

Annual Report 2007/08



Unlocking

















Our Manager

Henderson Sunlight Asset Management Limited is the manager of Sunlight Real Estate Investment Trust. An indirect wholly-owned subsidiary of Henderson Land Development Company Limited, the Manager has general management power over the assets of Sunlight REIT. Its main responsibility is to manage Sunlight REIT's property portfolio in the sole interest of the unitholders in accordance with both the terms of the trust deed governing Sunlight REIT and the Manager's investment strategy.

Our Strategy

The Manager's key objectives are to provide Sunlight REIT's unitholders with regular and stable cash distributions and to foster the growth of such distributions. The Manager seeks to achieve these objectives by efficient asset and capital management as well as making accretive acquisitions that will enhance the portfolio value and provide long term benefits to unitholders.

Our Portfolio

Sunlight REIT offers investors the opportunity to invest in a diversified property portfolio comprising 20 office and retail properties in Hong Kong. It has Grade A and B office properties which are located in both core and decentralised business areas, while its retail properties are located strategically in regional transportation hubs, new towns and other urban areas with high population density.



Key Performance Indicators

Appra	aised	pro	per	ty v	alue
HK\$	10,1	 51	.0	M	

Net property income

HK\$ 318.7 M

Year-end occupancy

97.5%

Passing rental growth

10.9%

Cost-to-income

26.1%

Gearing

36.6%

Net asset value per unit

HK\$ 3.41

Distribution per unit

HK 24.20 cents

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9.6% above guaranteed DPU

6.2%

Occupancy improved to

97.5%

Passing rental increased by

10.9%

Chairman's Statement

Dear Unitholders.

On behalf of Henderson Sunlight Asset Management Limited (the "Manager"), I am pleased to present the annual results for Sunlight Real Estate Investment Trust ("Sunlight REIT") for the financial year ended 30 June 2008.

This report marks the first full financial year since Sunlight REIT's initial public offering ("IPO"). Sunlight REIT achieved a solid financial performance for the year, reflecting the Manager's dedicated, effective portfolio and asset management. Our distributable income during the year amounted to HK\$258.7 million. In accordance with our current policy of distributing 100% of annual distributable income for each financial year to our unitholders, the Board of Directors of the Manager (the "Board") is recommending, after taking into account distribution waivers by the sponsors, a final distribution of HK 16.76 cents per unit. Together with the interim distribution of HK 7.44 cents per unit, total distribution per unit ("DPU") for the full year amounted to HK 24.20 cents, which has exceeded the guaranteed DPU of HK 22.08 cents as indicated in the offering circular of Sunlight REIT dated 8 December 2006 (the "Offering Circular"). Net asset value per unit was HK\$3.41 as at 30 June 2008, compared with HK\$3.19 as at 30 June 2007.

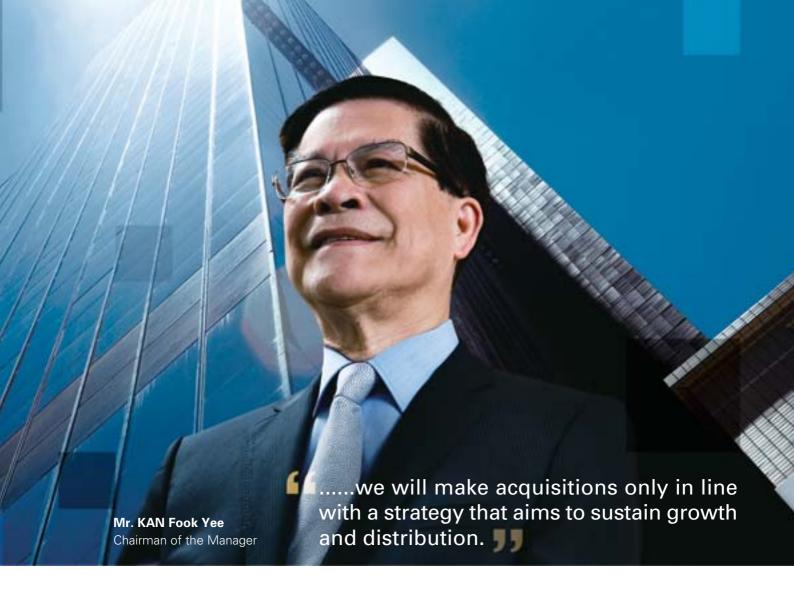
Underpinned by continued improvements in both rental and occupancy levels, Sunlight REIT achieved a solid performance for the year under review. Our portfolio of 20 office and retail properties (the "Portfolio") continued to benefit from Hong Kong's buoyant economy, which ensured that both demand for office space and retail spending levels remained strong throughout the year. The shortage of office space

in Hong Kong not only supported steady office rental growth, it has also driven our office portfolio to close to full occupancy. Meanwhile, our strategically located retail properties also recorded sound occupancy and rental levels as tenants continued to benefit from inbound tourism from mainland China as well

as an expanding retail customer base in those districts.

The Manager has worked actively to improve the quality of our Portfolio during the year, employing rigorous tenant selection and asset enhancement strategies to ensure that we capitalise successfully on the brisk market demand. The Manager's efforts in this regard had resulted in both organic tenancy growth and the addition of high grade finance, consultancy, and government tenants. These improvements are essential to secure long term distribution growth.

Looking ahead, we envisage that spillover demand in the decentralised districts where Sunlight REIT's office properties are located will continue to work to our advantage. Meanwhile, our retail properties are wellpositioned to capture the benefits of the increased traffic driven by inbound tourism and healthy consumer demand.



As the subprime mortgage crisis continues to unfold in the United States ("**U.S.**") with its adverse impact being felt in other parts of the world, the economy in this region is unlikely to repeat the growth rate we have witnessed in recent years. While the effects on the Hong Kong property market remain to be seen, we will be vigilant and respond swiftly to any change in market conditions. In the meantime, we believe our proactive property management strategy and ongoing rental reversion particularly at our office portfolio will help mitigate possible negative effects.

Going forward, we believe the real estate investment trust ("**REIT**") sector in Hong Kong will continue to mature. There are still structural issues that may need to be dealt with to improve the public's recognition of REITs as strong defensive investment options; despite this, we see a positive future for REITs in this city.

In the year ahead, Sunlight REIT is well positioned to leverage the pipeline agreement with our sponsors, Henderson Land Development Company Limited ("**HLD**") and Shau Kee Financial Enterprises Limited ("**SKFE**") to facilitate growth. That said, our acquisition and investment decisions will continue to be prudent and disciplined, we will make acquisitions only in line with a strategy that aims to sustain growth and distribution.

Finally, I would like to thank the sponsors, my fellow directors, management and all staff, for their hard work and commitment to Sunlight REIT's continued growth and development.

Kan Fook Yee

Chairman

Henderson Sunlight Asset Management Limited as Manager of Sunlight REIT

17 September 2008

Dialogue with CEO

What are your key principles of portfolio management? What is your sustainable growth strategy?

As a diversified REIT, Sunlight REIT is well-placed to provide an attractive and sustainable investment vehicle for its unitholders. Diversification and sustainability remain the bedrock principles of Sunlight REIT's asset management strategies.

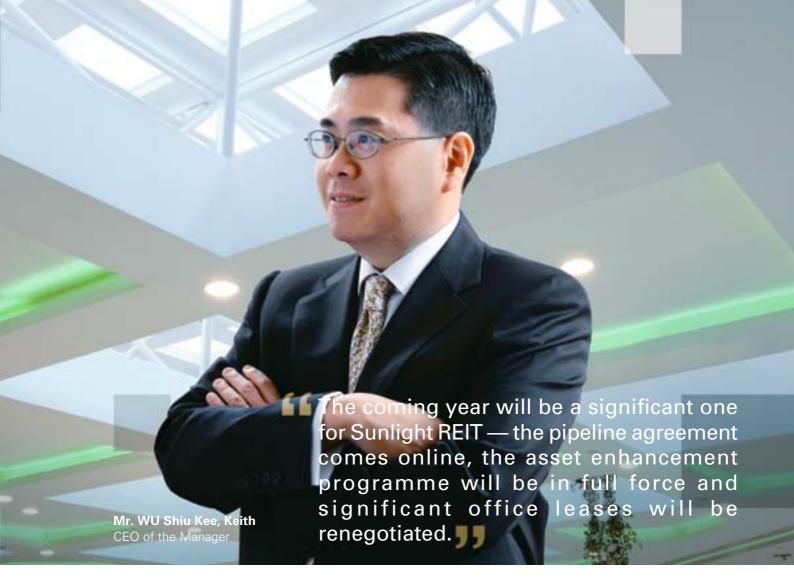
We worked hard during the year to create value for our stakeholders, including our unitholders, our tenants and their customers. We did this by proactively managing Sunlight REIT's balanced portfolio of office and retail properties. Our diversified approach to office and retail properties mitigates risk and allows us to respond nimbly to market demand.

Our overall goal is to unlock the properties' true worth and take action to ensure sustainable growth for Sunlight REIT, both through organic initiatives such as asset enhancement and tenant reconfiguration, and by yield-accretive acquisition. Our key objective as Manager has been to create long term value through

an asset management strategy that benefits our stakeholders. By offering customised leasing solutions, we have increasingly positioned ourselves as the landlord of choice for both existing and prospective tenants.

Our approach to leasing and property management enable us to analyse rental and occupancy figures carefully to identify areas of opportunity and underperformance. Based on that analysis, we employ a leasing strategy that also takes into account supply and demand dynamics and demographic characteristics in relation to the Portfolio. We also implement stringent controls over property expenses to maximise yields from current assets and enhance the long term value of the Portfolio.





How did Sunlight REIT's occupancy, rental and net property income perform during the year under review?

Sunlight REIT performed consistently well throughout the year. Our diversified Portfolio exhibited encouraging growth in both rental and occupancy levels respectively. Spillover demand continued to propel rental levels upwards across our office properties, achieving respectable growth of 16.3%. During the year, the widening office rental differential between Central and other business districts drove quality tenants to move to areas such as Wan Chai and Sheung Wan where Sunlight REIT has considerable exposure. In particular, our flagship property, 248 Queen's Road East Property, benefited from this evolving trend and registered a strong increase of 20.7% in passing rental.

As rental reversion remains favourable, we expect organic growth to continue to underpin rental growth for Sunlight REIT. Meanwhile, we endeavour to maintain a high overall retention rate for our Portfolio — our efforts to stay in constant dialogue with our tenants ensure that they know we care to deliver value for them. At 248 Queen's Road East Property, we have been privileged to witness the organic expansion of several of our quality tenants and to accommodate their additional demand for office space.

While retail rental growth was slightly lower, the sector provides a natural hedge to the more volatile office market. Our strategy of maintaining core retail properties in key new towns across the New Territories has proved beneficial, providing us with balanced exposure to different geographical areas and supporting stable occupancy and rental growth. As an illustration, our flagship retail property Sheung Shui Centre Shopping Arcade Property recorded an increase of 8.9% in passing rental during the year.

Dialogue with CEO

How did you manage Sunlight REIT's financial position? What sort of capital management strategy and cost-saving measures did you take to optimise operational efficiency?

Our capital management systems are transparent and effective. We distribute 100% of the distributable income, adhere to strict cost-to-income disciplines, and undertake CAPEX based on acceptable return on investment and enhancement in portfolio value. We have sought to raise net property income by implementing disciplined cost-control, procurement and purchasing programmes that minimise property-related and operating expenses, and hence improve the cost-to-income ratio. In the face of rising prices and charges during the year, we have successfully maintained our cost-to-income ratio at 26.1% for the year.

Our capital expenditure in the financial year 2007/08 increased slightly due to the commencement of several enhancement projects at our key properties: 248 Queen's Road East Property, Sheung Shui Centre Shopping Arcade Property, Metro City Phase I Property and Bonham Trade Centre Property. As a result of these ongoing enhancements, the financial year 2009/10 will see us move into a new phase for these properties, catering to a demand for higher quality properties and resulting in a more yield-accretive portfolio that optimises value for our investors and key stakeholders.



What is your strategy to create and enhance the asset value of your existing Portfolio?

Through upgrading and enhancement works, we are able to develop our properties to their full potential and enhance returns for unitholders. We are already implementing key measures in our asset enhancement plans, including tenant mix revitalisation, space reconfiguration and major renovations.

Before beginning any asset enhancement programme, we carefully examine the market niche of the property in order to identify the best way to improve its image and quality. Each property has its own unique characteristics and requires a different approach. As an example, our flagship property, 248 Queen's Road East Property, is gradually receiving a fresh look through reconfiguring the external shop fronts and improving the ambiance of the entrance and foyer. In contrast, our strategy at Bonham Trade Centre Property focuses on tenant mix initiatives; in particular, we have combined smaller tenancies to appeal to higher-quality tenants for whom access to a larger floor space is a key concern.

The financial year 2008/09 is strategically important as the rental support note provided by HLD and SKFE will come to an end in June 2009. The Manager intends to fully capitalise on that support to implement asset enhancement activities. Our key properties will be rejuvenated in terms of tenant mix, space reconfiguration and renovation to enhance the income profile of Sunlight REIT in the medium to long term.

Note: means the Adjustment Payment made to the Trustee (for the benefit of Sunlight REIT) pursuant to the Deeds of Adjustment Payments.

What have been the overall economic trends and how have they affected the Hong Kong property leasing market?

It is evident that there has been a sharp reversal in global economic sentiment since the beginning of 2008, due largely to macroeconomic developments in the U.S.. As a consequence, the Hong Kong stock market plummeted, while retail spending and investor sentiment showed signs of weakening. These factors did not greatly affect the local office market, however, as the demand-supply gap and the low interest rate environment continued to be favourable, thus lending support to capital and rental values. Decentralisation is likely to remain an important theme going forward as tenants begin to take advantage of the significant differential in rental between Central and other business districts.

Retail sales were stable throughout the year. Hong Kong continues to be a drawcard for mainland travellers and has benefited from the appreciation of the Renminbi, and the availability of reputable and authentic products have increased the attractiveness of the city as a shopping option. This is amply demonstrated at Sheung Shui Centre Shopping Arcade Property which is strategically located beside Sheung Shui MTR Station and caters to an ever-increasing number of mainland China day-shoppers.

REIT shares in Asia Pacific have consolidated across the board since the onset of the global credit crunch. What does the future hold for Hong Kong REITs?

Since the first Hong Kong REIT was listed in 2006, REIT development has progressed steadily. The number of listed REITs currently stands at seven, offering diversified exposure in terms of both asset type and geographical location. This variety is a very healthy development.

However, the global credit contraction has had a significant effect on REITs across the region, particularly in the more mature markets of Singapore and Australia. In Hong Kong, the Hang Seng Index has declined substantially since achieving its historical high on 30 October 2007, with a consequent adverse impact on REIT unit prices. However, in a turbulent market, REITs remain an attractive option for investors seeking a defensive investment as part of a diversified portfolio.

Dialogue with CEO

Hong Kong REITs have been perceived as a repository for inferior properties that have fairly low investment potential. Do you agree?

Like many other alternative investment tools, REITs have not gained quickly in popularity as the excessively bullish sentiment in the previous year overshadowed solid, defensive investment vehicles such as REITs. However, it is apparent that the misconception of REITs being a repository for inferior properties have gradually dissipated in the wake of increased acquisition activities, enhanced investor knowledge and active industry promotion. Public recognition of and support for the REIT market is clearly improving, and Sunlight REIT is well-placed to benefit from this.

What are the areas of most concern in the coming financial year? Given the emergence of various Grade A offices in non-traditional locations, do you think the overall rental market will experience a structural re-pricing?

If the global credit crunch lingers, it is likely to have an adverse impact on the borrowing cost for local corporations, including REITs. Meanwhile, the downsizing of major financial institutions could place downward pressure on the fast-growing Central rental market; this situation could be exacerbated over the next couple of years by the rise in new office supply particularly in East Kowloon. However, this risk is relatively contained for Sunlight REIT given our strategic focus on properties in quality decentralised locations.



What are your plans for future acquisitions?

In June 2008, our sponsor, HLD, provided Sunlight REIT with a potential acquisition list of office and retail properties with a total valuation exceeding HK\$2.8 billion as of end April 2008.

While we are privileged to receive this pipeline support from our sponsor, I want to emphasize that Sunlight REIT is under no obligation to purchase any of the properties provided by HLD. As Manager of Sunlight REIT, we will ensure that any acquisitions will add value to Sunlight REIT in terms of yield accretion, asset enhancement and scalability. Further, we will continue to maintain investment flexibility and exercise prudent capital management by maintaining our gearing position at a manageable level, a strategy which is particularly crucial in light of the current tight credit environment.



What is your strategy going forward?

Our key aim is to add value to our assets through adequate asset enhancement, skillful management of tenant relationships and disciplined day-to-day operations. We will continue to implement a strategy of flexible, customer-driven trade mixes based on our well-defined, objective property management principles.

We expect the upcoming financial year to be an exciting one for Sunlight REIT. In addition to the extensive asset enhancement programme mentioned earlier, we believe strong rental reversion, particularly for 248 Queen's Road East Property, will be a key feature in the coming year. Finally, we will exercise prudence in relation to potential acquisitions; our intention is to invest steadily for the long term, to upgrade the quality of our diversified portfolio and to deliver sustainable income growth for our investors.

Outlook Statement

Whilst the global economic slowdown may bring about uncertainties on the rental outlook of the local office and retail sectors, Sunlight REIT's well balanced portfolio and proactive management approach should prove resilient to cushion the adverse impact resulting from such uncertainties. Barring unforeseen circumstances, the rental reversion is set to continue, driving rental income higher particularly for the office sector.

In the office property market, the rental differential between Central and decentralised areas is expected to narrow. Rental levels in Central have risen dramatically in the post-SARS period but, as additional supplies come online in decentralised areas, the momentum is expected to slow. Spillover demand is likely to become a strong feature of the office property market going forward. The combination of these two factors should benefit Sunlight REIT's decentralised office portfolio, supporting both rental and occupancy levels.

Our retail properties are also expected to maintain their stable position in the year ahead. Hong Kong retail sales, which correlate to inbound tourism from mainland China, are expected to remain healthy as Renminbi currency appreciation and the attraction of authentic products draws greater numbers of mainland shoppers to this city. Many of Sunlight REIT's retail properties are strategically positioned in areas that receive high through-traffic from mainland shoppers

and will continue to benefit from this evolving trend in the next year. While running at close to full occupancy, we will continue to work hard to improve the image and income of our retail properties, targeting the growing populations in those districts and regional transportation hubs where our properties are located.

As rental reversion is expected to continue, the next financial year will present a good opportunity for growth, and we will make every effort to secure beneficial results for our unitholders. In tandem, we will continue our active asset enhancement programme to deliver value for our stakeholders.

We are hopeful that the potential acquisition of new properties could drive additional revenue growth. Notwithstanding, we shall adhere to our prudent investment policy of investing into properties that complement our existing Portfolio and have good potential for yield accretion and asset enhancement.

The coming year will be a significant one for Sunlight REIT — the pipeline agreement note comes online, the asset enhancement programme will be in full force and significant office leases will be renegotiated. While we recognise that the outlook for market rental may well be tempered by global economic uncertainties, our position is one of guarded optimism as we endeavour to deliver positive results for our unitholders.

Note: Pursuant to the HLD Commitment Letter, HLD has undertaken. that after the first anniversary of 21 December 2006 (the "Listing Date"), but in any event within 18 months from the Listing Date, HLD and its affiliates will enter into discussions in good faith and on an arm's length basis with the Manager to make additional properties available for sale to Sunlight REIT. Additional properties means at least two office and/or retail properties in Hong Kong or all or effectively all voting shares in companies interested in such properties that are consistent with Sunlight REIT's investment policy and strategy.





Providing Win-Win Customised Leasing Solutions

The Manager and its leasing team have worked closely with individual tenants to establish their needs during lease negotiations. A high priority is also placed on facilitating the development plans of existing tenants, recognising tenant loyalty and organic expansion as important elements in ensuring stable occupancy and rental. Greater negotiating flexibility combined with our willingness to provide cost-effective solutions for expansion or relocation wherever possible have consolidated a number of valuable tenant relationships.

Accommodating Tenants' Expansion

The Manager was able to leverage its relationship with quality retail tenants to create multiple tenancies in different property locations. We now have tenant relationships that are deeper and more sustainable. Tenant loyalty is particularly strong at 248 Queen's Road East Property where business expansion and lease extension have been most apparent.



Friendly and customer-centric ambassador helps promote high level of shopper comfort and tenant satisfaction

Creating Vibrant Retail Environment

The Manager has devoted substantial effort to enhance the appeal of our retail properties through footfall improvements. To complement our placement of appropriate trade mix and attentive services to both shoppers and tenants alike, we have also been active in organising events particularly over weekends and festive seasons in order to continuously sustain and refresh shoppers' interest. We have hosted educational and leisure events for a wide range of audience ranging from toddlers to seniors for the local community. We have also involved celebrities and personalities to draw new visitors to visit our retail malls.



A green-life promotional compaign at Metro City Phase I Property



Sunlight REIT's leasing team understands the dynamics of retailing and has been at the forefront of creating a vibrant retail environment. The friendly engagements and strong support from their property management and leasing teams have contributed to our business at the property.

Wing Wah Cake Shop Ms. Tiffany Ho, Shop Manager

The Sunlight REIT management team is dedicated and its support always goes beyond the normal tenant-landlord relationship. We highly appreciate their flexibility in leasing and space reconfiguration, and thanks to the leasing team's support, we are able to get the right space for expansion.

Fesco Wallem Shipmanagement Ltd. Mr. Vitaliy D. Moldovanov, Managing Director





We enjoy the excellent relationship with Sunlight REIT. The management understands our business and has been supportive in many ways to help our business growth. They transformed Metro City Phase I into a bustling place of activities and sales, and their ongoing efforts in asset enhancement and property promotions have delivered positive results.

Chung So Dessert Mrs. Lam (Chungso), Shop Owner



■ A festive show held at Sheung Shui Centre Shopping Arcade Property during the Christmas celebrations

Beyond the Landlord-Tenant Relationship

We genuinely believe that managing a sustainable business means balancing economic, environmental and social criteria and values. During the year under review, we committed to engaging our major stakeholders – both tenants and shoppers – in a range of measures to manage our impact on the environment. We worked actively with Friends of the Earth and the Environmental Protection Department to support the smart use of energy and resources. By reducing energy and water use, and managing waste responsibly, we generated environmental benefits, made financial savings and increased the attractiveness of our properties to occupiers.



Sunlight REIT participated in the "New Territories Community Chest Walk - Route 8" in February 2008

During the year, members of both our asset management and property management teams have taken part in numerous charitable activities. A notable activity was our partnership with the local distributor of the Belgium chocolate brand, Leonidas, in fund raising for Benji's Centre, an organisation that provides therapy to children with communications problems. We also actively participated in elderly homes visitation and charitable events including the "Walk for Millions" organised by The Community Chest of Hong Kong.

Fostering a culture that is both socially and economically responsible is a key mission of the Manager as we endeavour to demonstrate a high level of ethical standard in all our dealings. Acting in partnership to support good causes is a powerful way for the Manager to build trust while enhancing our reputation within the local community.



