



SUNLIGHT REIT

陽光 房地產基金

Stock Code 股份代號: 435

2010/11

Interim Report 中期報告



Sunlight REIT

Listed on The Stock Exchange of Hong Kong Limited on 21 December 2006 (the “**Listing Date**”), Sunlight Real Estate Investment Trust (“**Sunlight REIT**”) (stock code: 435) offers investors the opportunity to invest in a diversified portfolio of 12 office and 8 retail properties totaling 1,294,389 sq. ft. in gross rentable area with an appraised value of HK\$11,111.3 million at 31 December 2010. The office properties are located in both core and decentralised business areas, while the retail properties are located in regional transportation hubs, new towns and other urban areas with high population density.

REIT Manager

Henderson Sunlight Asset Management Limited is the manager of Sunlight REIT (the “**Manager**”). An indirect wholly-owned subsidiary of Henderson Land Development Company Limited, the Manager’s responsibility is to manage Sunlight REIT in the sole interest of the unitholders in accordance with the terms of the trust deed constituting Sunlight REIT dated 26 May 2006 (as amended) (the “**Trust Deed**”).

Contents

Distribution	2
Portfolio at a Glance	4
Market and Operation Review	6
Financial Review	8
Outlook	10
Connected Party Transactions	11
Disclosure of Interests	15
Corporate Governance	18
Interim Financial Report	21
Auditor's Review Report	48
Performance Table	49
Corporate Information and Financial Calendar	50

Distribution

The total distributable income of Sunlight REIT for the six months ended 31 December 2010 (the “**Reporting Period**”) rose 43.8% year-on-year to HK\$127,797,792. Pursuant to the announcement dated 1 June 2010 in respect of the change in the distribution policy of Sunlight REIT with effect from FY2010/11, the Board of Directors of the Manager has resolved to declare an interim distribution of HK\$115,018,013, which implies a payout ratio of 90%. Distribution per unit (“**DPU**”) for the Reporting Period amounts to approximately HK 8.50 cents, representing a year-on-year increase of 23.5% as compared with HK 6.88 cents distributed in the previous corresponding period.

The increase in total distributable income was attributable to various factors, notably including the improvement in the underlying operational performance of Sunlight REIT, as well as interest saving achieved as a result of a series of capital management initiatives undertaken during FY2009/10.

In addition to the ordinary course of business, the level of distributable income and DPU were also affected by certain policies and structures as depicted below:

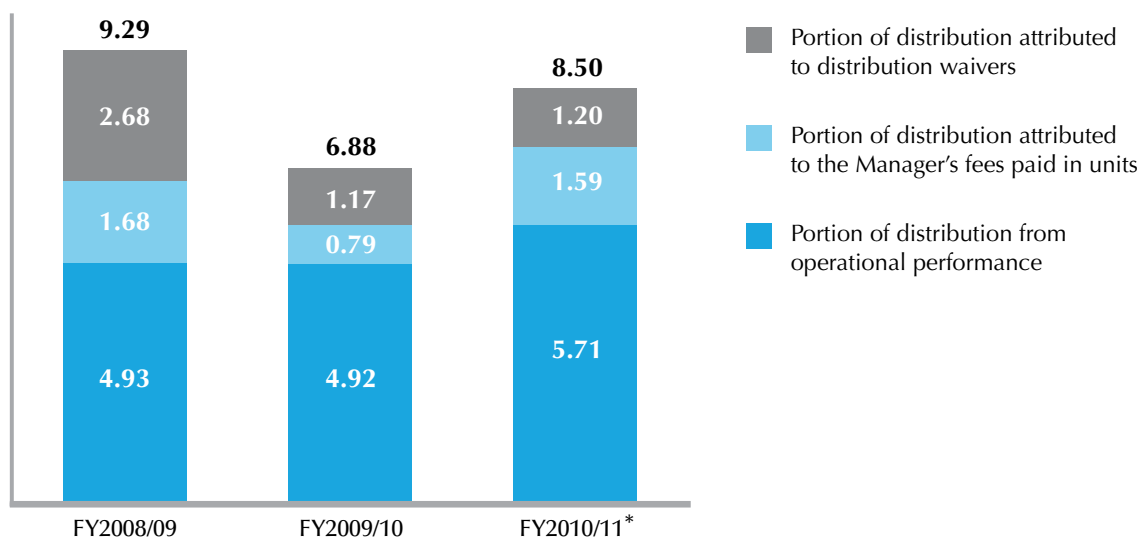
1. Pursuant to the Deeds of Distribution Waiver ^{note}, the extent of distribution waivers offered by certain subsidiaries of Henderson Land Development Company Limited (“**HLD**”) and certain subsidiaries of Shau Kee Financial Enterprises Limited (“**SKFE**”) has been reduced from 60% in FY2009/10 to 50% in FY2010/11; and
2. Pursuant to the announcement issued on 1 June 2010, the Manager has elected to receive its base fee and variable fee for FY2010/11 entirely in units (FY2009/10: 50% in cash and 50% in units).

Note: Please refer to note (iii) of the “Distribution Statement” on page 27 for details.

The chart below provides a year-on-year comparison of the DPU. Contributions from operational performance, the change in the payment structure of Manager's fees and distribution waivers are shown separately to illustrate the effect of each component on the DPU.

Interim Distribution at a Glance

HK cents



* Based on a payout ratio of 90%, HK\$12,779,779 (or approximately HK 0.94 cents per unit) has been retained as additional working capital.

Distribution Entitlement and Closure of Register of Unitholders

The record date for the interim distribution will be Thursday, 3 March 2011. The register of unitholders will be closed from Tuesday, 1 March 2011 to Thursday, 3 March 2011, both days inclusive, during which period no transfer of units will be effected. In order to be entitled to the interim distribution, all completed transfer forms accompanied by the relevant unit certificates must be lodged for registration with the Unit Registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Monday, 28 February 2011. Payment of interim distribution will be made to unitholders on Wednesday, 30 March 2011.

