further entered into an interest rate swap for Sunlight REIT with a notional amount of HK\$300.0 million. The terms of all the interest rate swaps are summarised below :

Tenure	Notional amount (HK\$' million)	Weighted average interest rate ¹ (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%
23 October 2014 – 28 September 2018	150	1.3180%
16 January 2015 – 31 December 2018 ²	300	1.2700%
Total :	3,050	1.6408%

Notes :

1. 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.
2. The transaction took place after the close of the Reporting Period and is included in the summary for completeness.

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 2014, Sunlight REIT had total cash and bank balances of HK\$320.6 million, and had no exposure to fixed income securities. Taking into consideration the recurrent income generated from its operations, the current cash position and 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 rental growth driven by solid rental reversion and disciplined cost control. Barring unforeseen circumstances, the Manager remains guardedly optimistic over the rental prospects of Sunlight REIT's portfolio for the rest of this financial year on the back of healthy employment, mild inflation and robust consumption. In respect of office leasing, the lack of abundant new supply until 2016 and the high cost of relocation should combine to provide good support to office rent, occupancy and the rate of tenant retention. On the retail leasing front, consumer spending by mainland visitors on mid-priced products and necessities should remain resilient, which in turn should bode well for the retail properties of Sunlight REIT which primarily focus on consumer staples.

In terms of cost, given the upcoming revision in minimum wage, it is envisaged that upward pressure on operating cost has yet to run its full course. As such, more efficient allocation of property management resources will remain at the forefront of the Manager's operational strategy.

In planning the asset enhancement activities of Sunlight REIT, the Manager shall continue to give high priority to capital expenditure on energy saving initiatives, which offer double benefits in terms of cost savings while helping to create a greener environment. As a case in point, the Manager has budgeted approximately HK\$11 million for chiller replacement at Sheung Shui Centre Shopping Arcade, which upon completion (in the second quarter of 2015) should benefit the cost side of the property nicely. In the meantime, the installation of a second water-cooled chiller at Sunlight Tower is currently in the planning stage, and the Manager is hopeful that project work will commence in late 2015. Meanwhile, the completion of the Metro City Phase I Property renovation will be closely followed by a spate of trade mix and space reconfiguration works aimed at further enhancing the appeal of the shopping mall. As mentioned earlier, special focus will be placed on providing more attractive food and beverage alternatives, while introducing more "lifestyle" trades to improve the overall dynamics of the complex.

On capital management, through restructuring its borrowing arrangement, the Manager has equipped Sunlight REIT with a more flexible funding structure, a solid base of unencumbered assets and a diversified maturity profile spanning 2017 to 2020. Meanwhile, with 77.7% of debt being hedged to fixed rates (including the swap being entered into in January 2015), Sunlight REIT is well insulated from interest rate fluctuations in the short-to-medium term.

The Manager remains fully committed to expanding the footprint of Sunlight REIT, particularly in light of the still conducive operating and funding environment. However, 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 buy-back and the disposal of properties represent viable options that the Manager would explore 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 sound and effective system of checks and balances, and places a strong emphasis 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 enacted or amended.

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

Public Float

At 31 December 2014, based on information that is publicly available and within the knowledge of the directors of the Manager, 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 6,256,132 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.

Buy-back, Sale or Redemption of Units

Pursuant to the general mandate granted by unitholders at the annual general meeting held on 3 November 2014, the Manager bought back on behalf of Sunlight REIT a total of 1,000,000 units on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in November 2014, for an aggregate consideration of approximately HK\$3.4 million (excluding buy-back expenses). The highest and the lowest price paid per unit for such buy-backs were HK\$3.46 and HK\$3.36 respectively. All bought back 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 of Sunlight REIT, KPMG, Certified Public Accountants, 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 2014/15 Interim Report of Sunlight REIT will be sent to unitholders on 13 February 2015.