Caring community - visiting elderly homes



Caring community - Keith Wu, CEO of the Manager, attended the fund raising campaign, which was in partnership with a Belgium chocolate brand, for Benji's Centre



■ Mother's Day promotion at Metro City Phase I Property

Portfolio at a Glance

			Pro	perty De	etails					
Category	Property	Year of Location completion		No. of car park spaces	Office	Retail ^{ote 1} GRA ^{note 1} (sq. ft.)	No. of leases as at 30 June		Occupancy as at 30 June (%)	
							2008	2007	2008	2007
Office P	roperty									
Grade A	248 Queen's Road East Property	Wan Chai	1998	46	369,891	6,490	72	66	99.5	94.0
Grade B	Bonham Trade Centre Property	Sheung Wan	1998	0	108,506	9,403	125	117	95.0	87.1
Grade B	Righteous Centre Property	Mong Kok	1996	0	41,004	10,763	57	50	100.0	89.2
Grade B	Winsome House Property	Central	1999	0	37,937	2,177	26	26	100.0	100.0
Grade B	135 Bonham Strand Trade Centre Property	Sheung Wan	2000	0	60,844	3,071	77	78	97.6	98.6
Grade B	235 Wing Lok Street Trade Centre Property	Sheung Wan	2000	0	47,481	4,804	66	58	94.2	83.1
Grade B	Java Road 108 Commercial Centre Property	North Point	1998	0	35,694	2,229	34	33	100.0	94.2
Grade B	Everglory Centre Property	Tsim Sha Tsui	1999	0	25,896	3,906	22	26	87.2	95.2
Grade B	Yue Fai Commercial Centre Property	Aberdeen	1997	0	41,272	1,479	99	96	91.2	84.8
Grade B	On Loong Commercial Building Property	Wan Chai	1984	0	23,856	1,708	38	37	100.0	100.0
Grade B	Sun Fai Commercial Centre Property	Mong Kok	1998	0	23,817	2,334	43	36	100.0	85.0
Grade B	Wai Ching Commercial Building Property	Yau Ma Tei	1997	0	14,239	2,082	30	24	94.5	75.1
	Sub-total / Average			46	830,437	50,446	689	647	97.7	91.9
Retail P	operty									
New Tow	Sheung Shui Centre Shopping Arcade Property	Sheung Shui	1993	297	0	122,339	120	134	93.5	99.4
New Tow	n Metro City Phase I Property	Tseung Kwan O	1996	452	0	188,889	114	106	98.2	96.8
New Town	n Kwong Wah Plaza Property	Yuen Long	1998	0	39,101	25,741	35	34	99.3	98.3
Others	Royal Terrace Property	North Point	2002	49	0	9,565	6	6	97.3	97.3
Others	Beverley Commercial Centre Property	Tsim Sha Tsui	1982	0	0	7,934	40	34	100.0	89.8
Others	Glory Rise Property	North Point	2003	0	0	7,086	7	6	100.0	90.0
Others	Supernova Stand Property	North Point	2001	0	0	4,226	2	2	100.0	100.0
Others	Palatial Stand Property	Hung Hom	2001	0	3,566	5,059	5	5	100.0	100.0
	Sub-total / Average			798	42,667	370,839	329	327	97.1	97.7
	Total / Average			844	873,104	421,285	1,018	974	97.5	93.8

 size of the properties in Sunlight REIT's portfolio is measured in terms of gross rentable area ("GRA")
 Please refer to "Valuation Report" on pages 68 to 83.
 Not applicable Notes:

N/A:

Passing as at 3 (HK\$ /	0 June			0		Net Property Income	Appraised	Capitalis	ation
2008			Committed Rental (HK\$ / sq. ft.)		Committed GRA (sq. ft.)		Appraised Value as at 30 Jun 08 ^{note 2} (HKS'000)	Capitalisation Rate as at 30 Jun 08 ^{note 2} (%)	
 2000	2007	1 Jul 07 to 30 Jun 08	21 Dec 06 (date of listing) to 30 Jun 07	1 Jul 07 to 30 Jun 08	21 Dec 06 (date of listing) to 30 Jun 07			Retail	Office
17.5	14.5	25.6	23.5	80,325	48,505	71,740	2,874,000	4.8	4.0
15.3	13.7	16.5	15.3	51,452	46,881	15,719	531,000	5.1	4.1
23.0	20.5	26.7	17.8	30,405	13,471	11,351	344,000	4.3	4.5
29.2	22.1	32.5	23.0	23,699	10,295	9,894	332,000	4.8	4.0
15.2	13.3	15.9	14.7	30,096	29,121	9,480	277,000	5.2	4.2
11.9	9.9	12.7	10.8	29,004	21,009	5,467	175,000	5.2	4.2
16.4	14.3	18.2	16.9	18,074	14,990	5,697	158,000	5.2	4.6
16.7	15.6	15.0	19.3	15,200	5,025	4,422	136,000	5.1	4.6
13.2	12.6	14.0	11.3	26,238	10,113	4,581	135,000	5.3	5.0
17.5	15.9	11.9	29.8	13,319	8,547	4,415	122,000	4.6	4.4
15.2	14.6	15.5	18.4	12,695	8,034	3,861	100,000	5.2	4.8
7.3	7.0	7.3	7.3	7,459	4,792	788	29,000	5.5	5.0
17.1	14.7	19.7	17.6	337,966	220,783	147,415	5,213,000		
65.9	60.5	67.1	58.6	51,131	39,273	78,611	2,351,000	4.5	N/A
31.5	28.0	42.8	37.1	55,110	27,236	64,810	1,888,000	4.5	N/A
28.6	24.1	32.5	26.0	35,578	14,562	17,551	457,000	4.9	5.3
26.4	26.2	49.7	30.2	907	5,463	3,413	68,000	5.9	N/A
28.4	26.6	29.6	26.1	5,189	3,111	2,163	55,000	4.9	N/A
20.4	20.0	20.0	20.1	3,100	0,111	2,100	33,000	4.0	14/74
27.6	33.6	23.8	24.0	2,184	3,693	2,023	55,000	5.2	N/A
42.2	41.6	42.2	26.6	4,226	489	1,906	44,000	5.2	N/A
 11.0	11.3	11.8	8.0	2,918	3,566	834	20,000	5.5	N/A
40.3	37.0	47.1	41.8	157,243	97,393	171,311	4,938,000		
24.5	22.1	28.4	25.0	495,209	318,176	318,726	10,151,000		





During the year, passing rental continued to improve across the Portfolio, exhibiting a growth of 10.9% to HK\$24.5 per sq. ft..

The positive reversion cycle and the limited supply of office space in Hong Kong have supported the performance of Sunlight REIT's office portfolio, which managed an average passing rental growth of 16.3% to HK\$17.1 per sq. ft. as at 30 June 2008 from HK\$14.7 per sq. ft. as at 30 June 2007. Meanwhile, the retail properties began to reap the rewards of the Manager's proactive leasing strategy, with passing rental increased to HK\$40.3 per sq. ft. as at 30 June 2008 from HK\$37.0 per sq. ft. as at 30 June 2007, representing a growth of 8.9%.

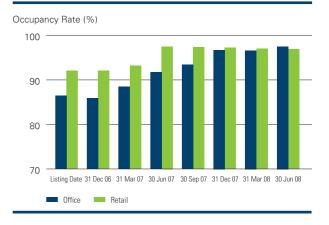
As a testament to the buoyant rental market and the Manager's effective leasing strategy, unit rental committed in respect of the new leases during the year showed satisfactory improvement over that of the previous period. The Manager secured new leases (including both new letting and renewal) amounting to a total of 495,209 sq. ft. and the average unit rental achieved for the office portfolio and retail portfolio was HK\$19.7 per sq. ft. and HK\$47.1 per sq. ft. respectively (please refer to "Portfolio at a Glance" on pages 18 and 19 for detailed information).

Historical Trends in Passing Rental since IPO



Overall occupancy of the Portfolio improved from 93.8% to 97.5% during the year, assisted in part by our strategic tenant retention programme. As at 30 June 2008, office and retail occupancy levels stood at 97.7% and 97.1% respectively, compared with 91.9% and 97.7% a year earlier. In addition to improving the overall occupancy levels, the Manager also took the opportunity to bring in high-quality office and retail tenants, being a strategic approach to create a diversified tenant base that supports long term and sustainable growth.

Historical Trends in Occupancy since IPO





A leading Chinese herbal medicine chain stationed at Sheung Shui Centre Shopping Arcade Property

Operation Review

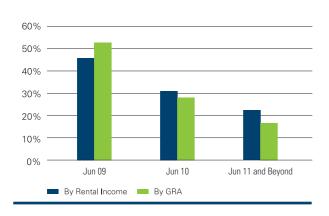




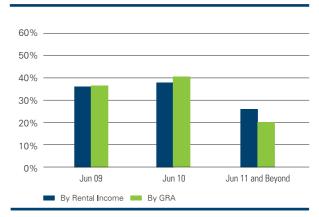
Sheung Shui Centre Shopping Arcade Property attracts lifestyle tenants on the first floor while the ground floor appeals to leading financial services to meet the growing demand of currency exchange and wealth management services.

As at 30 June 2008, the weighted average lease length by GRA stood at 2.6 years for the entire portfolio. Lease expiries before June 2009 will account for 52.9% of office GRA, and 36.5% of retail GRA. As positive rental reversion is expected to continue, the Manager envisages that the overall Portfolio, and particularly the office properties, will continue to display decent performance going forward.

Expiry Profile of Office Properties as at 30 June 2008



Expiry Profile of Retail Properties as at 30 June 2008



Diversified Tenancy Base Mitigates Risks

The Portfolio had a total of 1,018 tenancies as at 30 June 2008. The 10 largest tenants by rental income, which contributed approximately 17.5% of the total rental income for June 2008, occupied approximately 14.6% of total GRA.

Top Ten Tenants by Rental Contribution as at 30 June 2008

Tenant Name	Trade Sector	% of Total Gross Rentable Area	% of Total Monthly Rent
The Financial Secretary Incorporated c/o Government Property Agency	Government and related organisations	3.9	3.5
Bank of Communications Co. Ltd.	Banks and securities	0.7	2.6
Forever Sky (Asia) Limited	Restaurants	1.6	1.9
The Dairy Farm Company Limited	Supermarket	0.7	1.9
Tenant A Note	Medical services and healthcare	1.2	1.7
Bank of China (Hong Kong) Limited	Banks and securities	0.6	1.4
Anglo-Eastern Ship Management Limited	Shipping, logistic and transportation	3.1	1.3
Cosmos Inc. Limited	Restaurants	1.9	1.2
Hang Seng Bank Limited	Banks and securities	0.6	1.1
The Hongkong and Shanghai Banking Corporation Limited	Banks and securities	0.4	1.0

Note: tenant requests for anonymity

Additional Income Streams

Sunlight REIT has a total of 844 car parking spaces which generated income of approximately HK\$18.6 million in the year. In addition to car park rentals, the Manager also generated additional income from outdoor advertising space on some office properties. Cost recovery items including management and airconditioning fees at certain properties were adjusted during the year to reflect changes in the cost of living.

Cost Saving Measures Reap Benefits

Cost control programmes at the individual properties included initiatives such as the installation and use of energy-saving devices and the implementation of an

efficient cost and benefit approach to repairs and maintenance. One major initiative was the installation of energy-efficient air-conditioning systems at our key retail properties, namely Metro City Phase I Property and Sheung Shui Centre Shopping Arcade Property. The works were undertaken with a view to both immediate cost savings and long term environmental enhancement. In addition to a clear reduction in operating costs, the move signalled our intention to improve the properties' environmental footprint and enhance the brand value and image of Sunlight REIT. During the year, the Manager managed to maintain the cost-to-income ratio at a satisfactory level of 26.1%.

Office Portfolio



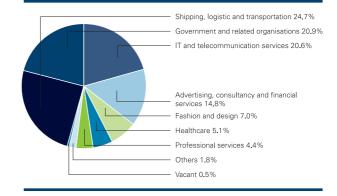
■ 248 Queen's Road East Property

Pent-up demand for office space continued to benefit our leasing activities. As cost-conscious businesses began to relocate out of Central, the office market in Wan Chai and Sheung Wan has reaped the reward as natural extensions to the financial district.

Flagship Office Property: **Forging Ahead**

Our key office property, 248 Queen's Road East Property, continued to benefit from both the robust economy and pent-up demand for office space in decentralised areas. Refurbishment and reconfiguration work in the main lobby was completed in the first quarter of 2008 and it has created more attractive accommodation for both existing and potential occupiers. During the year, new leases achieved an average unit rental rate of HK\$25.6 per sq. ft., compared to HK\$23.5 per sq. ft. in the previous period. In addition to rental growth, tenant mix continued to improve as the property managed to attract a good stream of multinational firms from a diverse range of sectors, including bio-technology, fashion, shipping and, most notably, government and government-related organisations.

Tenant's Trade Analysis by GRA at 248 Queen's Road East Property as at 30 June 2008









Reconfiguration and refurbishment works at the lobby of 248 Queen's Road East Property bring a refreshing look to this prime office property

Given the substantial difference between the prevailing market rent and the underlying passing rent (please refer to "Portfolio at a Glance" on pages 18 and 19 for detailed information), financial year 2008/09 will be an exciting time for 248 Queen's Road East Property. Substantial rental reversion is expected to take place as about 60% of the property's GRA is due to expire in the course of the coming year. At the time of writing,

our proactive tenant retention programme and lease negotiation initiatives have already successfully secured more than 51.4% of the expiring GRA. Accounted for 22.5% of Sunlight REIT's net property income for the year, rental reversion at 248 Queen's Road East Property will be a key income driver for Sunlight REIT in the next financial year.

Portfolio Review







Bonham Trade Centre Property

'Next Best' Alternative to Central **Business District**

During the year, the overall Grade B office portfolio of Sunlight REIT, which comprises both mid-size and boutique office buildings, reported satisfactory growth in rental and occupancy performance. The Grade B office portfolio in Central/Sheung Wan accounted for 12.7% of net property income for the year while the remaining Grade B portfolio contributed the balance. We have been able to rediscover and further enhance the potential at selective properties, particularly for Bonham Trade Centre Property, Winsome House Property and Righteous Centre Property.

Bonham Trade Centre Property, has benefited from the Central district spillover effect because of its prime location in Sheung Wan. As a result, its overall rental performance has shown considerable improvement.

During the year we continued our tenancy upgrade programme with a view to establish the property as a strong 'next best' alternative. We targeted at capturing the spillover demand from Central into Grade B in Sheung Wan, a segment that has been underserved. Our strategic plan involved relocation of smaller tenants from Bonham Trade Centre Property to 135 Bonham Strand Trade Centre Property and 235 Wing Lok Street Trade Centre Property, enabling us to work on attracting quality mid-sized tenants demanding for larger units with floor plates of over 4,000 sq. ft. This strategy served the dual purpose of meeting the current spillover demand and reducing the volatility and risk generally associated with exposure to small business proprietors.

Winsome House Property, located at the junction of Wyndham Street and Hollywood Road, is close to Lan Kwai Fong and attracts many studio offices and fashionable restaurants. This property continues to be the most unique within our office portfolio with majority exposure to small foreign proprietary businesses. Rental growth was highly encouraging, increasing from HK\$20 per sq. ft. in the financial period 2006/07 to over HK\$30 per sq. ft. during the year. The redevelopment of the former Central Police Station compound on Hollywood Road will further revitalise the neighbourhood and it is anticipated that the redevelopment project will encourage more tourists and locals to spend time in the thriving community.



■ Winsome House Property

In addition to the Central/Sheung Wan portfolio, we also manage seven Grade B boutique office buildings on Hong Kong Island, and Kowloon, mainly in Mongkok and Jordan districts. We were particularly encouraged by the performance of Righteous Centre Property whose retail space on the podium level continued to demonstrate exciting potential given its prime location in the traditional retail district on Nathan Road.



Righteous Centre Property

Retail Portfolio



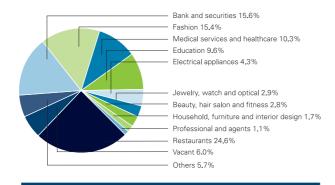
■ The Metro City Phase I mall offers a vibrant experience to shoppers and retailers

The Manager's tenant and asset enhancement efforts have translated into a sustained improvement in both rental levels and occupancy and contributed positively to the performance of our key retail properties. During the year, we were particularly encouraged by our tenant retention rate of over 65% at our retail portfolio, indicating that our customer loyalty programme and continued effort in upgrading the retail environment are paying off as we look forward to building a long term relationship with our quality tenants.

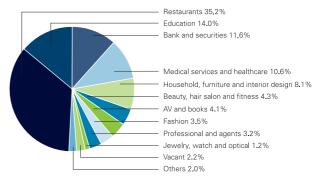
Key Shopping Malls: In Fine Fettle

Many of Sunlight REIT's retail properties are strategically positioned in close proximity to crossborder rail links in areas such as Sheung Shui and Yuen Long. These areas benefited from inbound mainland tourism as the Renminbi appreciation and the availability of authentic products offered strong shopping incentives. Meanwhile, our new town properties particularly in Tseung Kwan O, provided a strategic exposure to high population growth communities which helped support occupancy and rental growth on the back of a positive consumer sentiment during the year.

Tenant's Trade Analysis by GRA at Sheung Shui Centre Shopping Arcade Property as at 30 June 2008



Tenant's Trade Analysis by GRA at Metro City Phase I Property as at 30 June 2008



Metro City Phase I Property and Sheung Shui Centre Shopping Arcade Property have a total gross rentable area of 188,889 sq. ft. and 122,339 sq. ft. respectively. During the year, passing rental at Metro City Phase I Property increased 12.5% to HK\$31.5 per sq. ft., supported by the average unit rental of HK\$42.8 per sq. ft. for new leases committed. Meanwhile, passing rental at Sheung Shui Centre Shopping Arcade Property also showed encouraging improvement, rising 8.9% to HK\$65.9 per sq. ft. on the back of an average unit rental of HK\$67.1 per sq. ft. for all new leases committed during the year.

Other Retail Properties

Apart from the two flagship malls, Sunlight REIT manages six retail properties, namely Kwong Wah Plaza Property, Beverley Commercial Centre Property, Royal Terrace Property, Supernova Stand Property, Glory Rise Property and Palatial Stand Property. These are typical podium level retail centres in residential/ office developments. They provide a total GRA of 59,611 sq. ft.note of retail space that serve the daily

shopping needs of the neighbourhood through retailers of groceries, fast food, fashion and other services. Collectively, they accounted for 8.8% of the net property income during the year.



Keith Wu, CEO of the Manager, presented the eye-dotting ceremony for a lunar new year event at Sheung Shui Centre Shopping Arcade Property

Note: Both Kwong Wah Plaza Property and Palatial Stand Property consist of retail and office space. Only the retail portion of both buildings have been included in the calculation of this figure.





Optimisation of stakeholder value is the core focus and prime objective of Sunlight REIT's asset enhancement strategy - we

aim to improve our performance through constantly upgrading our property and customer services, space planning and design with a strong awareness of environmental friendliness. Throughout the year, we focused on tailoring our customers' requirements and providing attractive, well-configured properties; we believe this has generated new demand, enhanced tenant loyalty and resulted in increasing rental values.

Taking full advantage of the rental support available, we began a number of asset enhancement projects during the year, with the Manager implementing plans to upgrade the look and functionality of several of our major properties.

The Manager's leasing strategy at Metro City Phase I Property has created value for both tenants and shoppers. Our strategy involved mixing appropriate quality trades in a more defined zone, particularly in respect of 'destination' trade. We also repartitioned

tenantable space with a view to satisfying the specific needs of the domestic catchments. The ground floor is beginning to draw better consumer traffic as we bring in education and lifestyle-oriented trades for the younger generation while the second floor continues to show healthy customer flow as it features serviceoriented retail tenants ranging from healthcare to banking. Such pursuit is far from being completed as we envisage further reconfiguration involving alterations to the layout on the ground floor in the next twelve months.

At Sheung Shui Centre Shopping Arcade Property,

we focused on the enhancement of amenities and walkways. Our renovation is to modernize this 15-year property, enhancing customers' shopping experience by giving the space a make-over that would provide a fresh new look that attracts quality retailers. The first phase of the project, which emphasised on renovating and upgrading the atrium, was completed on schedule in July 2008. The second phase, which involves the refurbishment of the corridors and access on the first floor, is expected to commence in early 2009.



Metro City Phase I Property - atrium area on the ground floor



Next phase of asset enhancement at Sheung Shui Centre Shopping Arcade Property will focus on corridors and walkways

Portfolio Review



■ Atrium at Sheung Shui Centre Shopping Arcade Property before renovation



Atrium at Sheung Shui Centre Shopping Arcade Property after asset enhancement

The renovation of the atrium of Sheung Shui Centre Shopping Arcade Property (see page 32) clearly demonstrates our aspiration to improve the overall shopping experience of our visitors. Most notably, lightings have been redesigned to create a more relaxed ambience. The façade has been reconstructed to accommodate increased advertising and promotion events going forward. Access has been substantially reconfigured to ensure safe passage. A new bank tenant has been brought in to fill the void between the two escalators which further strengthens the position of our Property as the premium location for finance related trade closest to the Sheung Shui train station.

Plans have also been drawn up for renovation of the Bonham Trade Centre Property, with work due to commence in late 2008. The retail podium will be reconfigured to provide a more efficient corridor access with a new look that is expected to help the Manager reposition the building as a quality Grade B office building. This property stands to benefit from the spillover demand from Central given its floor plate in excess of 4,000 sq. ft. and landlord provisions comparable to the surrounding Grade A buildings. As such, we are hopeful that the renovation will further enhance its current tenant appeal and thus rental and capital values of the property.



■ Existing entrance at Bonham Trade Centre Property



An artist impression of Bonham Trade Centre Property's entrance





Acquisition is the impetus for long term growth. As the Manager of Sunlight REIT, we actively seek to identify, evaluate and

acquire income-producing investment properties to ensure long term, sustainable growth in distribution.

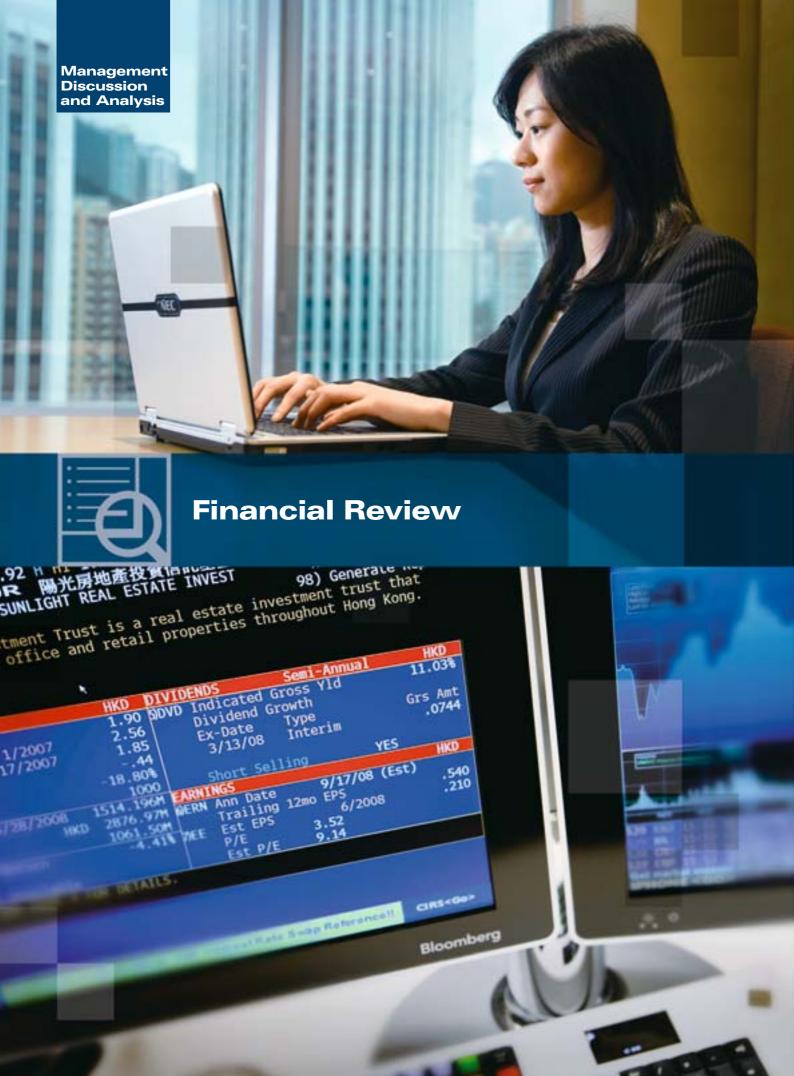
We employ a disciplined and objective investment methodology with a two-pronged approach in examining the feasibility of each potential acquisition. We will evaluate in detail the operational aspects of the potential asset and the availability of adequate financing to deliver an accretive transaction.

In identifying a potential acquisition, we assess and target to unlock the hidden value of the underlying properties. Metro City Phase I Property is a vivid example of how an underperforming property can, with substantial reconfiguration and enhancement, be turned around to deliver a superior return over time. While strategies for transforming and realising the true value of each property may vary, the potential to improve tenant mix, spatial design and economies of scale are amongst the key factors that would govern the suitability of an acquisition.

Financing is a significant factor in the equation. We are committed to protecting the interests of our existing unitholders and have always endeavoured to execute our acquisitions with due regard to the impact on distribution and net asset value per unit. Meanwhile, we also devote substantial effort to devise a captial structure which will allow Sunlight REIT to weather volatility in both the property and capital markets.

As we endeavour to build a more substantial portfolio under management, we are fortunate to have established a good acquisition platform through our pipeline agreement with our sponsor, HLD note. However, we are keenly aware of the current economic environment which calls for patience and prudence when considering expansion. We will ensure that any acquisition will conform to the requirements of our balanced Portfolio, and will be beneficial to the long term development of Sunlight REIT.

Note: On 16 June 2008, the Manager received a letter from HLD which, in fulfilment of its undertaking under the HLD Commitment Letter dated 21 December 2006, has made available several office and retail properties for the Manager's consideration for acquisition by Sunlight REIT. At the time of writing, no legally binding agreement has been entered into in respect of the acquisition of any of these properties.





Financial Highlights

(in HK\$' million, unless otherwise specified)	2008	2007 note 1
For the year/period ended 30 June:		
Turnover	431.3	200.3
Property operating expenses	112.6	51.9
Net property income	318.7	148.4
Profit after tax note 2	729.4	940.1
Annual distributable income	258.7	141.8
Cost-to-income ratio (%)	26.1	25.9
DPU note 3 (HK cents)	24.20	13.51
Distribution yield per unit note 4 (%)	12.6	6.0
As at 30 June:		
Portfolio valuation	10,151.0	9,558.0
Total assets	10,795.7	10,338.3
Total liabilities	5,631.3	5,583.6
Net asset value	5,164.4	4,754.7
Net asset value per unit (HK\$)	3.41	3.19

Notes:

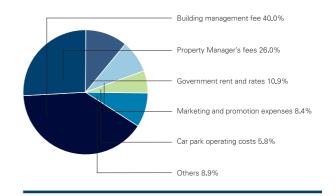
- 1. Sunlight REIT was listed on 21 December 2006; the income, expenditure and distribution figures for the financial period ended 30 June 2007 covered 192 days.
- 2. Profit after tax in 2008 included a net increase in fair value of investment properties of HK\$590.1 million (2007: HK\$468.0 million) and Adjustment Payments of HK\$90.6 million (2007: HK\$59.8 million). In 2007, there was an excess of interest in fair values of the acquiree's identifiable net assets over cost of business combination amounted to HK\$473.8 million.
- 3. A total of 441,642,638 units owned by certain unitholders (who agreed, in varying extents, to waive their entitlements to distributions for any period up to 30 June 2011) were excluded in the calculation of DPU.
- 4. Calculations are based on DPU and the last traded unit price of Sunlight REIT as at the end of the respective reporting year/period.