Portfolio at a Glance

Property	Property Details						Occupancy (%)		
	Location	Year of completion	No. of car park spaces	GRA ¹ (sq. ft.)			at 31 Dec 10	at 30 Jun 10	at 31 Dec 09
				Office	Retail	Total			
Office Property									
Grade A									
248 Queen's Road East	Wan Chai	1998	46	369,891	6,490	376,381	99.4	94.9	91.7
Grade B									
Bonham Trade Centre	Sheung Wan	1998	0	108,506	9,403	117,909	97.5	98.2	97.6
Righteous Centre	Mong Kok	1996	0	41,004	10,763	51,767	99.3	96.7	99.3
Winsome House Property	Central	1999	0	37,937	2,177	40,114	100.0	97.1	91.4
135 Bonham Strand Trade Centre Property	Sheung Wan	2000	0	60,844	3,071	63,915	93.2	96.0	94.1
235 Wing Lok Street Trade Centre	Sheung Wan	2000	0	47,481	4,804	52,285	94.8	97.9	94.5
Java Road 108 Commercial Centre	North Point	1998	0	35,694	2,229	37,923	98.1	86.4	82.6
Yue Fai Commercial Centre Property	Aberdeen	1997	0	41,272	1,479	42,751	96.2	97.6	97.1
On Loong Commercial Building Property	Wan Chai	1984	0	23,856	1,708	25,564	95.7	97.9	96.7
Everglory Centre	Tsim Sha Tsui	1999	0	25,896	3,906	29,802	92.7	100.0	90.3
Sun Fai Commercial Centre Property	Mong Kok	1998	0	23,817	2,334	26,151	100.0	96.3	90.0
Wai Ching Commercial Building Property	Yau Ma Tei	1997	0	14,239	2,082	16,321	95.6	95.6	94.5
Sub-total/Average			46	830,437	50,446	880,883	97.9	95.9	93.2
Retail Property									
New Town									
Sheung Shui Centre Shopping Arcade	Sheung Shui	1993	297	0	122,339	122,339	99.3	99.8	98.8
Metro City Phase I Property	Tseung Kwan O	1996	452	0	188,889	188,889	98.3	97.7	97.1
Kwong Wah Plaza Property	Yuen Long	1998	0	39,101	25,741	64,842	98.8	100.0	100.0
Urban									
Royal Terrace Property	North Point	2002	49	0	9,565	9,565	100.0	95.5	100.0
Beverly Commercial Centre Property	Tsim Sha Tsui	1982	0	0	7,934	7,934	100.0	100.0	100.0
Glory Rise Property	North Point	2003	0	0	7,086	7,086	100.0	100.0	100.0
Supernova Stand Property	North Point	2001	0	0	4,226	4,226	100.0	100.0	100.0
Palatial Stand Property	Hung Hom	2001	0	3,566	5,059	8,625	100.0	100.0	100.0
Sub-total/Average			798	42,667	370,839	413,506	98.8	98.8	98.3
Total/Average			844	873,104	421,285	1,294,389	98.2	96.8	94.9

- Notes:
1. Size of the properties is measured in terms of gross rentable area ("GRA").
 2. Passing rent and committed rent are expressed in terms of rent per month.
 3. Valuation prepared by Knight Frank Petty Limited.

N/A: Not applicable

Operational Statistics						Property Financials				
Passing Rent ² (HK\$/sq. ft.)			Committed Rent ² (HK\$/sq. ft.)			Net Property Income (HK\$'000)		Capitalisation Rate at 31 Dec 10 (%)		Appraised Value at 31 Dec 10 ³ (HK\$'000)
at 31 Dec 10	at 30 Jun 10	at 31 Dec 09	1 Jul 10 – 31 Dec 10	1 Jan 10 – 30 Jun 10	1 Jul 09 – 31 Dec 09	First half of FY2010/11	First half of FY2009/10	Retail	Office	
24.8	24.7	25.0	25.5	22.7	24.4	53,219	45,003	4.40	4.15	2,945,000
16.7	16.4	16.2	18.4	16.4	16.1	10,196	8,834	4.50	4.25	599,000
24.1	23.0	22.8	40.3	19.9	16.7	6,832	6,749	4.00	4.50	411,000
29.9	29.7	30.2	48.0	25.1	24.1	6,559	6,091	4.40	4.00	361,000
16.6	16.2	15.8	18.3	18.0	13.9	5,105	4,930	4.50	4.35	319,000
12.2	11.7	11.5	15.4	11.8	10.9	2,944	2,826	4.65	4.45	189,000
15.5	15.6	16.4	14.6	16.8	13.2	2,510	2,044	4.75	4.50	170,800
14.7	14.0	13.7	16.4	13.1	12.5	2,900	2,860	4.60	4.75	166,000
21.5	20.8	19.7	14.7	31.6	13.6	2,825	2,560	4.50	4.50	149,000
15.3	15.0	15.1	16.7	13.7	14.0	2,144	2,059	4.50	4.30	140,600
16.2	15.9	16.0	18.6	19.4	11.3	2,032	1,943	4.75	4.65	111,000
7.1	7.0	7.4	7.8	7.0	6.5	432	520	4.75	4.65	34,300
20.8	20.4	20.4	22.8	19.1	16.9	97,698	86,419			5,595,700
72.7	70.2	68.8	85.9	56.6	94.8	46,600	42,993	4.40	N/A	2,639,000
35.4	34.0	31.9	36.7	59.1	26.2	39,200	35,428	4.50	N/A	1,968,000
30.5	29.6	29.6	57.8	36.3	20.3	10,444	10,102	4.15	4.55	585,000
26.4	26.1	25.0	33.0	31.6	16.6	1,844	1,693	4.75	N/A	99,000
35.6	33.7	32.6	40.1	35.3	35.9	1,530	1,356	4.75	N/A	77,000
29.0	28.7	28.2	92.0	9.5	12.0	1,081	1,061	4.75	N/A	66,000
42.4	42.4	42.4	N/A	N/A	28.6	1,036	1,022	4.50	N/A	51,000
10.4	10.4	9.6	N/A	10.1	10.4	497	183	4.75	N/A	30,600
44.9	43.4	41.9	54.2	50.9	36.9	102,232	93,838			5,515,600
28.5	27.9	27.5	31.0	28.5	24.0	199,930	180,257			11,111,300

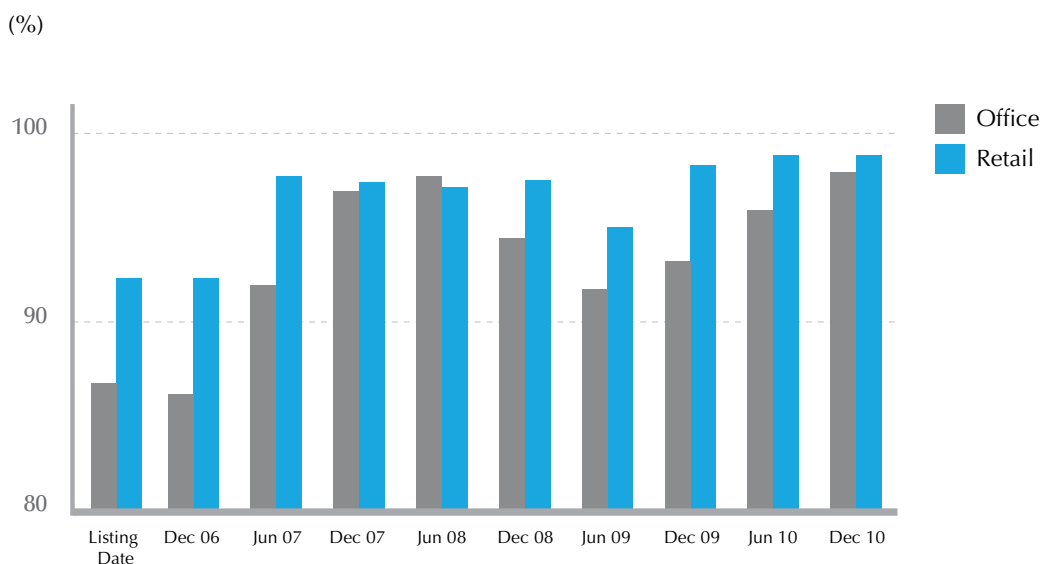
Market and Operation Review

Fuelled by robust domestic and multinational demand for commercial space, the rental recovery of both the office and retail markets remained sustainable during the Reporting Period. The performance of the office sector was well underpinned by the continued expansion of the Hong Kong economy and a lack of new office supply, while the trend of decentralisation provided upward impetus to office rents in areas including Wan Chai, Causeway Bay and Kowloon East. According to Knight Frank Petty Limited, overall Grade A office rent in Hong Kong increased by a further 22% during the Reporting Period, of which the Wan Chai and Causeway Bay proximity exhibited an average growth of 24.7%.

