



SUNLIGHT REIT

Stock code: 435

NAVIGATING ON SOLID FOUNDATION

Annual Report 2008/09



Our Manager

Sunlight Real Estate Investment Trust (“**Sunlight REIT**”) is managed by Henderson Sunlight Asset Management Limited (the “**Manager**”) which is an indirect wholly-owned subsidiary of Henderson Land Development Company Limited (“**HLD**”). The Manager has general management power over the assets of Sunlight REIT, and 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.

PORTFOLIO OVERVIEW

Lok Ma Chau

Yuen Long

15

Hong Kong-Shenzhen
Western Corridor
Hong Kong Entrance

OFFICE PROPERTIES



1 248 Queen's Road East Property
Wan Chai, 376,381 sq.ft.



2 Bonham Trade Centre Property
Sheung Wan, 117,909 sq.ft.



3 Winsome House Property
Central, 40,114 sq.ft.



4 Righteous Centre Property
Mong Kok, 51,767 sq.ft.



5 135 Bonham Strand Trade Centre Property
Sheung Wan, 63,915 sq.ft.



6 235 Wing Lok Street Trade Centre Property
Sheung Wan, 52,285 sq.ft.



7 Java Road 108 Commercial Centre Property
North Point, 37,923 sq.ft.



8 Yue Fai Commercial Centre Property
Aberdeen, 42,751 sq.ft.



9 On Loong Commercial Building Property
Wan Chai, 25,564 sq.ft.



10 Everglory Centre Property
Tsim Sha Tsui, 29,802 sq.ft.



11 Sun Fai Commercial Centre Property
Mong Kok, 26,151 sq.ft.



12 Wai Ching Commercial Building Property
Yau Ma Tei, 16,321 sq.ft.

13

Sheung Shui

Legend

-  Airport Express
-  Tung Chung Line
-  Tsuen Wan Line
-  Island Line
-  Kwun Tong Line
-  Tseung Kwan O Line
-  East Rail Line
-  West Rail Line
-  Ma On Shan Line

RETAIL PROPERTIES

13



Sheung Shui Centre Shopping Arcade Property
Sheung Shui, 122,339 sq.ft.

14



Metro City Phase I Property
Tseung Kwan O, 188,889 sq.ft.

15



Kwong Wah Plaza Property
Yuen Long, 64,842 sq.ft.

16



Royal Terrace Property
North Point, 9,565 sq.ft.

17



Beverley Commercial Centre Property
Tsim Sha Tsui, 7,934 sq.ft.

18



Glory Rise Property
North Point, 7,086 sq.ft.

19

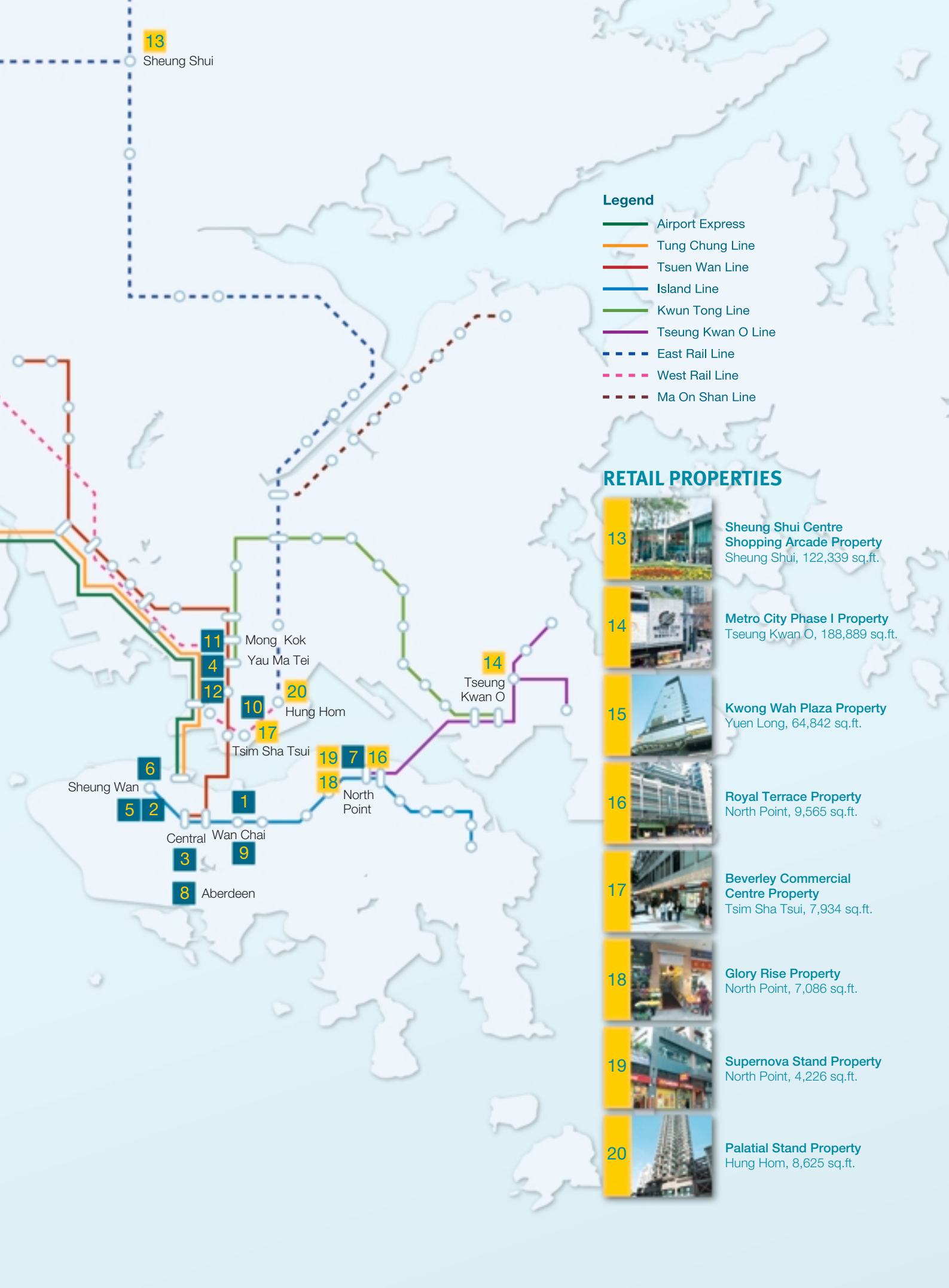


Supernova Stand Property
North Point, 4,226 sq.ft.

20



Palatial Stand Property
Hung Hom, 8,625 sq.ft.



KEY INDICATORS

Appraised property value
HK\$ 9,364.0 million

Net property income
HK\$ 350.7 million

Passing rental (psf)
HK\$ 27.2

Year-end occupancy
92.7%

Cost-to-income
25.7%

Gearing
39.7%

Distribution per unit
HK 24.56 cents

Net asset value per unit
HK\$ 2.76

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SOLID FOUNDATION

Our strategy of maintaining a diversified portfolio and building tangible relationships with our tenants have laid solid foundations, enabling us to navigate through turbulent times



Positioned for Stability

Priority for Value Creation

Primed for Growth

Passion for Management Excellence

CHAIRMAN'S STATEMENT



I remain confident that we shall be able to ensure sustainable medium to long term growth and at the same time deliver a performance that is well aligned with the prospects of the property portfolio.

Mr. Tse Wai Chuen, Tony
Chairman of the Manager

Dear Unitholders,

It is indeed a great pleasure to have been appointed as Chairman of Henderson Sunlight Asset Management Limited (the “**Manager**”) and a privilege to work with such a dynamic and accomplished team, which has contributed to the growth of Sunlight Real Estate Investment Trust (“**Sunlight REIT**”) since its listing in December 2006. On behalf of the board of Directors of the Manager (the “**Board**”), I hereby present the annual results of Sunlight REIT for the twelve months ended 30 June 2009.

Sustaining Return

The performance of Sunlight REIT in the year under review has been encouraging against the background of adverse market conditions. Triggered by the U.S. subprime mortgage crisis, major economies in different parts of the globe have undergone a painful de-leveraging and credit tightening process, which has led to severe economic downturn and asset price volatility in major markets around the world, although property prices in Hong Kong as well as in mainland China have staged a strong recovery since the second quarter of 2009, principally buoyed by strong liquidity inflow and low interest rates. Despite the adverse economic environment which has resulted in downward pressure on commercial rent in the year under review, Sunlight REIT has again managed to deliver satisfactory financial performance. Net property income for the financial

year reached HK\$350.7 million, which implies a year-on-year growth of approximately 10.0%, while average cost-to-income ratio of our portfolio was 25.7%, representing an improvement from 26.1% recorded in the previous financial year. Having taken into account the adjustment payments and the distribution waivers provided by our sponsors, namely Shau Kee Financial Enterprises Limited (“SKFE”) and Henderson Land Development Company Limited (“HLD”), the distributable income for the year amounted to HK\$269.8 million (2008: HK\$258.7 million) and the total distribution per unit (“DPU”) for the full year amounted to HK 24.56 cents (2008: HK 24.20 cents).

Enhancing Value

The financial turmoil has dampened business activities significantly and brought along adverse effects on the local property market, to which Sunlight REIT is not immune. Gratifyingly, Sunlight REIT’s diversified portfolio which comprises decentralised office and suburban retail properties has proven its resilience in terms of both rental and occupancy amidst the current economic downturn.

During the year, the Manager continued to devote substantial effort to realise the underlying potential of the properties; such asset enhancement initiatives have played an important role to bring about the optimal level of satisfaction experienced by shoppers and tenants alike and are essential in sustaining the return of our portfolio in the long run.

Broadening Horizon

At the extraordinary general meeting held on 28 April 2009 (“EGM”), a resolution was passed to extend Sunlight REIT’s geographical reach beyond Hong Kong, and to expand the investible asset class to further encompass other commercial properties including industrial/office properties and car parks. Looking ahead, whilst property acquisition is a subject that we shall pursue, our investment decision will always be made in a prudent and disciplined manner. I hope my experience in the property field will help the Manager to map out and execute an acquisition strategy that is in line with the investment objectives of Sunlight REIT.

Forward Thinking

Although the year ahead will be full of challenges in light of the prevailing economic uncertainties, I remain cautiously optimistic on the prospect of the operating environment of the Hong Kong REIT sector in the coming year given the favourable domestic interest rate environment and signs of stability gradually emerging in the local economy.

As Manager of Sunlight REIT, we shall continue to remain vigilant in monitoring market developments and shall also take cautious steps in reviewing and refining our business strategies going forward, particularly in light of the expiry of a number of financial structures which were set up at the time of listing to safeguard distribution to unitholders. Notwithstanding that the expiry of such features will inevitably impact on distribution to unitholders in the financial year 2009/10, I remain confident that we shall be able to ensure sustainable medium to long term growth and at the same time deliver a performance that is well aligned with the prospects of our portfolio.

Finally, I would like to express my gratitude to the sponsors, my fellow directors, management and staff for all their contributions and commitment throughout the year, particularly to former Chairman, Mr. Kan Fook Yee, for all his hard work and dedication. His successful management gives Sunlight REIT a solid platform to expedite further growth; now it is time to prepare for opportunities and work hard to achieve even better and solid results for unitholders. As Chairman of the Manager, I am proud to have inherited a team with such experience and dedication and I am confident that we will be able to navigate through this turbulent time.

Tse Wai Chuen, Tony

Chairman

Henderson Sunlight Asset Management Limited

as Manager of Sunlight REIT

11 September 2009

DIALOGUE WITH CEO



Sunlight REIT's competitive advantage lies in what I call the 3 'D's – Diversified, Defensive and Dedicated.

Mr. Wu Shiu Kee, Keith
CEO of the Manager

Q The current economic downturn has made the last year a challenging one on a global scale with the property sector not being immune. How did you manage to achieve satisfactory results for Sunlight REIT during the year under review? Have you always had a plan for a crisis or pandemic?

A The financial performance of Sunlight REIT has inevitably been affected by the global financial turmoil whose scale and severity is unprecedented. However, with the solid foundation being laid over the years, Sunlight REIT has been able to navigate well amidst the economic turbulence. A key supporting factor is our balanced portfolio comprising 20 office and retail properties located in both core and quality decentralised areas; such diversification has helped cushion out adverse impacts on rentals brought about by the downturn of the domestic economy.

Notwithstanding the onset of unanticipated events such as the global financial crisis or swine flu, we maintain a long term perspective and ensure management continuity and excellence at all times. With a proactive operational strategy undergirded by a solid management team, we are confident that we will continue to add value for both our tenants and unitholders going forward.

Q Can you give us an update on the asset enhancement works Sunlight REIT completed or commenced work on during the year under review?

A Asset enhancement is at the forefront of our operational agenda as we endeavour to enhance the return of our portfolio under management. At the same time, we care about our stakeholders in a holistic manner and feel responsible in providing a better environment for our tenants and the communities that we serve. We are very pleased with the refurbishment work at Bonham Trade Centre Property which was completed shortly before the end of the financial year, while we anticipate a “new face” at Sheung Shui Centre Shopping Arcade Property before the end of 2009 as the ongoing renovation works are progressing well. Finally, the footbridge upgrading work with regard to Metro City Phase I Property is expected to commence shortly - customers, tenants and the community at large will benefit from an air conditioned walkway directly from the MTR station into the shopping centre by 2010.

From a strategic perspective, we have fully capitalised on the benefit of rental support and have substantially completed our key CAPEX-related projects, all of which will create long term value to our unitholders.

Q What is Sunlight REIT’s competitive edge?

A Sunlight REIT’s competitive advantage lies in what I call the 3 ‘D’s – **Diversified, Defensive and Dedicated**. We have a well diversified portfolio in terms of geography with offices spanning from east to west on the Hong Kong Island, extending to strategic locations along the MTR lines in Kowloon. We also maintain a defensive investment strategy as the dynamic office properties are adequately blended with a stable retail portfolio. Finally, we have a dedicated management team which wholeheartedly monitor rental and asset performance, continuously focusing on improving return for our unitholders.

As a REIT manager, we know that what differentiates us is the quality of our products. We are pleased to witness cases of returning tenants since our inception, evidencing not only our superior property locations but also the quality of service we provide. It is our belief and conviction that optimising rental performance with service excellence is the best formula in achieving a competitive cost-to-income balance for our portfolio.

DIALOGUE WITH CEO

Q What initiatives did you put in place as a consequence of the financial tsunami and what are the results?

A The financial tsunami has negatively impacted on rentals and the year under review has not been an easy time for landlords. While we are feeling short term rental pressures, this challenging opportunity gives us further motivation to improve our tenant mix and procure long term commitment from our quality tenants.

In the second half of financial year 2008/09 we launched a spending incentive program which included the issuing of spending coupons for use in our shopping malls, culminating in a grand lucky draw which took place in June 2009. We are pleased to see that this initiative has paid off nicely as shopping turnover soared on increased passenger traffic.

While office take-up was slow in the second half of the year under review, the trend of decentralisation was evident as the steep rental difference between Central and decentralised areas has triggered office migration to the east of Admiralty as well as across the harbour. This is certainly a welcome move in light of the strategic locations of our office portfolio.

Q What about your acquisition strategy and how can growth be achieved given the high yield of the units?

A At Sunlight REIT, we are always looking for enhancement and expansion opportunities and we believe this can be done through acquisition. Timing, pricing and market conditions are all important factors when assessing whether a target is right for us, while our ability to transform the incoming property to achieve a higher yield is also essential.

At the EGM held on 28 April 2009, we received unitholders support to expand Sunlight REIT's investment scope to encompass other commercial properties, including industrial offices and/or car parks; furthermore, unitholders also approved us to explore investment opportunities outside Hong Kong. While Hong Kong is expected to remain as the mainstay of Sunlight REIT in the medium term, opportunities elsewhere in the region, notably China, is something we shall definitely monitor from time to time.

In regard to the above, our management team, having managed the existing portfolio efficiently and being well equipped with the expertise to screen new properties comprehensively, is well-positioned and prepared to augment the territory of Sunlight REIT in the years ahead.

Q What is your capital management strategy?

A Prudence is the word – we are prudent in both cash and treasury management, and will proactively manage our interest rate exposure with an objective to improve return for our unitholders. A case in point is our latest interest rate swap transaction which has reduced our funding cost for the coming financial year by timely capitalising on the abnormality of the yield curve.

Q How will the expiration of the financial engineering tools in June affect the REIT's performance?

A With the expiration of adjustment payments, the gradual phasing out of the distribution waivers and the partial cash payment of the Manager's fee (as approved by unitholders and elected by the Manager), Sunlight REIT's DPU will no doubt be affected in the coming year. However, we believe that investors understand this transition well and have a very good perception of the "clean" DPU of Sunlight REIT. The rental support has served the purpose of paving the long term future of Sunlight REIT in terms of asset enhancement, and we are grateful for this arrangement as it strengthens the competitiveness of Sunlight REIT in attaining a firm independent footing going forward.

Q In light of the new Chairman, will Sunlight REIT's business strategy be changing much?