Turnover and Expenses

During the year, turnover amounted to HK\$431.3 million, including rental income (78.5%), car park income (4.3%) and rental related income (17.2%). As Sunlight REIT was listed on 21 December 2006, there are no directly comparable year-on-year figures.

Property operating expenses for the year amounted to HK\$112.6 million, giving rise to a cost-to-income ratio of 26.1% for the year which was virtually unchanged compared to the previous period.

Property Operating Expenses Breakdown



Financial Review

Top Five Real Estate Agents and Contractors

Real estate agents and contractors	Nature of service	Value of contract (HK\$'000)	Relevant cost (%)
Henderson Sunlight Property Management Limited	Leasing, marketing and building management	31,610	31.7
Hang Yick Properties Management Limited	Building management	7,754	7.8
Megastrength Henderson Security Services Limited	Security services	3,831	3.8
Winston Air Conditioning & Engineering (Hong Kong) Company Limited	Repairs and maintenance	2,534	2.5
Ngai Lik Cleaning Services Company Limited	Cleaning services	2,329	2.3
Total		48,058	48.1

Net Property Income

After deducting direct costs (which comprised property management fees and other operating expenses), net property income for the year amounted to HK\$318.7 million. Please refer to "Portfolio at a Glance" on pages 18 and 19 for detailed information.

Adjustment Payments

Pursuant to several Deeds of Adjustment Payments, all dated 2 December 2006, the aggregate adjustment payments to Sunlight REIT for the year amounted to HK\$90.6 million, representing the difference between the relevant consolidated rental income and the assured minimum rental per annum.

Profit After Tax

After accounting for, among others, Adjustment Payments as discussed above, the net increase in fair value of investment properties of HK\$590.1 million and finance costs of HK\$181.4 million, profit after taxation of Sunlight REIT for the year was HK\$729.4 million.

Distribution

The annual distributable income of Sunlight REIT for the year was HK\$258.7 million. The annual distributable income is calculated by the Manager as representing the audited consolidated net profit after tax of Sunlight REIT, adjusted to factor in the effects of certain items as set out in the "Distribution Statement" on page 91 of this Annual Report.

The Manager's current policy is to distribute 100% of Sunlight REIT's annual distributable income for each financial year to unitholders.

In addition, the subsidiaries of both SKFE and HLD have agreed to waive their entitlements, in varying extent, to receive distributions of Sunlight REIT declared until 30 June 2011 pursuant to two Deeds of Distribution Waiver as disclosed in the Offering Circular. Taking into account such distribution waivers, the DPU for the year will amount to HK 24.20 cents, which exceeded the guaranteed DPU of HK 22.08 cents as indicated in the Offering Circular. With an interim distribution per unit of HK 7.44 cents, the final distribution per unit amounted to HK 16.76 cents.

Distribution Entitlement

The record date for the final distribution will be Friday, 3 October 2008. The register of unitholders will be closed from Friday, 3 October 2008 to Wednesday, 8 October 2008, both dates inclusive, during which no transfer of units will be effected. In order to entitle to the final distribution, all completed transfer forms accompanied by the relevant unit certificates must be lodged for registration with the Unit Registrar, no later than 4:00 p.m. on Thursday, 2 October 2008.

The final distribution for the year will be paid to unitholders on Thursday, 30 October 2008.

Portfolio Valuation

Independent valuer, Savills Valuation and Professional Services Limited, valued the Portfolio at HK\$10,151 million as at 30 June 2008. This represents an increase of 2.2% from the valuation as at 31 December 2007 and 6.2% from the valuation as at 30 June 2007. Of this total appraised value, office properties accounted for 51.4% and registered a 10.8% growth since 30 June 2007, while retail properties accounted for 48.6% and recorded a 1.8% increase over the same period.

Net Assets

As at 30 June 2008, net assets attributable to unitholders amounted to HK\$5,164 million, an increase of 8.6% over HK\$4,755 million as at 30 June 2007. The net asset value per unit as at 30 June 2008 was HK\$3.41, compared with HK\$3.19 as at 30 June 2007. All investment properties of Sunlight REIT and all bank balances held under the name of Sunlight REIT Treasury Limited, a subsidiary of Sunlight REIT, were mortgaged or charged to The Hongkong and Shanghai Banking Corporation Limited, in its capacity as the security trustee for the term loan and revolving credit facilities granted to Sunlight REIT.

Capital Structure Management

During the year, Sunlight REIT had in place total loan facilities of HK\$4,050 million, of which the HK\$3,950 million term loan facility had been fully drawn, while there was a further HK\$100 million revolving credit facility that remained undrawn. Both the term loan and the revolving credit facilities will mature on 20 December 2011. As at 30 June 2008, the gearing ratio of Sunlight REIT, defined as total borrowings as a percentage of gross assets, was 36.6%. The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets was 52.2%. Total borrowing costs for the year amounted to HK\$181.4 million.

New Units Issued

Except for an aggregate of 22,417,217 units issued to the Manager in lieu of payment of the Manager's fees, there were no other new units issued during the year.

Hedging Policy

The Manager employs a prudent and efficient capital management strategy by utilising an appropriate mix of debt and equity capital. In order to minimise financial market risks and maintain financial flexibility, Sunlight REIT has entered into interest rate swap arrangements, under which interest rates of the term loan have been effectively fixed at a flat rate of 3.0% per annum for the period from the Listing Date to 30 June 2007, and 3.5% per annum for the remaining period until 30 June 2011.

Liquidity

As at 30 June 2008, Sunlight REIT had a total bank and cash balance of HK\$227.8 million. Taking into consideration the current cash position and the unutilised credit facility available, it has sufficient financial resources to satisfy its working capital, distribution payment and capital expenditure requirements.

Contingent Liabilities

The contingent liabilities of Sunlight REIT amounted to HK\$4.7 million as at 30 June 2008. This represents the guarantee given by Sunlight REIT to a commercial bank to secure a banking facility granted to a subsidiary of Sunlight REIT to issue bank guarantees in lieu of deposit to electricity companies.

Employees

Sunlight REIT is managed by the Manager. Sunlight REIT does not employ any staff itself.

Forward-looking Statements

This annual report contains several statements that are "forward-looking" or use certain "forward-looking" terminologies. These statements are based on the current beliefs, assumptions, expectations and projections of the Board regarding the industry and markets in which Sunlight REIT operates. These statements are subject to risks, uncertainties and other factors beyond the Manager's control.





Board of Directors



Mr. Kan Fook Yee



Mr. Wu Shiu Kee, Keith



Mr. Kwok Ping Ho

Mr. Kan Fook Yee **Chairman and Non-executive Director**

Mr. Kan Fook Yee, aged 72, is the Chairman and Non-executive Director of the Manager and mainly responsible for overall leadership of the Board on the corporate strategy and direction of the Manager. He has over 30 years of experience in the real estate and property field and had a legal practice as a Barrister-at-law in Hong Kong before joining the Manager.

During his long career in the property business, Mr. Kan was a highly respected member of the surveying profession. He is a fellow member of the Hong Kong Institute of Surveyors and was elected the Founding President of the Institute in 1984. He is currently an adviser to the Heung Yee Kuk.

Mr. Kan holds a Master of Laws degree from The University of Hong Kong and a Bachelor of Laws degree from the University of London. He is also a fellow member of the Chartered Institute of Arbitrators and the Hong Kong Institute of Arbitrators.

Mr. Wu Shiu Kee, Keith **Chief Executive Officer and Executive Director**

Mr. Wu Shiu Kee, Keith, aged 44, is the Chief Executive Officer, Executive Director and a Responsible Officer of the Manager. He has over 20 years of experience in the property, corporate finance, asset management and research related fields.

From 1997 to 2005, Mr. Wu was an Executive Director of Lai Sun Development Company Limited ("Lai Sun Development"), where he was responsible for overseeing corporate finance related matters of the Lai Sun Group, notably including the corporate restructuring of Lai Sun Development and the initial public offering of SUNDAY Communications Limited. He also held senior research and management positions with a variety of leading financial institutions in Hong Kong.

Mr. Wu holds a Master of Science degree in Engineering-Economic Systems (since renamed Management Science and Engineering) from Stanford University, U.S. and a Bachelor of Science degree in Economics and Statistics (High Distinction) from the University of Toronto in Canada.

Mr. Kwok Ping Ho **Non-executive Director**

Mr. Kwok Ping Ho, aged 55, is a Non-executive Director of the Manager.

Mr. Kwok has also been an Executive Director of Henderson Land Development Company Limited since December 1993 and an Executive Director of Henderson Investment Limited since September 1988.

Mr. Kwok holds a Master of Science degree in Administrative Sciences from the City University Graduate Business School, London, a Post-Graduate Diploma in Surveying (Real Estate Development) from The University of Hong Kong and a Bachelor of Science (Engineering) (Civil Engineering Group) Honours degree from the University of London. He is also an associate member of The Chartered Institute of Bankers (A.C.I.B.) of the United Kingdom and has previously been a part-time lecturer for the MBA programme of The University of Hong Kong.

Mr. Kwok has over 27 years of experience in the finance and business management areas which include responsibilities in the corporate investment, finance and treasury and project management activities of both the Henderson Land Group and the Henderson Investment Group of companies since 1987, including group re-organisation, privatisation proposals and corporate acquisitions.



Mr. Kwan Kai Cheong



■ Mr. Ma Kwong Wing



Dr. Tse Kwok Sang

Mr. Kwan Kai Cheong **Independent Non-executive Director**

Mr. Kwan Kai Cheong, aged 58, is an Independent Non-executive Director of the Manager.

Mr. Kwan is presently the President of Morrison & Company Limited, a business consultancy firm. He is also a Non-executive Director of China Properties Group Limited and JF Household Furnishings Limited (re-designated from an Independent Non-executive Director on 9 April 2008); an Independent Non-executive Director of Hutchison Telecommunications International Limited (also listed on the New York Stock Exchange), Hutchison Harbour Ring Limited, Soundwill Holdings Limited, Win Hanverky Holdings Limited and SPG Land (Holdings) Limited (all being companies listed on the Main Board of the Stock Exchange of Hong Kong Limited ("SEHK")).

Mr. Kwan holds a Bachelor of Accountancy (Honours) degree from the University of Singapore (since renamed National University of Singapore). He is also a member of the Institute of Chartered Accountants in Australia, a member of the Hong Kong Institute of Certified Public Accountants and a fellow of The Hong Kong Institute of Directors. He completed the Stanford Executive Program in 1992.

Mr. Ma Kwong Wing **Independent Non-executive Director**

Mr. Ma Kwong Wing, aged 62, is an Independent Non-executive Director of the Manager.

Mr. Ma served with Hang Seng Bank Limited ("Hang Seng Bank") for over 30 years in various business areas and functions (including compliance) prior to his retirement in October 2005. He was appointed as Company Secretary of Hang Seng Bank in 1988 and Assistant General Manager (while remaining as Company Secretary) in January 1993.

Mr. Ma is a Fellow of the Association of Chartered Certified Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. He is also a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, an associate member of The Chartered Institute of Bankers and The Hong Kong Institute of Bankers and a member of the Hong Kong Securities Institute.

Dr. Tse Kwok Sang **Independent Non-executive Director**

Dr. Tse Kwok Sang, aged 51, is an Independent Non-executive Director of the Manager.

Dr. Tse is currently Associate Professor of Finance, Associate Dean (Taught Postgraduate Programs and Development), and the director of the Centre for Asian Entrepreneurship and Business Values of the Faculty of Business and Economics of The University of Hong Kong.

Dr. Tse has published widely on the subject of real estate finance and economics, financial regulations and capital markets and investments. He has been serving on the examination panel of the Estate Agents Authority of Hong Kong since 1999. He has been appointed a member of the Citizens Advisory Committee on Community Relations of the Independent Commission Against Corruption since 2004. He has also been engaged in a consulting capacity by the Estate Agents Authority of Hong Kong, the Hong Kong Monetary Authority, Merrill Lynch (Asia Pacific) Ltd. and the State of Indiana, U.S. He is also a Co-Opted Executive Councillor of the New Territories Heung Yee Kuk.

Dr. Tse holds a Ph.D. in Finance, a Master of Business Administration degree and a Master of Science degree in Statistics, all from Michigan State University, U.S., and a Bachelor of Science degree in Chemistry from The University of Hong Kong. He has also been an associate member of the Society of Actuaries (ASA) since 1991.



Executive Office

Mr. Wu Shiu Kee, Keith

Chief Executive Officer, Executive Director and Responsible Officer

Mr. Wu is responsible for implementation of the strategy and objectives as set by the Board and takes charge of the day-to-day management of the business of the Manager.

Details of his experience are set out under "Board of Directors" on page 42.

Mr. Leung Kwok Hoe, Kevin

Investment and Investor Relations Manager and Responsible Officer

Mr. Leung is responsible for, among other matters, formulating and implementing the Manager's investment management plans for Sunlight REIT, formulating and implementing fund investment strategy and policy, identifying, researching and evaluating potential acquisitions or divestments consistent with Sunlight REIT's investment strategy, and developing a research platform. He is also responsible for all communication with unitholders and other key stakeholders of Sunlight REIT.

Mr. Leung has over 14 years of experience in finance and treasury, investment and fund management fields. Prior to joining the Manager, he was the Investment Manager and a Responsible Officer of The Link Management Limited, the manager of The Link Real Estate Investment Trust.

Mr. Leung holds a Master of Applied Science in Biopharmaceutical from The University of New South Wales, Australia, a Bachelor of Economics degree and a Bachelor of Laws degree, both from The University of Sydney, Australia. He is also a Chartered Financial Analyst.

Mr. Leung Pei Sai

Asset Management Manager and Responsible Officer

Mr. Leung is responsible for, among other matters, driving the performance of Sunlight REIT's entire property portfolio in line with the strategy and ojectives of Sunlight REIT, planning and developing strategies for recommendation to the Chief Executive Officer and to the Board to meet profit targets for Sunlight REIT and to enhance profitability, and directing the development and implementation of marketing strategies and business development plans.

Mr. Leung has over 18 years of sales and leasing experience in the property industry. Prior to joining the Manager, he was an Assistant General Manager of the Portfolio Leasing Department of HLD.

Mr. Leung holds a Diploma (Honours) in Applied Biology from the Hong Kong Baptist University and a Hong Kong Estate Agent's Licence (Individual).

Ms. Lo Yuk Fong, Phyllis

Financial Controller

Ms. Lo is principally responsible for supervising the overall financial management of Sunlight REIT, including but not limited to financial reporting, taxation and cash flow management, monitoring of capital expenditure, reviewing of and making recommendation on financing matters and budget preparation. As the Company Secretary of the Manager, Ms. Lo is also in charge of all company secretarial functions pertinent to Sunlight REIT.

Ms. Lo has over 20 years experience in financial management and company secretarial functions. Prior to joining the Manager, Ms Lo was the Chief Financial Officer of a media company previously listed in Singapore.

Ms. Lo holds a Bachelor of Business Administration degree from The Chinese University of Hong Kong. She is a member of the Institute of Chartered Accountants in England & Wales, a Certified Public Accountant (Practising) from the Hong Kong Institute of Certified Public Accountants and a fellow of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.



Mr. Hah Yick Yat, Kelvin **Corporate Services Manager**

Mr. Hah is responsible for, among other matters, human resources management, procurement and office administration, supporting the Manager's core asset management and investment management functions through the provision of ancillary back-office services and ensuring the optimal efficiency and operation of the information technology systems.

Mr. Hah has over 8 years of experience in the finance and administration areas; in particular, he was the Finance and Administration Officer of Eastar Technology Limited, a subsidiary of Henderson Cyber Limited between 2000-2003.

Mr. Hah holds a Bachelor of Arts degree in Economics from the University of British Columbia, Canada, a Professional Diploma in Marketing from the University of California, Berkeley, and a Master of Science degree in Financial Management from the University of London

Ms. Kan Shuk Fan, Winnie **Internal Auditor**

Ms. Kan is responsible for, among other things, reviewing the Manager's internal control system and reporting to the Board through the Audit Committee on any deficiencies discovered.

Ms. Kan has over 15 years of experience in the audit and finance field. Prior to joining the Manager, she was a senior internal auditor of the Airport Authority Hong Kong.

Ms. Kan holds a Master of Business Administration degree from The University of Manchester, a Bachelor of Laws (Honours) degree from the Manchester Metropolitan University and a Bachelor of Arts

(Honours) degree in Accountancy from the City University of Hong Kong. She is also a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Ms. Kan is a Certified Internal Auditor and a Certified Information Systems Auditor awarded by The Institute of Internal Auditors and the Information System Audit and Control Association (ISACA) respectively.

Ms. Cheung See Wing, Dorothy **Compliance Manager**

Ms. Cheung is responsible for, among other things, ensuring that the Manager has implemented adequate internal systems and controls to comply with the Compliance Manual, the Trust Deed, the REIT Code, the Rules Governing the Listing of Securities on SEHK, the codes of conduct published by the Securities and Futures Commission ("SFC") which are applicable to the Manager, the Securities and Futures Ordinance, the other applicable laws, rules and regulations and is kept abreast of any changes in applicable laws, rules and regulations relating to compliance matters.

Ms. Cheung has 16 years of experience in the fields of compliance, corporate finance, legal and company secretarial. Prior to joining the Manager, she was a director and responsible officer of an SFC licensed corporation engaged in the provision of corporate finance advisory services.

Ms. Cheung holds a Master of Business Administration degree from the McGill University, Canada, and a Bachelor of Arts (Honours) degree in Accountancy and a Higher Diploma in Legal Studies, both from the City University of Hong Kong. She is also an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.



Mr. Lee Kiu Ming

General Manager

Mr. Lee is responsible for formulating and implementing business plans and strategies and business development of the Property Manager. Mr. Lee has 17 years of marketing, leasing and property management experience in the property field in Hong Kong. Prior to joining the Property Manager, he was a Leasing Manager in the Portfolio Leasing Department of HLD.

Mr. Lee holds a Bachelor of Social Science degree from The Chinese University of Hong Kong and a Bachelor of Science degree (Estate Management) from the University of Reading in the United Kingdom.

Mr. Poon Hung Tak

Chief Property Manager

Mr. Poon works with the General Manager to oversee the building operations of the Property Manager.

Mr. Poon has 22 years of experience in property management. Prior to joining the Property Manager, he was the Estate Manager of Goodwill Management Limited, a subsidiary of HLD.

Mr. Poon holds a Master of Business Administration in Construction and Real Estate from the University of Reading in the United Kingdom, a Bachelor of Arts degree from The University of Hong Kong and a Professional Diploma in Real Estate Administration from the School of Professional and Continuing Education of The University of Hong Kong. He is also a professional member of the Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Real Estate Administration.

Mr. Wong Chi Ming

Chief Leasing Administration Manager

Mr. Wong is responsible for supervising the leasing management functions of the Property Manager.

Mr. Wong has over 18 years of marketing, leasing and property management experience in the property industry. Prior to joining the Property Manager, he was a Leasing Manager in the Portfolio Leasing Department of HLD.

Mr. Wong holds a Master of Corporate Governance degree from The Open University of Hong Kong and a Bachelor of Engineering degree from The University of Hong Kong. He is also an associate of The Institute of Chartered Secretaries and Administrators, associate of The Hong Kong Institute of Chartered Secretaries and fellow member of The Hong Kong Institute of Shopping Centre Management.

Mr. Lai Shu Tong, Eric

Senior Area Manager

Mr. Lai is responsible for overseeing the management of Metro City Phase I Property, Sheung Shui Centre Shopping Arcade Property and Kwong Wah Plaza Property.

Mr. Lai has worked in the property management field for various types of properties for more than 20 years. Prior to joining the Property Manager, he worked for Goodwill Management Limited, a subsidiary

Mr. Lai holds a Professional Diploma in Housing Management from the School of Professional and Continuing Education of The University of Hong Kong. He is also a member of The Hong Kong Institute of Housing and a corporate member of the Chartered Institute of Housing Asian Pacific Branch.



Ms. Ip Wai Kei, Silvia

Senior Area Manager

Ms. Ip is responsible for overseeing the management of 248 Queen's Road East Property, Java Road 108 Commercial Centre Property, On Loong Commercial Building Property, Glory Rise Property, Supernova Stand Property and Royal Terrace Property.

Ms. Ip has 9 years of experience in property management. Prior to joining the Property Manager, she worked for Goodwill Management Limited, a subsidiary of HLD.

Ms. Ip holds a Master of Housing Management degree from The University of Hong Kong and a Bachelor of Real Estate degree from The Hong Kong Polytechnic University. She is also a member of the Royal Institution of Chartered Surveyors and The Hong Kong Institute of Surveyors (General Practice Division and Property and Facility Management Division).

Mr. Chan Kai Choi

Senior Area Manager

Mr. Chan is responsible for overseeing the management of Bonham Trade Centre Property, 235 Wing Lok Street Trade Centre Property, 135 Bonham Strand Trade Centre Property, Winsome House Property and Yue Fai Commercial Centre Property.

Mr. Chan has worked in the property management field for various types of properties for more than 22 years. Prior to joining the Property Manager, he worked for Goodwill Management Limited, a subsidiary

Mr. Chan holds a Professional Diploma in Housing Management from the School of Professional and Continuing Education of The University of Hong Kong. He is also a corporate member of The Chartered Institute of Housing.

Mr. Chan Chin Fung

Area Manager

Mr. Chan is responsible for overseeing the management of Everglory Centre Property, Righteous Centre Property, Palatial Stand Property, Sun Fai Commercial Centre Property, Wai Ching Commercial Building Property and Beverley Commercial Centre Property.

Mr. Chan has over 9 years of experience in property management. Prior to joining the Property Manager, he worked for Hang Yick Properties Management Limited, a subsidiary of HLD.

Mr. Chan holds a Bachelor degree in Housing Management from The University of Hong Kong, a Diploma in Housing Management and a Certificate in Housing Practice, both from the School of Professional and Continuing Education of The University of Hong Kong. He is also a Registered Professional Housing Manager and a corporate member of the Chartered Institute of Housing Asian Pacific Branch.

Corporate Governance Report

The Manager commits to the highest level of corporate governance practices and procedures. Good corporate governance relies on an optimal mix of checks and balances and has a strong emphasis on high transparency to and alignment of interests with unitholders. The Manager has adopted a compliance manual (the "Compliance Manual") which sets out the key processes, systems, measures, corporate governance policies and other policies and procedures governing the management and operation of Sunlight REIT. Compliance by the Manager with the Compliance Manual ensures that the relevant regulations and legislations are duly observed.

Set out below is a summary of the key components of the corporate governance policies that have been adopted and complied with by the Manager and Sunlight REIT.



■ CHECKS AND BALANCES

Authorisation Structure

Sunlight REIT is a collective investment scheme authorised by the SFC under section 104 of the Securities and Futures Ordinance (Cap.571) ("SFO") and regulated by the provisions of the REIT Code. The Manager has been authorised by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. The Manager has three persons who are approved as responsible officers pursuant to the requirements of section 125 of the SFO and paragraph 5.4 of the REIT Code, being Mr. Wu Shiu Kee, Keith, the Chief Executive Officer and Executive Director, Mr. Leung Kwok Hoe, Kevin, the Investment and Investor Relations Manager and Mr. Leung Pei Sai, the Asset Management Manager.

The Trustee is registered as a trust company under section 77 of the Trustee Ordinance (Cap. 29). The Trustee is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code.

Roles of the Trustee and the Manager

The Trustee is responsible under the Trust Deed for, among other things, the safe custody of the assets of Sunlight REIT held by it on behalf of unitholders.

The Manager's role under the Trust Deed is to manage Sunlight REIT in accordance with the Trust Deed and, in particular, to ensure that the financial and economic aspects of Sunlight REIT's assets are professionally managed in the sole interests of the unitholders. The Trustee and the Manager are independent of each other.

The Board and its Committees

The Board takes the role to lead and guide the corporate strategy and direction of Sunlight REIT.

Composition of the Board

The Board currently comprises a total of six Directors, consisting of one Executive Director who is also the Chief Executive Officer, two Nonexecutive Directors (including the Chairman) and three Independent Non-executive Directors ("INEDs"). The names and biographical details of the members of the Board are given under "Board of Directors" on pages 42 and 43.

The composition of the Board is reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience. The ongoing review of the Board's composition and recommendations on the appointment and re-appointment of Directors are matters within the terms of reference of the Remuneration and Nomination Committee.

Corporate Governance Report

The composition of the Board is determined using the following principles:

Appointments and removals of Directors

Right to appoint and remove all Directors

The right to appoint and remove Directors ultimately rests with the Board and the shareholder(s) of the Manager in accordance with the provisions of the Articles of Association and the Compliance Manual of the Manager. In particular, the Articles of Association provide that all Directors shall retire from office at every annual general meeting of the Manager but shall be eligible for re-election.

Appointment of Non-executive Directors

Non-executive Directors are appointed for a term of three years, with the qualification that new Directors are required to submit themselves for re-election at the first annual general meeting following their appointment.

Additional requirement on re-appointment of INEDs

If an INED serves the Board for more than nine consecutive years, any further appointment of such INED shall be subject to a separate resolution to be approved by the shareholders of the Manager with reasons showing that the retired INED continues to be independent and why he should be re-elected.