Meanwhile, supported by the unabated growth in mainland tourism spending, the momentum of private consumption has shown no signs of subsiding; the provisional 18.8% year-on-year growth in Hong Kong retail sales (in value) during the July-December 2010 period amply demonstrated the underlying strength of the sector. Together with the continued scarcity of new supply of retail space especially in locations with access to mainland shoppers, the impressive rental performance of such strategic retail locations was hardly surprising during the period under review.

The overall occupancy of the portfolio improved to 98.2% at 31 December 2010 (30 June 2010: 96.8%), largely driven by further improvement in office occupancy from 95.9% to 97.9% during the Reporting Period. The retail portfolio was practically fully let, attaining an occupancy of 98.8% at 31 December 2010 (30 June 2010: 98.8%).

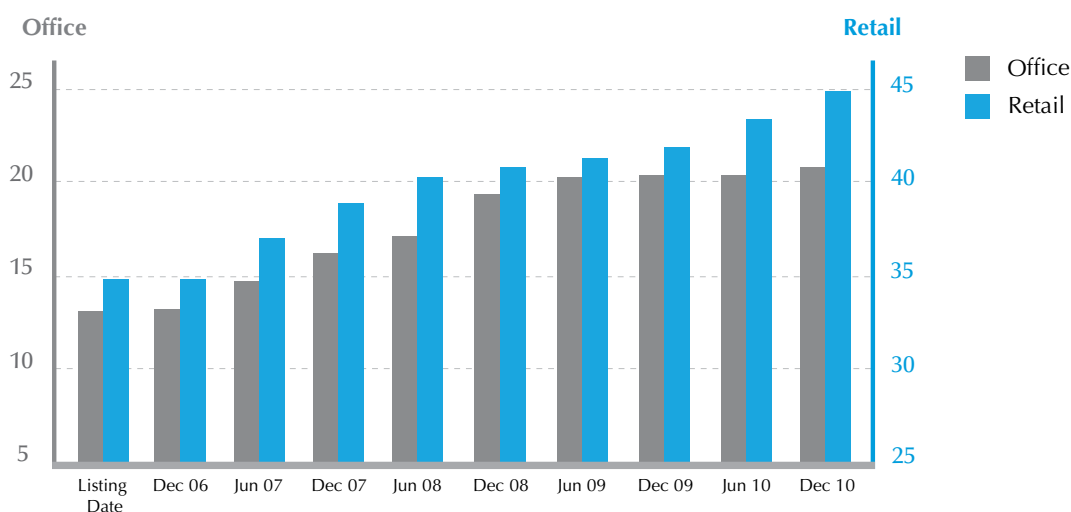
Historical Trends in Occupancy since Listing



In tandem with the uptrend in office rent, the passing rent of the office portfolio continued to edge higher, registering a year-on-year growth of 2.0% to HK\$20.8 per sq. ft. at 31 December 2010, while the average unit rent committed for all new and renewing leases during the Reporting Period was HK\$22.8 per sq. ft.. Meanwhile, passing rent for the retail portfolio rose 7.2% year-on-year to HK\$44.9 per sq. ft. at 31 December 2010 with the average unit rent committed for the Reporting Period reaching HK\$54.2 per sq. ft..

Historical Trends in Passing Rent since Listing

(HK\$/sq.ft.)



Tenant acquisition was at the forefront of Sunlight REIT's leasing strategy during the Reporting Period. In respect of the office portfolio, the Manager successfully capitalised on the prevailing decentralisation dynamics and captured quality multinational brand names into 248 Queen's Road East. On the retail front, the influx of mainland shoppers at Sheung Shui Centre Shopping Arcade appealed to prominent Chinese medicine retailers such as Tong Ren Tang which has opened an outlet in October 2010. Tenant repositioning was also underway at Metro City Phase I Property in conjunction with the proposed enhancement program which should uplift the image and footfall of the shopping mall.

Sunlight REIT had a total of 1,022 tenancies at 31 December 2010 (30 June 2010: 1,017). The 10 largest tenants by rental income, which contributed approximately 21.6% of the total rental income in December 2010 (June 2010: 20.8%), occupied approximately 17.8% of the total gross rentable area ("**GRA**") (June 2010: 18.3%). No single tenant accounted for more than 4.3% of the total rental income in December 2010 (June 2010: 4.5%).

Financial Review

Financial Highlights

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

	Six months ended 31 December 2010	Six months ended 31 December 2009	Change (%)
Turnover	262.5	239.8	9.4
Net property income	199.9	180.2	10.9
Cost-to-income ratio (%)	23.8	24.8	N/A
Profit after taxation ¹	467.7	378.0	23.7
Total distributable income	127.8	88.9	43.8
DPU ² (HK cents)	8.50	6.88	23.5
Payout ratio (%)	90.0	100.0	N/A
	At 31 December 2010	At 30 June 2010	Change (%)
Portfolio valuation	11,111.3	10,722.1	3.6
Total assets ¹	11,754.8	11,226.8	4.7
Total liabilities ¹	4,605.4	4,504.6	2.2
Net asset value ¹	7,149.4	6,722.2	6.4
Net asset value per unit ¹ (HK\$)	4.54	4.30	5.6
Gearing ratio ¹ (%)	33.7	35.3	N/A

Notes:

- The comparative figures have been restated as a result of the adoption of the amendments to Hong Kong Accounting Standard (“HKAS”) 12, “Income Taxes”. Please refer to note 3 to the interim financial report on page 30 for details.
- Please refer to “Distribution Statement” on page 26 for details.

On the back of a 9.4% year-on-year growth in total revenue, Sunlight REIT reported a turnover of HK\$262.5 million for the Reporting Period. After deducting property operating expenses of HK\$62.6 million, net property income came in at HK\$199.9 million, which implies a year-on-year growth of 10.9%. Cost-to-income ratio was 23.8% as compared with 24.8% recorded in the previous interim period. As a result of the execution of certain interest rate swaps arrangements in the previous financial year, total finance costs for the Reporting Period was HK\$74.4 million, representing a reduction of HK\$17.2 million as compared with the same period last year. After taking into account other non-property operating expenses and the change in fair value of the investment properties for the period, Sunlight REIT’s profit after taxation for the Reporting Period was HK\$467.7 million.