A I am very pleased to have our new Chairman, Mr. Tse Wai Chuen Tony, on board. While there may be some minor fine-tuning, our strategy going forward will largely be unchanged. Mr. Tse is a seasoned surveyor who will certainly enlighten us with his property expertise in times ahead.

Q What are your views on the performance of the Hong Kong REIT sector?

A REITs remain an overlooked asset class (vis-à-vis the overall property sector), although in general they have shown considerable improvement in terms of investor recognition and unit price performance over the past few months. While the overall market capitalisation of the REIT sector is still relatively small, the fact that the Hang Seng Indexes Company Limited has launched a dedicated REIT index underscores the long term significance of the REIT sector. The prevailing economic consolidation may well be a good opportunity for REITs to demonstrate their resilience and to expand their presence through organic growth and timely acquisitions.

PASSING
RENTAL GROWTH
11.0%

YEAR-END
OCCUPANCY
92.7%

RENTAL
REVERSION RATE
24.1%

RETENTION RATE
66.8%



COST-TO-INCOME

25.7%

VALUE CREATION

Despite the economic slowdown, we managed to sustain growth in rental income thanks to the defensive location of our portfolio and our proactive leasing and cost control initiatives

OPERATION REVIEW

Challenging Operating Environment

The year under review witnessed the Hong Kong economy dip into recession as repercussion of the credit crisis in the US rippled into the rest of the global economies. According to government statistics, real GDP exhibited a year-on-year contraction of 2.6% and 7.8% in the final quarter of 2008 and first quarter of 2009 respectively. However, thanks to strong fiscal stimulus and the continued growth of the Mainland economy, real GDP resumed growth at 3.3% in the second quarter of 2009, after contracting for four consecutive quarters. The year-on-year decline of GDP in real terms also narrowed notably from 7.8% in the first quarter to 3.8% in the second quarter providing evidence of an end to the contraction in the previous quarters.

Echoing this economic backdrop, the office property market in Hong Kong faced numerous structural challenges during the year, notably including substantial retrenchment and cost cutting activities pursued by both local and overseas corporations - the increase in spillover demand into cheaper decentralised business areas such as Kowloon East represents an overall consolidation of the market in tandem with the economic slowdown. According to Debenham Tie Leung International Property Advisers, Grade A office vacancy rates in Sheung Wan and Wan Chai/Causeway

Bay as at end of June 2009 surged to 9.3% and 6.3% respectively, while rentals in these two areas registered an average year-on-year decline of 21.2% and 33.3% respectively.

In contrast, the local retail property sector has proved its resilience amidst the global economic crisis. Rental across most shopping districts have been well supported by sustainable sales volume - according to government statistics, retail sales (in volume) in the first half of 2009 registered a mild decline of 5.4% (4.5% in value) as compared to the same period last year; on a seasonally adjusted basis, the volume of total retail sales actually rebounded by 0.4% in the second quarter of 2009 when compared with the preceding quarter, indicating that consumer confidence is gradually picking up. According to government statistics, local consumer sentiments recovered during the second quarter of 2009 under the combined effects of more stable employment conditions, rebound in asset markets and the boost from the various



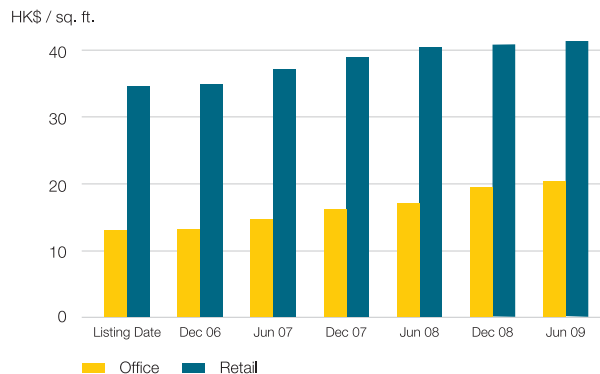
248 Queen's Road East Property

rounds of relief measures by the Government. Mainland visitors continue to be the main impetus in supporting tourism spending in Hong Kong – during the year, Mainland tourists accounted for 59.4% of total inbound tourists as compared to 55.5% recorded in the same period last year.

Despite the lethargic economic setting, Sunlight REIT managed to buck the trend and registered an 11.4% growth in gross rental income to HK\$377.4 million. As at 30 June 2009, overall passing rental continued to improve across the board, exhibiting a growth of 11.0% to HK\$27.2 per sq. ft. as the portfolio enjoyed positive rental reversion from a low base locked in from the previous rental cycle; the office portfolio managed to achieve an average passing rental growth of 18.7% to HK\$20.3 per sq. ft., while the average passing rental of the retail portfolio recorded a year-on-year increase of 2.5% to HK\$41.3 per sq. ft..

Although it is encouraging to note the improvement in passing rental amidst a difficult operating environment, the momentum of such growth has obviously slowed as compared to previous years. This is particularly evident at the office properties on the Kowloon side and the smaller retail properties where new and renewing leases have been secured at rental levels largely similar to the expiring leases.

Historical Trends in Passing Rental since IPO



Volatility was the most notable feature of the commercial property market during the year under review. While sentiment in the early part of the third quarter of 2008 remained buoyant, such optimism was completely reversed thereafter as the onset of the global financial tsunami put business activities at a virtual standstill; substantial correction took place in the ensuing months as demand for commercial space was anemic at best. However, the market staged a sharp recovery in the second quarter of 2009, principally led by strong inflow of liquidity which in turn caused a substantial rebound in asset prices, with the upsurge in capital values of strata-titled offices being a notable feature. Despite the volatile rental



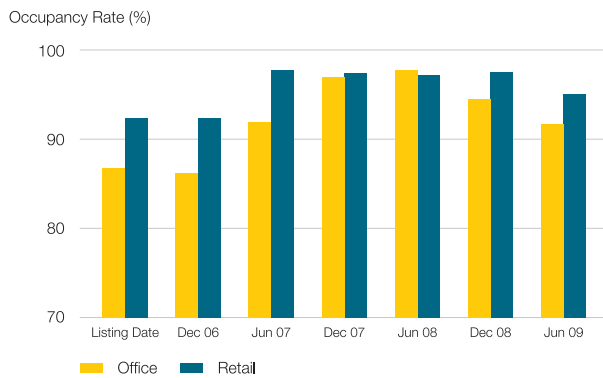
Sunlight REIT's office properties showcased at tram stop

OPERATION REVIEW

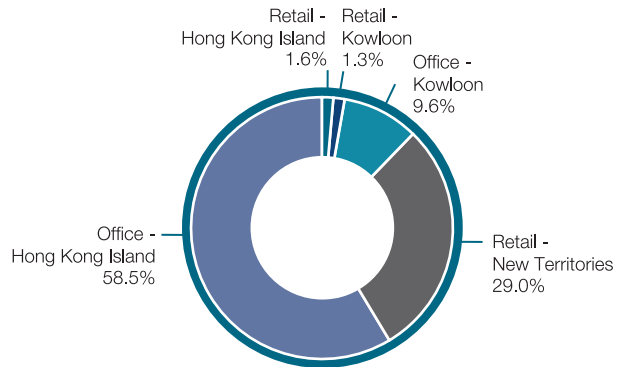
movements during the year, the average rental committed for all the new leases had remained quite stable as compared to the previous year. During the year, a total of 585,670 sq. ft. (including both new letting and renewal) were being leased out and the average unit rental achieved for the office portfolio and retail portfolio were HK\$20.3 per sq. ft. and HK\$40.1 per sq. ft. respectively (please refer to "Portfolio at a Glance" on pages 18 and 19 for more detailed information).

Overall occupancy declined from 97.5% to 92.7% during the year as the portfolio was affected by the combined effect of economic downturn and transient vacancies due

Historical Trends in Occupancy since IPO



Geographical Breakdown (in GRA)



to the improvement works at 248 Queen's Road East Property and Bonham Trade Centre Property respectively.

As at 30 June 2009, office and retail occupancy levels stood at 91.7% and 95.0% respectively as compared with 97.7% and 97.1% recorded a year earlier. The decline was more evident at our smaller office properties as small-to-medium enterprises are more susceptible to an economic downturn.

As at 30 June 2009, the weighted average lease length by GRA was 2.6 years for the entire portfolio. Lease expiries



The podium garden at 248 Queen's Road East Property



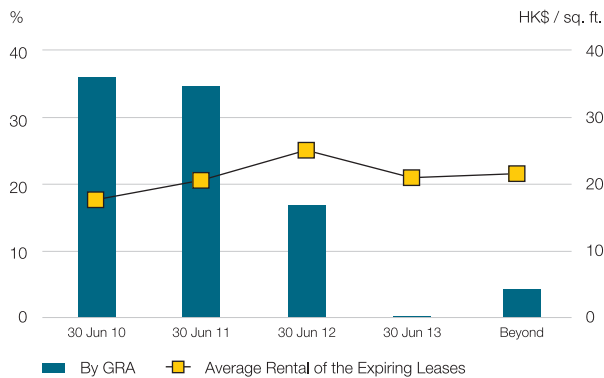
Metro City Phase I Property

on or before June 2010 accounts for 35.9% of office GRA and 40.4% of retail GRA, and the average unit rental for the expiring office and retail leases are HK\$17.7 per sq. ft. and HK\$37.7 per sq. ft. respectively.

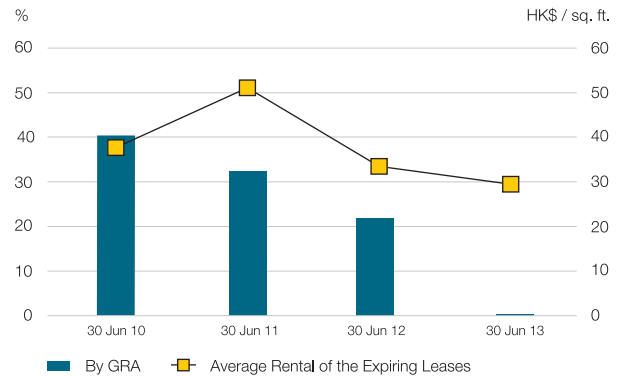
Diversified Tenancy Base

The portfolio had a total of 964 tenancies as at 30 June 2009. The 10 largest tenants by rental income, which contributed approximately 21.5% of the total rental income for June 2009, occupied approximately 17.3% of total GRA.

Expiry Profile of Office Properties as at 30 June 2009



Expiry Profile of Retail Properties as at 30 June 2009



Additional Income Streams

Sunlight REIT has a total of 844 car parking spaces which generated income of approximately HK\$19.0 million for the year. In addition to car park rentals, the Manager also generated extra income from outdoor advertising space on some office properties. Cost recovery items including management and air-conditioning fees at certain properties were adjusted during the year to reflect cost fluctuations.



Atrium of Sheung Shui Centre Shopping Arcade Property

OPERATION REVIEW

Cost Saving Measures

During the year, the Manager successfully maintained the cost-to-income ratio of Sunlight REIT at a satisfactory level of 25.7%. Adoption of cost control initiatives, notably including the installation of energy-saving devices and the implementation of an efficient cost and benefit approach to repairs and maintenance, have proved to be rewarding pursuits. A major achievement during the year 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 to enhance the brand value and image of Sunlight REIT.

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 ^{note}	Leasing, marketing and building management	33,037	30.3
Hang Yick Properties Management Limited ^{note}	Building management	8,603	7.9
MTR Corporation Limited	Footbridge improvement work	6,000	5.5
Luen Hing Engineering Co.	Repairs and maintenance	5,622	5.2
Winston Air Conditioning & Engineering (Hong Kong) Company Limited	Repairs, maintenance and renovation works	5,294	4.9
Total		58,556	53.8

Note: Wholly owned subsidiaries of HLD, being interested in more than 5% of the total units in issue of Sunlight REIT.



Security and maintenance at work

Top Ten Tenants by Rental Contribution as at 30 June 2009

Tenant Name	Trade Sector	Total Gross Area (sq. ft.)	% of Total GRA	% of Total Monthly Rent
The Financial Secretary Incorporated c/o Government Property Agency	Government and related organisations	55,718	4.3	4.4
Anglo-Eastern Ship Management Limited	Shipping, logistic and transportation	48,162	3.7	3.4
Bank of Communications Co. Ltd.	Bank and securities	8,782	0.7	2.5
PCCW Teleservices (Hong Kong) Limited	IT and telecommunication services	28,822	2.2	2.0
Forever Sky (Asia) Limited	Restaurants	20,261	1.6	1.8
Tenant A ^{note}	Supermarket	9,261	0.7	1.8
Tenant B ^{note}	Medical services and healthcare	15,661	1.2	1.6
Cosmos Inc. Limited	Restaurants	24,857	1.9	1.4
Bank of China (Hong Kong) Limited	Bank and securities	7,849	0.6	1.3
The Hongkong and Shanghai Banking Corporation Limited	Bank and securities	5,390	0.4	1.3

Note: Tenants request for anonymity



Premier customer service and care

PORTFOLIO AT A GLANCE

Category	Property	Property Description					No. of leases as at 30 June	
		Location	Year of completion	No. of car park spaces	Office GRA ^{note 1} (sq. ft.)	Retail GRA ^{note 1} (sq. ft.)	2009	2008
Office Property								
Grade A	248 Queen's Road East Property	Wan Chai	1998	46	369,891	6,490	60	72
Grade B	Bonham Trade Centre Property	Sheung Wan	1998	0	108,506	9,403	103	125
Grade B	Winsome House Property	Central	1999	0	37,937	2,177	24	26
Grade B	Righteous Centre Property	Mong Kok	1996	0	41,004	10,763	52	57
Grade B	135 Bonham Strand Trade Centre Property	Sheung Wan	2000	0	60,844	3,071	75	77
Grade B	235 Wing Lok Street Trade Centre Property	Sheung Wan	2000	0	47,481	4,804	63	66
Grade B	Java Road 108 Commercial Centre Property	North Point	1998	0	35,694	2,229	28	34
Grade B	Yue Fai Commercial Centre Property	Aberdeen	1997	0	41,272	1,479	106	99
Grade B	On Loong Commercial Building Property	Wan Chai	1984	0	23,856	1,708	36	38
Grade B	Everglory Centre Property	Tsim Sha Tsui	1999	0	25,896	3,906	26	22
Grade B	Sun Fai Commercial Centre Property	Mong Kok	1998	0	23,817	2,334	43	43
Grade B	Wai Ching Commercial Building Property	Yau Ma Tei	1997	0	14,239	2,082	27	30
Sub-total / Average				46	830,437	50,446	643	689
Retail Property								
New Town	Sheung Shui Centre Shopping Arcade Property	Sheung Shui	1993	297	0	122,339	116	120
New Town	Metro City Phase I Property	Tseung Kwan O	1996	452	0	188,889	111	114
New Town	Kwong Wah Plaza Property	Yuen Long	1998	0	39,101	25,741	34	35
Others	Royal Terrace Property	North Point	2002	49	0	9,565	7	6
Others	Beverley Commercial Centre Property	Tsim Sha Tsui	1982	0	0	7,934	40	40
Others	Glory Rise Property	North Point	2003	0	0	7,086	7	7
Others	Supernova Stand Property	North Point	2001	0	0	4,226	2	2
Others	Palatial Stand Property	Hung Hom	2001	0	3,566	5,059	4	5
Sub-total / Average				798	42,667	370,839	321	329
Total / Average				844	873,104	421,285	964	1,018

Notes: 1. Size of the properties is measured in terms of gross rentable area ("GRA").