Board independence

The INEDs are responsible for ensuring that there is a strong independent element on the Board and for effectively exercising independent judgment with regard to the overall corporate strategy and direction of the Manager and specific proposed policies and transactions.

As required by the Compliance Manual, at least one-third of the Directors shall be INEDs (with a minimum of three Directors being INEDs). In assessing the independence of a Director, the Board takes into account the factors set out in the Manager's corporate governance policy, but none of which is necessarily conclusive. The Manager has received written annual confirmation from each INED of his independence by reference to such factors as set out in the Compliance Manual.

Functions of the Board and Delegation

The Board is responsible for overseeing the day-today management and corporate governance of the Manager and the conduct of its business. It meets on a regular basis and generally no less than four times each financial year at approximately quarterly intervals. The positions of the Chairman of the Board and Chief Executive Officer are held by separate individuals to ensure a segregation of duties in order that a balance of power and authority is achieved. The Board and management functions are largely separate. Other than some specific matters reserved to the full Board, such as certain corporate governance, strategic and financial matters, day-today management functions and certain supervisory functions are delegated to committees of the Board and relevant management teams.

The Board has established the Audit Committee, Investment Committee, Remuneration and Nomination Committee and Disclosures Committee to deal with specific issues which require extensive discussion.

Directors were given written notices of Board meetings at least 14 days in advance of the meetings. Suitable arrangements are in place to allow Directors to include items in the agenda for regular Board meetings. Agendas and accompanying board papers are circulated at least 3 days before the intended date of a board meeting. Board consents are given by votes at the Board meetings or written resolutions signed by all Directors from time to time. Minutes of Board meetings and written resolutions, together with any supporting papers, are kept in safe custody by the Company Secretary, and are available to all Directors.

The membership, attendance to meetings, major responsibilities and key work performed during the year by the Board and each of its committees are summarised in the table on pages 52 and 53 of this Annual Report.

Reporting directly to the Chief Executive Officer (except for the Internal Auditor and the Compliance Manager who also report directly to the Audit Committee and the Board respectively), the management team comprises the Investment and Investor Relations Manager, the Asset Management Manager, the Corporate Services Manager, the Financial Controller, the Internal Auditor and the Compliance Manager. Apart from normal daily interactions, the management team, together with the Chief Executive Officer meets regularly at monthly meetings. The meetings, chaired by the Chief Executive Officer, are held to facilitate the management and operation of different delegated management and business functions.

The names and biographical details of the management team members of the Manager are given under "Executive Officers" on pages 44 and 45.

Pursuant to the Trust Deed, the Manager has the right to delegate to any person the performance of any act or the exercise of any power to manage and administer the assets of Sunlight REIT. The Manager has appointed Henderson Sunlight Property Management Limited (the "Property Manager") to operate, maintain, manage and market solely and exclusively all the properties of Sunlight REIT located in Hong Kong, subject to the overall management and supervision of the Manager.

The names and biographical details of the team members of the Property Manager are given under "Property Managers" on pages 46 and 47.

Corporate Governance Report

Membership, attendance to meetings, major responsibilities and key work performed during the year of the Board and board committees are summarised below:

	Paged of Divertors		Audit Committee
	Board of Directors		Audit Committee
Membership and attendance to (No. of meetings attended/No. of n			
Mr. Kan Fook Yee	Chairman and Non-executive Director	(5/5)	N/A
Mr. Wu Shiu Kee, Keith	Chief Executive Officer and Executive Director	(5/5)	N/A
Mr. Kwok Ping Ho	Non-executive Director	(5/5)	N/A
Mr. Kwan Kai Cheong	Independent Non-executive Director	(5/5)	Chairman ^{note} (4/4)
Mr. Ma Kwong Wing	Independent Non-executive Director	(5/5)	Member ^{note} (4/4)
Dr. Tse Kwok Sang	Independent Non-executive Director	(5/5)	Member note (4/4)
Major responsibilities			
	 leads and guides the corp strategy and direction of S REIT oversees the day-to-day management and corpora governance of the Manag the conduct of its busines 	Sunlight te er and	 reviews the completeness, accuracy, clarity and fairness of financial statements of Sunlight REIT monitors overall risk management reviews and monitors connected party transactions appoints, recommends the remuneration of and assesses the independence of external auditors reviews and assesses the effectiveness of the internal control system reviews Sunlight REIT's legal and regulatory compliance
Summary of key work			
During the year, the Board and its committees have considered, approved, reviewed and/or formulated the matters summarised herein:	 financial results of Sunlighand the Manager reports and recommendate board committees announcements/reports for publication, including release quarterly operational statiniterim and annual report Sunlight REIT annual operating and capit expenditure budget of Sunlight revision of the Compliance and terms of reference of board committees amendment of the contingian revision of the authorisation 	or ase of stics and s of light REIT e Manual f the ingency	 financial results of Sunlight REIT external auditors engagement and their reports connected party transactions between Sunlight REIT and its connected persons internal audit reports amendment of the contingency plan internal control system

Not applicable as the Director is not a member of the committee All members of the Audit Committee possess diversified industry experience, accounting professional qualifications and/or related financial management expertise. N/A : Note :

Investment Committee	Remuneration and Nomination Committee	Disclosures Committee
Chairman (6/6)	Chairman (2/2)	N/A
Member (6/6)	N/A	Chairman (4/4)
N/A	N/A	N/A
N/A	Member (2/2)	N/A
N/A	Member (2/2)	Member (4/4)
Member (6/6)	N/A	N/A
 oversees the investment strategy and proposals, including budget, acquisition and disposal of properties, and asset enhancement proposals ensures the establishment and functioning of internal controls for investment and financial matters ensures the compliance with investment objectives, policies and restrictions as contained in the REIT Code and the Trust Deed 	 oversees the human resources strategy and policies identifies and recommends candidates to the Board evaluates the performance of the Board and its members reviews the terms and conditions of employment of senior executives and Board members 	 reviews matters relating to the disclosure of information to unitholders and in public announcements ensures compliance with applicable legal requirements and the continuity, accuracy, clarity and completeness of information disseminated to the public and applicable regulatory authorities
 financial results of Sunlight REIT business plan and operating and capital expenditure budget of Sunlight REIT derivative positions and risk assessment in respect of derivative instruments services of financial service providers investment restrictions under the REIT Code and the Trust Deed surplus cash management policy policy in respect of deviation from approved capital expenditure budget 	 training and continuing education for directors independence qualification of INEDs qualification and competence of directors structure, size and composition of the Board and its committees performance of the Board and its members staff performance appraisal and staff budget 	 the financial results of Sunlight REIT public regulatory filings and other documents filed with the applicable regulatory authorities announcements/reports including interim and annual reports of Sunlight REIT internal guidelines in respect of interaction between investors/ analysts/media and the Manager

Corporate Governance Report

ACCOUNTABILITY AND COMMUNICATION

Investor Relations

The Manager is committed to open and effective communication to ensure unitholders and the investment community at large are informed of all the developments at Sunlight REIT. The Manager provides an efficient investor relations platform which utilises a variety of interactive means to maintain dialogues with unitholders. The Manager believes feedback and comments from the investment community is critical to shaping the future direction of Sunlight REIT.

To the extent possible under the current regulatory framework, communication with unitholders is conducted through:

- Day-to-day communication including meetings conducted with the senior management of the Manager;
- Guided property tour organised by the property management team;
- Regular communication material and investors' 3. presentations which are available upon request;
- Timely disclosures made pursuant to regulatory requirements; and
- 5. Disclosures including announcements and press releases posted on the website of Sunlight REIT at www.sunlightreit.com which provide a further source of information for unitholders. All documents that are released publicly are immediately made available on the website.

Since the first quarter of the year, the Manager has been providing update on operational statistics on a quarterly basis. Sunlight REIT is the first REIT in Hong Kong to take this initiative. The Manager believes that such disclosure will enhance financial transparency and provide greater confidence to investors.

Please refer to the "Holdings of Substantial Unitholders" under "Disclosure of Interests" on pages 65 and 66 for a detailed disclosure of substantial unitholders in the units of Sunlight REIT.

General Meetings

The convening of an Annual General Meeting ("AGM") by the Manager is one of the principal channels of communication with Sunlight REIT's unitholders. It provides an opportunity for unitholders to obtain a better understanding of and if necessary, enquire the Board about Sunlight REIT's operating performance.

During the year, the AGM was held on 24 October 2007.

Unitholders' Rights

In accordance with the Trust Deed, at least 14 days' notice of a general meeting will be given to unitholders, except that at least 21 days' notice will be given to unitholders for an annual general meeting or any other meeting at which a special resolution is proposed for consideration. The notice will specify the time and place of the meeting and the resolutions to be proposed at the meeting.

To protect minority unitholders' rights, any resolution put to the meeting shall be decided on a poll and the results of the poll shall be published by way of an announcement.

The Trustee or the Manager may respectively (and the Manager shall at the request in writing of not less than two unitholders registered as together holding not less than 10% of the units for the time being in issue and outstanding) at any time convene a meeting of unitholders.

Matters to be decided by Unitholders by Special Resolution

In accordance with the Trust Deed, unitholders' prior approval by way of special resolution is required for certain matters; such matters include, among other things, sanctioning any modification, variation, alteration or addition to the Trust Deed which shall be agreed by the Trustee and the Manager as provided in the Trust Deed and approving any change in the investment policies and objective of Sunlight REIT.

Issues of Further Units Post-Listing

To minimise the possible material dilution of holdings of unitholders, any further issue of units, other than in payment of the management fees to the Manager, will need to comply with the preemption provisions contained in the REIT Code. Such provisions require that further issues of units shall be first offered on a pro rata pre-emptive basis to existing unitholders except that units may be issued: (i) free of such pre-emption rights up to an aggregate maximum in any financial year of 20% of the number of units in issue at the end of the previous financial year (or such other percentage of outstanding units as may, from time to time, be prescribed in the REIT Code or otherwise by the SFC); and (ii) free of pre-emption rights in other circumstances provided that the approval of unitholders by way of an ordinary resolution is obtained. Subject thereto, units may be issued as consideration for the acquisition of additional real estate, except that any such issue to connected persons will require unitholders' approval.

Repurchase, Sale or Redemption of Units

Under the Trust Deed, the Manager is not permitted to repurchase or redeem any of the units in Sunlight REIT until permitted to do so by the relevant codes and guidelines issued by the SFC from time to time. According to the circular dated 31 January 2008 issued by the SFC in relation to on-market unit repurchases by the SFC-authorised REITs, a specific approval or a general mandate may be obtained from unitholders for on-market unit repurchases. No such approval or general mandate has been obtained from the unitholders of Sunlight REIT.

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

■ REPORTING AND TRANSPARENCY

Financial Statements

Sunlight REIT prepares its accounts in accordance with generally accepted accounting principles in Hong Kong with a financial year-end of 30 June and a financial half-year end of 31 December. In accordance with the REIT Code, the annual report and accounts for Sunlight REIT are published and sent to unitholders no later than four months following each financial year end and the interim reports no later than two months following each financial half-year end.

The Directors acknowledge their responsibility for preparing the accounts of Sunlight REIT and its subsidiaries for the year ended 30 June 2008, which give a true and fair view of the state of affairs of Sunlight REIT and its subsidiaries as at 30 June 2008 and of their results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the statutory requirements and applicable accounting standards.

Results Announcements and Quarterly Operational Statistics

Pursuant to the requirements under the REIT Code, results announcement is released semi-annually by Sunlight REIT. In addition, the Manager also releases the operational statistics on a quarterly basis as mentioned in the section under "Investor Relations" on page 54.

Corporate Governance Report

It is customary for the Manager to conduct briefings with analysts and the press immediately following the releasing of results announcements and quarterly operational statistics of Sunlight REIT. Such information, including the relevant presentation materials and announcements, are made available to the public through Sunlight REIT's website.

Other Announcements

As required by the REIT Code, the Manager ensures that public announcements of material information and developments with respect to Sunlight REIT are made in a timely and transparent manner in order to keep unitholders abreast of the position of Sunlight REIT. Announcements are made in accordance with the requirements under the REIT Code. Briefings with analysts and the press may also be convened by the Manager if necessary.

External Auditors

Sunlight REIT engages KPMG as its external auditors. In order to maintain KPMG's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, the Audit Committee, under its terms of reference, considers all audit and non-audit services to be provided by KPMG; and develops and implements a policy on the supply of such non-audit services. During the year, the fees payable to the auditors of Sunlight REIT amounted to HK\$1.6 million for audit and audit related services and HK\$0.4 million for non-audit services.

The responsibilities of the auditors with respect to the financial reporting are set out in the Independent Auditor's Report on pages 85 and 86 of this Annual Report.

Interest of, and Dealings in Units by, Directors, the Manager or the **Substantial Unitholders**

The Manager has adopted a code governing dealings in units of Sunlight REIT by Directors of the Manager and their associates (the "Dealings Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Rules Governing the Listing of Securities on SEHK ("Listing Rules") (mutatis mutandis). The Manager is subject to the same dealing requirements as the Directors (mutatis mutandis). Similar dealing requirements are also applicable to the senior executives, officers and the employees of the Manager.

Pursuant to the Dealings Code, any Directors wishing to deal in any securities of Sunlight REIT must first have regard to the provisions of the SFO with respect to, among other things, insider dealing and market misconduct, as if those provisions of the SFO applied to the securities of Sunlight REIT.

Directors who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are significant transactions or any price-sensitive information must refrain from dealing in any securities of Sunlight REIT as soon as they become aware of them or become privy to them until proper disclosure of the information in accordance with the REIT Code and any applicable Listing Rules. Other directors should be cautioned of the relevant negotiations or agreements or any price-sensitive information and they must not deal in the securities of Sunlight REIT for a similar period. In addition, Directors must not make any unauthorised disclosure of confidential information or make any use of such information for the advantage of themselves or others.

A practical guidance on the operation of the Dealings Code is also provided to the Directors and the Manager setting out additional information and procedures for seeking clearance under the Dealings Code, etc.

The Manager has also adopted procedures for monitoring of disclosure of interests by Directors and the Manager. The provisions of Part XV of the SFO are deemed to apply to the Manager, the Directors and each unitholder and all persons claiming through or under him.

Under the Trust Deed, unitholders with a holding of 5% or more of the units in issue, and the Manager and Directors with an interest in the units in issue, have a notifiable interest and are required to notify the SEHK and the Manager of their holdings in Sunlight REIT. The Manager is under a duty to keep a register of interests pursuant to the notification. The said register is available for inspection by unitholders without charge during such hours as the register of unitholders is available for inspection. Copies of all disclosure notices received or disclosed by the Manager are posted on Sunlight REIT's website at www.sunlightreit.com. Alternatively, investors may refer to "Disclosure of Interests" on pages 64 to 67 of this Annual Report.

Conflicts of Interest and Business Competition with HLD and SKFE

The Manager and the Property Manager are both indirect wholly-owned subsidiaries of HLD. Each of SKFE, HLD and the Manager also has interest in the units of Sunlight REIT. SKFE, HLD, their subsidiaries and associates are engaged in and/or may engage in, amongst other things, the development and management of retail, office and other properties in Hong Kong and elsewhere, as well as investment in such properties. A nonexecutive director of the Manager is currently an executive director of HLD.

As a wholly-owned subsidiary of HLD, the Manager may experience conflicts of interests in connection with any potential acquisitions from or other transactions with HLD or its affiliates, and in agreeing the terms of such potential acquisitions or transactions. There can be no assurance that SKFE, HLD, their subsidiaries and associates will direct attractive investment opportunities to Sunlight REIT, and may direct such opportunities to other entities, including other affiliates of SKFE or HLD.

The Manager and the Property Manager may also experience conflicts of interests in relation to the other activities of HLD and its affiliates at an operational level in connection with identifying and competing for potential tenants and procuring services.

The Manager may also experience conflicts of interest in its role in overseeing the provision of services by the Property Manager pursuant to the Property Management Agreement.

Potential conflicts of interest may also arise in relation to tenancy related matters in the event that any director or senior executive or an officer of the Manager or Property Manager is also a shareholder or director of a tenant or potential tenant of Sunlight REIT (or the holding company of such tenant or potential tenant).

There can be no assurance that conflicts of interest will not arise between Sunlight REIT, the Manager, the Property Manager, SKFE and HLD in the future, including in relation to the acquisition of properties as well as competition for tenants within the Hong Kong property market and operational property management matters.

Corporate Governance Report

Meanwhile, the Manager has ensured that all conflicts of interests relating to Sunlight REIT be managed and avoided and has instituted a number of measures to deal with these issues, such as:

- the Manager will not manage any REIT other 1. than Sunlight REIT nor manage any other real estate assets other than those owned by Sunlight REIT;
- 2. the Manager has its own functional units and systems and function independently from its shareholders;
- a Director with a conflict of interest shall abstain from voting on the relevant matter and not be counted in the quorum at which any resolution in relation to that item is proposed;
- a register of other directorships and senior positions held by the Directors is maintained; and
- the Manager has established internal control systems to ensure that connected party transactions between Sunlight REIT and its connected persons are monitored and undertaken on terms in compliance with the REIT Code and that other potential conflicts of interests situation that may arise are monitored.

Notwithstanding that the Manager is a subsidiary of HLD, which is also involved in the business of owning and investing in properties in Hong Kong, the Manager confirms that it is capable of performing, and shall perform, its duties to Sunlight REIT independently of HLD's related businesses and in the best interests of Sunlight REIT and the unitholders.

■ RISK CONTROLS AND **COMPLIANCE**

Internal Control

The Board recognizes that it has the overall responsibility to establish and maintain a sound and effective internal control system to ensure the smooth running of the operations and the reliability of financial statements, with an ultimate objective of safeguarding the assets of Sunlight REIT and unitholders' interests.

For the year under review, the Board has, through the Audit Committee, conducted a review of the effectiveness of the system of internal control including financial, operational, compliance and risk management controls. The key procedures established include:

- a defined organisational structure and limit of authority
- a reliable management reporting system
- operational management's assurance of maintenance of controls
- internal audit department's review and confirmation

The Board considers that the internal control system is effective and adequate. No significant areas of concerns that may affect unitholders were identified.

Management of Business Risk

The Board, with the assistance of the Investment Committee and Audit Committee, takes the responsibilities to review the financial performance of the Manager and Sunlight REIT against a previously approved budget and to review any risks associated with the assets of Sunlight REIT, examines liability management and acts upon any advice or comments from the auditors of Sunlight REIT.

The Manager has appointed experienced and wellqualified management to handle the day-to-day operations of the Manager and Sunlight REIT. The Board reviews the risks which may affect the success of Sunlight REIT with the recommendations of the Investment Committee and Audit Committee on a quarterly basis. In respect of the risks identified, mitigating strategies are formulated by the management team, overseen by the Chief Executive Officer and the Board, on an ongoing basis. In assessing business risks, the Board considers the economic environment and the property industry risks with the recommendations of the Investment Committee on a semi-annual basis. In addition, the Board reviews management reports and feasibility studies on individual properties prior to approving any major transactions.

Confirmation of Compliance with the **Dealings Code**

Sunlight REIT has made specific enquiries of all Directors, and the Directors confirmed that they have complied with the required standard as set out in the Dealings Code throughout the year. The Manager also complied with the Dealing Code throughout the year except on 30 January 2008, the Manager disposed of 230,000 units (such units being received as remuneration from Sunlight REIT) within the one month black out period before the date of Sunlight REIT's interim results announcement. This incident was then immediately reported to the Chairman of the Manager, the Trustee and the SFC on the same day. As part of the remedial measures, the Manager subsequently placed on itself additional internal procedures on dealing of units.

Compliance with Compliance Manual

Save as disclosed under "Confirmation of Compliance with the Dealings Code" above, the Manager has complied with the provisions of Compliance Manual during the year.

Public Float

As far as the Manager is aware, more than 25% of the issued and outstanding units were held in public hands as at 30 June 2008.

Review of Annual Report

The Annual Report of Sunlight REIT for the year has been reviewed by the Disclosures Committee and the Audit Committee in accordance with their respective terms of references.

Connected Party Transactions

Set out below is the information in respect of the connected party transactions involving Sunlight REIT and its connected persons as defined in paragraph 8.1 for the REIT Code during the year which are governed by Chapter 8 of the REIT Code, other than those excluded pursuant to waivers granted by the SFC:

Connected Party Transactions – Income

Save as disclosed under the section headed "Connected Party Transactions with the Trustee Connected Persons", the following table sets forth information on all the connected party transactions from which Sunlight REIT derived its income during the year:

Name of Connected Person	Relationship with Sunlight REIT	Nature of the Connected Party Transactions	Income for the year (HK\$'000)	Rental and other deposits received as at 30 June 2008 (HK\$'000)
Jones Hugh Investment Limited	Associate of significant holders note 1	Leasing transactions	27 ^{note 2}	_
Henderson Sunlight Asset Management Limited	The Manager	Leasing transactions	3,678	908
Henderson Sunlight Property Management Limited	Associated company of the Manager	Leasing transactions	2,520	590
Henderson Real Estate Agency Limited	Associated company of the Manager	Leasing transactions	1,012	158
Henderson Real Estate Agency Limited	Associated company of the Manager	Joint effort arrangements	488	_
TOTAL			7,725	1,656

^{1.} The significant holders being Uplite Limited and Wintrade Limited.

The leasing agreement was early surrendered on 18 August 2007.

Connected Party Transactions – Expenses

Save as disclosed under the section headed "Connected Party Transactions with the Trustee Connected Persons", the following table sets forth the information on all connected party transactions in which Sunlight REIT incurred its expenses during the year:

Name of Connected Person	Relationship with Sunlight REIT	Nature of the Connected Party Transactions	Expenses for the year (HK\$'000)
Broad Capital Limited	Associated company of the Manager	Cleaning services	74
Goodwill Management Limited	Associated company of the Manager	Property management and operations	968
Hang Yick Properties Management Limited	Associated company of the Manager	Property management and operations	7,754
Henderson Sunlight Property Management Limited	Associated company of the Manager	Property management services, marketing services and provision of staff	31,610
Megastrength Henderson Security Services Limited	Associated company of the Manager	Carpark management, security services, maintenance and renovation	3,831
Metro City Management Limited	Associated company of the Manager	Property management and operations	1,783
Sheung Shui Centre Management Limited	Associated company of the Manager	Property management and operations	1,941
Mrs. Lee Pui Ling, Angelina	Associate of significant holders note 1	Legal services	222 note 2
Mr. Yam Kam Kwong, Allen	Associate of significant holders note 1	Legal services	285 note 3
Mr. Yuen Pak Yiu, Philip	Associate of significant holders note 1	Legal services	1 note 4
Greenscape Limited	Associated company of the Principal Valuer	Supply of festival flowers	14
Express Maintenance Services Limited	Associated company of the Principal Valuer	Electrical system maintenance services	57
TOTAL			48,540

- The significant holders being Uplite Limited and Wintrade Limited.
- Such amount represents the amount paid or payable to Messrs. Woo, Kwan, Lee & Lo, of which Mrs. Lee Pui Ling, Angelina is a partner. 2.
- 3. Such amount represents the amount paid or payable to Messrs. Yam & Co., of which Mr. Yam Kam Kwong, Allen is a partner.
- Such amount represents the amount paid or payable up to 31 March 2008 to Messrs. Yung, Yu, Yuen & Co., of which Mr. Yuen Pak Yiu, Philip was a partner up to 31 March 2008.

Connected Party Transactions

Connected Party Transactions with the Trustee Connected Persons

The following tables set forth information on the connected party transactions between Sunlight REIT and the Trustee (and its directors, senior executives, officers, controlling entities, holding companies, subsidiaries and associated companies) and the HSBC Group note 1 (collectively, the "Trustee Connected Persons") within the meaning given in the REIT Code during the year:

Name of Connected Person	Relationship with Sunlight REIT	Nature of Connected Party Transactions	Income/ Expense for the year (HK\$'000)	Rental deposit received as at 30 June 2008 (HK\$'000)
Lease or License Transa	actions:			
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Leasing transaction ^{note 3}	4,502	1,087
Hang Seng Bank Limited	Trustee Connected Persons	Leasing and licensing transactions ^{note 4}	5,192	1,192
Ordinary Banking and F	Financial Services note 2:			
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Interest income received/receivable	26,088	_
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Interest expense and agency charge on ba loan and other bank charges	18,416 nk	_
Hang Seng Bank Limited	Trustee Connected Persons	Interest expense on bank loan and other bank charges	17,918	_
HSBC Insurance Brokers (Asia-Pacific) Limited	Trustee Connected Persons	Insurance brokerage services	12	_

Corporate Finance Transactions:

Both the Manager and the Trustee confirm that during the year, there is no corporate finance transaction entered into between the Manager and the HSBC Group note 1.

- HSBC Group means The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries and, unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries (being the subsidiaries of the Trustee but excluding those subsidiaries formed in its capacity as the Trustee of Sunlight REIT).
- Ordinary banking and financial services include bank deposits and interest earned therefrom, loan facilities and interest rate swaps including interest and charges paid thereto.
- 3. For units 1024-28, 1029 and 1030-31, Sheung Shui Centre Shopping Arcade.
- For units 211, L2 and signage A8, Metro City Phase I.

Other Disclosures

Pursuant to note 2 to Chapter 8.10 of the REIT Code, services provided by the Manager, the Trustee and the principal valuer, namely Savills Valuation and Professional Services Limited, to Sunlight REIT as contemplated under the constitutive documents shall not be deemed connected party transactions. Therefore, such services are not disclosed in the above sections. During the year, the aggregate amount of fees payable by Sunlight REIT to the Manager and the Trustee under the Trust Deed were approximately HK\$50.2 million and HK\$2.9 million respectively. Further terms regarding the Manager's fee and the Trustee's fee are set out in notes (ii) and (iv) of Note 25(b) of the Consolidated Financial Statements. Save for the Manager's fee and the Trustee's fee as disclosed above, there are no other services which require disclosure in this Report.