Sunlight REIT’s portfolio was appraised by Knight Frank Petty Limited at HK\$11,111.3 million at 31 December 2010, representing an increase of 3.6% from the valuation of HK\$10,722.1 million at 30 June 2010. Office and retail properties accounted for 50.4% and 49.6% of the total appraised value and registered an appreciation of 3.7% and 3.5% in comparison with their respective valuation at 30 June 2010. Consequently, the net asset value of Sunlight REIT

appreciated by 6.4% to arrive at HK\$7,149.4 million at 31 December 2010 or HK\$4.54 per unit (30 June 2010 (restated): HK\$6,722.2 million or HK\$4.30 per unit). The Manager wishes to point out that the interim financial report of Sunlight REIT has incorporated the adjustments as a result of the adoption of the amendments to HKAS 12, "Income Taxes", issued in December 2010. Such adoption has had a material impact on the net asset value of Sunlight REIT given the substantive elimination of deferred tax liabilities from its financial statements. Prior to the restatement, the net asset value per unit at 30 June 2010 was HK\$3.40. (For further details, please refer to note 3 to the interim financial report on page 30.)

At 31 December 2010, the gearing ratio of Sunlight REIT, defined as total borrowings as a percentage of gross assets, stood at 33.7% as compared with 35.3% at 30 June 2010. Gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets was 39.2% at 31 December 2010. In respect of contingent liabilities, Sunlight REIT has provided a guarantee to a commercial bank for its issuance of bank guarantees in lieu of deposit to electricity companies in the total amount of HK\$4.7 million at 31 December 2010.

Sunlight REIT has in place total loan facilities of HK\$3,975.0 million comprising a term loan facility of HK\$3,950.0 million which has been fully drawn and a HK\$25.0 million revolving credit facility of which HK\$15.0 million has been drawn. These facilities, which will mature on 20 December 2011 and are classified as current liabilities in the consolidated balance sheet, are secured by, among others, the investment properties of Sunlight REIT, a floating charge over its bank balances and assignment of proceeds from tenancies.

In order to minimise financial market risks and maintain financial flexibility, Sunlight REIT has entered into certain interest rate swap arrangements, under which the effective interest rate of the term loan for this financial year is approximately 2.978% per annum.

Details of all the interest rate swaps are listed in the table below:

Notional amount (HK\$ million)	Swap counterparty	Tenure	Interest rate* (per annum)
2,450	The Hongkong and Shanghai Banking Corporation Limited (" HSBC ")	30 June 2010 – 30 June 2011	3.500%
500	HSBC	30 June 2010 – 28 June 2013	2.615%
500	HSBC	30 June 2010 – 28 June 2013	1.925%
500	Standard Chartered Bank	30 June 2010 – 28 June 2013	1.840%

* Includes the credit spread of 0.45% per annum under the existing term loan.

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. At 31 December 2010, Sunlight REIT had total bank and cash balances of HK\$237.1 million. Taking into consideration the recurrent income generated from its operations, the current cash position and the undrawn credit facility available, it has sufficient financial resources to satisfy its working capital, distribution payment and capital expenditure requirements.

Outlook

Sunlight REIT delivered a promising set of interim results thanks to the improved domestic and multinational demand for commercial properties and a buoyant retail environment. Looking ahead, in light of the sustainable recovery of the Hong Kong economy, the Manager remains optimistic of the operational performance of Sunlight REIT for the rest of this financial year. However, the strength of the local commercial property market does not make the task of sustaining and cultivating long term income growth for Sunlight REIT any less challenging, and it requires nothing less than a vigilant and proactive approach in order to ensure that cost and income are well managed under all circumstances. As such, the Manager will continue to devote substantial resources in lease management, asset enhancement, capital management, as well as in exploring acquisition opportunities.

In the near term, the Manager will concentrate on the imminent expiries in the second half of FY2010/11, which account for 19.5% of the office GRA and 20.7% of the retail GRA, with the average unit rent for the expiring office and retail leases at HK\$19.4 per sq. ft. and HK\$45.1 per sq. ft. respectively. In handling both lease renewals and new letting, the Manager will endeavour to strike an optimal balance between rental growth and trade mix configuration so as to ensure that income sustainability can be achieved without compromising tenant quality.

As the core renovation works at Sheung Shui Centre Shopping Arcade have been substantially completed, the Manager is turning more of its attention to Metro City Phase I Property. This is envisaged to be a long term project which will strategically involve both space and tenant reconfigurations to improve traffic and circulation on the lower floor of this two-storey shopping centre. Meanwhile, green initiatives are also becoming increasingly important in the asset enhancement agenda. Given the recent success of such initiatives particularly on the deployment of LED lighting and additional energy saving devices, the Manager is exploring the possibility of improving and labeling the environmental performance of certain buildings through obtaining green building certification.

In terms of capital management, the HK\$3,975.0 million credit facilities that were put in place at the time of the initial public offering will mature on 20 December 2011. The Manager has been actively exploring and structuring a debt profile that would be able to capitalise on the prevailing low interest rate environment, and the aim is to conclude the terms of the refinancing exercise before the end of this financial year.

Connected Party Transactions

Set out below is information in respect of connected party transactions during the Reporting Period involving Sunlight REIT and its connected persons as defined in paragraph 8.1 of the Code on Real Estate Investment Trusts (“**REIT Code**”), which are governed by Chapter 8 of the REIT Code, other than those transactions that are excluded pursuant to waivers granted by the Securities and Futures Commission (“**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 connected party transactions from which Sunlight REIT derived its income during the Reporting Period:

Name of Connected Person	Relationship with Sunlight REIT ^{Note}	Nature of the Connected Party Transactions	Income for the Reporting Period (HK\$'000)	Rental and other deposits received at 31 December 2010 (HK\$'000)
Henderson Sunlight Asset Management Limited	The Manager	Leasing	2,232	1,048
Henderson Sunlight Property Management Limited	Associated company of the Manager	Leasing	1,430	675
Henderson Real Estate Agency Limited	Associated company of the Manager	Joint effort arrangements	577	—
Citistore (Hong Kong) Limited	Associated company of the Manager	Licensing	91	20
TOTAL:			4,330	1,743

Note: Within the meaning of the REIT Code.