2. Please refer to Valuation Report on pages 66 to 81 for further details.

N/A: Not applicable

Operational Statistics						Property Financials				
Occupancy as at 30 June (%)		Passing Rental as at 30 June (HK\$/sq. ft.)		Committed Rental (HK\$/sq. ft.)		Net Property Income (HK\$'000)		Capitalisation Rate as at 30 Jun 09 (%)		Appraised Value as at 30 Jun 09 ^{note 2} (HK\$'000)
2009	2008	2009	2008	1 Jul 08 – 30 Jun 09	1 Jul 07 – 30 Jun 08	FY 2008/09	FY 2007/08	Retail	Office	
92.4	99.5	24.2	17.5	25.6	25.6	90,481	71,740	5.2	4.4	2,649,000
87.5	95.0	16.1	15.3	16.5	16.5	16,910	15,719	5.5	4.5	500,000
96.3	100.0	30.0	29.2	29.5	32.5	12,634	9,894	5.2	4.4	315,000
94.4	100.0	23.7	23.0	18.9	26.7	13,106	11,351	4.5	4.9	314,000
94.1	97.6	15.9	15.2	15.3	15.9	10,096	9,480	5.7	4.6	258,000
89.8	94.2	11.8	11.9	11.1	12.7	5,733	5,467	5.6	4.7	156,000
76.2	100.0	17.4	16.4	17.0	18.2	5,365	5,697	5.5	5.0	146,000
98.8	91.2	13.4	13.2	13.5	14.0	5,051	4,581	5.7	5.5	123,000
95.7	100.0	19.4	17.5	13.8	11.9	4,912	4,415	5.0	4.9	118,000
90.4	87.2	16.8	16.7	16.6	15.0	4,760	4,422	5.4	5.0	117,000
96.7	100.0	15.8	15.2	11.6	15.5	4,096	3,861	5.7	5.2	93,000
86.2	94.5	7.6	7.3	8.0	7.3	712	788	5.9	5.5	26,000
91.7	97.7	20.3	17.1	20.3	19.7	173,856	147,415			4,815,000
95.3	93.5	65.4	65.9	64.0	67.1	81,416	78,611	4.8	N/A	2,175,000
94.6	98.2	32.5	31.5	31.5	42.8	64,768	64,810	4.8	N/A	1,743,000
96.2	99.3	29.7	28.6	23.7	32.5	19,732	17,551	5.0	5.8	416,000
100.0	97.3	26.8	26.4	33.3	49.7	3,457	3,413	6.0	N/A	63,000
100.0	100.0	30.8	28.4	31.8	29.6	2,586	2,163	5.2	N/A	52,000
100.0	100.0	28.2	27.6	53.0	23.8	1,870	2,023	5.7	N/A	45,000
100.0	100.0	42.2	42.2	27.6	42.2	2,064	1,906	5.7	N/A	37,000
75.2	100.0	9.7	11.0	N/A	11.8	929	834	5.9	N/A	18,000
95.0	97.1	41.3	40.3	40.1	47.1	176,822	171,311			4,549,000
92.7	97.5	27.2	24.5	25.5	28.4	350,678	318,726			9,364,000

OFFICE PORTFOLIO



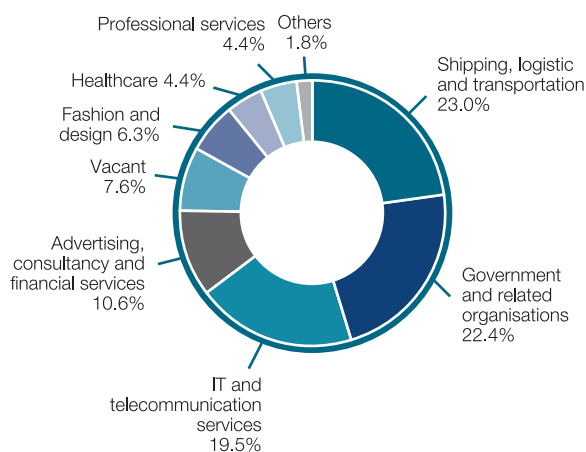
248 Queen's Road East Property

During the year, a key phenomenon of the office market was tenant migration – downsizing and cost cutting by multinational tenants have triggered significant demand for inexpensive office locations, notably in Kowloon East where new supply of Grade A offices is vast. However, the effect of this evolving trend has been relatively moderate to Sunlight REIT whose portfolio is competitive in terms of both pricing and location; further, office supply in both the Grade A and Grade B categories on Hong Kong Island remains extremely scarce, thus cushioning our office portfolio from undue negative impact.

248 Queen's Road East Property

It has been an eventful and fruitful year for 248 Queen's Road East Property, our largest office property. Despite the softening rental market, we managed to lease out spaces amounting to over 50% of the GRA of the building during the year at an average unit rental of HK\$ 25.6 per sq. ft., virtually unchanged from the level achieved in the previous financial year. The abundant new supply at Kowloon Bay and Kwun Tong have only mildly dampened tenant enthusiasm on this property as its convenient location and efficient layout proved appealing to both new and existing tenants - the retention rate of well over 70% underscores the attractiveness of this property.

Trade Composition at 248 Queen's Road East Property as at 30 June 2009



The lower occupancy as at 30 June 2009 was a result of the slower take-up in the first half of 2009 as well as enhancement works for retail space at the lobby level. Nonetheless, we have been able to take this opportunity to consolidate and strengthen our tenant mix with a view to increase certainty of future rental receipts. Our key tenant mix, which ranges from quality multinationals engaging in the industrial and retail sectors to Government and related Governmental organisations, have proved to be a key stabilizing factor during the economic downturn.



Coffee Shop at 248 Queen's Road East Property

Looking ahead, the aftermath of the financial tsunami will continue to adversely impact upon the near term performance of this property, but we remain optimistic about the medium to long term prospects of this property in light of the continuous transformation taking place in the vicinity. The Lee Tung Street redevelopment project and the proposed Hopewell Centre II development will ensure the continuous revitalisation of Wan Chai South. The gradual makeover with the emphasis on heritage and SOHO style consumption including food & beverage and leisure spots will sustain the area with renewed vitality.

Grade B Central / Sheung Wan

With its unique location in the SOHO district right opposite to the historic police headquarters on Hollywood Road, Winsome House Property appeals to tenants engaged in the finance industry as well as smaller proprietors in the high-end retail spectrum. Both rent and occupancy staged a solid recovery in the final quarter of the year under review as occupancy at the end of the year recovered to a respectable 96.3% and new leases were

PORTFOLIO REVIEW

locked in at HK\$ 29.5 per sq.ft. on average, representing only a mild decline from the average rental of HK\$ 32.5 per sq. ft. achieved in the previous financial year.

As a quality Grade B property in Sheung Wan, the performance of Bonham Trade Centre Property is testament to the economic volatility witnessed in the year under review. While the recessionary climate slowed tenant enthusiasm for this property initially, spillover demand particularly from local professionals and small-to-medium enterprises has reemerged as the economy showed early signs of recovery. With the completion of the lobby refurbishment and the securing of a new food and beverage tenant, we are optimistic of the performance of this property.

135 Bonham Strand Trade Centre Property and 235 Wing Lok Street Trade Centre Property have demonstrated their defensiveness despite the difficult business conditions. The pressure on unit rental for these two properties has been negligible and as a result, acute adjustment in occupancy was not evident.

Other Properties

Tenants conducting business in our other Grade B properties such as Righteous Centre Property and Wai Ching Commercial Building Property were harder hit by slowing economic activities as they mostly cater to service trades such as beauty and corporate services. Selected properties have already been suffering from higher vacancies, and we do expect challenges ahead. While their contribution to Sunlight REIT's income base is relatively small, the Manager will endeavour to restore occupancy to a more satisfactory level as the domestic economy gradually improves.



Entrance of the newly renovated Bonham Trade Centre Property

RETAIL PORTFOLIO



Sheung Shui Centre Shopping Arcade Property after recent enhancement program

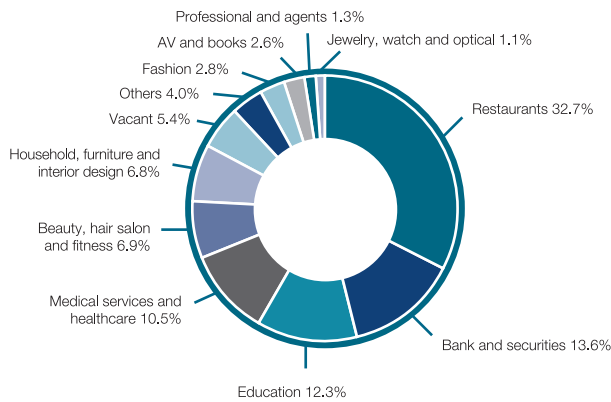
Retail rentals in Hong Kong have generally been resilient since the onset of the financial crisis, a phenomenon which is echoed by the trend of retail sales. Such resilience is particularly evident in the segment catering to tenants engaged in necessity trades and affordable consumer products – the inelastic nature of demand for necessity products, a shift in consumption towards the more economical options and inbound Mainland tourist spending have combined to support the rental performance of suburban retail complexes.

PORTFOLIO REVIEW

Metro City Phase I Property

Our effort in strategically reconfiguring the retail mix of Metro City Phase I Property with a special focus on the daily needs of the neighbourhood has proved rewarding as the performance of the property has been resilient in the midst of the financial crisis. Occupancy and achieved rentals remained satisfactory and we expect such stability to be sustainable given the tenant loyalty we have managed to build up over the years and the clarity of a service-oriented shopping theme which has supported a good circulation of shoppers. During the year, we have increased the number of financial sector tenants and at the same time assisted in the expansion of a number of key anchors tenants. We have also fine-tuned the composition of trade on the lower floor with a view to further improve shoppers' traffic.

Trade Composition at Metro City Phase I Property as at 30 June 2009



The property has also proved to be a popular destination for special events as we have joined hands with a number of reputable Hong Kong retail distributors for special promotion of household products and appliances during festive and seasonal occasions. In addition to short term revenue, we have also established a long term working relationship with key market players in the retail sector.

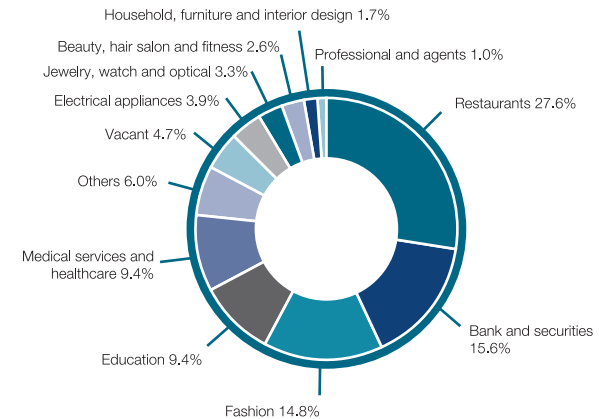


Easter celebration at Metro City Phase I Property

Sheung Shui Centre Shopping Arcade Property

Shopping traffic at this retail complex has continued to be well supported by Mainland shoppers. Occupancy was higher than the previous year despite the early termination of a certain food & beverage tenant and the overall bustling activities has continued to demonstrate the superior location of the property. Looking ahead, a key leasing strategy for this property will be to enrich the content of trades that will attract Mainland shoppers as their unabated consumption growth is expected to remain a key feature of this well located suburban mall.

Trade Composition at Sheung Shui Centre Shopping Arcade Property as at 30 June 2009





Halloween at Sheung Shui Centre Shopping Arcade Property

Other 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. of retail space that serves the daily shopping needs of the neighbourhood through groceries, fast food, fashion and other services.

Case Study 1:

ASSET ENHANCEMENT

Since listing, we have remained disciplined in terms of capital expenditure on asset enhancement; our key guiding principles are the quantum of return on investment and (in

the case of retail properties) the estimated increase in shoppers traffic post enhancement. During the year, the two notable projects undertaken are phase 2 renovation of Sheung Shui Centre Shopping Arcade Property and the lobby refurbishment of Bonham Trade Centre Property.

Sheung Shui Centre Shopping Arcade Property Phase Two Enhancement Program

The asset enhancement program at Sheung Shui Centre Shopping Arcade Property represents a major overhaul and reconfiguration of this 16-year old retail complex. The project addressed the sustainability of the mall with a view to modernise and refurbish its key provisions and facilities. Following the phase 1 renovation at the atrium level, phase 2 began in April 2009 and completion is expected in the final quarter of 2009. We focus on creating a friendly ambience and enhancing the shopping experience of our customers as we endeavor to give the space a make-over that would provide a fresh new look to attract quality retailers and shoppers.

Bonham Trade Centre Property Lobby Refurbishment

Bonham Trade Centre Property has consistently benefited from spillover demand from Central attributable to its prime location in Sheung Wan. In order to sustain and benefit from this trend, we decide to improve selective aspects of the property so as to reposition it into a “premium” grade B property in the vicinity, attracting tenants that demand quality Grade B office space at a competitive rate. We have improved the appearance and ambience of the property

PORTFOLIO REVIEW



Refurbished lift lobby at Bonham Trade Centre Property

by refurbishing the lobby and the façade, and have reconfigured the retail space to cater for a food and beverage tenant. Coupled with the upgrading of property management and leasing services, we are optimistic that this property will deliver meaningful contribution to Sunlight REIT in the years ahead.

Case Study 2:

PROACTIVE MANAGEMENT

Strengthening Our Edges

In order to cater our client servicing, leasing and property management initiatives to the dynamics of the Metro City Phase I Property and Sheung Shui Centre Shopping Arcade Property, we came to the conclusion that the installation of head counting systems should add value to the two shopping malls under our management. These installations do not only provide customer circulation statistics, they will also assist the Manager in analysing and exploring future space reconfiguration opportunities. Furthermore, they also serve as an additional component of our security system and can be relied on to ensure the safety and well-being of our shoppers and tenants.



A shopper participating in our lucky draw

Meanwhile, we have enhanced our leasing profile by launching a website (www.sunlightreitleasing.com) which is specifically designed to provide detailed leasing information on our properties. We believe this new communication platform will be warmly welcomed by both prospective tenants and intermediaries and should also enhance our leasing efficiency. The website currently covers all of our office properties and it is our intention to extend our coverage to all of our retail properties in the foreseeable future.

Win-Win Promotion

Following the onset of the financial tsunami, we have decided that resources should be re-allocated from traditional promotion activities to subsidising consumption at selective locations with a view to generate direct benefit for our shoppers and tenants. One of the most significant initiatives that Sunlight REIT undertook during the year was the tenants and customers reward campaign. It took place at our two biggest retail properties, Metro City Phase I Property and Sheung Shui Centre Shopping Arcade Property and it spanned a period of four months immediately following the Chinese New Year. The promotion campaign, which was designed to incentivise customer spending and to provide relief to tenants during this inherently quiet post-festive season, was met with a warm reception as over 130,000 shoppers, unitholders and visitors and over 140 tenants participated in the campaign, with peak circulation at Metro City Phase I Property exceeding 170,000 visitors a day during this period.



Yoga class at 248 Queen's Road East Property

Premier Customer Service

The provision of premier customer service has always been an integral part of property management. In addition to the provision of reliable hardware, we seek to anticipate the needs of our tenants and shoppers and to respond with workable solutions. We strive to keep up with regular communication so as to remain abreast of problems or needs. An example of going the extra mile to enhance tenant satisfaction include the provision of yoga classes for our tenants at 248 Queen's Road East Property; this initiative has proven to be highly popular and numerous classes are now being conducted concurrently on a weekly basis.

Case Study 3: GREEN INITIATIVES

Our green targets adhere to the two basic principles, namely, "Reduce, Reuse and Recycle" and "Energy Saving". The adoption and implementation of these two guiding principles represents a core value of our building management services.

In order to conserve energy, several stringent energy saving initiatives have been implemented at selected locations. These regimes apply to the operation of chiller plants for air-conditioning and the utilisation of major mechanical and electrical equipments, and they have been carefully designed to minimise energy cost given each level of "loading".

Waste reduction requires the cooperation of the Manager and the tenants. "Reuse and Recycle" programs have implemented in all properties to minimise wastage and at the same time, to promote environmental awareness among our employees and our business partners. We are currently recycling used clothing, fluorescent lamps and printer cartridges. We are also attempting to separate commercial and industrial waste at source to facilitate more efficient recycling of biodegradable materials. In addition, the workflow and property management processes have also been modified to minimise waste production during the process.



Installation of energy saving lighting device

FINANCIAL REVIEW

Financial Highlights

(in HK\$' million, unless otherwise specified)	2009	2008	2007 ^{note 1}
For the year/period ended 30 June :			
Turnover	471.7	431.3	200.3
Property operating expenses	121.0	112.6	51.9
Net property income	350.7	318.7	148.4
(Loss)/profit after tax ^{note 2}	(491.5)	729.4	940.1
Annual distributable income	269.8	258.7	141.8
Cost-to-income ratio (%)	25.7	26.1	25.9
DPU ^{note 3} (HK cents)	24.56	24.20	13.51
Distribution yield per unit ^{note 4} (%)	16.2	12.6	6.0
As at 30 June :			
Portfolio valuation	9,364.0	10,151.0	9,558.0
Total assets	9,941.4	10,795.7	10,338.3
Total liabilities	5,677.9	5,631.3	5,583.6
Net asset value	4,263.5	5,164.4	4,754.7
Net asset value per unit (HK\$)	2.76	3.41	3.19
Gearing ratio (%)	39.7	36.6	38.2

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. (Loss)/Profit after tax included changes in fair value of investment properties and adjustment payments. An excess of interest in fair values of the acquiree's identifiable net assets over cost of business combination was also included in 2007.
3. Please refer to "Distribution Statement" on pages 89 and 90 for detailed information.
4. Calculations are based on DPU and the last traded unit price of Sunlight REIT as at the end of the respective year/period.

Turnover and Expenses

During the year, turnover (being the aggregate of rental income, car park income and rental related income) amounted to HK\$471.7 million (2008: HK\$431.3 million), representing a growth of 9.4% from the last year. Rental reversion continued to be the main driver of growth whereas car park and rental related income remained stable as compared to the previous year.

Property operating expenses for the year amounted to HK\$121.0 million (2008: HK\$112.6 million), giving rise to a cost-to-income ratio of 25.7 % for the year, representing a further improvement from 26.1% recorded in the previous

year. The improvement was the result of a combination of rising turnover and adequate cost containment measures particularly in the areas of utilities, repair and maintenance and promotion and advertising.

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\$350.7 million, representing an increase of 10.0% from the previous year. Please refer to "Portfolio at a Glance" on pages 18 and 19 for detailed information on net property income of each property.