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 2014 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 31 December	
		2014	2013
	Note	\$'000	\$'000
Turnover	4	370,845	336,474
Property operating expenses	5	<u>(85,237)</u>	<u>(77,312)</u>
Net property income		285,608	259,162
Other income		2,006	1,606
Administrative expenses		(55,057)	(42,913)
Net increase in fair value of investment properties		<u>708,420</u>	<u>450,874</u>
Profit from operations		940,977	668,729
Finance costs on interest bearing liabilities	6(a)	<u>(54,683)</u>	<u>(61,046)</u>
Profit before taxation and transactions with unitholders	6	886,294	607,683
Income tax	7	<u>(31,631)</u>	<u>(30,517)</u>
Profit after taxation and before transactions with unitholders		<u><u>854,663</u></u>	<u><u>577,166</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2014 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2014	2013
	\$'000	\$'000
Profit after taxation and before transactions with unitholders	854,663	577,166
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>9,111</u>	<u>4,440</u>
Total comprehensive income for the period	<u><u>863,774</u></u>	<u><u>581,606</u></u>

CONSOLIDATED BALANCE SHEET

At 31 December 2014

(Expressed in Hong Kong dollars)

		31 December 2014 (Unaudited) \$'000	30 June 2014 (Audited) \$'000
	Note		
Non-current assets			
Fixed assets			
- Investment properties		16,134,300	15,390,600
- Other fixed assets		76	79
		16,134,376	15,390,679
Deferred tax assets		148	566
Derivative financial instruments		19,609	19,989
Prepayments	9	320	17,735
Reimbursement rights		203,413	203,413
		16,357,866	15,632,382
Current assets			
Trade and other receivables	9	22,949	24,031
Cash and bank balances		320,629	345,254
Tax recoverable		152,781	150,198
		496,359	519,483
Total assets		16,854,225	16,151,865
Current liabilities			
Tenants' deposits		(184,933)	(178,638)
Rent receipts in advance		(10,285)	(9,459)
Trade and other payables	10	(215,497)	(215,784)
Derivative financial instruments		(32,401)	(33,188)
Tax payable		(31,312)	(50,406)
		(474,428)	(487,475)
Net current assets		21,931	32,008
Total assets less current liabilities		16,379,797	15,664,390

CONSOLIDATED BALANCE SHEET (continued)

At 31 December 2014

(Expressed in Hong Kong dollars)

	31 December 2014 (Unaudited) \$'000	30 June 2014 (Audited) \$'000
Non-current liabilities, excluding net assets attributable to unitholders		
Secured bank borrowings	(3,878,168)	(3,872,268)
Deferred tax liabilities	(288,044)	(281,470)
Derivative financial instruments	<u>(7,068)</u>	<u>(15,772)</u>
	<u>(4,173,280)</u>	<u>(4,169,510)</u>
Total liabilities, excluding net assets attributable to unitholders	<u>(4,647,708)</u>	<u>(4,656,985)</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u><u>12,206,517</u></u>	<u><u>11,494,880</u></u>
Number of units in issue	<u><u>1,632,836,625</u></u>	<u><u>1,627,580,493</u></u>
Net asset value attributable to unitholders per unit	<u><u>\$7.48</u></u>	<u><u>\$7.06</u></u>

DISTRIBUTION STATEMENT

For the six months ended 31 December 2014 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 31 December	
	Note	2014 \$'000	2013 \$'000
Profit after taxation and before transactions with unitholders		854,663	577,166
Adjustments : (note (i))			
- Net increase in fair value of investment properties		(708,420)	(450,874)
- Manager's fees paid or payable in the form of units		20,046	18,529
- Non-cash finance costs on interest bearing liabilities		5,900	13,732
- Deferred tax	7	6,992	8,973
		(675,482)	(409,640)
Distributable income (note (i))		179,181	167,526
Interim distribution (note (ii))		171,448	155,616
Payout ratio (note (ii))		95.7%	92.9%
Distribution per unit (note (ii))		10.5 cents	9.6 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.