Connected Party Transactions (continued)

Connected Party Transactions — Expenses

Save as disclosed under the section headed “Connected Party Transactions with the Trustee Connected Persons”, the following table sets forth information on connected party transactions in which Sunlight REIT incurred expenses during the Reporting Period:

Name of Connected Person	Relationship with Sunlight REIT ^{Note}	Nature of the Connected Party Transactions	Expenses for the Reporting Period (HK\$'000)
Goodwill Management Limited	Associated company of the Manager	Property management and operations	493
Hang Yick Properties Management Limited	Associated company of the Manager	Property management and operations	3,979
Henderson Sunlight Property Management Limited	Associated company of the Manager	Property management services, marketing services and provision of staff	18,267
Megastrength Security Services Company Limited	Associated company of the Manager	Security services	1,989
Metro City Management Limited	Associated company of the Manager	Property management and operations	946
Sheung Shui Centre Management Limited	Associated company of the Manager	Property management and operations	996
Knight Frank Hong Kong Limited	Subsidiary of the Principal Valuer	Agency fee	585
TOTAL:			27,255

Note: Within the meaning of the REIT Code.

Connected Party Transactions with the Trustee Connected Persons

The following tables set forth information on 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 ¹ (collectively, the “Trustee Connected Persons”) within the meaning of the REIT Code during the Reporting Period:

Name of Connected Person	Relationship with Sunlight REIT ²	Nature of the Connected Party Transactions	Income/Expense for the Reporting Period (HK\$'000)	Rental and other deposits received at 31 December 2010 (HK\$'000)
Leasing Transactions:				
HSBC	Trustee Connected Persons	Leasing ³	2,633	1,398
Hang Seng Bank Limited	Trustee Connected Persons	Leasing ⁴	3,095	1,470
Ordinary Banking and Financial Services ⁵:				
HSBC	Trustee Connected Persons	Interest income received/receivable	11	—
HSBC	Trustee Connected Persons	Interest expense, agency and other charges on bank loan and interest rate swaps and other bank charges	41,268	—
Hang Seng Bank Limited	Trustee Connected Persons	Interest expense on bank loan and other bank charges	1,994	—
Corporate Finance Transactions:				
Both the Manager and the Trustee have confirmed that during the Reporting Period, there was no corporate finance transaction entered into between the Manager on behalf of Sunlight REIT and the HSBC Group.				

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. For Shop Nos. 1024–31, Sheung Shui Centre Shopping Arcade.
4. For Shop No. 211, Metro City Phase I Property.
5. Ordinary banking and financial services include bank deposits and interest earned therefrom, loan facilities and interest rate swaps including interest and charges paid thereto.

Connected Party Transactions (continued)

Other Disclosures

Pursuant to note 2 to paragraph 8.10 of the REIT Code, services provided by the Manager, the Trustee and the principal valuer 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 Reporting Period, the aggregate amount of fees payable by Sunlight REIT to the Manager (including fees paid in the form of units) and to the Trustee under the Trust Deed were approximately HK\$27.8 million and HK\$1.6 million respectively. Particulars of services provided by the Manager and the Trustee are set out in notes 19(b)(ii) and (iv) to the interim financial report. Save for the abovementioned services transactions, during the Reporting Period there was no other services transaction which requires disclosure in this report.

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 Securities and Futures Ordinance (“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 also indirectly covers persons interested in or having a short position in units.

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

At 31 December and 30 June 2010, the interests and short position in units of 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	At 31 December 2010		At 30 June 2010		Change in % interest
	Number of Units interested (long position)	% of Interest in Unit ¹	Number of Units interested (long position)	% of Interest in Unit ¹	
The Manager ²	17,096,602	1.086	6,580,638	0.42	0.666
AU Siu Kee, Alexander ³	1,329,000	0.084	1,329,000	0.085	-0.001

Notes:

1. The percentages expressed are based on the total units in issue of 1,574,557,232 at 31 December 2010 and 1,564,041,268 at 30 June 2010 respectively.
2. On 28 October 2010, 10,515,964 new units were issued to Manager as payment of part of the Manager’s fees.
3. Mr. AU Siu Kee, Alexander, Chairman and Non-executive Director of the Manager, was interested in 1,329,000 units within the meaning of Part XV of the SFO at 31 December and 30 June 2010 respectively. Of the 1,329,000 units, he was interested in 1,229,000 units jointly with his spouse, and his spouse was interested in the other 100,000 units individually.

Other than the above, none of the Manager and the Directors or the chief executive of the Manager was beneficially interested (or deemed to be interested) in units or held any short position in units at 31 December and 30 June 2010 as recorded in the register required to be kept by the Manager under Schedule C of the Trust Deed.

Disclosure of Interests (continued)

Holdings of Substantial Unitholders

At 31 December and 30 June 2010, 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	At 31 December 2010		At 30 June 2010		Change in % interest
	Number of Units interested (long position)	% of Interest in Unit ¹	Number of Units interested (long position)	% of Interest in Unit ¹	
LEE Shau Kee ²	517,760,663	32.88	517,760,663	33.10	-0.22
Lee Financial (Cayman) Limited ²	374,072,708	23.76	374,072,708	23.92	-0.16
Leesons (Cayman) Limited ²	374,072,708	23.76	374,072,708	23.92	-0.16
Leeworld (Cayman) Limited ²	374,072,708	23.76	374,072,708	23.92	-0.16
SKFE ²	374,072,708	23.76	374,072,708	23.92	-0.16
Uplite Limited ²	224,443,625	14.25	224,443,625	14.35	-0.10
Wintrade Limited ²	149,629,083	9.50	149,629,083	9.57	-0.07
Henderson Development Limited ²	161,008,919	10.23	143,687,955	9.19	1.04
HLD ²	161,008,919	10.23	143,687,955	9.19	1.04
Hopkins (Cayman) Limited ²	161,008,919	10.23	143,687,955	9.19	1.04
Riddick (Cayman) Limited ²	161,008,919	10.23	143,687,955	9.19	1.04
Rimmer (Cayman) Limited ²	161,008,919	10.23	143,687,955	9.19	1.04
Silchester Partners Limited ³ <i>(Formerly known as Silchester International Investors Limited³)</i>	—	—	272,811,150	17.44	N/A
Silchester International Investors LLP ³	292,519,150	18.58	—	—	1.14
Silchester International Investors International Value Equity Trust ³	136,730,922	8.68	136,730,922	8.74	-0.06

Notes:

- The percentages expressed are based on the total units in issue of 1,574,557,232 at 31 December 2010 and 1,564,041,268 at 30 June 2010 respectively.
- At 31 December 2010, 224,443,625 units were owned by Uplite Limited and 149,629,083 units were owned by Wintrade Limited. Uplite Limited and Wintrade Limited were wholly-owned subsidiaries of Financial Enterprise Properties Limited which in turn was wholly-owned by SKFE. SKFE was wholly-owned by Lee Financial (Cayman) Limited as the trustee of a unit trust, the units of which were held by Leesons (Cayman) Limited and Leeworld (Cayman) Limited as the respective trustees of two discretionary trusts. Each of Lee Financial (Cayman) Limited, Leesons (Cayman) Limited and Leeworld (Cayman) Limited was thus taken to be interested in the total of 374,072,708 units owned by Uplite Limited and Wintrade Limited.