On 15 December 2007, the rights, obligations and liabilities of Corpson Investment Limited, Crown Faith Enterprises Ltd. and Suregold Development Limited (together, the "Relevant Vendors") under the respective sale and purchase agreements each dated 2 December 2006 as described in the Offering Circular, the respective deeds of tax covenant each dated 21 December 2006, the Deed of Adjustment Payments (with SKFE as guarantor) dated 2 December 2006 and the deed of guarantee relating to the DPU of Sunlight REIT (with SKFE as guarantor) dated 2 December 2006 to which the Relevant Vendors are parties (together, the "Transaction Documents"), have been assigned and novated to Sunton Investment Limited, a whollyowned subsidiary of SKFE (the "Transferee"). The duties, undertakings, warranties, obligations and liabilities of each of the Relevant Vendors under the Transaction Documents to which it is a party have been released and have been assumed by the Transferee. The representations and warranties given by the Relevant Vendors under the relevant Transaction Documents were taken to have been given by the Transferee, and the obligations and liabilities of the Relevant Vendors as so novated to the Transferee were to be guaranteed by SKFE.

Confirmation by the INEDs of the Manager

The INEDs of the Manager confirm that they have reviewed all relevant connected party transactions (including the terms of the transactions with the Trustee Connected Persons) during the year as disclosed above and they are satisfied and confirmed that those transactions have been entered into:

- in the ordinary and usual course of business of Sunlight REIT;
- (ii) on normal commercial terms (to the extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to Sunlight REIT than terms available to or from (as appropriate) independent third parties; and
- (iii) in accordance with the relevant agreements and the Manager's internal procedures governing them, if any, on terms that are fair and reasonable and in the interests of the unitholders of Sunlight REIT as a whole.

Confirmation by the Auditors of Sunlight REIT

Pursuant to the waiver from strict compliance with the requirement under Chapter 8 of the REIT Code, the Manager has engaged the auditors of Sunlight REIT to perform certain factual finding procedures in respect of connected party transactions on the leasing and licensing arrangements, property management and operations, ordinary banking and financial services and corporate finance transactions, were applicable, for the year ended 30 June 2008 in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have performed these procedures and reported to the Board their factual findings.

Disclosure of Interests

The REIT Code requires that connected persons (as defined in paragraph 8.1 of the REIT Code) of Sunlight REIT disclose their interests in units. As well, the provisions of Part XV of the SFO are deemed by the Trust Deed to apply to, each of the Manager itself and a Director or chief executive of the Manager and to persons interested in or having a short position in Units.

Holdings of the Manager and Directors/Chief Executive of the Manager

	As at 30 June 2008		As at 30) June 2007	
Name	Number of Units in Long Position	% of Unit Holding ^{note 1}	Number of Units in Long Position	% of Unit Holding ^{note 1}	% Change in Interest
The Manager	9,504,428 note 2	0.63		_	0.63

Notes:

- The percentages expressed are based on the total units in issue of 1,491,778,433 as at 30 June 2007 and 1,514,195,650 as at 30 June
- On 30 October 2007 and 30 April 2008, the Manager received 11,562,789 new units and 10,854,428 new units of Sunlight REIT respectively as payment of the Manager's fee. With the disposal of a total of 12,912,789 units during the year, the Manager beneficially held 9,504,428 units of Sunlight REIT as at 30 June 2008.

Save as disclosed above, none of the Directors or chief executive of the Manager was beneficially interested (or deemed to be interested) in units or held any short position in units as at 30 June 2007 and 30 June 2008 as recorded in the register required to be kept by the Manager under Schedule C of the Trust Deed.

Holdings of Substantial Unitholders

The interests and short position in units of every person, other than the Manager and the Directors or chief executive of the Manager as recorded in the register required to be kept by the Manager under Schedule C of the Trust Deed were as follows:

	As at 30 June 2008		As at 30	June 2007	
Name	Number of Units in Long Position	% of Unit Holding ^{note 1}	Number of Units in Long Position	% of Unit Holding ^{note 1}	% Change in Interest
Lee Shau Kee note 2	449,205,427	29.67	441,642,638	29.61	0.06
Lee Financial (Cayman)					
Limited note 2	374,072,708	24.70	374,072,708	25.08	-0.38
Leesons (Cayman)					
Limited note 2	374,072,708	24.70	374,072,708	25.08	-0.38
Leeworld (Cayman)					
Limited note 2	374,072,708	24.70	374,072,708	25.08	-0.38
SKFE note 2	374,072,708	24.70	374,072,708	25.08	-0.38
Uplite Limited note 2	224,443,625	14.82	224,443,625	15.05	-0.23
Wintrade Limited note 2	149,629,083	9.88	149,629,083	10.03	-0.15
Henderson Development					
Limited note 2	78,624,358	5.19	_	_	5.19
HLD note 2	78,624,358	5.19	_	_	5.19
Hopkins (Cayman)					
Limited note 2	78,624,358	5.19	_	_	5.19
Riddick (Cayman)					
Limited note 2	78,624,358	5.19	_	_	5.19
Rimmer (Cayman)					
Limited note 2	78,624,358	5.19	_	_	5.19
Silchester International					
Investors Limited note 3	227,897,150	15.05	119,207,150	7.99	7.06
Silchester International					
Investors International					
Value Equity Trust note 3	121,414,922	8.02	74,519,922	5.00	3.02
Value Partners Group					
Limited note 4	105,349,000	6.96	_	_	6.96
Value Partners Limited note 4	105,349,000	6.96	_	_	6.96
Cheah Capital Management					
Limited note 4	105,349,000	6.96	_	_	6.96
Cheah Company					
Limited note 4	105,349,000	6.96	_	_	6.96
Hang Seng Bank Trustee					
International Limited note 4	105,349,000	6.96	_	_	6.96
Cheah Cheng Hye note 4	105,349,000	6.96	_	_	6.96
To Hau Yin note 4	105,349,000	6.96	_	_	6.96

Disclosure of Interests

Holdings of Substantial Unitholders (continued)

Notes:

- The percentages expressed are based on the total units in issue of 1,491,778,433 as at 30 June 2007 and 1,514,195,650 as at 30 June 2008 respectively.
- As at 30 June 2008, these units were held by connected persons of Sunlight REIT. Of these units, 224,443,625 units were owned by Uplite Limited and 149,629,083 units were owned by Wintrade Limited. Uplite Limited and Wintrade Limited were wholly-owned subsidiaries of Financial Enterprise Properties Limited which in turn was wholly-owned by SKFE. SKFE was wholly-owned by Lee Financial (Cayman) Limited as the trustee of a unit trust, the units of which were held by Leesons (Cayman) Limited and Leeworld (Cayman) Limited as the respective trustees of two discretionary trusts. Lee Financial (Cayman) Limited, Leesons (Cayman) Limited and Leeworld (Cayman) Limited were thus taken to be interested in the total of 374,072,708 units owned by Uplite Limited and Wintrade

Apart from the above, 40,541,958 units were owned by Cobase Limited and 27,027,972 units were owned by Richful Resources Limited and 11 054 428 units were owned by the Manager Cobase Limited and Richful Resources Limited were wholly-owned subsidiaries of Brightland Enterprises Limited, and the Manager was a wholly-owned subsidiary of Latco Investment Limited, both of which in turn were wholly-owned by HLD. Henderson Development Limited ("HD") owned more than one-third of the issued share capital of HLD. HD was wholly-owned by Hopkins (Cayman) Limited as the trustee of a unit trust, the units of which were held by Rimmer (Cayman) Limited and Riddick (Cayman) Limited as the respective trustees of two discretionary trusts.

Under the SFO, Dr. Lee Shau Kee was taken to be interested in all the 449,205,427 units by virtue of being the beneficial owner of the entire issued share capital of the trustees of the above unit trusts and discretionary trusts.

- 3 As at 30 June 2008, the long position of 227,897,150 units were held by Silchester International Investors Limited ("Silchester") in its capacity as investment manager of which 121,414,922 units were beneficially held by Silchester International Investors International Value Equity Trust. Subsequent informal notifications from Silchester regarding their exact unitholdings as at 30 June 2007 and 30 June 2008 are noted and such unitholdings are not required to be disclosed as their unitholdings did not trigger the reporting requirement of a substantial unitholder at the abovementioned dates.
- As at 30 June 2008, the long position of 105,349,000 units were held by Value Partners Limited ("Value Partners") which was wholly owned by Value Partners Group Limited ("VPG"). Cheah Capital Management Limited, which owned more than one-third of the issued share capital of VPG, was in turn wholly owned by Cheah Company Limited ("CCL"). Hang Seng Bank Trustee International Limited was the trustee of a discretionary trust of CCL.

Under the SFO, Mr. Cheah Cheng Hye was taken to be interested in the 105,349,000 units by virtue of being the founder of the discretionary trust and Ms. To Hau Yin as his spouse was also treated as being interested in the said 105,349,000 units.

Subsequent informal notifications from Value Partners regarding their exact unitholdings as at 30 June 2007 and 30 June 2008 are noted and such unitholdings are not required to be disclosed as their unitholdings did not trigger the reporting requirement of a substantial unitholder at the abovementioned dates.

Holdings of other Connected Persons

So far as is known to the Manager and save as disclosed above, as at 30 June 2008, the holdings of units of other connected persons (as defined in the REIT Code, subject to the exclusion granted by the SFC) of Sunlight REIT were as follows:

Name of Connected Persons	Number of Units Held	% of Unit Holding ^{note 1}
Au Siu Kee, Alexander note 2	1,229,000	0.081
Lee King Yue note 3	50,000	0.003
Lee Pui Ling, Angelina note 4	2,307	0.0002
Lee Yip Wah, Peter note 5	11,000	0.0007
Mao Kenneth Ruys note 6	500,000	0.033
Wong Wing Hoo, Billy note 7	500,000	0.033
HSBC Group note 8	453	0.00003

- 1. The percentages expressed are based on the total units in issue of 1,514,195,650 as at 30 June 2008.
- 2. Mr. Au Siu Kee, Alexander was a connected person by virtue of being a director of HLD and certain of its subsidiaries. Mr. Au held 1,229,000 units jointly with his spouse as at 30 June 2007 and 30 June 2008.
- Mr. Lee King Yue was a connected person by virtue of being a director of HLD and certain of its subsidiaries. Mr. Lee held 50,000 units 3. as at 30 June 2007 and 30 June 2008.
- Mrs. Lee Pui Ling, Angelina was a connected person by virtue of being a director of HLD and one of its subsidiaries. Mrs. Lee held 2,307 units as at 30 June 2007 and 30 June 2008.
- Mr. Lee Yip Wah, Peter was a connected person by virtue of being a director of companies controlled by the family trust of Dr. Lee Shau 5. Kee. Mr. Lee held 11,000 units as at 30 June 2007 and 30 June 2008.
- 6. Mr. Mao Kenneth Ruys was a connected person by virtue of being a director of a company controlled by the family trust of Dr. Lee Shau Kee. Mr. Mao was interested in 500,000 units as at 30 June 2007 and 30 June 2008.
- Mr. Wong Wing Hoo, Billy was a connected person by virtue of being a director of certain subsidiaries of HLD. Mr. Wong did not hold any unit as at 30 June 2007 and held 500,000 units as at 30 June 2008.
- HSBC Group was a connected person by virtue of being controlling entities, holding companies, subsidiaries or associated companies of the Trustee. HSBC Group beneficially held 75,453 units and 453 units as at 30 June 2007 and 30 June 2008 respectively.

Valuation Report

Henderson Sunlight Asset Management Limited 30th Floor 248 Queen's Road East Wan Chai Hong Kong (the Manager for Sunlight Real Estate Investment Trust "Sunlight REIT")

23/F Two Exchange Square Central, Hong Kong

> EA LICENCE: C-023750 T: (852) 2801 6100 savills.com

HSBC Institutional Trust Services (Asia) Limited 1 Queen's Road Central Hong Kong (the Trustee for Sunlight REIT)

1 August 2008

Dear Sirs

RE:

- "248 QUEEN'S ROAD EAST", 248 QUEEN'S ROAD EAST, WAN CHAI, HONG KONG ("248 QUEEN'S ROAD EAST PROPERTY")
- (2) BONHAM TRADE CENTRE, 50 BONHAM STRAND, SHEUNG WAN, HONG KONG ("BONHAM TRADE CENTRE PROPERTY")
- (3) RIGHTEOUS CENTRE, 585 NATHAN ROAD, MONG KOK, KOWLOON, HONG KONG ("RIGHTEOUS CENTRE PROPERTY")
- (4) VARIOUS PORTIONS IN 135 BONHAM STRAND TRADE CENTRE, 135 BONHAM STRAND, SHEUNG WAN, HONG KONG ("135 BONHAM STRAND TRADE CENTRE PROPERTY")
- (5) VARIOUS PORTIONS IN WINSOME HOUSE, 73 WYNDHAM STREET, CENTRAL, HONG KONG ("WINSOME HOUSE PROPERTY")
- (6) JAVA ROAD 108 COMMERCIAL CENTRE, 108 JAVA ROAD, NORTH POINT, HONG KONG ("JAVA ROAD 108 COMMERCIAL CENTRE PROPERTY")
- (7) VARIOUS PORTIONS IN SUN FAI COMMERCIAL CENTRE, 576 RECLAMATION STREET, MONG KOK, KOWLOON, HONG KONG ("SUN FAI COMMERCIAL CENTRE PROPERTY")
- VARIOUS PORTIONS IN WAI CHING COMMERCIAL BUILDING, 77 WAI CHING STREET, YAU MA TEI, KOWLOON, HONG KONG ("WAI CHING COMMERCIAL BUILDING PROPERTY")
- 235 WING LOK STREET TRADE CENTRE, 235 WING LOK STREET, SHEUNG WAN, HONG KONG ("235 WING LOK STREET TRADE CENTRE PROPERTY")

- (10) VARIOUS PORTIONS IN YUE FAI COMMERCIAL CENTRE, 208 ABERDEEN MAIN ROAD, ABERDEEN, HONG KONG ("YUE FAI COMMERCIAL CENTRE PROPERTY")
- (11) EVERGLORY CENTRE, 1B KIMBERLEY STREET, TSIM SHA TSUI, KOWLOON, HONG KONG ("EVERGLORY CENTRE PROPERTY")
- (12) ON LOONG COMMERCIAL BUILDING (EXCEPT OFFICE 1 ON 6TH FLOOR AND OFFICES 1 AND 2 ON 21ST FLOOR), 276-278 LOCKHART ROAD, WAN CHAI, HONG KONG ("ON LOONG COMMERCIAL BUILDING PROPERTY")
- (13) COMMERCIAL DEVELOPMENT AND CAR PARKS, METRO CITY PHASE I, 1 WAN HANG ROAD, TSEUNG KWAN O, SAI KUNG, NEW TERRITORIES, HONG KONG ("METRO CITY PHASE I PROPERTY")
- (14) COMMERCIAL DEVELOPMENT (INCLUDING ALL SHOPS, THE RESTAURANT AND THE KINDERGARTEN) AND CAR PARKS IN THE PODIUM AND BASEMENT, SHEUNG SHUI CENTRE, 3 CHI CHEONG ROAD, SHEUNG SHUI, NEW TERRITORIES, HONG KONG ("SHEUNG SHUI CENTRE PROPERTY")
- (15) VARIOUS PORTIONS IN KWONG WAH PLAZA, 11 TAI TONG ROAD, YUEN LONG, NEW TERRITORIES, HONG KONG ("KWONG WAH PLAZA PROPERTY")
- (16) VARIOUS SHOPS UNITS ON GROUND FLOOR, BEVERLEY COMMERCIAL CENTRE, 87-105 CHATHAM ROAD SOUTH, TSIM SHA TSUI, KOWLOON, HONG KONG ("BEVERLEY COMMERCIAL CENTRE PROPERTY")
- (17) UNITS A, B, E AND F ON GROUND FLOOR WITH REAR YARDS, UNITS C AND D ON GROUND FLOOR, UNITS 1, 2 (TOGETHER WITH A/C PLINTH ON 2ND FLOOR) AND 3 ON 1ST FLOOR AND ADVERTISING SPACES, GLORY RISE, 128 CHUN YEUNG STREET, NORTH POINT, HONG KONG ("GLORY RISE PROPERTY")
- (18) SHOPS 1 TO 9 ON GROUND FLOOR AND COMMERCIAL COMMON AREAS AND FACILITIES, SUPERNOVA STAND, 28 MERCURY STREET, NORTH POINT, HONG KONG ("SUPERNOVA STAND PROPERTY")
- (19) SHOPS NOS. 1 TO 7 ON GROUND FLOOR AND SHOP NO. 8 ON GROUND FLOOR AND ITS ROOF; OFFICES NOS. 1 AND 2 ON 1ST FLOOR; ADVERTISING SPACES 1-5, COMMERCIAL COMMON AREAS AND FACILITIES, PRIVATE STAIRCASE AND LANDING AND THE RESERVED PORTION, PALATIAL STAND, 118 WUHU STREET, HUNG HOM, KOWLOON, HONG KONG ("PALATIAL STAND PROPERTY")
- (20) VARIOUS SHOPS ON GROUND FLOOR, SIGNAGE SPACE AND ISLAND, CARPARKING SPACES NOS.1-24 ON 1ST FLOOR, NOS. 1-25 ON 2ND FLOOR AND MOTORCYCLE PARKING SPACES NOS. M1-M10 ON 3RD FLOOR, ROYAL TERRACE, 933 KING'S ROAD, NORTH POINT, HONG KONG ("ROYAL TERRACE PROPERTY")

In accordance with the recent instructions of the Manager on behalf of Sunlight REIT to value the captioned properties, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 30 June 2008 (referred to as the "Valuation Date").

Valuation Report

Basis of Valuation

Our valuation is our opinion of the market values of the properties which we would define as intended to mean 'the estimated amount for which a Property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion'.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a Property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

Our valuation is prepared in accordance with Chapter 6.8 of the REIT Code and The HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors.

Valuation Methodologies

We have valued the properties by reference to sales evidence as available on the market and where appropriate on the basis of capitalisation of the net income shown on schedules provided to us. We have made provisions for outgoings and in appropriate cases allowed for reversionary income potential.

In arriving at our opinion of values, we have considered relevant general and economic factors and in particular have investigated recent sales and leasing transactions of comparable properties. In the course of our valuation analysis, we have principally adopted the Income Capitalisation Approach and counterchecked this by the Direct Comparison Approach. For the purposes of this valuation, we consider the Income Capitalisation Approach is the most appropriate valuation method for assessing the market values of the property, due to the income driven nature of the properties.

Income Capitalisation

The Income Capitalisation Approach is a method of valuation whereby the existing net rental incomes (i.e. exclusive of rates, Government rent and management fees) of all lettable units of each property are capitalised for the respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at their respective market rents as at the Valuation Date. Upon expiry of the existing tenancies, each unit is assumed to be let at its market rent as at the Valuation Date, which is in turn capitalised for the unexpired term of the Government lease under which the property is held. Due consideration has been given to the expectation of the renewal of the Government lease upon expiry. The summation of the capitalised value of the term income for the leased portion, the capitalised value of the reversion income (i.e. market rental income) as appropriately deferred for the leased portion and the capitalised value for the vacant portion provides the market value of each property.

The market rentals of all lettable units of each property are determined by reference to the rentals achieved by other units in the property and by reference to the lettings of similar properties in the neighbourhood. The capitalisation rate adopted is determined by reference to the yields achieved in analysed market sales transactions and our knowledge of the market expectation from property investors. This expected return reflects implicitly the quality of the investment, the expectation of the potential for future rental growth and capital appreciation, operating costs, risk factors and the like.

Direct comparison

As a supporting approach to the valuation, we have also considered the Direct Comparison Approach as a reference check for the valuations arrived from Income Capitalisation Approach. In this regard, comparable sales transactions around the Valuation Date are collected and analyzed in terms of a price per square footage. The collected comparables are then adjusted to take account of the discrepancies between the properties and comparables in terms of time, location, accessibility, age, building quality and condition, facilities and the like.

Title Investigations

We have not been provided with extracts from title documents relating to the properties but we have caused searches to be made at the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers.

Valuation Consideration

We have relied to a very considerable extent on information given by the instructing party and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, site and floor areas and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the instructing party, and have been advised by the instructing party that no material facts have been omitted from the information provided.

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the properties but have assumed that the floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the instructing party and are therefore only approximations.

We have inspected the exterior of the properties valued and, where possible, we have also inspected the interior of the premises. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the properties are free of rot, infestation or any other structural defect. No tests were carried out to any of the services.

No allowance has been made in our report for any charge, mortgage or amount owing on the properties nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that all properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Valuation Report

A summary of our opinion of the market value of each property as at the Valuation Date is given below:-

	Property	Approximate Gross Rentable Area (sq.ft.)	No. of Parking Lots (excluding motor and bicycle spaces)	Market Value as at 30 June 2008 (HK\$'000)	Capitalisation Rate Adopted ^{note}	
					Retail (%)	Office (%)
1	248 Queen's Road East Property	376,381	46	2,874,000	4.8	4.0
2	Bonham Trade Centre Property	117,909	N/A	531,000	5.1	4.1
3	Righteous Centre Property	51,767	N/A	344,000	4.3	4.5
4	135 Bonham Strand Trade Centre Property	63,915	N/A	277,000	5.2	4.2
5	Winsome House Property	40,114	N/A	332,000	4.8	4.0
6	Java Road 108 Commercial Centre Property	37,923	N/A	158,000	5.2	4.6
7	Sun Fai Commercial Centre Property	26,151	N/A	100,000	5.2	4.8
8	Wai Ching Commercial Building Property	16,321	N/A	29,000	5.5	5.0
9	235 Wing Lok Street Trade Centre Property	52,285	N/A	175,000	5.2	4.2
10	Yue Fai Commercial Centre Property	42,751	N/A	135,000	5.3	5.0
11	Everglory Centre Property	29,802	N/A	136,000	5.1	4.6
12	On Loong Commercial Building Property	25,564	N/A	122,000	4.6	4.4
13	Metro City Phase I Property	188,889	452	1,888,000	4.5	N/A
14	Sheung Shui Centre Property	122,339	297	2,351,000	4.5	N/A
15	Kwong Wah Plaza Property	64,842	N/A	457,000	4.9	5.3
16	Beverley Commercial Centre Property	7,934	N/A	55,000	4.9	N/A
17	Glory Rise Property	7,086	N/A	55,000	5.2	N/A
18	Supernova Stand Property	4,226	N/A	44,000	5.2	N/A
19	Palatial Stand Property	8,625	N/A	20,000	5.5	N/A
20	Royal Terrace Property	9,565	49	68,000	5.9	N/A
	Total	1,294,389	844	10,151,000		

Note: The capitalisation rate refers to the expected yield of the respective property by reference to the market yield prevailing as at the Valuation Date for the particular type of property.

The reported analyses, opinions and conclusions are subject to the assumptions and limiting conditions stated in our valuation certificate and are our personal, unbiased professional analyses, opinions and conclusions. We have no present or prospective interest in the properties and are not a related corporation of nor do we have a relationship with the Trustee, the Manager and Underwriters or other party/parties who, Sunlight REIT is contracting with. The valuer's compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the Vendor, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

We enclose herewith our valuation certificate.

Yours faithfully For and on behalf of

Savills Valuation and Professional Services Limited

Charles C K Chan

MSc FRICS FHKIS MCIArb RPS(GP) Managing Director

Encl

Valuation Report

Summary Valuation Report

248 Queen's Road East Property

248 Queen's Road East, Wan Chai, Hong Kong

Description

The property is a 40-storey (including a mechanical floor) commercial building with ancillary car parking facilities erected on an L-shaped site with a registered site area of approximately 1,455.69 sq. m. (15,669 sq. ft.). The building was completed in 1998. It comprises the entire units within the building with a total gross rentable area of approximately 34,966.65 sq. m. (376,381 sq. ft.) and a total net area of approximately 29,115.38 sq. m. (313,398 sq. ft.). It also comprises 8 lorry parking spaces and 38 car parking spaces on 1st to 4th Floors of the building.

Land tenure

Inland Lot No. 506 is held under a Government Lease for a term of 999 years commencing from 16 November 1855. The annual Government rent payable for the subject lot is 36 pounds 10 shillings.

Inland Lot No. 387 is held under a Government Lease for a term of 999 years commencing from 16 March 1855. The annual Government rent payable for the subject lot is 20 pounds 4 shillings and ten pence.

Monthly rental income as at 30 June 2008

HK\$6,549,000 exclusive of rates, management fees and air-conditioning charges.

Monthly car parking income as at 30 June 2008

HK\$174,000 exclusive of operating expenses, rates, government rents and management fees

Monthly licence income as at 30 June 2008

HK\$11,000 exclusive of rates and management fees

Market value in existing state as at 30 June 2008 HK\$2,874,000,000

Estimated net property yield

2.7%

Bonham Trade Centre Property

Bonham Trade Centre, 50 Bonham Strand, Sheung Wan, Hong Kong

Description

The property is a 28-storey commercial building erected on a trapezoid site with a registered site area of approximately 720.27 sq. m. (7,753 sq. ft.). The building was completed in 1998. It comprises the entire units within the building with a total gross rentable area of approximately 10,954.01 sq. m. (117,909 sq. ft.) and a total net area of approximately 9,031.12 sq. m. (97,211 sq. ft.). It also comprises a yard on Ground Floor of the building with an area of approximately 16.50 sq. m. (178 sq. ft.).