Adjustment Payments

Pursuant to several Deeds of Adjustment Payments, the aggregate adjustment payments to Sunlight REIT for the year amounted to HK\$77.5 million, representing the difference between the relevant consolidated rental income and the guaranteed rental income per annum. The Deeds of Adjustment Payments, which covered the period from 21 December 2006 (the “Listing Date”) to 30 June 2009, have lapsed with effect from 1 July 2009.

Profit and Loss After Tax

After accounting for, among others, adjustment payments as discussed above, the net decrease in fair value of investment properties of HK\$803.0 million and finance costs of HK\$182.9 million, Sunlight REIT reported a loss after tax of HK\$491.5 million for the year as compared with a profit of HK\$729.4 million reported in the previous year. Stripping out the reduction in fair value of investment properties and the relevant deferred tax, the underlying profit for the year was HK\$173.9 million.

Distribution

The annual distributable income of Sunlight REIT for the year was HK\$269.8 million, representing an increase of 4.3% from HK\$258.7 million recorded last year. The annual

distributable income is calculated by the Manager after adjusting to the effects of certain items as set out in the “Distribution Statement” on page 89 of this Annual Report.

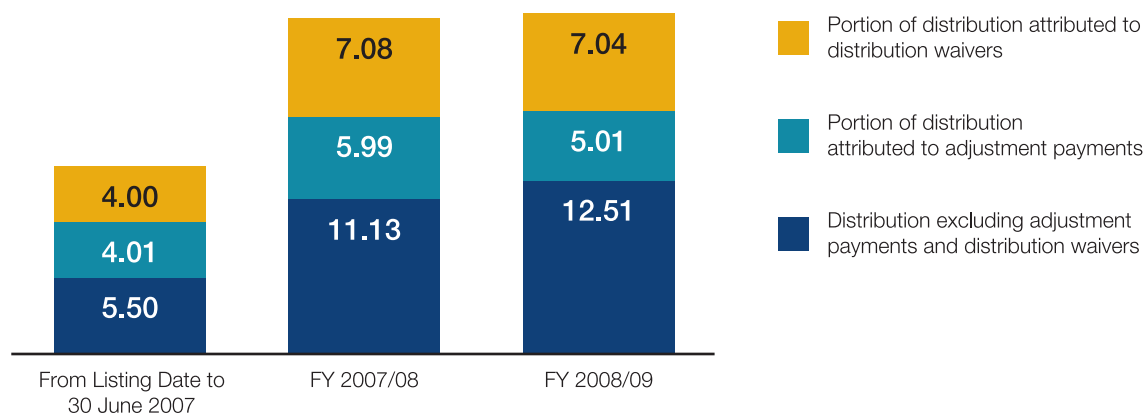
The Manager’s current policy is to distribute 100% of Sunlight REIT’s annual distributable income for each financial year to unitholders.

Pursuant to two Deeds of Distribution Waiver as disclosed in the public offering document dated 8 December 2006, 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; for the financial year 2008/09 SKFE and HLD have waived their entitlements in its entirety. Taking into account such distribution waivers, the DPU of Sunlight REIT for the full year amounted to HK 24.56 cents, which implies a final distribution per unit of HK 15.27 cents. DPU for the year has exceeded the DPU guarantee of HK 22.08 cents extended by SKFE and HLD.

As illustrated in the chart below, prior to taking into account both adjustment payments and distribution waivers, DPU for the full year would have been HK 12.51 cents, representing the portion of distribution generated by the underlying operations of Sunlight REIT.

Distribution at a Glance

(in HK Cents)



FINANCIAL REVIEW

Distribution Entitlement

The record date for the final distribution will be Friday, 2 October 2009. The register of unitholders will be closed from Tuesday, 29 September 2009 to Friday, 2 October 2009, 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 Monday, 28 September 2009. The final distribution for the year will be paid to unitholders on Friday, 30 October 2009.

Portfolio Valuation

Savills Valuation and Professional Services Limited, the principal valuer of Sunlight REIT, valued the portfolio of Sunlight REIT at HK\$9,364.0 million as at 30 June 2009. This represents an increase of 2.6% from the valuation as at 31 December 2008 (HK\$9,125.0 million) and a decrease of 7.8% from the valuation as at 30 June 2008 (HK\$10,151.0 million). On a sectoral basis, office properties accounted for 51.4% of the total appraised value and registered a year-on-year decline of 7.6%, while retail properties accounted for the remainder and recorded a 7.9% decrease as compared to the same period last year.

Net Assets

As at 30 June 2009, net assets attributable to unitholders amounted to HK\$4,263.5 million, representing a drop of 17.4% from HK\$5,164.4 million recorded as at 30 June 2008. The net asset value per unit as at 30 June 2009 was HK\$2.76 which implies a 19.1% drop from HK\$3.41 achieved in the same period last year. The decline in net asset value was mainly attributable to a fall in portfolio valuation as previously mentioned and a diminution in value of interest rate swaps of HK\$219.8 million. Please refer to

“Hedging Policy” on page 31 for detailed information on the interest rate swaps.

Capital Structure Management

As at 30 June 2009, Sunlight REIT had in place total loan facilities of HK\$3,975.0 million, of which the HK\$3,950.0 million term loan facility was fully drawn, while there was a further HK\$25.0 million revolving credit facility that remained undrawn. Both the term loan and the revolving credit facilities will mature on 20 December 2011. Such loan facilities were secured by, among others, the investment properties of Sunlight REIT, a floating charge over its bank balances and assignment of proceeds under tenancies. Having taken into account capital expenditure requirement, operating cash flow and the financial position of Sunlight REIT, the Manager has decided to reduce the original revolving credit facility of HK\$100.0 million in place since IPO to HK\$25.0 million with effect from June 2009.

As at 30 June 2009, the gearing ratio of Sunlight REIT, defined as total borrowings as a percentage of gross assets, was 39.7% as compared with 36.6% as at 30 June 2008. As the amount drawn down under the term loan facility remained unchanged, the increase in gearing was mainly due to the lower portfolio valuation as assessed by the independent valuer. The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets was 57.1%, while the total borrowing costs for the year amounted to HK\$182.9 million.

New Units Issued

Except for an aggregate of 32,710,120 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 an 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, interest rate swaps were entered into by Sunlight REIT for the period from the Listing Date until 30 June 2011. As a result of the fall in Hong Kong Interbank Offer Rates, the value of the swaps was recorded as a liability of HK\$132.0 million as at 30 June 2009, compared with a positive value of HK\$87.7 million and stated as an asset as at 30 June 2008.

Under the original arrangement entered into with The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”), the swap counterparty of Sunlight REIT, HSBC was to pay Sunlight REIT, on a quarterly basis, an aggregate amount equivalent to the interest payment payable in respect of the term loan. In return, Sunlight REIT was to make quarterly payment to HSBC calculated by applying fixed interest rates (3.5% per annum for the financial year 2008/09) on the amount of the term loan.

On 26 May 2009, the arrangement of interest rate swaps was amended. As a result of the amendment, during the one-year period from 30 June 2009 through 29 June 2010, the quarterly payments to be made by HSBC to Sunlight REIT will be made monthly. The fixed interest rate for calculating the amount to be paid by Sunlight REIT to HSBC will also be amended from 3.5% per annum to 3.36% per annum. The amendment is expected to reduce the aggregate net interest payments during the above mentioned period by approximately HK\$5.5 million.

Liquidity

The Manager adopts a prudent cash management policy. Rental receipts are placed as short term bank deposits to ensure flexibility in meeting the operational requirements of Sunlight REIT. As at 30 June 2009, Sunlight REIT had total bank and cash balances of HK\$223.0 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 2009. 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.

OUR PROSPECTS

Our near term priority will be to capitalise on the prevailing gradual market recovery to maintain a high level of occupancy and to achieve income sustainability



OUTLOOK



Garden view from Sheung Shui Centre Shopping Arcade Property

Following a year characterised by excessive volatility, we are of the view that financial year 2009/10 will offer more stability on subdued economic activities. Indeed, we have seen early signs that the downward pressure, particularly on office rental, is beginning to subside and confidence of tenants are returning at a time when global financial markets and the capital value of local office properties have both staged formidable recoveries since the second quarter of 2009. Notwithstanding, given the downward adjustment in market rent which took place since the fourth quarter of 2008 and the lingering economic uncertainties globally, the prime focus of Sunlight REIT from an operational perspective will be on capitalising on the prevailing gradual market recovery to maintain a high level of office occupancy and to achieve income sustainability. This strategy is expected to be well underpinned by our defensive retail property portfolio where rental resilience and consistently high occupancy are expected to remain a feature going forward.

We look forward with anticipation to the completion of several asset enhancement projects, including the extensive refurbishment undertaken at Sheung Shui Centre Shopping Arcade Property which will be finished before the end of 2009, and to the footbridge upgrading work linking the MTR station to Metro City Phase I Property. Meanwhile, we also expect maiden rental contribution from the newly refurbished retail podium at Bonham Trade Centre Property. In all, we are confident that the above projects will bring long term benefit to our tenants, the communities and the unitholders that we serve.

Financial year 2009/10 marks the phasing out and modification of certain structures that were put in place since the time of listing of Sunlight REIT for the purpose of safeguarding distribution to our unitholders:

1. Rental support in the form of adjustment payments as well as the DPU guarantee by HLD and SKFE, both of which were lapsed on 30 June 2009. Thanks to these structures, Sunlight REIT managed to conduct extensive asset enhancement activities without adversely affecting distribution to our unitholders;
2. The extent of the distribution waivers offered by HLD and SKFE will reduce the amount of entitlements waived from 100% from the listing until the year ended 30 June 2009 to 60% and 50% for financial year 2009/10 and financial year 2010/11 respectively; and
3. As approved by unitholders at the EGM held on 28 April 2009, the Manager has elected to receive 50% in cash and 50% in units in settlement of the Manager's fee for the financial year 2009/10.

Notwithstanding that the above mentioned changes will have an impact on distribution, our financial transparency will be enhanced as future distribution to unitholders will be more aligned with the underlying operating performance of the portfolio.

Looking ahead, the approval granted by unitholders to expand the geographical reach of Sunlight REIT beyond Hong Kong will provide us with a wider scope of investment which should be of benefit to unitholders. Further, we shall endeavour to seek for suitable targets for acquisition that are in line with our investment objectives as and when opportunities arise. Meanwhile, we shall continue to devote substantial efforts to maintain a capital structure which will enable Sunlight REIT to prosper in the long term.

Financial year 2009/10 will see the Manager leading Sunlight REIT into its fourth year of operation. A sound operational platform has been built as the leasing and property management workforce are highly motivated and consistently outperforming comparable industry benchmarks. We believe this solid foundation will contribute towards delivering and enhancing value to our unitholders.

OUR STAKEHOLDERS

We are committed to engaging our major stakeholders and the community at large in a range of measures that build trust and harmony



STAKEHOLDER RELATIONS



A series of eyecare seminars for senior citizens



Christmas celebration with the community



Joint promotion with Family Council of the Hong Kong Government



A series of community events during summer holidays



Charity program with the Hong Kong Association for Specific Learning Disabilities

At the Manager and Sunlight REIT, we strive to operate in a sustainable and a socially responsible manner by balancing economic, environmental and social criteria and values. During the year under review, we committed to engaging our major stakeholders – our tenants, shoppers, colleagues and the community at large – in a range of measures with the knowledge that acting in partnership for good causes is a powerful way to build trust and harmony.

The Manager and its property management team are always prepared to render assistance to our tenants when specific needs are required. A high priority is also placed on ensuring safe and peaceful enjoyment of our premises by the general public whether they are shoppers or tenants. During the year, we are pleased to have received numerous notes of thanks from our tenants expressing their gratitude for the efficiency and the level of care and attention displayed by our property management team in promptly responding to emergency situations. These friendly engagements and strong support from our property management and leasing teams have been instrumental in building the level of tenant loyalty we are enjoying today.

During the year, members of both our asset management and property management teams have taken part in a number of charitable activities. A notable activity was our partnership with Polyvision and Senior Citizen Home Safety Association in organising a series of seminars and consultations targeting at increasing the awareness among the senior members of our community on the caring of eyesight. On behalf of Sunlight REIT, the Manager had contributed to the cause by sponsoring private consultations at designated eye clinics to over 100 senior citizens in addition to booklets and publication on eye care that were freely available at Metro City Phase I Property. In addition, we have also worked with other charitable organisations such as ORBIS Hong Kong, WWF Hong Kong and St. James' Settlement in various initiatives in an attempt to address some of the more pressing needs of our society.



Over the years since listing, we have committed to putting in place in a range of measures to manage our impact on the environment. We have worked actively with Friends of the Earth and the Environmental Protection Department to support continuous recycling of non-biodegradable materials including clothings and fluorescent lamps, we are pleased to have been given recognition for our effort and the awards we gratefully received are testaments of our environmental awareness. Furthermore, selected properties have been duly endorsed by the Hong Kong Energy Efficiency Registration Scheme under the Mechanical and Electrical Department of Hong Kong, while recognitions have also been given to 108 Java Road Commercial Centre Property, 235 Wing Lok Street Property, 248 Queen's Road East Property, Righteous Centre Property, Everglory Centre Property and Bonham Trade Centre Property for complying with the requisite requirement under the Quality Water Recognition Scheme for Buildings for the provision of “quality water” to our tenants.



CARING OF COMMUNITIES

STAFF DEVELOPMENT

INVESTOR RELATIONS

TENANT RELATIONS

VALUE CREATION

EFFICIENCY ENHANCEMENT

STRATEGIC PLANNING

MANAGEMENT

Our experienced and dedicated team gives us a competitive edge and ensures every aspect of our business is functioning well



BOARD OF DIRECTORS



Mr. Tse Wai Chuen, Tony

Mr. Tse Wai Chuen, Tony Chairman and Non-Executive Director

Mr. Tse Wai Chuen, Tony, aged 54, has been appointed the Chairman and Non-executive Director of the Manager with effect from 17 February 2009. He is responsible for the overall leadership of the Board on the corporate strategy and direction of the Manager. Mr. Tse has over 30 years' experience in property investment and development in both the public and private sectors. Before joining the Manager, he was the General Manager of the Sales Department of HLD and a director of Henderson Property Agency Limited, a subsidiary of HLD. He served as the President of The Hong Kong Institute of Surveyors in 2004 and a member of the Town Planning Board from 2002 to 2006; he was also elected as a member of the Election Committee (Architectural, Surveying and Planning Sector) in 2000 and again in 2006.

Mr. Tse is a Fellow Member of The Royal Institution of Chartered Surveyors and The Hong Kong Institute of Surveyors, and the Chairman of the Real Estate Services Training Board of the Vocational Training Council. He is currently a member of Disciplinary Panel A of the Hong Kong Institute of Certified Public Accountants and Subject Specialists of Hong Kong Council for Academic Accreditation. He is also the Advisor for China Institute of Real Estate Appraisers and Real Estate Agents and a member of Shanghai Xuhui District, National Committee of Chinese People's Political Consultative Conference.



Mr. Wu Shiu Kee, Keith

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

Mr. Wu Shiu Kee, Keith, aged 45, is the Chief Executive Officer, Executive Director and a Responsible Officer of the Manager. He has over 22 years of experience in the property, corporate finance, asset management and research related fields. He joined the Manager in April 2006.

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. Prior to his appointment at Lai Sun Development, Mr. Wu held senior research and asset management positions with several international 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 in the United States and a Bachelor of Science degree in Economics and Statistics (High Distinction) from the University of Toronto in Canada.



Mr. Kwok Ping Ho

Mr. Kwok Ping Ho Non-executive Director

Mr. Kwok Ping Ho, aged 56, is a Non-executive Director of the Manager.

Mr. Kwok has also been an Executive Director of HLD 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 28 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. Kwan Kai Cheong
Independent Non-executive Director

Mr. Kwan Kai Cheong, aged 59, 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; 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).

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

Mr. Ma Kwong Wing
Independent Non-executive Director

Mr. Ma Kwong Wing, aged 63, 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 Hong Kong Institute of Directors, 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

Dr. Tse Kwok Sang
Independent Non-executive Director

Dr. Tse Kwok Sang, aged 52, is an Independent Non-executive Director of the Manager.

Dr. Tse is currently Associate Dean and Associate Professor of Finance, 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 is also a Co-Opted Executive Councillor of the New Territories Heung Yee Kuk. Currently he is also an Independent Non-executive Director of Ajia Partners Asia Absolute Return Fund Limited which is listed on the Irish Stock Exchange.

Dr. Tse holds a Ph.D. in Finance from Michigan State University in the United States. He is Associate Member of the Society of Actuaries (ASA) and Member of The Hong Kong Institute of Directors (MHKIoD).

EXECUTIVE OFFICERS



Mr. Leung Pei Sai

Mr. Wu Shiu Kee, Keith

Mr. Leung Kwok Hoe, Kevin

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

Mr. Wu is responsible for the implementation of the strategy and objectives as set by the Board, ensuring that Sunlight REIT is operating in accordance with the stated strategies, policies and regulations. In addition, he takes charge of the day-to-day management and operations of the Manager.