Apart from the above, at 31 December 2010, 76,533,345 units were owned by Cobase Limited, 67,378,972 units were owned by Richful Resources Limited and 17,096,602 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 (as applied by Schedule C of the Trust Deed), Dr. LEE Shau Kee was therefore taken to be interested in a total of 535,081,627 units at 31 December 2010 (representing approximately 33.98% of the total units in issue), by virtue of being the beneficial owner of the entire issued share capital of the trustees of the above unit trusts and discretionary trusts. In the register required to be kept by the Manager under Schedule C of the Trust Deed, Dr. LEE was recorded as having an interest in 517,760,663 units at 31 December 2010, as no further notification requirement arose on his part subsequent to the last notification in respect of his interest in units.

At 31 December 2010, the units mentioned above were beneficially held by connected persons of Sunlight REIT.

- At 31 December 2010, the long position of 292,519,150 units were held by Silchester International Investors LLP in its capacity as investment manager of which 136,730,922 units were beneficially owned by the Silchester International Investors International Value Equity Trust. So far as the Manager is aware, on 1 November 2010, there was a change in the legal structure whereby Silchester International Investors Limited (“**Silchester Limited**”) transferred its regulated business to Silchester International Investors LLP (“**Silchester LLP**”) and Silchester Limited changed its name to Silchester Partners Limited and also all employees of Silchester Limited, including all portfolio managers, investment analysts and members of its administration and operations teams, became partners or employees of Silchester LLP and that from 1 November 2010 Silchester LLP was appointed as investment manager over various client accounts and was entitled to exercise control over relevant Sunlight REIT units. The Manager has been notified informally that at 31 December 2010, Silchester International Investors International Value Equity Trust was interested in 142,515,922 units (representing approximately 9.05% of the total units in issue).

Holdings of Other Connected Persons

So far as is known to the Manager and save as disclosed above, the holdings of units by other connected persons (as defined in paragraph 8.1 of the REIT Code, subject to the exclusion granted by the SFC) of Sunlight REIT at 31 December 2010 were as follows:

Name of Connected Persons	Number of Units Held	% of Unit Holding ¹
LEE King Yue ²	50,000	0.0032
LEE Pui Ling, Angelina ³	2,307	0.0001
MAO Kenneth Ruys ⁴	500,000	0.0318
Persons related to the Trustee ⁵	120,000	0.0076

Notes:

- The percentage expressed is based on the total units in issue of 1,574,557,232 at 31 December 2010.
- 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 at 30 June 2010.
- 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 at 30 June 2010.
- 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 at 30 June 2010.
- The Manager has been informed that certain directors, senior executives and officers of the Trustee and their associates (as defined in the REIT Code) were beneficially interested in such units at 31 December 2010; so far as the Manager is aware, they had no beneficial interest in units at 30 June 2010.

Corporate Governance

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 emphasises on high transparency to and alignment of interests with unitholders. To ensure that the relevant legislations and regulations are duly observed, the Manager has adopted a compliance manual (the “**Compliance Manual**”) which sets out the key processes, systems, measures, corporate governance policies as well as other policies and procedures governing the management and operation of Sunlight REIT.

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

Board of Directors of the Manager and Changes of Director’s Information

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 position of Chairman of the Board and Chief Executive Officer are held by two different persons so that segregation of duties and balance of authority are maintained. Various board committees have been established with clear terms of reference, each of which is to assist the Board to oversee specific issues or items.

Subsequent to the publication of the 2009/10 Annual Report of Sunlight REIT, the Manager was informed of the following changes of Director’s information:

1. Mr. WU Shiu Kee, Keith has been admitted to The Hong Kong Institute of Directors as a fellow with effect from 13 September 2010; and
2. Mr. KWAN Kai Cheong has been appointed as an INED of Galaxy Resources Limited, whose shares are listed on the Australian Securities Exchange, with effect from 13 October 2010. He resigned as an INED of Soundwill Holdings Limited, whose shares are listed on the Stock Exchange of Hong Kong Limited, with effect from 7 January 2011.

Authorisation Structure

Sunlight REIT is a collective investment scheme authorised by the SFC under section 104 of the SFO and regulated by the provisions of the REIT Code. The Manager has been licensed by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. The Manager has three persons who are approved as responsible officers of the Manager 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) and is qualified under the REIT Code to act as a trustee for collective investment schemes authorised under the SFO.

Compliance with the Dealings Code

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 itself. Similar dealing requirements are also applicable to the senior executives, officers and other employees of the Manager. The Manager has made specific enquiry of all Directors, and all of them confirmed that they have complied with the required standard as set out in the Dealings Code from time to time throughout the Reporting Period.

Review of Interim Report

The interim report of Sunlight REIT for the Reporting Period has been reviewed by the Audit Committee and the Disclosures Committee in accordance with their respective terms of references. The interim financial report has also been reviewed by the auditor in accordance with Hong Kong Standard on Review Engagements 2410 “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”, issued by the Hong Kong Institute of Certified Public Accountants.

Conflicts of Interests and Business Competitions with HLD, SKFE and other companies

The Manager and Henderson Sunlight Property Management Limited (the “**Property Manager**”) are both indirect wholly-owned subsidiaries of HLD. Each of SKFE and HLD also has interest through subsidiaries in units of Sunlight REIT; in particular, the Manager has received and may continue to receive units of Sunlight REIT by virtue of all or part of its entitlement to the fees for asset management services rendered to Sunlight REIT. SKFE, HLD, and a number of their subsidiaries and associates are and/or may be engaged in, amongst other things, development, investment and management of retail, office and other properties in and outside Hong Kong. Two non-executive directors (including the Chairman) of the Manager are currently executive directors of HLD.

There can be no assurance that conflicts of interests will not arise between Sunlight REIT, the Manager, the Property Manager, SKFE, HLD and other companies in the future. The Manager may experience conflicts of interests as a result of other roles of its board members and/or the activities and interests of its affiliates in acquiring and disposing of potential investments. As a wholly-owned subsidiary of HLD, the Manager may experience conflicts of interests in connection with any potential acquisitions from or other transactions with HLD or its affiliates and in agreeing the terms of such potential acquisitions or transactions.

Corporate Governance (continued)

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 interests 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 connection with or in relation to (i) any potential property-related acquisitions or disposals and/or competition with other companies for potential tenants in the event that any director, senior executive or officer of the Manager or the Property Manager is also a shareholder or director of such other companies; (ii) tenancy related matters in the event that any director, senior executive or officer of the Manager or the Property Manager is also a shareholder or director of a tenant or potential tenant (or its holding company) of Sunlight REIT; (iii) any potential consultancy engagement in the event that any director, senior executive or officer of the Manager or the Property Manager is also a shareholder or director of such consultancy practice; and (iv) tenancy agency services provided by the principal valuer and/or its affiliates.

Public Float

Based on information that is publicly available to the Manager and within the knowledge of its directors, more than 25% of the outstanding units in issue were held in public hands at 31 December 2010

New Units Issued

Except for an aggregate of 10,515,964 new units issued to the Manager as payment of part of the Manager's fees, there were no other new units issued during the Reporting Period.