Distributable income means the amount calculated by the Manager as representing the consolidated profit after taxation and before transactions with unitholders of Sunlight REIT for the relevant financial period, as adjusted to eliminate the effects of certain adjustments (as defined in the Trust Deed) recorded in the consolidated income statement for the relevant financial period. The adjustments for the period included an adjustment to eliminate non-cash finance costs on interest bearing liabilities of \$5,900,000, or 0.36 cents per unit (2013: \$13,732,000 or 0.85 cents per unit).

DISTRIBUTION STATEMENT (continued)

For the six months ended 31 December 2014 – unaudited
(Expressed in Hong Kong dollars)

Notes : (continued)

- (ii) The interim distribution of \$171,448,000 for the six months ended 31 December 2014 (2013: \$155,616,000), representing a payout ratio of 95.7% (2013: 92.9%), is calculated by multiplying the interim distribution per unit of 10.5 cents by 1,632,836,625 units in issue at 31 December 2014 (2013: 9.6 cents by 1,620,998,045 units in issue at 31 December 2013).
 - (iii) The interim distribution is expected to be paid on 12 March 2015 to unitholders whose names appear on the register of unitholders on 27 February 2015.
 - (iv) The interim distribution proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.
- * Certain figures in these notes to distribution statement have been rounded to the nearest thousand.

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 providing unitholders with regular and stable cash distributions with the potential for sustainable long term growth of such distributions and enhancement in value of the property portfolio. It has its principal place of business at 30th Floor, Sunlight Tower, 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 :

- Amendments to Hong Kong Accounting Standard (“**HKAS**”) 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- Annual Improvements to HKFRSs 2010-2012 cycle
- Annual Improvements to HKFRSs 2011-2013 cycle

These developments have had no material impact on the Group’s financial statements.

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 businesses 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					
	2014			2013		
	(Unaudited)			(Unaudited)		
	Office properties \$'000	Retail properties \$'000	Total \$'000	Office properties \$'000	Retail properties \$'000	Total \$'000
Turnover						
- rental income	144,528	151,412	295,940	130,967	138,047	269,014
- car park income	1,814	14,569	16,383	1,791	12,570	14,361
- rental related income	30,143	28,379	58,522	27,505	25,594	53,099
	176,485	194,360	370,845	160,263	176,211	336,474
Property operating expenses	(38,314)	(46,923)	(85,237)	(34,925)	(42,387)	(77,312)
Net property income	138,171	147,437	285,608	125,338	133,824	259,162
Administrative expenses	(21,146)	(20,663)	(41,809)	(19,499)	(18,990)	(38,489)
Segment results	117,025	126,774	243,799	105,839	114,834	220,673
Net increase in fair value of investment properties	358,883	349,537	708,420	204,276	246,598	450,874
Finance costs on interest bearing liabilities			(54,683)			(61,046)
Income tax			(31,631)			(30,517)
Interest income			2,006			1,604
Unallocated net expenses			(13,248)			(4,422)
Profit after taxation and before transactions with unitholders			854,663			577,166
Depreciation	6	7	13	7	8	15

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	
	2014	2013
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Rental income	295,940	269,014
Car park income	16,383	14,361
Rental related income	58,522	53,099
	<u>370,845</u>	<u>336,474</u>

5. Property operating expenses

	Six months ended 31 December	
	2014	2013
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Building management fee	29,046	27,930
Property manager's fees	24,995	23,091
Government rent and rates	16,243	12,833
Marketing and promotion expenses	5,627	4,840
Car park operating costs	3,088	3,089
Bad debts expenses	46	43
Other direct costs	6,192	5,486
	<u>85,237</u>	<u>77,312</u>

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	
	2014	2013
	(Unaudited)	(Unaudited)
	\$'000	\$'000
(a) Finance costs on interest bearing liabilities		
Interest on secured bank borrowings	48,632	47,254
Other borrowing costs	6,051	13,792
	<u>54,683</u>	<u>61,046</u>