Details of his experience are set out in "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 15 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 in Australia, a Bachelor of Economics degree and a Bachelor of Laws degree, both from The University of Sydney in 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 objectives 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 nearly 20 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 Master of Business Administration (Executive) Degree from the City University of Hong Kong, 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 Yuk Fong, Phyllis

Mr. Hah Yick Yat, Kelvin



Ms. Cheung See Wing, Dorothy

Ms. Kan Shuk Fan, Winnie

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 nearly 10 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 to 2003.

Mr. Hah holds a Bachelor of Arts degree in Economics from the University of British Columbia in Canada, a Professional Diploma in Marketing from the University of California, Berkeley, in the United States 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 The Stock Exchange of Hong Kong Limited, 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 over 15 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 McGill University in Canada, a Master of Laws degree from the University of Wolverhampton in the UK and a Bachelor of Arts (Honours) degree in Accountancy 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.

PROPERTY MANAGERS



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 nearly 20 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 over 20 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 degree 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 Surveyors.

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 nearly 20 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, an associate of The Hong Kong Institute of Chartered Secretaries and a 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 of HLD.



Mr. Chan Chin Fung

Ms. Ip Wai Kei, Silvia

Mr. Lai Shu Tong, Eric

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 10 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 20 years. Prior to joining the property manager, he worked for Goodwill Management Limited, a subsidiary of HLD.

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 10 years of experience in property management. Prior to joining the property manager, he worked for Hang Yick Properties Management Limited, a subsidiary of HLD.

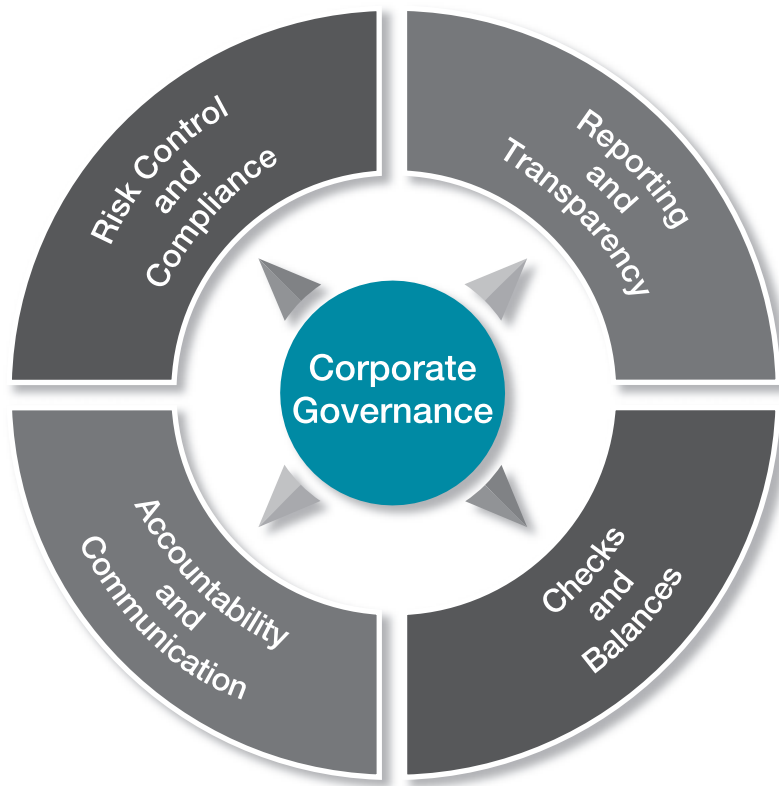
Mr. Chan holds a Bachelor degree in Housing Management from The University of Hong Kong, a Diploma in Housing Management and a Certificate in Housing Practice, both from the School of Professional and Continuing Education of The University of Hong Kong. He is also a Registered Professional Housing Manager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

CORPORATE GOVERNANCE REPORT

The Manager is committed to the highest level of corporate governance practices and procedures. Good corporate governance relies on an optimal mix of checks and balances and 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 with the Compliance Manual ensures that the relevant regulations and legislations are duly observed.

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

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



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 Code on Real Estate Investment Trusts (the “**REIT Code**”) issued by the Securities and Futures Commission of Hong Kong (“**SFC**”). The Manager has been authorised by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. 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, Bruce, the Asset Management Manager are approved as responsible officers pursuant to the requirements of section 125 of the SFO and paragraph 5.4 of the REIT Code.

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 for, among other things, the safe custody of the assets of Sunlight REIT on behalf of unitholders.

The Manager is to manage and operate 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 interest 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 Non-executive 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 Board has established the Audit Committee, the Investment Committee, the Remuneration and Nomination Committee and the Disclosures Committee to deal with specific issues which require extensive discussion.

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

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 of the Manager and the Compliance Manual. In particular, the Articles of Association of the Manager provide that all Directors shall retire from office at every annual general meeting of the Manager but shall be eligible for re-election.

All the directors, including the non-executive directors, are appointed for a specific term for a maximum of 3 years, with the qualification that the new Directors are required to submit themselves for re-election at the first annual general meeting of the Manager following their appointment.

If an INED has served the Board for 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 given why the Board believes 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, none of which is necessarily conclusive. The Manager has received written annual confirmation from each INED of his independence by reference to such factors set out in the Compliance Manual.

Functions of the Board and Delegation

The Board is responsible for overseeing the day-to-day 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 authority is achieved. The Board and management functions are largely separate; subject to certain matters specifically reserved to the full Board, the day-to-day management functions and certain supervisory functions are delegated to committees of the Board and relevant management teams.

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 records of 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 by the Board and each of the board committees for the year are summarised in the table on pages 52 and 53 of this Annual Report.

Mr. Kan Fook Yee, the Chairman and Non-executive Director of the Manager and the chairman and member of each of the Investment Committee and the Remuneration and Nomination Committee of the Manager, had resigned with effect from 17 February 2009. The aforesaid positions have been taken up by Mr. Tse Wai Chuen, Tony with effect from the same date.

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, all of them report directly to the Chief Executive Officer with the Internal Auditor and the Compliance Manager also reporting directly to the Audit Committee and the Board respectively. Apart from normal daily interactions, the management team holds management meetings on a periodical basis; 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 by the Board and board committees during the year are summarised below:

Board of Directors		Audit Committee	
Membership and attendance to meetings (No. of meetings attended/No. of meetings eligible to attend)			
Mr. Kan Fook Yee	Chairman and Non-executive Director	(4/4) ^{note 1}	N/A
Mr. Tse Wai Chuen, Tony	Chairman and Non-executive Director	(3/3) ^{note 1}	N/A
Mr. Wu Shiu Kee, Keith	Chief Executive Officer and Executive Director	(7/7)	N/A
Mr. Kwok Ping Ho	Non-executive Director	(6/7)	N/A
Mr. Kwan Kai Cheong	Independent Non-executive Director	(7/7)	Chairman ^{note 2} (4/4)
Mr. Ma Kwong Wing	Independent Non-executive Director	(7/7)	Member ^{note 2} (4/4)
Dr. Tse Kwok Sang	Independent Non-executive Director	(7/7)	Member ^{note 2} (4/4)

Major responsibilities

	<ul style="list-style-type: none"> – leads and guides the corporate strategy and direction of Sunlight REIT – oversees the day-to-day management and corporate governance of the Manager and the conduct of its business 	<ul style="list-style-type: none"> – reviews the completeness, accuracy, clarity and fairness of financial statements of Sunlight REIT – monitors overall risk management – reviews and monitors connected party transactions – appoints and 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 – reviews the adequacy of resources, qualifications and experience of staff in relation to the accounting and financial reporting functions, and their training programmes and budget – oversees internal control structure and financial reporting procedure of Sunlight REIT and conduct and performance of special purpose vehicles
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Summary of key work

During the year, the Board and its committees have considered, approved, reviewed and/or formulated the matters summarised herein:	<ul style="list-style-type: none"> – financial results of Sunlight REIT and the Manager – reports and recommendations from board committees – announcements/reports for publication, including the release of quarterly operational statistics and interim and annual reports of Sunlight REIT – annual operating and capital expenditure budget of Sunlight REIT – revision of the Compliance Manual and terms of reference of audit committee – revision of the contingency plan – revision of the authorisation policy – re-appointment of directors and appointment of Chairman – recommendation to unitholders on expansion of scope of investment policy and objective, amendments to the Trust Deed, repurchase mandate and extension of period of waiver in respect of certain continuing connected party transactions 	<ul style="list-style-type: none"> – financial results of Sunlight REIT – external auditors engagement and their reports – connected parties transactions between Sunlight REIT and its connected persons – internal audit reports – revision of the contingency plan – internal control system
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N/A: Not applicable as the Director is not a member of the committee

- Notes:
1. Mr. Tse Wai Chuen, Tony was appointed as the Chairman and a Non-executive Director of the Manager and also the chairman of both the Investment Committee and the Remuneration and Nomination Committee of the Manager with effect from 17 February 2009 in place of Mr. Kan Fook Yee.
 2. All members of the Audit Committee possess diversified industry experience, accounting professional qualifications and/or related financial management expertise.

Investment Committee		Remuneration and Nomination Committee		Disclosures Committee	
Chairman	(5/5) ^{note 1}	Chairman	(3/3) ^{note 1}	N/A	
Chairman	(2/2) ^{note 1}	Chairman	(0/0) ^{note 1}	N/A	
Member	(7/7)	N/A		Chairman	(4/4)
N/A		N/A		N/A	
N/A		Member	(3/3)	N/A	
N/A		Member	(3/3)	Member	(4/4)
Member	(7/7)	N/A		N/A	
<ul style="list-style-type: none"> – 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 		<ul style="list-style-type: none"> – oversees the human resources strategy and policies – identifies and recommends candidates of board members 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 		<ul style="list-style-type: none"> – 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 	
<ul style="list-style-type: none"> – 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 and tenant deposits management policy – revision of policy in respect of deviation from approved capital expenditure budget – selection of new principal valuer – potential acquisition and disposal of properties 		<ul style="list-style-type: none"> – 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 – staff budget and policy on staff benefits – recommendation on appointment of Chairman and re-appointment of directors 		<ul style="list-style-type: none"> – 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 	

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 investors is conducted through:

1. Day-to-day communication including meetings conducted with the senior management of the Manager;
2. Guided property tour organised by the property management team;
3. Regular communication materials and investors' presentations available upon request;
4. Disclosures made pursuant to regulatory requirements, including announcements and press releases posted on the website of Sunlight REIT at www.sunlightreit.com which provides a further source of information for unitholders.

Other than the mandatory announcements of Sunlight REIT's annual and interim results, the Manager also provides voluntary updates on operational statistics on a quarterly basis. As the first REIT in Hong Kong to undertake 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 63 and 64 for a detailed disclosure of substantial unitholders in the units of Sunlight REIT.

Unitholders' Rights

Unitholders are encouraged to attend all general meetings of the unitholders arranged by the Manager. In accordance with the Trust Deed, at least ten business days' notice of every meeting shall be given to the unitholders, except that at least twenty-one days' notice of the meeting shall be given to the unitholders where a special resolution is proposed for consideration at such meeting. For an annual general meeting of the unitholders ("**AGM**"), not less than twenty business days' notice shall be given to the unitholders. The notice period is exclusive of (i) the day on which the notice is served or deemed to be served; and (ii) the day for which the notice is given, and for the purpose of the above notices, business days do not include Saturdays, Sundays and public holidays in Hong Kong. The notice will specify the place, day and hour of the meeting and the terms of any resolution to be proposed thereat.

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 at any time convene a meeting of the unitholders. Pursuant to the Trust Deed, the Manager shall also convene a meeting if requested in writing by not less than two unitholders registered as together holding not less than 10% of the units in issue and outstanding for the time being.

Annual General Meeting

The convening of an 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, to enquire the Board about Sunlight REIT's operating performance.

During the year, the AGM was held on 20 October 2008.

Extraordinary General Meeting

On 28 April 2009, an extraordinary general meeting (“EGM”) was held to approve the (1) proposed expansion of the scope of the investment policy and objective of Sunlight REIT; (2) proposed amendments to the Trust Deed; (3) proposed repurchase mandate; (4) proposed extension of period of waiver in respect of certain continuing connected party transactions. All the resolutions proposed at the EGM were duly passed by way of poll. Details of the above were set out in the circular of Sunlight REIT dated 2 April 2009 and the announcement dated 28 April 2009.

Matters to be decided by Unitholders by Special Resolution

A meeting of unitholders when convened may, by way of special resolution and in accordance with the Trust Deed, approve, among others, the following matters:

- 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;
- removal of the Trustee;
- removal of the Manager;
- disposal of an investment within two years from the date of its acquisition;
- termination or merger of Sunlight REIT;
- any change in the investment policy and objective of Sunlight REIT;
- any increase in the maximum remuneration (other than any additional fee as allowed under the Trust Deed) or any change to the structure of the remuneration of the Trustee or Manager.

Issues of Further Units Post-Listing

Further issue of units in Sunlight REIT will need to comply with the pre-emption 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; and (ii) free of pre-emption

rights in other circumstances provided that the approval of unitholders by way of an ordinary resolution is obtained.

Repurchase, Sale or Redemption of Units

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 the preparation of the accounts of Sunlight REIT and its subsidiaries for the year ended 30 June 2009, which give a true and fair view of the state of affairs of Sunlight REIT and its subsidiaries as at 30 June 2009 and of their results and cash flows for the year then ended and are properly prepared 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.

It is customary for the Manager to conduct briefings with unitholders, investors and analysts and the press immediately following the release of results announcements of Sunlight REIT. Such information, including the relevant presentation materials and announcements, are made available to the public through Sunlight REIT’s website.

CORPORATE GOVERNANCE REPORT

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. During the year, 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 other services.

The responsibilities of the auditors with respect to the financial reporting are set out in the Independent Auditor's Report on pages 83 and 84 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 (the "**Dealings Code**") which is also applicable to the Manager (*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 note on the operation of the Dealings Code setting out additional information and procedures for seeking clearance under the Dealings Code is also provided to the Directors and the Manager.

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.

Unitholders with a holding of 5% or more of the units in issue, or 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" section on pages 63 to 65 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, investment and management of retail, office and other properties in and outside Hong Kong. A non-executive 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. 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 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 matters in relation to the acquisition of properties, competition for tenants in the Hong Kong property market and property management operations.

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:

1. the Manager will not manage any REIT other 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;
3. 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;
4. a register of other directorships and senior positions held by the Directors is maintained; and
5. 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.

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.

CORPORATE GOVERNANCE REPORT

RISK CONTROLS AND COMPLIANCE

Internal Control

The Board has established and maintained sound systems in risk management and internal control to ensure the effectiveness and efficiency of operations, reliability of financial report and compliance with applicable laws and regulations.

The Internal Auditor of the Manager, who reports to the Chief Executive Officer but has direct access to the Audit Committee, is responsible for assessing the internal control systems, formulating an impartial opinion on the effectiveness and efficiency of the internal control systems, and reporting its findings to the Board via the Audit Committee.

The Audit Committee has reviewed the internal control system of the Manager for the year ended 30 June 2009, and in particular considered the adequacy of resources, qualification and experience of staff in relation to the accounting and financial reporting functions, and their training programmes and budget. Based on the review, the Board believes that the system of internal control provides reasonable assurance that the assets of Sunlight REIT are safeguarded and there is no significant area of concerns that may affect the interest of unitholders.

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, to review any risks associated with the assets of Sunlight REIT, to examine liability management and to act upon any advice or comments from the auditors of Sunlight REIT.

The Manager has appointed experienced and well-qualified 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 from 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 risks relevant to the property industry with recommendations from the Investment Committee. 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 enquiry of all Directors, and the Directors confirmed that they have complied with the required standard as set out in the Dealings Code adopted by the Manager from time to time throughout the year.

Public Float

Based on information that is publicly available to the Manager and within the knowledge of its directors, more than 25% of the issued and outstanding units were held in public hands as at 30 June 2009.

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.

Waiver and Annual Review in relation to Certain Expenses

On 27 April 2009, a waiver from strict compliance with the requirement under paragraph 9.13 of the REIT Code was granted by the SFC, subject to certain conditions, for the payment of public-relations and investor-relations expenses incurred thereafter. Pursuant to the waiver, the Audit Committee shall review annually and confirm that the abovementioned expenses are incurred in accordance with the internal control procedures of the Manager and solely for the purposes as set out in relevant clauses of the Trust Deed. No such expenses have been made in this year (after the waiver was granted).

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 ^{note}	Nature of the Connected Party Transactions	Income for the year (HK\$'000)	Rental and other deposits received as at 30 June 2009 (HK\$'000)
Henderson Sunlight Asset Management Limited	The Manager	Leasing transactions	3,890	1,048
Henderson Sunlight Property Management Limited	Associated company of the Manager	Leasing transactions	2,565	676
Henderson Real Estate Agency Limited	Associated company of the Manager	Leasing transactions	553	158
Henderson Real Estate Agency Limited	Associated company of the Manager	Joint effort arrangements	807	—
Citistore (Hong Kong) Limited	Associated company of the Manager	Licensing transactions	102	10
TOTAL			7,917	1,892

Note: Within the meaning of the REIT Code.