Repurchase, Sale or Redemption of Units

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

Employees

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

Consolidated Income Statement

For the six months ended 31 December 2010 — unaudited
(Expressed in Hong Kong dollars)

		Six months ended 31 December	
		2010	2009
		\$'000	\$'000 (restated)
	Note		
Turnover	5	262,499	239,842
Property operating expenses	6	(62,569)	(59,585)
Net property income		199,930	180,257
Other income		824	342
Administrative expenses		(32,739)	(29,957)
Net increase in fair value of investment properties		388,646	331,933
Profit from operations		556,661	482,575
Finance costs on interest bearing liabilities	7(a)	(74,350)	(91,584)
Profit before taxation and transactions with unitholders	7	482,311	390,991
Income tax	8	(14,645)	(13,031)
Profit after taxation and before transactions with unitholders		467,666	377,960

The notes on pages 29 to 47 form part of this interim financial report.

Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2010 — unaudited
(Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2010	2009
	\$'000	\$'000 (restated)
Profit after taxation and before transactions with unitholders	467,666	377,960
Other comprehensive income for the period		
Changes in fair value of cash flow hedges	35,110	28,090
Total comprehensive income for the period	502,776	406,050

The notes on pages 29 to 47 form part of this interim financial report.

Consolidated Balance Sheet

At 31 December 2010

(Expressed in Hong Kong dollars)

	Note	31 December 2010 (Unaudited) \$'000	30 June 2010 (Audited) \$'000 (restated)
Non-current assets			
Fixed assets			
— Investment properties	10	11,111,300	10,722,100
— Other fixed assets		33	33
		11,111,333	10,722,133
Deferred tax assets		5,383	5,562
Reimbursement rights	11	203,932	203,932
		11,320,648	10,931,627
Current assets			
Trade and other receivables	13	28,161	23,639
Pledged deposits	15	236,912	224,876
Cash at bank and in hand		158	135
Tax recoverable		168,962	46,545
		434,193	295,195
Total assets		11,754,841	11,226,822
Current liabilities			
Tenants' deposits		(126,052)	(121,272)
Rent receipts in advance		(5,983)	(3,163)
Trade and other payables	14	(213,538)	(96,408)
Secured bank borrowings	15	(3,961,145)	(15,000)
Derivative financial instruments	12	(33,134)	(59,191)
Current taxation		(9,443)	(19,035)
		(4,349,295)	(314,069)
Net current liabilities		(3,915,102)	(18,874)
Total assets less current liabilities		7,405,546	10,912,753

Consolidated Balance Sheet (continued)

At 31 December 2010

(Expressed in Hong Kong dollars)

	Note	31 December 2010 (Unaudited) \$'000	30 June 2010 (Audited) \$'000 (restated)
Non-current liabilities, excluding net assets attributable to unitholders			
Secured bank borrowings	15	—	(3,944,141)
Deferred tax liabilities		(231,263)	(225,472)
Derivative financial instruments	12	(24,850)	(20,929)
		(256,113)	(4,190,542)
Total liabilities, excluding net assets attributable to unitholders			
		(4,605,408)	(4,504,611)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS			
		7,149,433	6,722,211
Number of units in issue			
	16	1,574,557,232	1,564,041,268
Net asset value attributable to unitholders per unit			
		\$4.54	\$4.30

The notes on pages 29 to 47 form part of this interim financial report.

Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the six months ended 31 December 2010 — unaudited
(Expressed in Hong Kong dollars)

		Six months ended 31 December	
		2010	2009
		\$'000	\$'000 (restated)
Note			
	At the beginning of the period	5,319,400	4,263,544
	Impact of change in accounting policy	1,402,811	1,184,600
	Restated balance at the beginning of the period	6,722,211	5,448,144
	Profit after taxation and before transactions with unitholders	467,666	377,960
	Other comprehensive income	35,110	28,090
	Total comprehensive income for the period	502,776	406,050
	Distribution paid to unitholders	(97,615)	(168,808)
	Issuance of units to Manager during the period	22,061	17,488
	At the end of the period	7,149,433	5,702,874

The notes on pages 29 to 47 form part of this interim financial report.

Distribution Statement

For the six months ended 31 December 2010 — unaudited
(Expressed in Hong Kong dollars)

		Six months ended 31 December	
	Note	2010 \$'000	2009 \$'000 (restated)
Profit after taxation and before transactions with unitholders		467,666	377,960
Adjustments:			
— Net increase in fair value of investment properties		(388,646)	(331,933)
— Manager's fees paid or payable in the form of units		27,831	12,236
— Non-cash finance costs on interest bearing liabilities		14,977	24,660
— Deferred tax	8	5,970	5,940
		(339,868)	(289,097)
Total distributable income (note (i))		127,798	88,863
Payout ratio (note (ii))		90%	100%
Interim distribution		115,018	88,863
Distribution per unit:			
— Before adjusting for distribution waivers (notes (iii) and (iv))		7.30 cents	5.71 cents
— After adjusting for distribution waivers (notes (iii) and (v))		8.50 cents	6.88 cents

Notes:

- (i) Pursuant to the Code on Real Estate Investment Trusts (the “**REIT Code**”) and the trust deed dated 26 May 2006 (as amended) (the “**Trust Deed**”), Sunlight Real Estate Investment Trust (“**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 policy of Henderson Sunlight Asset Management Limited, the manager of Sunlight REIT (the “**Manager**”), was to distribute to unitholders 100% of Sunlight REIT’s annual distributable income for each financial year. With effect from 1 July 2010, the distribution policy was revised and an amount not less than 90% of Sunlight REIT’s annual distributable income for each financial year will be distributed to unitholders.
- (ii) The total distributable income for the six months ended 31 December 2010 amounted to \$127,797,792 (2009: \$88,862,915). The Board of Directors of the Manager has resolved to declare an interim distribution of \$115,018,013 (2009: \$88,862,915), which implies a payout ratio of 90% (2009: 100%).
- (iii) 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 period.
- (iv) The distribution per unit, before adjusting for distribution waivers as mentioned in (iii) above, of 7.30 cents (2009: 5.71 cents), is calculated by dividing the interim distribution for the period of \$115,018,013 by 1,574,557,232 units in issue at 31 December 2010 (2009: \$88,862,915 by 1,557,460,630 units).
- (v) The distribution per unit, after adjusting for distribution waivers as mentioned in (iii) above, of 8.50 cents (2009: 6.88 cents), is calculated by dividing the interim distribution for the period of \$115,018,013 by 1,353,735,912 units (2009: \$88,862,915 by 1,292,475,047 units), which is arrived as follows:

	At 31 December 2010	At 31 December 2009
Units in issue	1,574,557,232	1,557,460,630
Less: Units held by the unitholders who agreed to waive their entitlement to distribution for the period	(220,821,320)	(264,985,583)
	1,353,735,912	1,292,475,047

- (vi) The interim distribution is expected to be paid on 30 March 2011 to unitholders whose names appear on the register of unitholders on 3 March 2011.