Land tenure

Inland Lot No. 15 is held under a Government Lease for a term of 999 years commencing from 26 December 1860. The annual Government rent payable for the subject section of the lot is HK\$11.9.

Marine Lots Nos. 142 and 144 are held under their respective Government Leases each for a term of 981 years both commencing from 26 December 1860. The total annual Government rent payable for the subject lots is HK\$124.8.

Monthly rental income as at 30 June 2008

HK\$1,719,000 exclusive of rates, management fees and air-conditioning charges

Market value in existing state as at 30 June 2008 HK\$531,000,000

Estimated net property yield

Righteous Centre Property

Righteous Centre, 585 Nathan Road, Mong Kok, Kowloon, Hong Kong

Description

The property is a 26-storey (including a mechanical floor) commercial building erected on a rectangular site with a registered site area of approximately 300.30 sq. m. (3,232 sq. ft.). The building was completed in 1996. It comprises the entire units within the building with a total gross rentable area of approximately 4,809.27 sq. m. (51,767 sq. ft.) and a total net area of approximately 3,218.78 sq. m. (34,647 sq. ft.).

Land tenure

Kowloon Inland Lots Nos. 6827 and 7097 are held under Conditions of Regrant Nos. 5654 and 5759 respectively both for terms of 150 years commencing from 25 December 1887. The annual Government Rents payable for Section A of Kowloon Inland lot No. 6827 and Kowloon Inland Lot No. 7097 are HK\$78 and HK\$150 respectively.

Monthly rental income as at 30 June 2008

HK\$1,190,000 exclusive of rates, management fees and air-conditioning charges

Market value in existing state as at 30 June 2008 HK\$344,000,000

Estimated net property yield

4.2%

135 Bonham Strand Trade Centre Property

Various Portions in 135 Bonham Strand Trade Centre, 135 Bonham Strand, Sheung Wan, Hong Kong

Description

The property is a 25-storey (including a mechanical floor) commercial building completed in 2000. It comprises the majority of the building with a total gross rentable area of approximately 5,937.85 sq.m. (63,915 sq. ft.) and a total net area of approximately 4,065.87 sq. m. (43,765 sq. ft.).

Land tenure

Marine Lot No. 173 is held under a Government Lease for a term of 999 years commencing from 26 December 1860. The annual Government rent payable for the subject lot is HK\$79.87.

Inland Lot No. 6896 is held under a Government Lease for a term of 75 years commencing from 14 November 1952 renewable for a further term of 75 years. The annual Government rent payable for the subject lot is HK\$196.

Monthly rental income as at 30 June 2008

HK\$947,000 exclusive of rates, and management fees

Market value in existing state as at 30 June 2008 HK\$277,000,000

Estimated net property yield

4.1%

Valuation Report

Winsome House Property

Various Portions in Winsome House, 73 Wyndham Street, Central, Hong Kong

Description

The property is a 27-storey commercial building completed in 1999. It comprises the majority of the building with a total gross rentable area of approximately 3,726.68 sq. m. (40,114 sq. ft.) and a total net area of approximately 2,598.10 sq. m. (27,966 sq. ft.). It also comprises various flat roofs on the Upper and Lower Ground Floors with a total area of approximately 34.37 sq. m. (370 sq. ft.).

Land tenure

Inland Lots Nos. 5025 and 994 are held under their respective Government leases each for a term of 999 years both commencing from 26 June 1843. The total annual Government rent payable for the subject lots are HK\$146.

Inland Lot No. 7968 is held under Conditions of Exchange No. 8224 for a term of 999 years commencing from 22 January 1844. The annual Government rent payable for the subject lot is HK\$30.

Monthly rental income as at 30 June 2008

HK\$1,172,000 exclusive of rates, management fees and air-conditioning charges

Market value in existing state as at 30 June 2008 HK\$332,000,000

Estimated net property yield

4.2%

Java Road 108 Commercial Centre Property

Java Road 108 Commercial Centre, 108 Java Road, North Point, Hong Kong

Description

The property is a 25-storey commercial building erected on a rectangular site with a registered site area of approximately 228.26 sq. m. (2,457 sq. ft.). The building was completed in 1998. It comprises the entire units within the building with a total gross rentable area of approximately 3,523.13 sq. m. (37,923 sq. ft.) and a total net area of approximately 2,386.10 sq. m. (25,684 sq. ft.).

Land tenure

Inland Lot No. 3539 is held under a Government Lease for a term of 75 years commencing from 12 June 1933 renewable for a further term of 75 years at an annual Government rent at HK\$22.7.

Monthly rental income as at 30 June 2008

HK\$623,000 exclusive of rates, management fees and air-conditioning charges

Market value in existing state as at 30 June 2008 HK\$158,000,000

Estimated net property yield

4.7%

Sun Fai Commercial Centre Property

Various Portions in Sun Fai Commercial Centre, 576 Reclamation Street, Mong Kok, Kowloon, Hong Kong

Description

The property is a 15-storey commercial building completed in 1998. The property comprises four shop units on the Ground Floor and various office units on the upper floors of the building with a total gross rentable area of approximately 2,429.49 sq. m. (26,151 sq. ft.) and a total net area of approximately 1,667.50 sq. m. (17,949 sq. ft.). It also comprises various flat roofs on the 2nd and 3rd Floors with a total area of approximately 53.14 sq. m. (572 sq. ft.) and roof area of approximately 72.65 sq. m. (782 sq. ft.).

Land tenure

Kowloon Inland Lots Nos. 10813, 10814 and 10815 are held under Conditions of Lease Extension Nos. 12068, 12269 and 12259 respectively all for a term commencing from 28 June 1985 and expiring on 30 June 2047 at an annual Government rent at 3% of the rateable value for the time being of each lot.

Monthly rental income as at 30 June 2008

HK\$397,000 exclusive of rates, management fees and air-conditioning charges

Market value in existing state as at 30 June 2008 HK\$100,000,000

Estimated net property yield

4.6%

Wai Ching Commercial Building Property

Various Portions in Wai Ching Commercial Building, 77 Wai Ching Street, Yau Ma Tei, Kowloon, Hong Kong

Description

The property is a 19-storey commercial building completed in 1997. It comprises three shop units on the Ground and 1st Floors and various office units on the upper floors of the building with a total gross rentable area of approximately 1,516.26 sq. m. (16,321 sq. ft.) and a total net area of approximately 821.63 sq. m. (8,844 sq. ft.).

Land tenure

Kowloon Inland Lots Nos. 6167 and 6168 are held under their respective Government Leases each for a term of 75 years commencing from 18 September 1974 at a total annual Government rent at HK\$57,566 for the subject sections of the lots.

Monthly rental income as at 30 June 2008

HK\$112,000 exclusive of rates, management fees and air-conditioning charges

Market value in existing state as at 30 June 2008 HK\$29,000,000

Estimated net property yield

4.5%

Valuation Report

235 Wing Lok Street Trade Centre Property

235 Wing Lok Street Trade Centre, 235 Wing Lok Street, Sheung Wan, Hong Kong

Description

The property is a 26-storey commercial building erected on an irregular site with a registered site area of approximately 282.42 sq. m. (3,040 sq. ft.). The building was completed in 2000. It comprises the entire units within the building with a total gross rentable area of approximately 4,857.40 sq. m. (52,285 sq. ft.) and a total net area of approximately 3,334.91 sq. m. (35,897 sq. ft.).

Land tenure

Marine Lot No. 37A is held under a Government lease for a term of 979 years commencing from 26 December 1863. The annual Government rent payable for the lot is HK\$20.

Monthly rental income as at 30 June 2008

HK\$585,000 exclusive of rates, management fees

Market value in existing state as at 30 June 2008 HK\$175,000,000

Estimated net property yield

4.0%

Yue Fai Commercial Centre Property

Various Portions in Yue Fai Commercial Centre, 208 Aberdeen Main Road, Aberdeen, Hong Kong

Description

The property is a 26-storey commercial building completed in 1997. The property comprises three shop units on the Ground Floor and various office units on the upper floors of the building with a total gross rentable area of approximately 3,971.66 sq. m. (42,751 sq. ft.) and a total net area of approximately 2,532.24 sq. m. (27,257 sq. ft.). It also comprises two flat roofs on the 1st Floor with a total area of approximately 80.73 sq. m. (869 sq. ft.) and roof area of approximately 92.72 sq. m. (998 sq. ft.).

Land tenure

Aberdeen Inland Lot No. 62 is held under a Government lease for a term of 999 years commencing from 26 December 1860 at an annual Government rent at HK\$7.28.

Monthly rental income as at 30 June 2008

HK\$516,000 exclusive of rates and management fees

Market value in existing state as at 30 June 2008 HK\$135,000,000

Estimated net property yield

4.6%

Everglory Centre Property

Everglory Centre, 1B Kimberley Street, Tsim Sha Tsui, Kowloon, Hong Kong

Description

The property is a 21-storey commercial building erected on a rectangular site with a registered site area of approximately 224.73 sq. m. (2,419 sq. ft.). The building was completed in 1999. It comprises the entire units within the building with a total gross rentable area of approximately 2,768.67 sq. m. (29,802 sq. ft.) and a total net area of approximately 1,777.31 sq. m. (19,131 sq. ft.).

Land tenure

Kowloon Inland Lots Nos. 9455 and 9639 are held under Conditions of Regrants Nos. 9401 and 9502 respectively both for a term of 150 years commencing from 25 December 1892 at a total annual Government rent of HK\$284.

Monthly rental income as at 30 June 2008

HK\$433,000 exclusive of rates and management fees

Market value in existing state as at 30 June 2008 HK\$136,000,000

Estimated net property yield

3.8%

On Loong Commercial Building Property

On Loong Commercial Building (except Office 1 on the 6th Floor and Office 1 and 2 on the 21st Floor), 276-278 Lockhart Road, Wan Chai, Hong Kong

Description

The property is a 23-storey commercial building completed in 1984. It comprises a shop unit on the Ground Floor and various office units on the upper floors of the building with a total gross rentable area of approximately 2,374.95 sq. m. (25,564 sq. ft.) and a total net area of approximately 1,618.36 sq. m. (17,420 sq. ft.). It also comprises two flat roofs on the 4th Floor with a total area of approximately 46.92 sq. m. (505 sq. ft.) and roof area of approximately 28.80 sq. m. (310 sq. ft.).

Land tenure

Inland Lots Nos. 7061 and 7062 are each held under a Government Lease for a term of 99 years commencing from 11 May 1928 renewable for a further term of 99 years at an annual Government rent of HK\$20.

Monthly rental income as at 30 June 2008

HK\$446,000 exclusive of rates and management fees

Market value in existing state as at 30 June 2008 HK\$122,000,000

Estimated net property yield

4.4%

Valuation Report

Metro City Phase I Property

Commercial Development and Car Parks, Metro City Phase I, 1 Wan Hang Road, Tseung Kwan O, Sai Kung, New Territories, Hong Kong

Description

The property comprises a 3-storey (Ground Floor to Level 2) commercial / car parking podium with six residential blocks erected thereon. The development was completed in 1996. It comprises all the shop units on the Ground Floor and Level 2 of the commercial / car parking podium with a total gross rentable area of approximately 17,548.22 sq. m. (188,889 sq. ft.) and a total net area of approximately 11,117.34 sq. m. (119,667 sq. ft.). It also comprises 452 car parking spaces, 20 motor cycle parking spaces and 14 bicycle parking spaces on Ground Floor to Level 2 of the building.

Land tenure

Tseung Kwan O Town Lot No. 36 is held under New Grant No. 8275 for a term commencing from 29 November 1993 and expiring on 30 June 2047 at an annual Government rent at 3% of the rateable value for the time being of the lot.

Monthly rental income as at 30 June 2008

HK\$5,849,000 exclusive of rates, management fees and air-conditioning charges

Monthly car parking income as at 30 June 2008

HK\$524,000 exclusive of operating expenses, rates, government rents and management fees

Monthly licence income as at 30 June 2008

HK\$110,000

Market value in existing state as at 30 June 2008

HK\$1,888,000,000

Estimated net property yield

4.0%

Sheung Shui Centre Shopping Arcade Property

Commercial Development (including all Shops, The Restaurant and The Kindergarten); and Car Parks in the Podium and Basement, Sheung Shui Centre, 3 Chi Cheong Road, Sheung Shui, New Territories, Hong Kong

Description

The property is a residential development comprising six residential blocks over a 3-storey commercial / car parking podium plus one level car park basement completed in 1993. It comprises all shop units within the commercial podium of the development with a total gross rentable area of approximately 11,365.57 sq. m. (122,339 sq. ft.) and a total net area of approximately 7,367.52 sq. m. (79,304 sq. ft.). It also comprises 269 car parking spaces, 28 lorry parking spaces and 226 bicycle parking spaces on Basement and Level 1 of the development. It also comprises 6 loading and unloading spaces (with one of such loading and unloading space for each residential block for parking, loading and unloading of goods vehicles) on Level 1 of the development.

Land tenure

Fanling Sheung Shui Town Lot No. 55 is held under New Grant No. 12406 for a term commencing from 16 October 1989 and expiring on 30 June 2047 at an annual Government rent at 3% of the rateable value for the time being of the lot.

Monthly rental income as at 30 June 2008

HK\$7,546,000 exclusive of rates, management fees, air-conditioning charges and promotional charges

Monthly car parking income as at 30 June 2008

HK\$395,000 exclusive of operating expenses, rates, government rents and management fees

Market value in existing state as at 30 June 2008

HK\$2,351,000,000

Estimated net property yield

Kwong Wah Plaza Property

Various Portions in Kwong Wah Plaza, 11 Tai Tong Road, Yuen Long, New Territories, Hong Kong

Description

The property is a 17-storey (including a basement and a mechanical floor but excluding cocklofts) commercial building completed in 1998. It comprises shops on the whole of the Basement, Ground Floor, Cocklofts and 1st Floor and various office units on various floors of the building with a total gross rentable area of approximately 6,023.97 sq. m. (64,842 sq. ft.) and a total net area of approximately 4,721.76 sq. m. (50,825 sq. ft.). It also comprises a Flat Roof on the 13th Floor with an area of approximately 16.35 sq. m. (176 sq. ft.).

Land tenure

Lot No. 4015 in Demarcation District No. 120 is held under New Grant No. 4135 for a term commencing from 25 May 1993 and expiring on 30 June 2047 at an annual Government rent at 3% of the rateable value for the time being of the lot.

Monthly rental income as at 30 June 2008

HK\$1,844,000 exclusive of rates, management fees and air-conditioning charges

Monthly licence income as at 30 June 2008 HK\$5,500

Market value in existing state as at 30 June 2008 HK\$457,000,000

Estimated net property yield

4.7%

Beverley Commercial Centre Property

Various Shops Units on Ground Floor, Beverley Commercial Centre, 87-105 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong

Description

The property is a 20-storey (including a basement) commercial building completed in 1982. It comprises the 60 shop units on the Ground Floor of the shopping arcade with a total gross rentable area of approximately 737.09 sq. m. (7,934 sq. ft.) and a total net area of approximately 422.71 sq. m. (4,550 sq. ft.).

Land tenure

Kowloon Inland Lots Nos. 10574, 10211, 10575, 10518, 10580, 10160, 10503, 10526, 10247 and 10616 are held under Conditions of Re-Grant Nos. 11117, 10318, 11118, 11125, 11098, 10312, 11134, 11053, 10404 and 11243 respectively each for a term of 150 years all commencing from 25 December 1902. The total annual Government rent payable for the subject lots is HK\$7,576.

Monthly rental income as at 30 June 2008

HK\$225,000 exclusive of rates, management fees, air-conditioning charges and promotional charges

Market value in existing state as at 30 June 2008 HK\$55,000,000

Estimated net property yield

Valuation Report

Glory Rise Property

Units A, B, E and F on Ground Floor with Rear Yards, Units C and D on Ground Floor, Units 1, 2 (together with A/C Plinth on 2nd Floor) and 3 on 1st Floor, and advertising spaces, Glory Rise, 128 Chun Yeung Street, North Point, Hong Kong

Description

The property is a 26-storey composite commercial/ residential building completed in 2003. It comprises all the shop units on the Ground and 1st Floors with a total gross rentable area of approximately 658.31 sq. m. (7,086 sq. ft.) and a total net area of approximately 508.45 sq. m. (5,473 sq. ft.). It also comprises four rear yards on the Ground Floor with a total area of approximately 23.60 sq. m. (254 sq. ft.).

Land tenure

Inland Lots Nos. 6715, 6716, 6717 and 6718 are held under their respective Government Leases each for a term of 75 years commencing from 5 September 1921 renewable for a further term of 75 years at a total annual Government rent at HK\$62,868.

Monthly rental income as at 30 June 2008

HK\$196,000 exclusive of rates, management fees and air-conditioning charges

Market value in existing state as at 30 June 2008 HK\$55,000,000

Estimated net property yield

4.2%

Supernova Stand Property

Shops 1 to 9 on the Ground Floor and Commercial Common Areas and Facilities, Supernova Stand. 28 Mercury Street, North Point, Hong Kong

Description

The property is a 27-storey composite commercial / residential building completed in 2001. It comprises all nine shop units on the Ground Floor with a total gross rentable area of approximately 392.60 sq. m. (4,226 sq. ft.) and a total net area of approximately 306.67 sq. m. (3,301 sq. ft.).

Land tenure

Inland Lot No. 1366 is held under a Government. Lease for a term of 999 years commencing from 24 February 1896 at an annual Government rent at HK\$338.

Monthly rental income as at 30 June 2008

HK\$178,200 exclusive of rates, management fees and air-conditioning charges

Market value in existing state as at 30 June 2008 HK\$44,000,000

Estimated net property yield

Palatial Stand Property

Shops Nos. 1 to 7 on Ground Floor and Shop No. 8 on Ground Floor and its Roof; Offices Nos. 1 and 2 on 1st Floor; Advertising Spaces 1-5 and Commercial Common Areas and Facilities, Private Staircase and Landing and the Reserved Portion, Palatial Stand, 118 Wuhu Street, Hung Hom, Kowloon, Hong Kong

Description

The property is a 20-storey residential tower built over a 3-storey commercial / garden podium completed in 2001. It comprises the 8 shop units occupying the whole of the Ground Floor and two office units occupying the whole of the 1st Floor of the building with a total gross rentable area of approximately 801.28 sq. m. (8,625 sq. ft.) and a total net area of approximately 559.55 sq. m. (6,023) sq. ft.). It also comprises a Flat Roof on 1st Floor of the building with an area of approximately 56.02 sq. m. (603 sq. ft.).

Land tenure

Hung Hom Inland Lot No. 522 is held under a Government Lease for a term of 150 years commencing from 14 September 1897 at an annual Government rent of HK\$34.

Hung Hom Inland Lots Nos. 509, 517, 510, 514, 515, and 504 are held under Conditions of Regrant Nos. 10274, 10340, 10273, 10579, 10356 and 10224 respectively each for a term of 150 years all commencing from 14 September 1897. The total annual Government rent payable for the subject lots is HK\$204.

Monthly rental income as at 30 June 2008

HK\$95,000 exclusive of rates, management fees and air-conditioning charges

Market value in existing state as at 30 June 2008 HK\$20,000,000

Estimated net property yield

5.7%

Royal Terrace Property

Various Shops on Ground Floor, Signage Space and Island, Carparking Spaces Nos. 1-24 on 1st Floor, Nos. 1-25 on 2nd Floor and Motorcycle Parking Spaces Nos.M1-M10 on 3rd Floor, Royal Terrace, 933 King's Road, North Point, Hong Kong

Description

The property is a 36-storey composite commercial / residential building with carparking and recreational facilities completed in 2002. It comprises eleven shop units on the Ground Floor with a total gross rentable area of approximately 888.61 sq. m. (9,565 sq. ft.) and a total net area of approximately 651.06 sq. m. (7,008 sq. ft.). It also comprises 49 carparking spaces and 10 motorcycle parking spaces on the whole of 1st to 3rd Floors of the building.

Land tenure

Quarry Bay Marine Lot No. 4 is held under Government Lease for a term of 75 years commencing from 27 April 1931 renewable for a further term of 75 years with annual Government rent payable to the subject sections of the lot at HK\$60.

Monthly rental income as at 30 June 2008

HK\$246,000 exclusive of rates, management fees and air-conditioning charges

Monthly car parking income as at 30 June 2008

HK\$50,000 exclusive of operating expenses, rates, government rents and management fees

Market value in existing state as at 30 June 2008 HK\$68,000,000

Estimated net property yield

5.2%

The valuation report contains herein is in summary form. A full version in English language is available for inspection at the registered office of the Manager.

Trustee's Report

TO THE UNITHOLDERS OF 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))

We hereby confirm that, in our opinion, the Manager of Sunlight Real Estate Investment Trust has, in all material respects, managed Sunlight Real Estate Investment Trust in accordance with the provisions of the Trust Deed dated 26 May 2006, as amended by the First supplemental deed dated 1 June 2006 and the Second supplemental deed dated 28 November 2006 for the year ended 30 June 2008.

HSBC Institutional Trust Services (Asia) Limited

(in its capacity as the trustee of Sunlight Real Estate Investment Trust)

Hong Kong, 17 September 2008



Independent Auditor's Report

Independent Auditor's Report to the Unitholders of 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))

We have audited the consolidated financial statements of Sunlight Real Estate Investment Trust ("Sunlight REIT") and its subsidiaries, (collectively referred to as the "Group") set out on pages 87 to 131 which comprise the consolidated balance sheet as at 30 June 2008, and the consolidated income statement, the consolidated statement of changes in net assets attributable to unitholders, the distribution statement and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Manager's Responsibility for the Consolidated Financial Statements

The Manager of Sunlight REIT is responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the relevant provisions of the trust deed dated 26 May 2006, as amended by the supplemental deeds dated 1 June 2006 and 28 November 2006 respectively (the "Trust Deed") and the relevant disclosure requirements set out in Appendix C of the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong (the "REIT Code"). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Appendix C of the REIT Code, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.



Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager of Sunlight REIT, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the disposition of the assets and liabilities of Sunlight REIT and of the Group as at 30 June 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix C of the REIT Code.

KPMG

Certified Public Accountants 8th Floor, Prince's Building 10 Chater Road Central, Hong Kong

17 September 2008



Consolidated Income Statement

for the year ended 30 June 2008 (Expressed in Hong Kong dollars)

	Note	Year ended 30 June 2008 \$'000	Period from 21 December 2006 (date of listing) to 30 June 2007 \$'000
Turnover	4 & 5	431,351	200,275
Property operating expenses	4 & 6	(112,625)	(51,924)
Net property income		318,726	148,351
Other income Administrative expenses Adjustment Payments/excess of interest in fair values of the acquirees' identifiable net assets over	7	7,599 (59,379)	6,106 (31,331)
cost of business combination Net increase in fair value of investment properties	19 11	90,635 590,139	533,585 468,000
Profit from operations		947,720	1,124,711
Finance costs on interest bearing liabilities	8(a)	(181,352)	(94,458)
Profit before taxation and transactions with unitholders	8	766,368	1,030,253
Income tax	9(a)	(36,940)	(90,198)
Profit after taxation and before transactions with unitholders		729,428	940,055

The notes on pages 95 to 130 form part of these consolidated financial statements.

Consolidated Balance Sheet

at 30 June 2008 (Expressed in Hong Kong dollars)

	Note	2008 \$′000	2007 \$'000
Non-current assets			
Fixed assets - Investment properties - Other fixed assets	11	10,151,000 14	9,558,000 —
Deferred tax assets Reimbursement rights Derivative financial instruments	9(e) 12 13	10,151,014 — 203,932 87,730	9,558,000 1,807 206,612 275,112
		10,442,676	10,041,531
Current assets			
Trade and other receivables Pledged deposits Cash at bank and in hand Tax recoverable	14 17 9(d)	118,565 227,733 116 6,627	86,033 210,612 151 —
		353,041	296,796
Total assets		10,795,717	10,338,327
Current liabilities			
Tenants' deposits Rent receipts in advance Trade and other payables Current taxation	15 16 9(c)	(106,956) (2,650) (52,991) (9,180)	(89,642) (2,826) (46,197) (11,615)
		(171,777)	(150,280)
Net current assets		181,264	146,516
Total assets less current liabilities		10,623,940	10,188,047

	Note	2008 \$'000	2007 \$'000
Non-current liabilities, excluding net assets attributable to unitholders			
Secured bank borrowings Deferred tax liabilities	17 9(e)	(3,935,930) (1,523,640)	(3,931,880) (1,501,445)
		(5,459,570)	(5,433,325)
Total liabilities, excluding net assets attributable to unitholders		(5,631,347)	(5,583,605)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		5,164,370	4,754,722
Number of units in issue	18	1,514,195,650	1,491,778,433
Net asset value attributable to unitholders per unit		\$3.41	\$3.19

The consolidated financial statements on pages 87 to 131 were approved and authorised for issue by Henderson Sunlight Asset Management Limited, as the Manager of Sunlight REIT on 17 September 2008 and were signed on behalf by:

Kan Fook Yee Chairman

Wu Shiu Kee, Keith Executive Director

The notes on pages 95 to 130 form part of these consolidated financial statements.