CONNECTED PARTY TRANSACTIONS

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 ^{note 1}	Nature of the Connected Party Transactions	Expenses for the year (HK\$'000)
Goodwill Management Limited	Associated company of the Manager	Property management and operations	987
Hang Yick Properties Management Limited	Associated company of the Manager	Property management and operations	8,603
Henderson Sunlight Property Management Limited	Associated company of the Manager	Property management services, marketing services and provision of staff	33,037
Megastrength Security Services Company Limited	Associated company of the Manager	Carpark management, security services, maintenance and renovation	4,063
Metro City Management Limited	Associated company of the Manager	Property management and operations	1,947
Sheung Shui Centre Management Limited	Associated company of the Manager	Property management and operations	2,014
Miramar Hotel & Investment Company Limited	Associated company of the Manager	Purchase of dining coupons	50
Miramar Hotel & Investment (Express) Limited	Associated company of the Manager	Vehicle leasing	1
Miramar Travel Limited	Associated company of the Manager	Purchase of travel coupons	40
Citistore (Hong Kong) Limited	Associated company of the Manager	Purchase of coupons	10
Mr. Yam Kam Kwong, Allen	Associate of significant holders ^{note 2}	Legal services	34 ^{note 3}
Express Maintenance Services Limited	Associated company of the Principal Valuer	Electrical system maintenance services	2
TOTAL:			50,788

Notes:

1. Within the meaning of the REIT Code.
2. The significant holders being Uplite Limited and Wintrade Limited.
3. Such amount represents the amount paid or payable to Messrs. Yam & Co., of which Mr. Yam Kam Kwong, Allen is a partner.

Connected Party Transactions with the Trustee Connected Persons

The following table sets 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 ^{note 2}	Nature of the Connected Party Transactions	Income/Expense for the year (HK\$'000)	Rental deposit received as at 30 June 2009 (HK\$'000)
Lease or License Transactions:				
The Hongkong and Shanghai Banking Corporation Limited (“HSBC”)	Trustee Connected Persons	Leasing transaction ^{note 4}	4,991	1,398
Hang Seng Bank Limited	Trustee Connected Persons	Leasing and licensing transactions ^{note 5}	5,042	1,472
Ordinary Banking and Financial Services ^{note 3}:				
HSBC	Trustee Connected Persons	Interest income received/receivable	952	—
HSBC	Trustee Connected Persons	Interest expense and agency charge on bank loan, interest rate swaps and other bank charges	52,345	—
Hang Seng Bank Limited	Trustee Connected Persons	Interest expense on bank loan and other bank charges	10,813	—
HSBC Insurance Brokers (Asia-Pacific) Limited	Trustee Connected Persons	Insurance brokerage services	21	—
<p>In addition to the above, an amendment on the interest rate swaps was entered into with HSBC during the year. Please refer to note 12 of the Consolidated Financial Statements on page 110 of this Annual Report for details of the interest rate swaps amendment.</p>				
Corporate Finance Transactions:				
<p>Both the Manager and the Trustee confirm that during the year, there was no corporate finance transaction entered into between the Manager on behalf of Sunlight REIT and the HSBC Group.</p>				

Notes :

1. HSBC Group means HSBC 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).
2. Within the meaning of the REIT Code.
3. Ordinary banking and financial services include bank deposits and interest earned therefrom, loan facilities and interest rate swaps including interest and charges paid thereto.
4. For Shop Nos.1024-31, Sheung Shui Centre Shopping Arcade Property.
5. For Shop No.211 and signages A8 and A10, Metro City Phase I Property.

CONNECTED PARTY TRANSACTIONS

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 in the form of units and the Trustee under the Trust Deed were approximately HK\$48.0 million and HK\$2.7 million respectively. Further terms regarding the Manager's fee and the Trustee's fee are set out in notes (ii) and (iv) of note 24(b) of the Consolidated Financial Statements. Save for the Manager's fee and the Trustee's fee as disclosed above, there is no other service which requires disclosure in this Annual Report.

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:

- (i) 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 Auditor 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 auditor 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, where applicable, for the year ended 30 June 2009 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 auditor 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. Further, 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 the 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, the Manager beneficially held 9,504,428 units. On 30 October 2008 and 30 April 2009, 14,257,593 and 18,452,527 new units were issued to the Manager respectively as payment of the Manager's fees. With the disposal of a total of 13,617,021 units during the year, the Manager beneficially held 28,597,527 units of Sunlight REIT as at 30 June 2009. 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 2009 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

As at 30 June 2009 and 30 June 2008, the interests and short position in units of every person, other than the Manager and the Directors or the 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 respectively as follows:

Name	As at 30 June 2009		As at 30 June 2008		Change in % Interest
	Number of Units interested (long position)	% of interest in Units ^{note 1}	Number of Units interested (long position)	% of interest in Units ^{note 1}	
Lee Shau Kee ^{note 2}	476,895,165	30.83	449,205,427	29.67	1.16
Lee Financial (Cayman) Limited ^{note 2}	374,072,708	24.18	374,072,708	24.70	-0.52
Leesons (Cayman) Limited ^{note 2}	374,072,708	24.18	374,072,708	24.70	-0.52
Leeworld (Cayman) Limited ^{note 2}	374,072,708	24.18	374,072,708	24.70	-0.52
Shau Kee Financial Enterprises Limited ^{note 2}	374,072,708	24.18	374,072,708	24.70	-0.52
Uplite Limited ^{note 2}	224,443,625	14.51	224,443,625	14.82	-0.31
Wintrade Limited ^{note 2}	149,629,083	9.67	149,629,083	9.88	-0.21
Henderson Development Limited ^{note 2}	102,822,457	6.65	78,624,358	5.19	1.46
HLD	102,822,457	6.65	78,624,358	5.19	1.46
Hopkins (Cayman) Limited ^{note 2}	102,822,457	6.65	78,624,358	5.19	1.46
Riddick (Cayman) Limited ^{note 2}	102,822,457	6.65	78,624,358	5.19	1.46
Rimmer (Cayman) Limited ^{note 2}	102,822,457	6.65	78,624,358	5.19	1.46
Silchester International Investors Limited ^{note 3}	272,811,150	17.64	227,897,150	15.05	2.59

DISCLOSURE OF INTERESTS

Holdings of Substantial Unitholders (continued)

Name	As at 30 June 2009		As at 30 June 2008		Change in % Interest
	Number of Units interested (long position)	% of interest in Units ^{note 1}	Number of Units interested (long position)	% of interest in Units ^{note 1}	
Silchester International Investors International Value Equity Trust ^{note 3}	136,730,922	8.84	121,414,922	8.02	0.82
Silchester International Investors International Value Equity Group Trust ^{note 3}	77,909,076	5.04	—	—	5.04
Value Partners Group Limited ^{note 4}	—	—	105,349,000	6.96	—
Value Partners Limited ^{note 4}	—	—	105,349,000	6.96	—
Cheah Capital Management Limited ^{note 4}	—	—	105,349,000	6.96	—
Cheah Company Limited ^{note 4}	—	—	105,349,000	6.96	—
Hang Seng Bank Trustee International Limited ^{note 4}	—	—	105,349,000	6.96	—
Cheah Cheng Hye ^{note 4}	—	—	105,349,000	6.96	—
To Hau Yin ^{note 4}	—	—	105,349,000	6.96	—

Notes:

- The percentages expressed are based on the total units in issue of 1,546,905,770 as at 30 June 2009 and 1,514,195,650 as at 30 June 2008 respectively.
- As at 30 June 2009, 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 Leasons (Cayman) Limited and Leeworld (Cayman) Limited as the respective trustees of two discretionary trusts. Lee Financial (Cayman) Limited, Leasons (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 Limited.

Apart from the above, 40,541,958 units were owned by Cobase Limited, 27,027,972 units were owned by Richful Resources Limited and 35,252,527 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 therefore taken to be interested in all the 476,895,165 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.
- As at 30 June 2009, the long position of 272,811,150 units were held by Silchester International Investors Limited in its capacity as investment manager of which 136,730,922 units and 77,909,076 units were held by Silchester International Investors International Value Equity Trust and Silchester International Investors International Value Equity Group Trust respectively.
- On 5 December 2008, Value Partners Group Limited, Value Partners Limited, Cheah Capital Management Limited, Cheah Company Limited, Hang Seng Bank Trustee International Limited, Mr. Cheah Cheng Hye and Ms. To Hau Yin ceased to be substantial unitholders of Sunlight REIT.

Holdings of Other Connected Persons

So far as is known to the Manager and save as disclosed above, 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 as at 30 June 2009 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	0.079
Lee King Yue ^{note 3}	50,000	0.003
Lee Pui Ling, Angelina ^{note 4}	2,307	0.0001
Lee Yip Wah, Peter ^{note 5}	11,000	0.0007
Mao Kenneth Ruys ^{note 6}	500,000	0.032
HSBC Group ^{note 7}	453	0.00003

Notes:

- The percentage expressed are based on the total units in issue of 1,546,905,770 as at 30 June 2009.
- 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 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 as at 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 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 Kee. Mr. Lee held 11,000 units as at 30 June 2008.
- 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 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 453 units as at 30 June 2008.
- Mr. Wong Wing Hoo, Billy was interested in 500,000 units as at 30 June 2008 and ceased to have any interests during the year. Mr. Wong was a connected person by virtue of being a director of certain subsidiaries of HLD.

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")



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

23/F Two Exchange Square
Central, Hong Kong

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

6 August 2009

Dear Sirs

RE:

- (1) "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")
- (8) VARIOUS PORTIONS IN WAI CHING COMMERCIAL BUILDING, 77 WAI CHING STREET, YAU MA TEI, KOWLOON, HONG KONG ("WAI CHING COMMERCIAL BUILDING PROPERTY")
- (9) 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 2009 (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 counter-checked 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 2009 (HK\$'000)	Capitalisation Rate Adopted ^{note}	
				Retail (%)	Office (%)
1 248 Queen's Road East Property	376,381	46	2,649,000	5.2	4.4
2 Bonham Trade Centre Property	117,909	N/A	500,000	5.5	4.5
3 Righteous Centre Property	51,767	N/A	314,000	4.5	4.9
4 135 Bonham Strand Trade Centre Property	63,915	N/A	258,000	5.7	4.6
5 Winsome House Property	40,114	N/A	315,000	5.2	4.4
6 Java Road 108 Commercial Centre Property	37,923	N/A	146,000	5.5	5.0
7 Sun Fai Commercial Centre Property	26,151	N/A	93,000	5.7	5.2
8 Wai Ching Commercial Building Property	16,321	N/A	26,000	5.9	5.5
9 235 Wing Lok Street Trade Centre Property	52,285	N/A	156,000	5.6	4.7
10 Yue Fai Commercial Centre Property	42,751	N/A	123,000	5.7	5.5
11 Everglory Centre Property	29,802	N/A	117,000	5.4	5.0
12 On Loong Commercial Building Property	25,564	N/A	118,000	5.0	4.9
13 Metro City Phase I Property	188,889	452	1,743,000	4.8	N/A
14 Sheung Shui Centre Property	122,339	297	2,175,000	4.8	N/A
15 Kwong Wah Plaza Property	64,842	N/A	416,000	5.0	5.8
16 Beverley Commercial Centre Property	7,934	N/A	52,000	5.2	N/A
17 Glory Rise Property	7,086	N/A	45,000	5.7	N/A
18 Supernova Stand Property	4,226	N/A	37,000	5.7	N/A
19 Palatial Stand Property	8,625	N/A	18,000	5.9	N/A
20 Royal Terrace Property	9,565	49	63,000	6.0	N/A
Total	1,294,389	844	9,364,000		

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 MCI Arb RPS(GP)

Managing Director

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 2009

HK\$8,418,000 exclusive of rates, management fees and air-conditioning charges

Monthly Car Parking Income as at 30 June 2009

HK\$236,000 exclusive of operating expenses, rates, Government rents and management fees

Monthly Licence Income as at 30 June 2009

HK\$17,000 exclusive of rates and management fees

Market value in existing state as at 30 June 2009

HK\$2,649,000,000

Estimated Net Property Yield

3.9%

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 2009

HK\$1,663,000 exclusive of rates, management fees and air-conditioning charges

Market value in existing state as at 30 June 2009

HK\$500,000,000

Estimated Net Property Yield

4.0%

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 rent 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 2009

HK\$1,160,000 exclusive of rates, management fees and air-conditioning charges

Monthly Licence Income as at 30 June 2009

HK\$46,000

Market value in existing state as at 30 June 2009

HK\$314,000,000

Estimated Net Property Yield

4.6%

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 2009

HK\$959,000 exclusive of rates and management fees

Market value in existing state as at 30 June 2009

HK\$258,000,000

Estimated Net Property Yield

4.5%

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 2009

HK\$1,157,000 exclusive of rates, management fees and air-conditioning charges

Market value in existing state as at 30 June 2009

HK\$315,000,000

Estimated Net Property Yield

4.4%

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 2009

HK\$502,000 exclusive of rates, management fees and air-conditioning charges

Market value in existing state as at 30 June 2009

HK\$146,000,000

Estimated Net Property Yield

4.1%

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. It 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 2009

HK\$400,000 exclusive of rates, management fees and air-conditioning charges

Market value in existing state as at 30 June 2009

HK\$93,000,000

Estimated Net Property Yield

5.0%

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 2009

HK\$107,000 exclusive of rates, management fees and air-conditioning charges

Market value in existing state as at 30 June 2009

HK\$26,000,000

Estimated Net Property Yield

5.0%

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 2009

HK\$553,000 exclusive of rates and management fees

Market value in existing state as at 30 June 2009

HK\$156,000,000

Estimated Net Property Yield

4.3%

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. It 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 2009

HK\$564,000 exclusive of rates and management fees

Market value in existing state as at 30 June 2009

HK\$123,000,000

Estimated Net Property Yield

5.5%

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 2009

HK\$454,000 exclusive of rates and management fees

Market value in existing state as at 30 June 2009

HK\$117,000,000

Estimated Net Property Yield

4.7%

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 2009

HK\$475,000 exclusive of rates and management fees

Market value in existing state as at 30 June 2009

HK\$118,000,000

Estimated Net Property Yield

4.8%

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 2009

HK\$5,800,000 exclusive of rates, management fees and air-conditioning charges

Monthly Car Parking Income as at 30 June 2009

HK\$444,000 exclusive of operating expenses, rates, Government rents and management fees

Monthly Licence Income as at 30 June 2009

HK\$101,000

Market value in existing state as at 30 June 2009

HK\$1,743,000,000

Estimated Net Property Yield

4.3%

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 2009

HK\$7,622,000 exclusive of rates, management fees, air-conditioning charges and promotional charges

Monthly Car Parking Income as at 30 June 2009

HK\$337,000 exclusive of operating expenses, rates, Government rents and management fees

Monthly Licence Income as at 30 June 2009

HK\$57,000

Market value in existing state as at 30 June 2009

HK\$2,175,000,000

Estimated Net Property Yield

4.3%

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 2009

HK\$1,856,000 exclusive of rates, management fees and air-conditioning charges

Monthly Licence Income as at 30 June 2009

HK\$11,000

Market value in existing state as at 30 June 2009

HK\$416,000,000

Estimated Net Property Yield

5.3%

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 2009

HK\$244,000 exclusive of rates, management fees, air-conditioning charges and promotional charges

Market value in existing state as at 30 June 2009

HK\$52,000,000

Estimated Net Property Yield

5.6%

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 2009

HK\$200,000 exclusive of rates, management fees and air-conditioning charges

Market value in existing state as at 30 June 2009

HK\$45,000,000

Estimated Net Property Yield

5.3%

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 2009

HK\$178,500 exclusive of rates, management fees and air-conditioning charges

Market value in existing state as at 30 June 2009

HK\$37,000,000

Estimated Net Property Yield

5.8%

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 2009

HK\$63,000 exclusive of rates, management fees and air-conditioning charges

Market value in existing state as at 30 June 2009

HK\$18,000,000

Estimated Net Property Yield

4.2%

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

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 2009

HK\$256,000 exclusive of rates, management fees and air-conditioning charges

Monthly Car Parking Income as at 30 June 2009

HK\$60,000 exclusive of operating expenses, rates, Government rents and management fees

Market value in existing state as at 30 June 2009

HK\$63,000,000

Estimated Net Property Yield

6.0%

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 three supplemental deeds dated 1 June 2006, 28 November 2006 and 28 April 2009 respectively for the year ended 30 June 2009.