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	
	2014	2013
	(Unaudited)	(Unaudited)
	\$'000	\$'000
(b) Other items		
Interest income	(2,006)	(1,604)
Manager's fees	40,093	37,058
Property manager's fees (note (i))	24,995	23,091
Trustee's remuneration	2,050	1,936
Auditor's remuneration		
- Audit services	715	694
- Other services	830	413
Valuation fees	484	274
Other legal and professional fees	9,280	1,086
Commission to property agents	1,069	1,990
Bank charges	157	275

Notes :

- (i) Included rental commission of \$7,552,000 (2013: \$6,604,000).
- (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	
	2014	2013
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Current tax - Provision for Hong Kong Profits Tax		
Provision for the period	24,639	21,544
Deferred tax		
Origination and reversal of temporary differences	<u>6,992</u>	<u>8,973</u>
	<u>31,631</u>	<u>30,517</u>

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

In the previous financial year ended 30 June 2014, the Inland Revenue Department (“IRD”) raised additional profits tax assessments on certain subsidiaries of the Group for the year of assessment 2007/08 in an aggregate amount of \$1,021,000 as the IRD disallowed the deductions of the management and property management fees and in some cases certain rental commission incurred by these subsidiaries. During the six months ended 31 December 2014, the IRD further raised additional profits tax assessments on a subsidiary of the Group in respect of such disallowance for the years of assessment 2008/09 to 2013/14 in an aggregate amount of \$1,910,000. Notices of objection were filed with the IRD and tax reserve certificates of \$2,931,000 have been purchased. Based on the opinion of the Group’s legal and tax advisers, the Manager is of the view that there are strong grounds to object the additional profits tax assessments raised.

8. Earnings per unit before transactions with unitholders

The basic earnings per unit before transactions with unitholders for the six months ended 31 December 2014 amounted to \$0.52 (2013: \$0.36). 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 \$854,663,000 (2013: \$577,166,000) and the weighted average of 1,629,600,322 units in issue during the period (2013: 1,617,945,106 units).

Diluted earnings per unit before transactions with unitholders for the six months ended 31 December 2014 and 2013 are not presented as there was no potential dilution of earnings per unit before transactions with unitholders.

9. Trade and other receivables

	31 December	30 June
	2014	2014
	(Unaudited)	(Audited)
	\$'000	\$'000
Rental receivables	12,823	12,812
Deposits and prepayments	8,278	25,974
Other receivables	1,364	2,345
Amounts due from related companies	<u>804</u>	<u>635</u>
	<u>23,269</u>	<u>41,766</u>
Represented by :		
Current portion	22,949	24,031
Non-current portion	<u>320</u>	<u>17,735</u>
	<u>23,269</u>	<u>41,766</u>

The balance under non-current portion represents progress payments for the improvement works carried out on certain investment properties of the Group which were in progress at the balance sheet dates.

\$4,768,000 (30 June 2014: \$4,757,000) 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	30 June
	2014	2014
	(Unaudited)	(Audited)
	\$'000	\$'000
Current	9,594	9,386
Less than 1 month overdue	2,489	2,632
More than 1 month and up to 3 months overdue	414	341
More than 3 months and up to 6 months overdue	124	199
More than 6 months overdue	<u>202</u>	<u>254</u>
	<u>12,823</u>	<u>12,812</u>

9. Trade and other receivables (continued)

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

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

10. Trade and other payables

	31 December 2014 (Unaudited) \$'000	30 June 2014 (Audited) \$'000
Creditors and accrued charges	35,740	36,287
Manager's fees payable	20,497	21,489
Amounts due to related companies	159,260	158,008
	215,497	215,784

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 \$1,030,000 (30 June 2014: \$1,079,000) 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
恒基陽光資產管理有限公司
(as manager of Sunlight Real Estate Investment Trust)
CHUNG Siu Wah
Company Secretary

Hong Kong, 5 February 2015

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.