Consolidated Statement of Changes in Net Assets Attributable to Unitholders

for the year ended 30 June 2008 (Expressed in Hong Kong dollars)

Note	Year ended 30 June 2008 \$'000	Period from 21 December 2006 (date of listing) to 30 June 2007 \$'000
At the beginning of the year/period	4,754,722	
Net proceeds from issuance of units to unitholders upon initial public offering	_	3,694,335
Distribution paid to unitholders	(220,804)	_
Issuance of units to Manager during the year/period 18	49,883	10,505
Profit after taxation and before transactions with unitholders for the year/period Change in fair value of cash flow hedge	729,428 (148,859)	940,055 109,827
At the end of the year/period	5,164,370	4,754,722

The notes on pages 95 to 130 form part of these consolidated financial statements.



Distribution Statement

for the year ended 30 June 2008 (Expressed in Hong Kong dollars)

	Note	Year ended 30 June 2008 \$′000	Period from 21 December 2006 (date of listing) to 30 June 2007 \$'000
Profit after taxation and before transactions with unitholders		729,428	940,055
Adjustments: - Excess of interest in fair values of the acquirees' identifiable net assets over cost of business combination except for the amount relating to Adjustment Payments - Net increase in fair value of investment properties - Manager's fees paid or payable in the form of units	11 8(b)	— (590,139) 50,166	(473,815) (468,000) 24,562
Non-cash finance costs on interest bearing liabilitiesDeferred tax	9(a)	42,572 26,682	32,044 86,997
		(470,719)	(798,212)
Total distributable income (note (i))		258,709	141,843
Interim distribution, paid Final distribution, to be paid to unitholders		78,961 179,748	N/A 141,843
Total distributions for the year/period (note (i))		258,709	141,843
Distribution per unit: - Before adjusting for distribution waivers (notes (ii) to (iv)) Interim distribution per unit, paid Final distribution per unit, to be paid to unitholders		5.25 cents 11.87 cents	N/A 9.51 cents
		17.12 cents	9.51 cents
 After adjusting for distribution waivers (notes (ii), (v) and (vi) Interim distribution per unit, paid Final distribution per unit, to be paid to unitholders)	7.44 cents 16.76 cents	N/A 13.51 cents
		24.20 cents	13.51 cents



Distribution Statement

for the year ended 30 June 2008 (Expressed in Hong Kong dollars)

Notes:

- Pursuant to the REIT Code and the Trust Deed, Sunlight REIT is in any event required to ensure that the total amounts distributed or distributable to unitholders shall be no less than 90% of annual distributable income for each financial year. The current policy of Henderson Sunlight Asset Management Limited, the Manager of Sunlight REIT, is to distribute to unitholders as dividends an amount equal to 100% of Sunlight REIT's annual distributable income for each financial
- (ii) Pursuant to two Deeds of Distribution Waiver dated 2 December 2006 as disclosed in Sunlight REIT's offering circular dated 8 December 2006, certain unitholders who subscribed for a total of 441,642,638 units have agreed to waive their entitlement, in varying extents, to receive distributions from Sunlight REIT in respect of any period up to 30 June 2011 and have agreed to, where applicable, make payments to Sunlight REIT in case they have disposed of these original units subscribed under the initial public offering of Sunlight REIT. These unitholders have not disposed of any units during the year/period.
- The final distribution per unit, before adjusting for distribution waivers as mentioned in (ii) above, of 11.87 cents (2007: 9.51 cents), is calculated by dividing the final distribution of \$179,748,000 (2007: \$141,843,000) by 1,514,195,650 units in issue as at 30 June 2008 (2007: 1,491,778,433 units).
- The interim distribution per unit, before adjusting for distribution waivers as mentioned in (ii) above, of 5.25 cents (2007: Nil), is calculated by dividing the interim distribution of \$78,961,000 by 1,503,341,222 units in issue as at 31 December 2007.
- The final distribution per unit, after adjusting for distribution waivers as mentioned in (ii) above, of 16.76 cents (2007: 13.51 cents), is calculated by dividing the final distribution of \$179,748,000 (2007: \$141,843,000) by 1,072,553,012 units (2007: 1,050,135,795 units), which is arrived as follows:

Units in issue as at 30 June Less: Units held by the unitholders as at 30 June who agreed to waive their entitlement to distribution for the year/period

2008	2007
1,514,195,650	1,491,778,433
(441,642,638)	(441,642,638)
1,072,553,012	1,050,135,795

The interim distribution per unit, after adjusting for distribution waivers as mentioned in (ii) above, of 7.44 cents (2007: Nil), is calculated by dividing the interim distribution of \$78,961,000 by 1,061,698,584 units, which is arrived as follows:

Units in issue as at 31 December 2007 Less: Units held by the unitholders as at 31 December 2007 who agreed to waive their entitlement to distribution for the period

1,503,341,222

(441,642,638)

1,061,698,584

Consolidated Cash Flow Statement

for the year ended 30 June 2008 (Expressed in Hong Kong dollars)

	Year ended	Period from 21 December 2006
	30 June 2008 \$'000	(date of listing) to 30 June 2007 \$'000
Operating activities Profit before taxation and transactions with unitholders	766,368	1,030,253
Adjustments for: - Manager's fees - Adjustment Payments/excess of interest in	50,166	24,562
fair values of the acquirees' identifiable net assets over cost of business combination - Net increase in fair value of investment properties - Finance costs on interest bearing liabilities - Depreciation - Interest income	(90,635) (590,139) 181,352 1 (7,597)	(533,585) (468,000) 94,458 — (6,085)
Operating cash flow before changes in working capital	309,516	141,603
(Increase)/decrease in trade and other receivables Increase in tenants' deposits Decrease in rent receipts in advance Increase in trade and other payables	(1,360) 17,314 (176) 7,487	25,642 12,531 (1,935) 12,494
Cash generated from operations	332,781	190,335
Tax paid – Hong Kong Profits Tax paid	(19,320)	(2,541)
Net cash generated from operating activities	313,461	187,794
Investing activities Interest received Expenditure on investment properties Payment for purchase of other fixed assets Adjustment Payments received Acquisition of subsidiaries	7,290 (2,861) (15) 59,770 —	5,945 — — — — (3,618,147)
Net cash generated from/(used in) investing activities	64,184	(3,612,202)



Consolidated Cash Flow Statement

for the year ended 30 June 2008 (Expressed in Hong Kong dollars)

	Year ended 30 June 2008 \$'000	Period from 21 December 2006 (date of listing) to 30 June 2007 \$'000
Financing activities Proceeds from issuance of units to unitholders Issue costs paid Distribution paid to unitholders Increase in pledged deposits Interest paid	(220,804) (17,121) (139,755)	3,866,234 (171,899) — (210,612) (59,164)
Net cash (used in)/generated from financing activities	(377,680)	3,424,559
Net (decrease)/increase in cash at bank and in hand	(35)	151
Cash at bank and in hand at the beginning of the year/period	151	
Cash at bank and in hand at the end of the year/period	116	151

The notes on pages 95 to 130 form part of these consolidated financial statements.



Notes on the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

General

Sunlight Real Estate Investment Trust ("Sunlight REIT") is a Hong Kong collective investment scheme constituted as a unit trust by the Trust Deed entered into among Uplite Limited, as the settlor, Henderson Sunlight Asset Management Limited, as the manager of Sunlight REIT (the "Manager"), and HSBC Institutional Trust Services (Asia) Limited, as the trustee of Sunlight REIT (the "Trustee") on 26 May 2006 (as amended by the supplemental deeds dated 1 June 2006 and 28 November 2006 respectively) and is authorised under section 104 of the Securities and Futures Ordinance. Sunlight REIT is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK").

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.

Significant Accounting Policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure provisions of the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong (the "REIT Code") and the Rules Governing the Listing of Securities on the SEHK. A summary of the principal accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.



Notes on the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

2 Significant Accounting Policies (continued)

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 30 June 2008 incorporate the financial statements of Sunlight REIT and its subsidiaries.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- derivative financial instruments (see note 2(f)); and
- investment properties (see note 2(h)).

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 27.

Significant Accounting Policies (continued)

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment.

(d) Goodwill

Goodwill represents the excess of the cost of a business combination over the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cashgenerating units and is tested annually for impairment.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised immediately in profit or loss.

(e) Unitholders' funds as a financial liability

In accordance with the Trust Deed, Sunlight REIT has a limited life of 80 years less 1 day from the date of commencement of Sunlight REIT, and Sunlight REIT is required to distribute to unitholders no less than 90% of its annual distributable income for each financial year. Accordingly, the units contain contractual obligations to pay cash dividends and also upon the termination of Sunlight REIT, a share of all net cash proceeds derived from the sale or realisation of the assets of Sunlight REIT less any liabilities, in accordance with their proportionate interests in Sunlight REIT at the date of its termination. The unitholders' funds are therefore classified as financial liabilities in accordance with HKAS 32, Financial instruments: Presentation. It is shown on the balance sheet as "Net assets attributable to unitholders".

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 2(g)).



Notes on the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

2 Significant Accounting Policies (continued)

(g) Hedging

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognised directly in net assets attributable to unitholders. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

The associated gain or loss is removed from net assets attributable to unitholders and recognised in profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in net assets attributable to unitholders and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in net assets attributable to unitholders is recognised immediately in profit or loss.

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(j)) to earn rental income and/or for capital appreciation.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(p)(i).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases.

Significant Accounting Policies (continued)

Other property, plant and equipment

Other items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

Gains or losses arising from the retirement or disposal of an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of other property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Furniture and fixtures

3 - 5 years

Where parts of an item of other property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Internal and external sources of information are reviewed at each balance sheet date to identify indications that other property, plant and equipment may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an item of other property, plant and equipment is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset.

An impairment loss is recognised in profit or loss whenever the carrying amount of an item of other property, plant and equipment, exceeds its recoverable amount.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.



Notes on the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

2 Significant Accounting Policies (continued)

Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except for property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(h)).

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment losses of doubtful debts, except where the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment losses of doubtful debts.

Impairment losses for doubtful debts are recognised when there is objective evidence of impairment and are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the asset's original effective interest rate where the effect of discounting is material. Objective evidence of impairment includes observable data that comes to the attention of the Group about events that have an impact on the asset's estimated future cash flows such as significant financial difficulty of the debtor.

Impairment losses for trade receivables included within trade and other receivables whose recovery is considered doubtful but not remote are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(I) Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

2 Significant Accounting Policies (continued)

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Income tax

- (i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss.
- (ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
- (iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.



Notes on the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

2 Significant Accounting Policies (continued)

(n) Income tax (continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

- (iv) Current tax balances and deferred tax balances, and movement therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:
 - in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
 - in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Significant Accounting Policies (continued)

(p) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

- Rental income from operating leases
 - Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.
- (ii) Car park income and rental related income Car park income and rental related income are recognised as revenues on the accruals basis.
- (iii) Interest income Interest income is recognised as it accrues using the effective interest method.

(q) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred.

(r) Related parties

For the purposes of the consolidated financial statements, a party is considered to be related to the Group if:

- the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is a member of key management personnel of the Group, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals:
- (iv) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (v) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.



Notes on the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

2 Significant Accounting Policies (continued)

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

As all of the Group's activities are carried out in Hong Kong, no geographical segment information is presented.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets mainly include investment properties and trade receivables, and segment liabilities mainly include operating liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest bearing borrowings, tax balances, corporate and financing expenses.

3 Recently Issued Accounting Standards

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group.

There have been no significant changes to the accounting policies applied in these consolidated financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, *Financial instruments: Disclosures* and the amendment to HKAS 1, *Presentation of financial statements: Capital disclosures*, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, *Financial instruments: Disclosure and presentation*. These disclosures are provided throughout these consolidated financial statements, in particular in note 20.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's objectives, policies and processes for managing capital. These new disclosures are set out in note 21.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the consolidated financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 28).

4 Segment Reporting

Segmental results

	Yea Office	r ended 30 June 2 Retail	2008		rom 21 December 2 listing) to 30 June 2 Retail	
	properties \$'000	properties \$'000	Total \$'000	properties \$'000	properties \$'000	Total \$'000
Turnover - rental income - car park income - rental related income	153,678 3,030 39,694	185,087 15,549 34,313	338,765 18,579 74,007	65,713 1,669 19,146	87,768 8,687 17,292	153,481 10,356 36,438
Property operating expenses	196,402 (48,987)	234,949 (63,638)	431,351 (112,625)	86,528 (22,120)	113,747 (29,804)	200,275 (51,924)
Net property income Administrative expenses	147,415 (26,996)	171,311 (26,114)	318,726 (53,110)	64,408 (13,074)	83,943 (13,661)	148,351 (26,735)
Segment results	120,419	145,197	265,616	51,334	70,282	121,616
Net increase in fair value of investment properties Adjustment Payments/excess of interest in fair values of the acquirees' identifiable net assets over cost of	505,621	84,518	590,139	335,000	133,000	468,000
business combination			90,635			533,585
Finance costs on interest bearing liabilities Income tax Unallocated other income, net of			(181,352) (36,940)			(94,458) (90,198)
unallocated administrative expenses			1,330			1,510
Profit after taxation and before transactions with unitholders			729,428			940,055
Depreciation	1	_	1	_	_	

(Expressed in Hong Kong dollars)

Segment Reporting (continued)

Segmental balance sheet

	Office properties \$'000	At 30 June 2008 Retail properties \$'000	Total \$'000	Office properties \$'000	At 30 June 2007 Retail properties \$'000	Total \$'000
Segment assets Derivative financial instruments Pledged deposits Cash at bank and in hand Tax recoverable Deferred tax assets Unallocated assets	5,357,503	5,024,124	10,381,627 87,730 227,733 116 6,627 — 91,884	4,853,497	4,936,733	9,790,230 275,112 210,612 151 — 1,807 60,415
Total assets			10,795,717			10,338,327
Segment liabilities Secured bank borrowings Current taxation Deferred tax liabilities Unallocated liabilities	(71,947)	(67,445)	(139,392) (3,935,930) (9,180) (1,523,640) (23,205)	(60,691)	(58,373)	(119,064) (3,931,880) (11,615) (1,501,445) (19,601)
Total liabilities, excluding net assets attributable to unitholders			(5,631,347)			(5,583,605)
Capital expenditure incurred during the year/period	1,394	1,482	2,876	_		

5 **Turnover**

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

Rental income
Car park income
Rental related income

Year ended 30 June 2008 \$'000	Period from 21 December 2006 (date of listing) to 30 June 2007 \$'000
338,765 18,579 74,007	153,481 10,356 36,438
431,351	200,275

Additional rents based on business turnover of tenants amounting to \$1,039,000 (2007: \$377,000) have been included in the rental income.

Property Operating Expenses

	Year ended 30 June 2008 \$'000	21 December 2006 (date of listing) to 30 June 2007 \$'000
Building management fee	44,999	20,763
Property Manager's fees	29,267	13,109
Government rent and rates	12,312	6,786
Marketing and promotion expenses	9,478	4,585
Car park operating costs (note)	6,503	3,205
Other direct costs	10,066	3,476
	112,625	51,924

Note: Included Property Manager's fees of \$2,343,000 (2007: \$832,000).

7 Other Income

Bank interest income Others

Year ended 30 June 2008 \$'000	Period from 21 December 2006 (date of listing) to 30 June 2007 \$'000
7,597 2	6,085 21
7,599	6,106

Period from

(Expressed in Hong Kong dollars)

Profit Before Taxation and Transactions with Unitholders

Profit before taxation and transactions with unitholders is arrived at after charging:

		Year ended 30 June 2008 \$'000	Period from 21 December 2006 (date of listing) to 30 June 2007 \$'000
(a)	Finance costs on interest bearing liabilities:		
	Interest on borrowings Other borrowing costs	138,629 42,723	62,334 32,124
		181,352	94,458

The total amount represents finance costs on interest bearing liabilities wholly repayable after two years but within five years (note 17), whereas other borrowing costs represent the amortisation of the upfront payments for the interest rate swaps and various financing charges.

	Year ended 30 June 2008 \$'000	Period from 21 December 2006 (date of listing) to 30 June 2007 \$'000
(b) Other items:		
Manager's fees	50,166	24,562
Property Manager's fees	31,610	13,941
Trustee's remuneration	2,909	1,482
Auditors' remuneration		
 Audit services 	1,600	1,500
Other services	370	300
Valuation fees	800	762
Other legal and professional fees	3,605	535
Bank charges	499	272

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

Income Tax

(a) Income tax in the consolidated income statement represents:

	Year ended 30 June 2008 \$'000	Period from 21 December 2006 (date of listing) to 30 June 2007 \$'000
Current tax – Provision for Hong Kong Profits Tax		
Provision for the year/period	9,856	3,201
Under-provision in respect of prior years	402	_
	10,258	3,201
Deferred tax		
Origination and reversal of temporary differences	100,462	86,997
Effect on opening deferred tax balances resulting		
from decrease in tax rate during the year	(73,780)	_
	26,682	86,997
	36,940	90,198

In the 2008-09 Budget delivered on 27 February 2008, the Financial Secretary of Hong Kong proposed tax concessions from the year of assessment 2008-09 onwards in which the Hong Kong Profits Tax rate will be lowered from 17.5% to 16.5%, together with an one-off reduction of 75% of current tax payable in respect of the final tax of year of assessment 2007-08, subject to a ceiling of \$25,000. Such proposals have been passed by the Legislative Council on 26 June 2008. Accordingly, the provision for Hong Kong Profits Tax has been made at 16.5% (2007: 17.5%) on the estimated assessable profits for the year.

(Expressed in Hong Kong dollars)

9 **Income Tax (continued)**

(b) Reconciliation between tax expense and profit before taxation and transactions with unitholders at applicable tax rate:

	Year ended 30 June 2008 \$'000	Period from 21 December 2006 (date of listing) to 30 June 2007 \$'000
Profit before taxation and transactions with unitholders	766,368	1,030,253
Notional tax on profit before taxation and transactions with unitholders, calculated at the Hong Kong Profits Tax rate of 16.5% (2007: 17.5%) Tax effect of non-deductible expenses Tax effect of non-taxable income Tax effect of tax losses not recognised Effect on opening deferred tax balances resulting from decrease in tax rate during the year Under-provision in respect of prior years Others	126,451 3,221 (19,765) 451 (73,780) 402 (40)	180,294 4,273 (95,642) 693 — — — 580
Actual tax expense	36,940	90,198

(c) Current taxation in the consolidated balance sheet represents:

	2008 \$'000	2007 \$'000
Provision for Hong Kong Profits Tax for the year/period Balance of Profits Tax provision assumed on business combination	9,205	3,201
Balance of Profits Tax relating to prior years	(25)	8,414 —
	9,180	11,615

(d) Tax recoverable in the consolidated balance sheet represents:

Provision for Hong Kong Profits Tax for the year/period Tax reserve certificates relating to prior years Balance of Profits Tax relating to prior years

2008 \$′000	2007 \$'000
651 (2,905)	_
(4,373)	_
(6,627)	_

Income Tax (continued) 9

(e) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year/period are as follows:

	Depreciation allowances in excess of related depreciation \$'000	Revaluation of properties \$'000	Reclassification of assets to investment properties \$'000	Fair value adjustment on business combination \$'000	Tax Iosses \$'000	Total \$′000
Deferred tax arising from:						
Acquisition of properties and related operations Charged/(credited)	45,042	504,250	159,709	715,956	(12,316)	1,412,641
to profit or loss	7,722	80,850	_	_	(1,575)	86,997
At 30 June 2007	52,764	585,100	159,709	715,956	(13,891)	1,499,638
At 1 July 2007 Charged/(credited)	52,764	585,100	159,709	715,956	(13,891)	1,499,638
to profit or loss Effect on opening deferred tax balances resulting from decrease in tax rate during the year:	11,024	95,888	-	_	(6,450)	100,462
- (credited)/charged to profit or loss - credited to reimbursement rights	(2,908)	(33,434)	-	(38,232) (2,680)	794 —	(73,780) (2,680)
At 30 June 2008	60,880	647,554	159,709	675,044	(19,547)	1,523,640

Represented	by:
rioprocontoa	\sim y .

Net deferred tax assets recognised in the consolidated balance sheet Net deferred tax liabilities recognised in the consolidated balance sheet

2008 \$'000	2007 \$'000
_	(1,807)
1,523,640	1,501,445
1,523,640	1,499,638



(Expressed in Hong Kong dollars)

Income Tax (continued) 9

Deferred tax assets not recognised:

Deferred tax assets have not been recognised in respect of the following items:

Future benefits of Hong Kong tax losses

- Assessed by the Inland Revenue Department
- Not yet assessed by the Inland Revenue Department

2008	3	200)7
Tax losses \$'000	Deferred tax assets \$'000	Tax losses \$'000	Deferred tax assets \$'000
9,606	1,585	4,828	845
114,488	18,890	111,928	19,587
124,094	20,475	116,756	20,432

The Group has not recognised deferred tax assets in respect of unused tax losses of certain subsidiaries as it is not probable that sufficient future taxable profits will be available against which the deductible unused tax losses can be utilised. The Hong Kong tax losses do not expire under current tax legislation.

10 Earnings Per Unit Before Transactions with Unitholders

The basic earnings per unit before transactions with unitholders for the year ended 30 June 2008 amounted to \$0.49 (2007: \$0.63). 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 \$729,428,000 (2007: \$940,055,000) and the weighted average of 1,501,357,280 units (2007: 1,488,770,986 units) in issue during the year/period.

Diluted earnings per unit before transactions with unitholders for the year ended 30 June 2008 is not presented as there was no potential dilution of earnings per unit before transactions with unitholders.

11 Fixed Assets

	Furniture and fixtures \$'000	Investment properties \$'000	Total \$′000
ost or valuation:			
at 1 July 2007	_	9,558,000	9,558,000
dditions	15	2,861	2,876
increase in fair value		590,139	590,139
30 June 2008	15	10,151,000	10,151,015
epresenting:			
ost	15	_	15
luation	_	10,151,000	10,151,000
	15	10,151,000	10,151,015
cumulated depreciation:			
narge for the year	1		1
30 June 2008	1	_	1
t book value:			
30 June 2008	14	10,151,000	10,151,014
uation and net book value:			
dditions through business combination	_	9,090,000	9,090,000
t increase in fair value	_	468,000	468,000
) June 2007	_	9,558,000	9,558,000

⁽a) The investment properties were revalued at 30 June 2008 by Savills Valuation and Professional Services Limited who have among their staff Fellows of The Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on an open market value basis in their existing states by means of capitalisation of the net income allowing for reversionary income potential and by reference to comparable market transactions.



(Expressed in Hong Kong dollars)

11 Fixed Assets (continued)

(b) The analysis of the fair value of investment properties is as follows:

	2008 \$'000	2007 \$'000
In Hong Kong		
- long leases	4,771,000	4,304,000
- medium-term leases	5,380,000	5,254,000
	10,151,000	9,558,000

(c) The Group's investment properties have been mortgaged to secure banking facilities granted to the Group (note 17).

12 Reimbursement Rights

The amount represents the reimbursement rights recognised pursuant to the tax indemnity provided by the Vendors (as defined in note 19), to the extent of certain relevant deferred tax liabilities recognised in the subsidiaries as at the date of acquisition.

13 Derivative Financial Instruments

	2008 \$′000	2007 \$'000
Interest rate swaps – cash flow hedges	87,730	275,112

The Group uses interest rate swaps to hedge the exposure to movements in interest rates in relation to its floating rate term loan by swapping from floating rate to fixed rate. The Manager considers that the interest rate swaps are highly effective hedging instruments. Major terms of the interest rate swaps are set out below:

Notional amount	Maturity	Swaps
HK\$3,950,000,000	30 June 2011	From Hong Kong Interbank Offered Rate plus 0.45% per annum to a fixed rate of 3.0% per annum for the period from 21 December 2006 to 30 June 2007 and 3.5% per annum throughout the
		remaining period of the interest rate swaps

The above derivatives are measured at fair value at the balance sheet date. Their fair values are determined based on the discounted cash flow model.

14 Trade and Other Receivables

	2008 \$′000	2007 \$'000
Rental receivables	19,375	17,577
Deposits and prepayments	6,925	6,110
Other receivables	553	64
Amounts due from related companies	91,712	62,282
	118,565	86,033

\$5,100,000 (2007: \$6,110,000) 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 within one year.

The ageing analysis of rental receivables is as follows:

	2008 \$'000	2007 \$'000
Current	13,956	10,293
Less than 1 month overdue	4,637	7,112
More than 1 month and up to 3 months overdue	483	161
More than 3 months and up to 6 months overdue	122	10
More than 6 months overdue	177	1
	19,375	17,577

Rental receivables that were neither overdue nor impaired relate to a wide range of tenants for whom there was no recent history of default.

Rental receivables that were past due but not impaired relate to a number of independent tenants that have a good track record with the Group. Based on past experience, the Manager believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. In addition, the Group has collected rental deposits from its tenants which the Manager considered adequate to cover the outstanding rental receivables. Further details on the Group's credit policy are set out in note 20(a).

The amounts due from related companies are unsecured, interest-free and have no fixed terms of repayment. The balance primarily represents Adjustment Payments receivable (note 19(b)).



(Expressed in Hong Kong dollars)

15 Tenants' Deposits

The tenants' deposits include \$64,636,000 (2007: \$73,157,000) which is expected to be settled after more than one year. If tenancies are not renewed upon expiry, the remaining balances are expected to be settled within one year.