HSBC Institutional Trust Services (Asia) Limited

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

Hong Kong, 11 September 2009

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 85 to 127 which comprise the consolidated balance sheet as at 30 June 2009, 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, 28 November 2006 and 28 April 2009 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

Auditor's Responsibility (continued)

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 the Group as at 30 June 2009 and of the Group's loss 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

11 September 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2009
(Expressed in Hong Kong dollars)

	Note	2009 \$'000	2008 \$'000
Turnover	3 & 4	471,709	431,351
Property operating expenses	3 & 5	(121,031)	(112,625)
Net property income		350,678	318,726
Other income	6	4,253	7,599
Administrative expenses		(60,115)	(59,379)
Adjustment Payments	18	77,499	90,635
Net (decrease)/increase in fair value of investment properties	10	(803,026)	590,139
(Loss)/profit from operations		(430,711)	947,720
Finance costs on interest bearing liabilities	7(a)	(182,947)	(181,352)
(Loss)/profit before taxation and transactions with unitholders	7	(613,658)	766,368
Income tax	8(a)	122,166	(36,940)
(Loss)/profit after taxation and before transactions with unitholders		(491,492)	729,428

The notes on pages 92 to 127 form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 30 June 2009
(Expressed in Hong Kong dollars)

	Note	2009 \$'000	2008 \$'000
Non-current assets			
Fixed assets	10		
- Investment properties		9,364,000	10,151,000
- Other fixed assets		36	14
		9,364,036	10,151,014
Deferred tax assets	8(c)	65	—
Reimbursement rights	11	203,932	203,932
Derivative financial instruments	12	—	87,730
		9,568,033	10,442,676
Current assets			
Trade and other receivables	13	109,087	118,565
Pledged deposits	16	222,864	227,733
Cash at bank and in hand		140	116
Tax recoverable		41,296	6,627
		373,387	353,041
Total assets		9,941,420	10,795,717
Current liabilities			
Tenants' deposits	14	(112,094)	(106,956)
Rent receipts in advance		(2,986)	(2,650)
Trade and other payables	15	(85,814)	(52,991)
Current taxation		(15,332)	(9,180)
		(216,226)	(171,777)
Net current assets		157,161	181,264
Total assets less current liabilities		9,725,194	10,623,940

	Note	2009 \$'000	2008 \$'000
Non-current liabilities, excluding net assets attributable to unitholders			
Secured bank borrowings	16	(3,940,166)	(3,935,930)
Deferred tax liabilities	8(c)	(1,389,444)	(1,523,640)
Derivative financial instruments	12	(132,040)	—
		(5,461,650)	(5,459,570)
Total liabilities, excluding net assets attributable to unitholders			
		(5,677,876)	(5,631,347)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS			
		4,263,544	5,164,370
Number of units in issue	17	1,546,905,770	1,514,195,650
Net asset value attributable to unitholders per unit		\$2.76	\$3.41

The consolidated financial statements on pages 85 to 127 were approved and authorised for issue by Henderson Sunlight Asset Management Limited, as the Manager of Sunlight REIT on 11 September 2009 and were signed on behalf by:

Tse Wai Chuen, Tony
Chairman

Wu Shiu Kee, Keith
Executive Director

The notes on pages 92 to 127 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 30 June 2009
(Expressed in Hong Kong dollars)

	Note	2009 \$'000	2008 \$'000
At the beginning of the year		5,164,370	4,754,722
Distribution paid to unitholders		(280,755)	(220,804)
Issuance of units to Manager during the year	17	50,861	49,883
(Loss)/profit after taxation and before transactions with unitholders for the year		(491,492)	729,428
Change in fair value of cash flow hedge		(179,440)	(148,859)
At the end of the year		4,263,544	5,164,370

The notes on pages 92 to 127 form part of these consolidated financial statements.

DISTRIBUTION STATEMENT

For the year ended 30 June 2009
(Expressed in Hong Kong dollars)

	Note	2009 \$'000	2008 \$'000
(Loss)/profit after taxation and before transactions with unitholders		(491,492)	729,428
Adjustments:			
- Net decrease/(increase) in fair value of investment properties	10	803,026	(590,139)
- Manager's fees paid or payable in the form of units	7(b)	47,976	50,166
- Non-cash finance costs on interest bearing liabilities		44,566	42,572
- Deferred tax	8(a)	(134,261)	26,682
		761,307	(470,719)
Total distributable income (note (i))		269,815	258,709
Interim distribution, paid		101,007	78,961
Final distribution, to be paid to unitholders		168,808	179,748
Total distributions for the year (note (i))		269,815	258,709
Distribution per unit:			
- Before adjusting for distribution waivers (notes (ii) to (iv))			
Interim distribution per unit, paid		6.61 cents	5.25 cents
Final distribution per unit, to be paid to unitholders		10.91 cents	11.87 cents
		17.52 cents	17.12 cents
- After adjusting for distribution waivers (notes (ii), (v) and (vi))			
Interim distribution per unit, paid		9.29 cents	7.44 cents
Final distribution per unit, to be paid to unitholders		15.27 cents	16.76 cents
		24.56 cents	24.20 cents

DISTRIBUTION STATEMENT

For the year ended 30 June 2009
(Expressed in Hong Kong dollars)

Notes:

- (i) 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 100% of Sunlight REIT's annual distributable income for each financial year.
- (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. According to the register of unitholders maintained by the Unit Registrar, these unitholders did not dispose of such units during the year.
- (iii) The final distribution per unit, before adjusting for distribution waivers as mentioned in (ii) above, of 10.91 cents (2008: 11.87 cents), is calculated by dividing the final distribution of \$168,808,000 by 1,546,905,770 units in issue as at 30 June 2009 (2008: \$179,748,000 and 1,514,195,650 units).
- (iv) The interim distribution per unit for the six months ended 31 December 2008, before adjusting for distribution waivers as mentioned in (ii) above, of 6.61 cents, is calculated by dividing the interim distribution of \$101,007,000 by 1,528,453,243 units in issue as at 31 December 2008 (six months ended 31 December 2007: 5.25 cents, calculated based on \$78,961,000 and 1,503,341,222 units in issue as at 31 December 2007).
- (v) The final distribution per unit, after adjusting for distribution waivers as mentioned in (ii) above, of 15.27 cents (2008: 16.76 cents), is calculated by dividing the final distribution of \$168,808,000 by 1,105,263,132 units (2008: \$179,748,000 and 1,072,553,012 units), which is arrived as follows:

	As at 30 June 2009	As at 30 June 2008
Units in issue	1,546,905,770	1,514,195,650
Less: Units held by the unitholders who agreed to waive their entitlement to distribution for the year	(441,642,638)	(441,642,638)
	1,105,263,132	1,072,553,012

- (vi) The interim distribution per unit for the six months ended 31 December 2008, after adjusting for distribution waivers as mentioned in (ii) above, of 9.29 cents, is calculated by dividing the interim distribution of \$101,007,000 by 1,086,810,605 units (six months ended 31 December 2007: 7.44 cents, calculated based on \$78,961,000 and 1,061,698,584 units), which is arrived as follows:

	As at 31 December 2008	As at 31 December 2007
Units in issue	1,528,453,243	1,503,341,222
Less: Units held by the unitholders who agreed to waive their entitlement to distribution for the period	(441,642,638)	(441,642,638)
	1,086,810,605	1,061,698,584

- (vii) The 2009 interim distribution was paid to unitholders on 29 April 2009. The 2009 final distribution is expected to be paid on 30 October 2009 to unitholders whose names appear on the register of unitholders on 2 October 2009.

The notes on pages 92 to 127 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2009
(Expressed in Hong Kong dollars)

	2009 \$'000	2008 \$'000
Operating activities		
(Loss)/profit before taxation and transactions with unitholders	(613,658)	766,368
Adjustments for:		
- Manager's fees	47,976	50,166
- Adjustment Payments	(77,499)	(90,635)
- Net decrease/(increase) in fair value of investment properties	803,026	(590,139)
- Finance costs on interest bearing liabilities	182,947	181,352
- Depreciation	3	1
- Interest income	(4,251)	(7,597)
Operating cash flow before changes in working capital	338,544	309,516
Increase in trade and other receivables	(3,862)	(1,360)
Increase in tenants' deposits	5,138	17,314
Increase/(decrease) in rent receipts in advance	336	(176)
Increase in trade and other payables	37,618	7,487
Cash generated from operations	377,774	332,781
Tax paid		
- Hong Kong Profits Tax paid	(40,612)	(19,320)
Net cash generated from operating activities	337,162	313,461
Investing activities		
Interest received	4,455	7,290
Expenditure on investment properties	(16,026)	(2,861)
Payment for purchase of other fixed assets	(25)	(15)
Adjustment Payments received	90,635	59,770
Net cash generated from investing activities	79,039	64,184
Financing activities		
Distribution paid to unitholders	(280,755)	(220,804)
Decrease/(increase) in pledged deposits	4,869	(17,121)
Interest paid	(140,291)	(139,755)
Net cash used in financing activities	(416,177)	(377,680)
Net increase/(decrease) in cash at bank and in hand	24	(35)
Cash at bank and in hand at the beginning of the year	116	151
Cash at bank and in hand at the end of the year	140	116

The notes on pages 92 to 127 form part of these consolidated financial statements.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 General

Sunlight Real Estate Investment Trust (“**Sunlight REIT**”) is a Hong Kong collective investment scheme constituted as a unit trust by the Trust Deed dated 26 May 2006 (as amended by the supplemental deeds dated 1 June 2006, 28 November 2006 and 28 April 2009 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 with the objective of producing stable and sustainable distributions to unitholders and to achieve long term growth in the net asset value per unit. It has its principal place of business at 30th Floor, 248 Queen’s Road East, Wan Chai, Hong Kong.

2 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 a number of new Interpretations and an amendment to HKFRSs that are first effective for the current accounting period of the Group. However, none of these developments are relevant to the Group’s operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 26).

2 Significant Accounting Policies (continued)

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 30 June 2009 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 25.

(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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Significant Accounting Policies (continued)

(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 cash-generating 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. In addition, Sunlight REIT is required to distribute to unitholders no less than 90% of its annual distributable income for each financial year in accordance with the Trust Deed and the REIT Code. 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 recognised immediately in 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)).

(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.

2 Significant Accounting Policies (continued)

(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.

(i) 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
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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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Significant Accounting Policies (continued)

(i) Other property, plant and equipment (continued)

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.

(j) 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.

2 Significant Accounting Policies (continued)

(l) 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.

(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.

2 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:

- (i) 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:

- (i) 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 Segment Reporting

Segmental results

	Office properties \$'000	2009 Retail properties \$'000	Total \$'000	Office properties \$'000	2008 Retail properties \$'000	Total \$'000
Turnover						
- rental income	183,048	194,353	377,401	153,678	185,087	338,765
- car park income	2,915	16,077	18,992	3,030	15,549	18,579
- rental related income	40,290	35,026	75,316	39,694	34,313	74,007
	226,253	245,456	471,709	196,402	234,949	431,351
Property operating expenses	(52,397)	(68,634)	(121,031)	(48,987)	(63,638)	(112,625)
Net property income	173,856	176,822	350,678	147,415	171,311	318,726
Administrative expenses	(26,170)	(24,658)	(50,828)	(26,996)	(26,114)	(53,110)
Segment results	147,686	152,164	299,850	120,419	145,197	265,616
Net (decrease)/increase in fair value of investment properties	(402,353)	(400,673)	(803,026)	505,621	84,518	590,139
Adjustment Payments			77,499			90,635
Finance costs on interest bearing liabilities			(182,947)			(181,352)
Income tax			122,166			(36,940)
Unallocated net (expenses)/ other income			(5,034)			1,330
(Loss)/profit after taxation and before transactions with unitholders			(491,492)			729,428
Depreciation	3	—	3	1	—	1

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Segment Reporting (continued)

Segmental balance sheet

	As at 30 June 2009			As at 30 June 2008		
	Office properties \$'000	Retail properties \$'000	Total \$'000	Office properties \$'000	Retail properties \$'000	Total \$'000
Segment assets	4,966,174	4,632,875	9,599,049	5,357,503	5,024,124	10,381,627
Derivative financial instruments			—			87,730
Pledged deposits			222,864			227,733
Cash at bank and in hand			140			116
Tax recoverable			41,296			6,627
Deferred tax assets			65			—
Unallocated assets			78,006			91,884
Total assets			9,941,420			10,795,717
Segment liabilities	(84,965)	(76,569)	(161,534)	(71,947)	(67,445)	(139,392)
Derivative financial instruments			(132,040)			—
Secured bank borrowings			(3,940,166)			(3,935,930)
Current taxation			(15,332)			(9,180)
Deferred tax liabilities			(1,389,444)			(1,523,640)
Unallocated liabilities			(39,360)			(23,205)
Total liabilities, excluding net assets attributable to unitholders			(5,677,876)			(5,631,347)
Capital expenditure incurred during the year	4,364	11,687	16,051	1,394	1,482	2,876

4 Turnover

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

	Note	2009 \$'000	2008 \$'000
Rental income	18	377,401	338,765
Car park income		18,992	18,579
Rental related income		75,316	74,007
		471,709	431,351

Additional rents based on business turnover of tenants amounting to \$1,200,000 (2008: \$1,039,000) have been included in the rental income.

5 Property Operating Expenses

	2009 \$'000	2008 \$'000
Building management fee	46,065	44,999
Property Manager's fees	31,196	29,267
Government rent and rates	12,396	12,312
Marketing and promotion expenses	9,865	9,478
Car park operating costs (note)	6,688	6,503
Bad debts written off	1,662	97
Other direct costs	13,159	9,969
	121,031	112,625

Note: Included Property Manager's fees of \$1,841,000 (2008: \$2,343,000).

6 Other Income

	2009 \$'000	2008 \$'000
Bank interest income	4,251	7,597
Others	2	2
	4,253	7,599

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

7 (Loss)/Profit Before Taxation and Transactions with Unitholders

(Loss)/profit before taxation and transactions with unitholders is arrived at after charging:

	2009 \$'000	2008 \$'000
(a) Finance costs on interest bearing liabilities:		
Interest on borrowings	138,235	138,629
Other borrowing costs	44,712	42,723
	182,947	181,352

The total amount represents finance costs on interest bearing liabilities wholly repayable after two years but within five years (note 16), whereas other borrowing costs represent the amortisation of the upfront payments for the interest rate swaps and various financing charges.

	2009 \$'000	2008 \$'000
(b) Other items:		
Manager's fees	47,976	50,166
Property Manager's fees	33,037	31,610
Trustee's remuneration	2,733	2,909
Auditors' remuneration		
- Audit services	1,600	1,600
- Other services	370	370
Valuation fees	750	800
Other legal and professional fees	4,653	3,605
Bank charges	471	499

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

8 Income Tax

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

	2009 \$'000	2008 \$'000
Current tax - Provision for Hong Kong Profits Tax		
Provision for the year	13,987	9,856
(Over)/under-provision in respect of prior years	(1,892)	402
	12,095	10,258
Deferred tax		
Origination and reversal of temporary differences	(134,261)	100,462
Effect on opening deferred tax balances resulting from decrease in tax rate during the year	—	(73,780)
	(134,261)	26,682
	(122,166)	36,940

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

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

	2009 \$'000	2008 \$'000
(Loss)/profit before taxation and transactions with unitholders	(613,658)	766,368
Notional tax on (loss)/profit before taxation and transactions with unitholders, calculated at the Hong Kong Profits Tax rate of 16.5%	(101,254)	126,451
Tax effect of non-deductible expenses	3,299	3,221
Tax effect of non-taxable income	(13,295)	(19,765)
Tax effect of tax losses not recognised	467	451
Tax effect of prior years' tax losses and other temporary differences	(9,258)	—
Effect on opening deferred tax balances resulting from decrease in tax rate during the year	—	(73,780)
(Over)/under-provision in respect of prior years	(1,892)	402
Others	(233)	(40)
Actual tax (credit)/expense	(122,166)	36,940

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

8 Income Tax (continued)

(c) 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 are as follows:

<i>Deferred tax arising from:</i>	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 losses \$'000	Total \$'000
As at 1 July 2007	52,764	585,100	159,709	715,956	(13,891)	1,499,638
Charged/(credited) to profit or loss	11,024	95,888	—	—	(6,450)	100,462
Effect on opening deferred tax balances resulting from decrease in tax rate during the year:						
- (credited)/charged to profit or loss	(2,908)	(33,434)	—	(38,232)	794	(73,780)
- credited to reimbursement rights	—	—	—	(2,680)	—	(2,680)
As at 30 June 2008	60,880	647,554	159,709	675,044	(19,547)	1,523,640
As at 1 July 2008	60,880	647,554	159,709	675,044	(19,547)	1,523,640
Charged/(credited) to profit or loss	8,627	(137,650)	—	—	(5,238)	(134,261)
As at 30 June 2009	69,507	509,904	159,709	675,044	(24,785)	1,389,379

	2009 \$'000	2008 \$'000
<i>Represented by:</i>		
Net deferred tax assets recognised in the consolidated balance sheet	(65)	—
Net deferred tax liabilities recognised in the consolidated balance sheet	1,389,444	1,523,640
	1,389,379	1,523,640

8 Income Tax (continued)

(d) Deferred tax assets not recognised:

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

	2009		2008	
	Tax losses \$'000	Deferred tax assets \$'000	Tax losses \$'000	Deferred tax assets \$'000
Future benefits of Hong Kong tax losses				
- Assessed by the Inland Revenue Department	17,654	2,913	9,606	1,585
- Not yet assessed by the Inland Revenue Department	114,075	18,822	114,488	18,890
	131,729	21,735	124,094	20,475

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

9 (Loss)/Earnings Per Unit Before Transactions with Unitholders

The basic loss per unit before transactions with unitholders for the year ended 30 June 2009 amounted to \$0.32 (2008: earning per unit of \$0.49). The calculation of basic (loss)/earnings per unit before transactions with unitholders is based on the Group's loss after taxation and before transactions with unitholders of \$491,492,000 (2008: profit of \$729,428,000) and the weighted average of 1,526,861,155 units in issue during the year (2008: 1,501,357,280 units).