16 Trade and Other Payables

Creditors and accrued charges Manager's fees payable (note 25(b)(ii)) Amounts due to related companies

2008	2007
\$'000	\$'000
29,130	24,257
14,339	14,056
9,522	7,884
52,991	46,197

All creditors and accrued charges are due within one month or on demand and expected to be settled within one year. Included in creditors and accrued charges is the amount due to the Trustee of \$783,000 (2007: \$733,000) which is unsecured and interest-free.

Manager's fees payable is due within four months and payable in the form of units.

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

17 Secured Bank Borrowings

The bank loan was repayable as follows:

After 2 years but within 5 years

2008	2007
\$'000	\$'000
3,935,930	3,931,880

The Group has been granted two facilities in the aggregate amount of \$4,050,000,000 before transaction costs, comprising a \$3,950,000,000 term loan and a \$100,000,000 revolving credit facility, both for a five-year term from the first date of drawdown under the term loan or revolving credit facility, whichever is earlier, under the banking facility agreements. Of both facilities, the term loan was fully drawn down by the Group on 21 December 2006. The Group also entered into the interest rate swaps on 21 December 2006. Details regarding the swap facility are set out in note 13.

17 Secured Bank Borrowings (continued)

Bank borrowings under the term loan and revolving credit facilities are guaranteed on a joint and several basis by the Trustee and Sunlight REIT Holding Limited, the holding company of all other subsidiaries of the Group, and are also secured by, among others, the followings:

- mortgages over the investment properties with a fair value of \$10,151,000,000 as at 30 June 2008 (2007: \$9,558,000,000) (note 11);
- charge over bank balances of \$57,413,000 (2007: \$161,012,000) and \$170,320,000 (2007: \$49,600,000) in bank accounts maintained respectively with The Hongkong and Shanghai Banking Corporation Limited and other banks in the name of Sunlight REIT Treasury Limited, a subsidiary of the Group;
- assignment of rental income and all other proceeds arising from and including all rights, title and interest under all tenancy agreements relating to each of the investment properties; and
- first fixed charge over all present and future rights, title and interest in and to, all present and future shares in Sunlight REIT Finance Limited and Sunlight REIT Holding Limited, both being subsidiaries of the Group, and dividends and distributions thereof.

The effective interest rate of the bank borrowings at the balance sheet date was 4.47% (2007: 4.44%). The carrying amounts of the bank borrowings approximate their fair value.

18 Units in issue

	Number of units
Initial public offering Issuance of units during the period	1,487,013,000 4,765,433
At 30 June 2007	1,491,778,433
At 1 July 2007 Issuance of units during the year	1,491,778,433 22,417,217
At 30 June 2008	1,514,195,650

Details of units issued during the year as payment of the Manager's fees for the period from 1 April 2007 to 31 March 2008 are as follows:

Date of issue	Number of units issued	Average issue price per unit \$	Aggregate issue price \$′000
30 October 2007	4,235,465	2.2125	9,371
30 October 2007	2,153,499	2.1756	4,685
30 October 2007	5,173,825	2.2694	11,742
30 April 2008	5,203,881	2.2993	11,965
30 April 2008	5,650,547	2.1449	12,120
	22,417,217		49,883

(Expressed in Hong Kong dollars)

19 Business Combination

(a) On 21 December 2006, Sunlight REIT acquired certain entities or businesses, which involve 20 investment properties, a finance company and a domain name company, through certain special purpose entities from certain related parties 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").

Details of assets acquired and liabilities assumed of the acquired entities were as follows:

	2007 \$'000
Investment properties	9,090,000
Deferred tax assets	3,891
Derivative financial instruments	195,199
Reimbursement rights	206,612
Trade and other receivables	51,765
Cash at bank and in hand	34
Tax recoverable	1,791
Tenants' deposits	(77,111)
Rent receipts in advance	(4,761)
Trade and other payables	(16,396)
Current taxation	(12,746)
Secured bank borrowings	(3,929,750)
Deferred tax liabilities	(1,416,532)
Assets acquired and liabilities assumed	4,091,996
Excess of interest in fair values of the acquirees' identifiable	
net assets over cost of business combination (note)	(533,585)
Consideration	3,558,411

Note: The amount of excess of interest in fair values of the acquirees' identifiable net assets over cost of business combination included the amount of Adjustment Payments receivable for the period ended 30 June 2007 of \$59,770,000.

19 Business Combination (continued)

(b) Pursuant to several Deeds of Adjustment Payments all dated 2 December 2006 entered into among the Manager, the Trustee and the Vendors in favour of Sunlight REIT, the Vendors have agreed to make payments to Sunlight REIT in respect of the difference between the assured minimum annual rental income and the consolidated rental income, as defined in such deeds, of Sunlight REIT for each financial period/year between 21 December 2006 (date of listing) and 30 June 2009 and which are made effectively as adjustments to the consideration payable for the acquisition (the "Adjustment Payments"). The amount of Adjustment Payments receivable for the year is determined as follows:

	Note	2008 \$'000
Assured minimum rental income for the year Consolidated rental income for the year	5	429,400 (338,765)
Adjustment Payments receivable for the year		90,635

20 Financial Instruments

Exposure to credit, interest rate and liquidity risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit Risk

Credit risk arises from the potential failure of the Group's counterparties to meet their obligations under financial contracts. The Group is exposed to credit risk on its cash at bank and in hand and deposits with banks and financial institutions, as well as trade and other receivables.

In respect of credit exposures to tenants, credit risk exposure is minimised by undertaking transactions with a large number of counterparties and conducting credit reviews on prospective tenants. The Group also has policies in place to ensure that rental deposits are required from tenants prior to commencement of leases. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group regularly reviews the recoverable amount of each individual trade receivable to ensure that adequate provision for impairment losses is made for irrecoverable amounts.

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.

Derivative counter parties and cash transactions are limited to high-credit-quality financial institutions.



(Expressed in Hong Kong dollars)

20 Financial Instruments (continued)

(b) Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings raised at variable interest rates expose the Group to cash flow interest rate risk. The Group managed its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

The Group's exposures to interest rates on financial liabilities to the profit or loss are minimal as the Group entered into interest rate swaps to hedge against the risk exposure.

Sensitivity analysis

As at 30 June 2008, if interest rates had been 100 basis points higher, the net assets attributable to unitholders would have been \$99.0 million (2007: \$124.8 million) higher mainly as a result of an increase in the fair values of the cash flow hedges as described above.

On the other hand, if interest rates had been 100 basis points lower, the net assets attributable to unitholders would have been \$102.5 million (2007: \$130.4 million) lower mainly as a result of a decrease in the fair values of the cash flow hedges.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date.

20 Financial Instruments (continued)

(c) Liquidity risk

The Group maintains sufficient reserves of cash and adequate committed lines of funding from financial institutions with sound credit ratings to meet its liquidity requirements.

The Group also monitors regularly its current and expected liquidity requirements and its compliance with lending covenants and limits on total borrowings as stipulated under REIT Code.

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

	Carrying amount \$′000	Total contractual undiscounted cash flow \$'000	Within 1 year or on demand \$'000	More than 1 year but less than 2 years \$'000	More than 2 years but less than 5 years \$'000	More than 5 years \$′000
Secured bank borrowings	3,935,930	(4,330,791)	(109,613)	(109,613)	(4,111,565)	_
Tenants' deposits	106,956	(106,956)	(42,320)	(37,010)	(27,220)	(406)
Creditors and						
accrued charges	29,130	(29,130)	(29,130)	_	_	_
Amounts due to						
related companies	9,522	(9,522)	(9,522)	_	_	_
	4,081,538	(4,476,399)	(190,585)	(146,623)	(4,138,785)	(406)

	2007					
				More than	More than	
		Total	Within	1 year	2 years	
	Corning	contractual	1 year	but less	but less	More than
	Carrying amount	undiscounted cash flow	or on demand	than 2 years	than 5 years	5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Secured bank borrowings	3,931,880	(4,819,472)	(194,340)	(194,340)	(4,430,792)	_
Tenants' deposits	89,642	(89,642)	(16,485)	(38,543)	(34,614)	_
Creditors and						
accrued charges	24,257	(24,257)	(24,257)	_	_	_
Amount due to						
related companies	7,884	(7,884)	(7,884)	_	_	
	4,053,663	(4,941,255)	(242,966)	(232,883)	(4,465,406)	_
•						



(Expressed in Hong Kong dollars)

20 Financial Instruments (continued)

(d) Fair value estimation

The carrying amounts of the Group's financial assets including cash at bank and in hand, pledged deposits, deferred assets, rental receivables, prepayments, deposits, other receivables and amounts due from related companies and financial liabilities including receipts in advance, accruals and other payables and amounts due to related companies approximate their fair values due to their short maturities.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

21 Capital Management

The Group's primary objective is to provide its unitholders risk-adjusted, long-term capital growth through investing in a diversified portfolio of office and retail properties in Hong Kong.

The Manager aims to support Sunlight REIT's operational and acquisition growth strategies within a prudent risk management framework, by employing an efficient capital management strategy using an appropriate mix of debt and equity capital.

The Manager believes that an efficient capital management strategy will improve total returns while reducing risks for unitholders by maintaining financial flexibility to meet capital expenditure requirements. The Manager will regularly review its capital management strategy to reflect Sunlight REIT's investment opportunities, its operating and the general economic environment and the REIT Code requirements.

In accordance to clause 7.9 of the REIT Code and clause 20.4 of the Trust Deed, Sunlight REIT's aggregate borrowings shall not exceed 45 per cent of the total gross asset value of the scheme. In the event that the limit is exceeded, the unitholders and the Securities and Futures Commission (the "SFC") shall be informed of the magnitude of the breach, the cause of the breach, and the proposed method of rectification. In cases where there is a breach, no further borrowing is permitted and the Manager shall use its best endeavours to reduce the excess borrowings. Furthermore, the unitholders and the SFC shall be informed on a regular basis as to the progress of the rectification. As at 30 June 2008, Sunlight REIT's aggregate borrowings represent 36.6 per cent (2007: 38.2 per cent) of its total gross asset value.

22 Capital Commitments

Capital commitments outstanding as at 30 June 2008 not provided for in the consolidated financial statements are as follows:

Contracted for
Authorised but not contracted for

2008	2007
\$'000	\$'000
8,632	—
27,224	12,712
35,856	12,712

23 Contingent Liabilities

As at the balance sheet date, the Group has provided a guarantee to a commercial bank to secure facility granted to a subsidiary to issue bank guarantees in lieu of deposit to electricity companies in the total amount of \$4,685,000 (2007: \$4,685,000).

24 Significant Leasing Arrangements

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

Within 1 year
After 1 year but within 5 years
After 5 years

2008	2007
\$'000	\$'000
395,012	336,468
330,642	302,070
12,876	23,740
738,530	662,278

The operating leases typically run for an initial period of one to three years, with an option to renew the lease after that date at which time all terms are renegotiated.



(Expressed in Hong Kong dollars)

25 Connected Party Transactions and Material Related Party Transactions

During the year/period, the Group entered into the following transactions with certain connected and related parties, as defined under the REIT Code and HKAS 24, Related Party Disclosures:

(a) Nature of relationship with connected/related parties

Connected/related party	Relationship with the Group
Shau Kee Financial Enterprises Limited and other members of its group (collectively referred to as " SKFE Group ")	Significant holders of Sunlight REIT and their associates
Henderson Land Development Company Limited and other members of its group (collectively referred to as " HLD Group ")	Connected persons of SKFE Group, the Manager and the Property Manager
Henderson Development Limited and other members of its group (collectively referred to as " HD Group ")	Connected persons of SKFE Group and holding company of HLD Group
HSBC Institutional Trust Services (Asia) Limited (the " Trustee ")	The Trustee of Sunlight REIT
HSBC Holdings plc and its associates ("HSBC") and other members of its group (collectively referred to as " HSBC Group ")	Connected persons of the Trustee
Henderson Sunlight Asset Management Limited (the " Manager ")	The Manager of Sunlight REIT and a member of HLD Group
Henderson Sunlight Property Management Limited (the " Property Manager ")	The Property Manager of Sunlight REIT and a member of HLD Group
Savills Valuation and Professional Services Limited and other members of its group (collectively referred to as "Savills Group")	The Principal Valuer of Sunlight REIT
Woo, Kwan, Lee & Lo (" WKLL ")	Connected persons of HLD Group
Yam & Co (" YC ")	Connected persons of the Manager
Yung, Yu, Yuen & Co ("YYY")	Connected persons of HLD Group

WKLL, YC and YYY are considered connected persons of the Manager or HLD Group as one of their respective partners is an associate of a director or the connected persons of the Manager.

25 Connected Party Transactions and Material Related Party Transactions (continued)

(b) Transactions with connected/related parties

	Year ended 30 June 2008 \$'000	Period from 21 December 2006 (date of listing) to 30 June 2007 \$'000
Rental and rental related income received/receivable from (note (i)): – HLD Group – HSBC Group	7,237 9,694	4,293 4,813
Property management expenses and bank charges paid/payable to (note (i)): – HLD Group – HSBC Group	(16,350) (128)	(8,478) (47)
Manager's fees (note (ii))	(50,166)	(24,562)
Property Manager's fees (note (iii))	(31,610)	(13,941)
Trustee's fee (note (iv))	(2,909)	(1,482)
Interest expenses and agency charge on bank loans paid/payable to (note (v)): - HSBC Group	(36,206)	(21,348)
Interest received/receivable under the interest rate swaps (note 13): – HSBC Group	22,485	32,730
Interest income on bank deposits received/ receivable from (note (i)): – HSBC Group	3,603	6,072
Adjustment Payments receivable from: - HLD Group - SKFE Group - HD Group	13,867 69,254 7,514	9,145 45,670 4,955
Insurance expenses paid/payable to (note (i)): - HSBC Group	(12)	(56)
Valuation fee and other charges paid/payable to (note (i)): – Savills Group	(871)	(771)
Promotion income received/receivable from (note (i)): - HLD Group	488	180
Professional fee paid/payable to (note (i)): - WKLL - YC - YYY	(222) (285) (1)	(110) (232) (2)

(Expressed in Hong Kong dollars)

25 Connected Party Transactions and Material Related Party Transactions (continued)

(b) Transactions with connected/related parties (continued)

Notes:

- (i) These transactions were carried out on normal commercial terms and in the ordinary course of business.
- (ii) The Manager's fees are calculated as the aggregate of a base fee of 0.4% per annum of the value of all the properties of Sunlight REIT and a variable fee of 3% per annum of Sunlight REIT's Net Property Income (as defined in the Trust Deed). For the period from 21 December 2006 (date of listing) to 30 June 2011, the Manager's fee shall be paid to the Manager in the form of units. Accordingly, units were issued to the Manager during the year/period in this connection.
- Under the property management agreement entered into between the Manager and the Property Manager dated 29 November 2006 (the "Property Management Agreement"), the Property Manager is entitled to receive a fee of 3% per annum of the Gross Property Revenue (as defined in the Property Management Agreement).

The Property Manager is also entitled to receive a commission equivalent to:

- one month's base rent for securing a tenancy of three years or more;
- one-half month's base rent for securing a tenancy of less than three years;
- one-half month's base rent for securing a renewal of tenancy irrespective of the duration of the renewal term; and
- 10% of the total licence fee for securing a licence for a duration of less than 12 months.

In addition to the above fees, the Property Manager is also reimbursed by relevant property companies for staff costs incurred solely and exclusively for the management of any one single property of Sunlight REIT.

- (iv) The Trustee is entitled to receive a remuneration of 0.03% per annum on the first \$5 billion on the total assets of Sunlight REIT, 0.025% per annum on the next \$5 billion on the total assets of Sunlight REIT and 0.02% per annum on the balance, subject to minimum fees of \$50,000 per month.
- Interest expenses are calculated on the outstanding loan balance by reference to the interest rate as set out in note 17.

(c) Balances with connected/related parties are as follows:

2008 2007 \$'000 \$'000 Net amount due from/(to): - HLD Group (9,546)(10, 269)- HSBC Group (824,102)(718,633)- SKFE Group 69,254 45,670 7,514 - HD Group 4,955 - Savills Group (852)(750)- WKLL (49)(41)- YC (162)(93)- YYY (2)

26 Comparative Figures

As a result of adopting HKFRS 7, Financial instruments: Disclosures and the amendments to HKAS 1, Presentation of financial statements: Capital disclosures, comparative amounts in respect of certain items have been disclosed for the first time in 2008. Further details of these developments are disclosed in note 3.

27 Critical Accounting Estimates and Judgements

The key sources of estimation and critical accounting judgements in applying the Group's accounting policies are described below.

(a) Valuation of investment properties

In arriving at the fair value of the investment properties, the Manager have considered information from different sources, including a valuation performed by an independent firm of professional valuers after taking into consideration the net rental income allowing for reversionary income potential, and other available market survey reports.

The assumptions adopted in the property valuations are based on the market conditions existing at the balance sheet date, with reference to current market sales prices and the appropriate capitalisation rate.

(b) Recognition of deferred tax assets

At 30 June 2008, the Group has recognised a deferred tax asset in relation to the unused tax losses amounting to approximately \$118,467,000 (2007: \$79,377,000). The realisability of the deferred tax asset mainly depends on whether it is probable that future taxable profits or taxable temporary differences will be available against which the asset can be utilised. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax asset may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

28 Possible Impact of Amendments, New Standards and New Interpretations Issued but not yet Effective for the Year Ended 30 June 2008

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments, new standards and new interpretations which are not yet effective for the year ended 30 June 2008 and which have not been adopted in these consolidated financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

(Expressed in Hong Kong dollars)

29 Principal Subsidiaries of Sunlight REIT

Details of the principal subsidiaries of the Group are as follows:

	Place of	Issued and	% of shares held		
Name of Company	incorporation/ operation	fully paid share capital	Sunlight REIT	Subsidiaries	Principal activities
Sunlight REIT Holding Limited	Cayman Islands	1 share of US\$1 each	100	_	Investing holding
Bayman Limited	British Virgin Islands/ Hong Kong	1 share with no par value	_	100	Property investment
Bestguard Investment Limited	Hong Kong	2 ordinary shares of HK\$1 each	_	100	Property investment
Country Max Development Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	_	100	Property investment
Gain Fortune Development Limited	Hong Kong	3,000,000 ordinary shares of HK\$1 each	_	100	Property investment
Gallund Investment Limited	Hong Kong	20,000 ordinary shares of HK\$100 each	_	100	Property investment
Gentfair Development Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	_	100	Property investment
Global Team Development Limited	Hong Kong	100 ordinary shares of HK\$1 each	_	100	Property investment
Glory Good Development Limited	Hong Kong	1,000 ordinary shares of HK\$1 each	_	100	Property investment
Glory Hero Development Limited	Hong Kong	3,000,000 ordinary shares of HK\$1 each	_	100	Property investment
Grand Faith Development Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each and 2 non-voting deferred shares of HK\$1 each	_	100	Property investment

29 Principal Subsidiaries of Sunlight REIT (continued)

	Place of incorporation/	Issued and fully paid	% of s Sunlight	hares held	Principal
Name of Company	operation	share capital	REIT	Subsidiaries	activities
Harzone Limited	Hong Kong	1,000 ordinary shares of HK\$1 each	_	100	Property investment
Jetwise Investment Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each and 10,000 non-voting deferred shares of HK\$1 each	_	100	Property investment
Lucky Million Development Limited	Hong Kong	2 ordinary shares of HK\$1 each	_	100	Property investment
Multimark Investment Limited	Hong Kong	2 ordinary shares of HK\$1 each and 2 non-voting deferred shares of HK\$1 each	_	100	Property investment
Newcorp Development Limited	Hong Kong	2 ordinary shares of HK\$1 each	_	100	Property investment
Nicetex Development Limited	Hong Kong	2 ordinary shares of HK\$1 each and 2 non-voting deferred shares of HK\$1 each	_	100	Property investment
Pacific Joy Investment Limited	Hong Kong	52,000,000 ordinary shares of HK\$1 each	_	100	Property investment
Russum Company Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each and 1,000 non-voting deferred shares of HK\$1 each	_	100	Property investment

(Expressed in Hong Kong dollars)

29 Principal Subsidiaries of Sunlight REIT (continued)

	Place of	Issued and	% of shares held		Detection
Name of Company	incorporation/ operation	fully paid share capital	Sunlight REIT	Subsidiaries	Principal activities
Seiren Investment Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	_	100	Property investment
Smart Fortune Development Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	_	100	Property investment
Smartwise Services Limited	British Virgin Islands/ Hong Kong	1 share with no par value	_	100	Holding of domain name
Strong Bright Technology Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	_	100	Property investment
Sunlight Crownwill Limited	British Virgin Islands/ Hong Kong	1 share with no par value	_	100	Property investment
Sunlight REIT Finance Limited	British Virgin Islands/ Hong Kong	1 share with no par value	_	100	Provision of finance functions
Sunlight REIT Treasury Limited	British Virgin Islands/ Hong Kong	1 share with no par value	_	100	Provision of treasury functions
Tinselle Investment Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each and 10,000 non-voting deferred shares of HK\$1 each	_	100	Property investment
United Glory Development Limited	Hong Kong	2 ordinary shares of HK\$1 each	_	100	Property investment
Yu Loy Development Company Limited	Hong Kong	1,000,000 ordinary shares of HK\$10 each and 500 non-voting deferred shares of HK\$10 each	_	100	Property investment

Performance Table

(Expressed in Hong Kong dollars, unless otherwise specified)

	Note	2008	2007
As at 30 June:			
Net asset value (\$'000)		5,164,370	4,754,722
Net asset value per unit		3.41	3.19
For the year/period ended 30 June:			
Highest traded unit price		2.56	2.60
Highest premium of the traded unit price to net asset value per unit	(1)	N/A	N/A
Lowest traded unit price		1.85	2.11
Highest discount of the traded unit price to net asset value per unit (%)		45.7	33.9
Distribution per unit, after adjusting for distribution waivers(HK cents)	(2)	24.20	13.51
Distribution yield per unit (%)	(2)	12.6	6.0

Notes:

- The highest traded unit price during the year/period was \$2.56 (2007: \$2.60) which is lower than the net asset value per unit as at the end of the year/period. Accordingly, no premium of the traded unit price to net asset value per unit had been recorded.
- Distribution yield per unit is calculated by dividing the distribution per unit, after adjusting for distribution waivers, for the year/period by the last traded unit price of \$1.92 as at 30 June 2008 (2007: \$2.25). As Sunlight REIT was listed on 21 December 2006, the distribution for the financial period ended 30 June 2007 covered 192 days.

Notice of Annual General Meeting



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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that an Annual General Meeting of unitholders of Sunlight Real Estate Investment Trust ("**Sunlight REIT**") will be held at Tian & Di, 7/F., The Landmark Mandarin Oriental, 15 Queen's Road Central, The Landmark, Central, Hong Kong on Monday, 20 October 2008 at 10:30 a.m. for the following purposes:

- (1) To note the audited financial statements of Sunlight REIT together with the Auditors' Report for the year ended 30 June 2008; and
- (2) To note the appointment of Auditors of Sunlight REIT and the fixing of their remuneration.

By order of the Board **Lo Yuk Fong, Phyllis** *Company Secretary*

Hong Kong, 26 September 2008

Notes:

- (a) A unitholder entitled to attend at the above meeting (or at any adjournment thereof) is entitled to appoint one or more proxies to attend in his/her stead. The proxy needs not be a unitholder of Sunlight REIT.
- (b) In order to be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited 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 not less than 48 hours before the time appointed for holding the above meeting or adjourned meeting (as the case may be).

Corporate Information

BOARD OF DIRECTORS OF THE MANAGER

Chairman and Non-executive Director

Kan Fook Yee

Chief Executive Officer and Executive Director

Wu Shiu Kee, Keith

Non-executive Director

Kwok Ping Ho

Independent Non-executive Directors

Kwan Kai Cheong Ma Kwong Wing Tse Kwok Sang

AUDIT COMMITTEE

Kwan Kai Cheong (Chairman) Ma Kwong Wing Tse Kwok Sang

INVESTMENT COMMITTEE

Kan Fook Yee (Chairman) Wu Shiu Kee, Keith Tse Kwok Sang

REMUNERATION AND NOMINATION COMMITTEE

Kan Fook Yee (Chairman) Kwan Kai Cheong Ma Kwong Wing

DISCLOSURES COMMITTEE

Wu Shiu Kee. Keith (Chairman) Ma Kwong Wing

COMPANY SECRETARY OF THE MANAGER

Lo Yuk Fong, Phyllis

TRUSTEE

HSBC Institutional Trust Services (Asia) Limited

AUDITORS OF SUNLIGHT REIT

KPMG

PRINCIPAL VALUER

Savills Valuation and Professional Services Limited

PRINCIPAL BANKERS

Bank of China (Hong Kong) Branch BNP Paribas, Hong Kong Branch DBS Bank Ltd. Hang Seng Bank Limited The Hongkong and Shanghai Banking Corporation Limited Overseas-Chinese Banking Corporation Limited Sumitomo Mitsui Banking Corporation

HONG KONG LEGAL ADVISOR/ **SOLICITOR**

Woo, Kwan, Lee & Lo

REGISTERED OFFICE OF THE MANAGER

30th Floor, 248 Queen's Road East, Wan Chai, Hong Kong

UNIT REGISTRAR

Tricor Investor Services Limited 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong

INVESTOR RELATIONS

Leung Kwok Hoe, Kevin Tel: (852) 3669 2888 (852) 2285 9980 Fax:

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WEBSITE ADDRESS

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Managed by Henderson Sunlight Asset Management Limited