Diluted (loss)/earnings per unit before transactions with unitholders for the year ended 30 June 2009 and 2008 are not presented as there was no potential dilution of (loss)/earnings per unit before transactions with unitholders.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

10 Fixed Assets

	Furniture and fixtures \$'000	Investment properties \$'000	Total \$'000
Cost or valuation:			
As at 1 July 2007	—	9,558,000	9,558,000
Additions	15	2,861	2,876
Net increase in fair value	—	590,139	590,139
As at 30 June 2008	15	10,151,000	10,151,015
Representing:			
Cost	15	—	15
Valuation - 2008	—	10,151,000	10,151,000
	15	10,151,000	10,151,015
Cost or valuation:			
As at 1 July 2008	15	10,151,000	10,151,015
Additions	25	16,026	16,051
Net decrease in fair value	—	(803,026)	(803,026)
As at 30 June 2009	40	9,364,000	9,364,040
Representing:			
Cost	40	—	40
Valuation - 2009	—	9,364,000	9,364,000
	40	9,364,000	9,364,040
Accumulated depreciation:			
As at 1 July 2007	—	—	—
Charge for the year	1	—	1
As at 30 June 2008	1	—	1
As at 1 July 2008	1	—	1
Charge for the year	3	—	3
As at 30 June 2009	4	—	4
Net book value:			
As at 30 June 2009	36	9,364,000	9,364,036
As at 30 June 2008	14	10,151,000	10,151,014

10 Fixed Assets (continued)

- (a) The investment properties were revalued at 30 June 2009 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.
- (b) The analysis of the fair value of investment properties is as follows:

	2009 \$'000	2008 \$'000
In Hong Kong		
- long leases	4,410,000	4,771,000
- medium-term leases	4,954,000	5,380,000
	9,364,000	10,151,000

- (c) The Group's investment properties have been mortgaged to secure banking facilities granted to the Group (note 16).

11 Reimbursement Rights

The amount represents the reimbursement rights recognised pursuant to the tax indemnity provided by the Vendors (as defined in note 18), to the extent of certain relevant deferred tax liabilities recognised in the subsidiaries as at the date of acquisition.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12 Derivative Financial Instruments

	2009 \$'000	2008 \$'000
Interest rate swaps - cash flow hedges	(132,040)	87,730

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
\$3,950,000,000	30 June 2011	From Hong Kong Interbank Offered Rate plus 0.45% per annum to a fixed rate of 3.5% per annum from 1 July 2007 to the end of the interest rate swaps, except for the period from 30 June 2009 to 29 June 2010, in which the applicable fixed rate is 3.36% per annum (note).

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.

Note:

Under the original arrangement entered into with The Hongkong and Shanghai Banking Corporation Limited (“HSBC”), the swap counterparty of Sunlight REIT, HSBC was to pay Sunlight REIT, on a quarterly basis, an aggregate amount equivalent to the interest payment payable in respect of the term loan. In return, Sunlight REIT was to make quarterly payment to HSBC, calculated by applying fixed interest rates (3.5% per annum for the financial year 2008/09) on the amount of the term loan.

On 26 May 2009, the arrangement of interest rate swaps was amended. As a result of the amendment, during the one-year period from 30 June 2009 through 29 June 2010, the quarterly payments to be made by HSBC to Sunlight REIT will be made monthly. The fixed interest rate for calculating the amount to be paid by Sunlight REIT to HSBC will also be amended from 3.5% per annum to 3.36% per annum.

13 Trade and Other Receivables

	2009 \$'000	2008 \$'000
Rental receivables	21,133	19,375
Deposits and prepayments	9,609	6,925
Other receivables	522	553
Amounts due from related companies	77,823	91,712
	109,087	118,565

\$5,438,000 (2008: \$5,100,000) 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:

	2009 \$'000	2008 \$'000
Current	15,191	13,956
Less than 1 month overdue	4,102	4,637
More than 1 month and up to 3 months overdue	943	483
More than 3 months and up to 6 months overdue	436	122
More than 6 months overdue	461	177
	21,133	19,375

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 19(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 18).

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

14 Tenants' Deposits

The tenants' deposits include \$69,084,000 (2008: \$64,636,000) 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.

15 Trade and Other Payables

	2009 \$'000	2008 \$'000
Creditors and accrued charges	33,909	29,130
Manager's fees payable (note 24(b)(ii))	11,454	14,339
Amounts due to related companies	40,451	9,522
	85,814	52,991

All creditors and accrued charges are due within one month or on demand and expected to be settled within one year.

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

The amounts due to related companies are unsecured, interest-free and have no fixed terms of repayment except for the amount due to the Trustee of \$675,000 (2008: \$783,000) which is due within 30 days.

16 Secured Bank Borrowings

The bank loan was repayable as follows:

	2009 \$'000	2008 \$'000
After 2 years but within 5 years	3,940,166	3,935,930

The Group has two facilities in the aggregate amount of \$3,975,000,000 (2008: \$4,050,000,000) before transaction costs, comprising a \$3,950,000,000 term loan and a \$25,000,000 (2008: \$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 12.

16 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 \$9,364,000,000 as at 30 June 2009 (2008: \$10,151,000,000) (note 10);
- floating charge over bank balances of \$51,476,000 (2008: \$57,413,000) and \$171,388,000 (2008: \$170,320,000) in bank accounts maintained respectively with HSBC 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 4.52% (2008: 4.47%). The carrying amounts of the bank borrowings approximate their fair value.

17 Units in Issue

	<u>Number of units</u>
As at 1 July 2007	1,491,778,433
Issuance of units during the year	22,417,217
As at 30 June 2008	<u>1,514,195,650</u>
As at 1 July 2008	1,514,195,650
Issuance of units during the year	32,710,120
As at 30 June 2009	<u>1,546,905,770</u>

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

17 Units in Issue (continued)

Details of units issued during the year as payment of the Manager's fees are as follows:

Payment of the Manager's fees for the year	Average issue price per unit determined based on the Trust Deed \$	Aggregate issue price \$'000	Number of units issued
1 April 2008 to 30 June 2008	1.9807	11,967	6,041,879
Adjustment of Manager's fees for the financial year 2007/08	1.8141	2,372	1,307,535
1 July 2008 to 30 September 2008	1.8520	12,794	6,908,179
1 October 2008 to 31 December 2008	1.3808	11,849	8,581,272
1 January 2009 to 31 March 2009	1.2034	11,879	9,871,255
		50,861	32,710,120

18 Adjustment Payments

Pursuant to several Deeds of Adjustment Payments all dated 2 December 2006 entered into among the Manager, the Trustee and certain related parties comprising subsidiaries of Shau Kee Financial Enterprises Limited, Henderson Land Development Company Limited, Henderson Investment Limited and Henderson Development Limited (collectively referred to as the "Vendors") in favour of Sunlight REIT, the Vendors have agreed to make payments to Sunlight REIT in respect of the difference between the relevant consolidated rental income and the guaranteed rental income per annum, 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 for the year is determined as follows:

	Note	2009 \$'000	2008 \$'000
Guaranteed rental income		454,900	429,400
Consolidated rental income	4	(377,401)	(338,765)
Adjustment Payments		77,499	90,635

19 Financial Risk Management and Fair Values

Exposure to credit, interest rate and liquidity risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are 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 counterparties and cash transactions are limited to high-credit-quality financial institutions.

(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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

19 Financial Risk Management and Fair Values (continued)

(b) Interest rate risk (continued)

Sensitivity analysis

As at 30 June 2009, if interest rates had been 100 basis points higher, the net assets attributable to unitholders would have been \$75.2 million (2008: \$99.0 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 10 basis points (2008: 100 basis points) lower, the net assets attributable to unitholders would have been \$7.6 million (2008: \$102.5 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 and 10 basis point decrease represents management's assessment of a reasonably possible change in interest rate over the period until the next annual balance sheet date.

(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 the REIT Code.

19 Financial Risk Management and Fair Values (continued)

(c) Liquidity risk (continued)

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:

	2009					Balance sheet carrying amount \$'000
	Contractual undiscounted cash flow					
	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	Total \$'000	
Secured bank borrowings	21,781	31,600	3,964,978	—	4,018,359	3,940,166
Derivative financial instruments (net settled)	110,939	106,650	—	—	217,589	132,040
Tenants' deposits	43,010	42,132	22,987	3,965	112,094	112,094
Creditors and accrued charges	33,909	—	—	—	33,909	33,909
Amounts due to related companies	40,451	—	—	—	40,451	40,451
	250,090	180,382	3,987,965	3,965	4,422,402	4,258,660

	2008					Balance sheet carrying amount \$'000
	Contractual undiscounted cash flow					
	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	Total \$'000	
Secured bank borrowings	109,613	109,613	4,111,565	—	4,330,791	3,935,930
Tenants' deposits	42,320	37,010	27,220	406	106,956	106,956
Creditors and accrued charges	29,130	—	—	—	29,130	29,130
Amounts due to related companies	9,522	—	—	—	9,522	9,522
	190,585	146,623	4,138,785	406	4,476,399	4,081,538

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

19 Financial Risk Management and Fair Values (continued)

(d) Fair value estimation

The carrying amounts of the Group's financial assets including cash at bank and in hand, pledged deposits, 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.

20 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 2009, Sunlight REIT's aggregate borrowings represent 39.7 per cent (2008: 36.6 per cent) of its total gross asset value.

21 Capital Commitments

Capital commitments outstanding as at 30 June 2009 not provided for in the consolidated financial statements are as follows:

	2009 \$'000	2008 \$'000
Contracted for	11,063	8,632
Authorised but not contracted for	11,904	27,224
	22,967	35,856

22 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 (2008: \$4,685,000).

23 Significant Leasing Arrangements

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

	2009 \$'000	2008 \$'000
Within 1 year	398,255	395,012
After 1 year but within 5 years	324,049	330,642
After 5 years	2,801	12,876
	725,105	738,530

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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

24 Connected Party Transactions and Material Related Party Transactions

During the year, 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 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
Yam & Co (“ YC ”)	Connected persons of the Manager
Yung, Yu, Yuen & Co (“ YYY ”)	Connected persons of HLD Group

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.

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

(b) Transactions with connected/related parties

	2009 \$'000	2008 \$'000
Rental and rental related income received/ receivable from (note (i)):		
- HLD Group	7,110	7,237
- HSBC Group	10,033	9,694
Property management expenses and bank charges paid/payable to (note (i)):		
- HLD Group	(17,713)	(16,350)
- HSBC Group	(128)	(128)
Manager's fees (note (ii))	(47,976)	(50,166)
Property Manager's fees (note (iii))	(33,037)	(31,610)
Trustee's fee (note (iv))	(2,733)	(2,909)
Interest expenses and agency charge on bank loans paid/payable to (note (v)):		
- HSBC Group	(21,968)	(36,206)
Interest paid/payable under the interest rate swaps (note 12):		
- HSBC Group	(41,062)	—
Interest received/receivable under the interest rate swaps (note 12):		
- HSBC Group	—	22,485
Interest income on bank deposits received/ receivable from (note (i)):		
- HSBC Group	952	3,603
Adjustment Payments receivable from (note 18):		
- HLD Group	11,857	13,867
- SKFE Group	59,217	69,254
- HD Group	6,425	7,514
Insurance expenses paid/payable to (note (i)):		
- HSBC Group	(21)	(12)
Valuation fee and other charges paid/payable to (note (i)):		
- Savills Group	(752)	(871)

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

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

	2009 \$'000	2008 \$'000
Promotion income received/receivable from (note (i)):		
- HLD Group	807	488
Professional fee paid/payable to (note (i)):		
- YC	(34)	(285)
- YYY	—	(1)

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 2009, 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 in this connection.
- (iii) 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 for the management of properties 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.
- (v) Interest expenses are calculated on the outstanding loan balance by reference to the interest rate as set out in note 16.

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

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

	2009 \$'000	2008 \$'000
Net amount due (to)/from:		
- HLD Group	(40,947)	(9,546)
- HSBC Group (note)	(830,091)	(824,102)
- SKFE Group	59,217	69,254
- HD Group	6,425	7,514
- Savills Group	(600)	(852)
- YC	(81)	(93)
Note:		
Deposits and cash placed with the HSBC Group	51,550	57,464
Secured bank borrowings drawn down from the HSBC Group	(878,082)	(878,249)
Others	(3,559)	(3,317)
	(830,091)	(824,102)

25 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

As at 30 June 2009, the Group has recognised a deferred tax asset in relation to the unused tax losses amounting to approximately \$150,212,000 (2008: \$118,467,000). 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.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

26 Possible Impact of Amendments, New Standards and New Interpretations Issued but not yet Effective for the Year Ended 30 June 2009

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 2009 and which have not been adopted in these consolidated financial statements.

The Manager 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 result in a restatement of the Group's results of operations and financial position.

In addition, the following developments are expected to result in amended presentation and disclosures in the consolidated financial statements, including restatement of comparative amounts in the first period of adoption:

	Effective for accounting periods beginning on or after
HKFRS 8, " <i>Operating segments</i> "	1 January 2009
Revised HKAS 1, " <i>Presentation of financial statements</i> "	1 January 2009
Amendments to HKAS 32, " <i>Financial instruments: Presentation</i> " and HKAS 1, " <i>Presentation of financial statements - Puttable financial instruments and obligations arising on liquidation</i> "	1 January 2009
Amendments to HKFRS 7, " <i>Financial instruments: Disclosures - Improving disclosures about financial instruments</i> "	1 January 2009
Improvements to HKFRSs 2008	1 January 2009

27 Principal Subsidiaries of Sunlight REIT

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

Name of Company	Place of incorporation/ operation	Issued and fully paid share capital	% of shares held		Principal activities
			Sunlight REIT	Subsidiaries	
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

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

27 Principal Subsidiaries of Sunlight REIT (continued)

Details of the principal subsidiaries of the Group are as follows: (continued)

Name of Company	Place of incorporation/ operation	Issued and fully paid share capital	% of shares held		Principal activities
			Sunlight REIT	Subsidiaries	
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

27 Principal Subsidiaries of Sunlight REIT (continued)

Details of the principal subsidiaries of the Group are as follows: (continued)

Name of Company	Place of incorporation/ operation	Issued and fully paid share capital	% of shares held		Principal activities
			Sunlight REIT	Subsidiaries	
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	2009	2008	2007 ^(note 3)
As at 30 June:				
Net asset value (\$' million)		4,264	5,164	4,755
Net asset value per unit		2.76	3.41	3.19
For the year/period ended 30 June:				
Highest traded unit price		1.96	2.56	2.60
Highest premium of the traded unit price to net asset value per unit	1	N/A	N/A	N/A
Lowest traded unit price		0.91	1.85	2.11
Highest discount of the traded unit price to net asset value per unit (%)		67.0	45.7	33.9
Last traded unit price		1.52	1.92	2.25
Distribution per unit, after adjusting for distribution waivers (HK cents)		24.56	24.20	13.51
Distribution yield per unit (%)	2	16.2	12.6	6.0

Notes:

1. The highest traded unit price 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.
2. Distribution yield per unit is calculated by dividing the distribution per unit, after adjusting for distribution waivers, by the last traded unit price of the year/period.
3. As Sunlight REIT was listed on 21 December 2006 (the "Listing Date"), the annual report for 2006/07 covers the period from the Listing Date to 30 June 2007.

CORPORATE INFORMATION

BOARD OF DIRECTORS OF THE MANAGER

Chairman and Non-executive Director

Tse Wai Chuen, Tony

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

COMPANY SECRETARY OF THE MANAGER

Lo Yuk Fong, Phyllis

TRUSTEE

HSBC Institutional Trust Services (Asia) Limited

AUDITOR

KPMG

PRINCIPAL VALUER *

Savills Valuation and Professional Services Limited

LEGAL ADVISER

Woo, Kwan, Lee & Lo

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

BNP Paribas, Hong Kong Branch

DBS Bank Ltd., Hong Kong Branch

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

Overseas-Chinese Banking

Corporation Limited, Hong Kong

Sumitomo Mitsui Banking Corporation

REGISTERED OFFICE OF THE MANAGER

30th Floor, 248 Queen's Road East,

Wan Chai, Hong Kong

UNIT REGISTRAR

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26th Floor, Tesbury Centre,

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

INVESTOR RELATIONS

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* Pursuant to the REIT Code, Savills Valuation and Professional Services Limited shall retire as the principal valuer after it has conducted valuations of the scheme for three consecutive years. Knight Frank Petty Limited has been appointed by the Trustee in August 2009 to fill the casual vacancy.

Sunlight Real Estate Investment Trust

30th Floor, 248 Queen's Road East, Wan Chai, Hong Kong
www.sunlightreit.com

Managed by Henderson Sunlight Asset Management Limited



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