The notes on pages 29 to 47 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 31 December 2010 — unaudited
(Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2010 \$'000	2009 \$'000
Net cash generated from operating activities	168,733	166,348
Net cash generated from investing activities	314	72,903
Net cash used in financing activities	(169,024)	(239,236)
Net increase in cash at bank and in hand for the period	23	15
Cash at bank and in hand at the beginning of the period	135	140
Cash at bank and in hand at the end of the period	158	155

The notes on pages 29 to 47 form part of this interim financial report.

Notes to the Interim Financial Report

(Expressed in Hong Kong dollars)

1 General

Sunlight REIT is a Hong Kong collective investment scheme constituted as a unit trust by the Trust Deed and is authorised under section 104 of the Securities and Futures Ordinance. Sunlight REIT is listed on the Main Board of The Stock Exchange 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 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the REIT Code issued by the Securities and Futures Commission of Hong Kong and the Rules Governing the Listing of Securities on the SEHK, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, “*Interim financial reporting*”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issuance on 14 February 2011.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009/10 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010/11 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2009/10 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, “*Review of interim financial information performed by the independent auditor of the entity*”, issued by the HKICPA. KPMG’s independent review report to the board of directors of the Manager is included on page 48.

Notes to the Interim Financial Report (continued)

(Expressed in Hong Kong dollars)

2 Basis of preparation (continued)

The financial information relating to the financial year ended 30 June 2010 that is included in the interim financial report as being previously reported information does not constitute Sunlight REIT's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 30 June 2010 are available from Sunlight REIT's registered office. The auditor has expressed an unqualified opinion on those financial statements in its report dated 9 September 2010.

3 Changes in accounting policies

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and two new Interpretations that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendment to HKAS 39, *"Financial instruments: Recognition and measurement — eligible hedged items"*
- Amendment to HKAS 17, *"Leases"*
- HK(Int) 5, *"Presentation of financial statements — classification by the borrower of a term loan that contains a repayment on demand clause"*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, with the exception of the amendments to HKAS 12, *"Income taxes"*, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40, *"Investment property"*. The amendments are effective for annual periods beginning on or after 1 January 2012, but as permitted by the amendments, the Group has decided to early adopt the amendments.

3 Changes in accounting policies (continued)

Early adoption of the amendments to HKAS 12, "Income taxes"

The change in accounting policy arising from the amendments to HKAS 12 is the only change which has had a material impact on the Group's financial statements in the current or comparative periods. As a result of this change in accounting policy, the Group now measures any deferred tax liability in respect of its investment properties with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the balance sheet date. Previously, where these properties were held under leasehold interests, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the asset's value through use.

This change in accounting policy has been applied retrospectively by restating the opening balances at 1 July 2009 and 2010, with consequential adjustments to comparatives for the six months ended 31 December 2009. As the Group's properties are located in Hong Kong, this has resulted in a reduction in the amount of deferred tax provided on valuation gain as follows:

	As previously reported \$'000	Effect of adoption of amendments to HKAS 12 \$'000	As restated \$'000
Consolidated income statement for the six months ended 31 December 2009:			
— Income tax expense	66,566	(53,535)	13,031
— Profit after taxation and before transactions with unitholders	324,425	53,535	377,960
— Basic earnings per unit before transactions with unitholders	\$0.21	\$0.03	\$0.24
Consolidated balance sheet at 30 June 2010:			
— Deferred tax assets	—	5,562	5,562
— Trade and other payables	98,506	(2,098)	96,408
— Deferred tax liabilities	1,620,623	(1,395,151)	225,472
— Net assets attributable to unitholders	5,319,400	1,402,811	6,722,211
Consolidated balance sheet at 1 July 2009:			
— Deferred tax assets	65	5,731	5,796
— Trade and other payables	85,814	(2,098)	83,716
— Deferred tax liabilities	1,389,444	(1,176,771)	212,673
— Net assets attributable to unitholders	4,263,544	1,184,600	5,448,144

Notes to the Interim Financial Report (continued)

(Expressed in Hong Kong dollars)

3 Changes in accounting policies (continued)

Other changes in accounting policies as a result of developments in HKFRSs

The amendment to HKAS 39 and the issuance of HK(Int) 5 have had no material impact on the Group's financial statements as the amendment and the Interpretation's conclusions were consistent with policies already adopted by the Group. The amendment introduced by the "*Improvements to HKFRSs (2009)*" omnibus standard in respect of HKAS 17, "*Leases*", did not result in a change of classification of the Group's leasehold land interests located in Hong Kong.

4 Segment reporting

The Manager manages the Group's business by divisions. In a manner consistent with the way in which information is reported internally to the senior executive management of the Manager for the purposes of resource allocation and performance assessment, the Manager has identified two reportable segments, which are "Office properties" and "Retail properties".

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

Segment results

In accordance with HKFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the senior executive management of the Manager for the purposes of assessing segment performance and allocating resources between segments. In this regard, the senior executive management of the Manager monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to income generated and the expenses incurred by those segments.

The measure used for reporting segment performance is the "segment results" which exclude the net increase/(decrease) in fair value of investment properties, finance costs on interest bearing liabilities, income tax, interest income and the unallocated net income/(expenses).

4 Segment reporting (continued)

Segment results (continued)

Information regarding the Group's reportable segments as provided to the senior executive management of the Manager for the purposes of resource allocation and assessment of segment performance for the period is set out below:

	Six months ended 31 December					
	2010 (Unaudited)			2009 (Unaudited) (restated)		
	Office properties \$'000	Retail properties \$'000	Total \$'000	Office properties \$'000	Retail properties \$'000	Total \$'000
Turnover						
— rental income	102,845	107,424	210,269	92,479	98,744	191,223
— car park income	1,568	8,644	10,212	1,417	7,971	9,388
— rental related income	22,076	19,942	42,018	20,668	18,563	39,231
	126,489	136,010	262,499	114,564	125,278	239,842
Property operating expenses	(28,791)	(33,778)	(62,569)	(28,145)	(31,440)	(59,585)
Net property income	97,698	102,232	199,930	86,419	93,838	180,257
Administrative expenses	(14,734)	(14,460)	(29,194)	(13,191)	(12,626)	(25,817)
Segment results	82,964	87,772	170,736	73,228	81,212	154,440
Net increase in fair value of investment properties	201,046	187,600	388,646	144,933	187,000	331,933
Finance costs on interest bearing liabilities			(74,350)			(91,584)
Income tax			(14,645)			(13,031)
Interest income			824			287
Unallocated net expenses			(3,545)			(4,085)
Profit after taxation and before transactions with unitholders			467,666			377,960
Depreciation	3	2	5	3	2	5

Notes to the Interim Financial Report (continued)

(Expressed in Hong Kong dollars)

5 Turnover

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

	Six months ended 31 December	
	2010 (Unaudited) \$'000	2009 (Unaudited) \$'000
Rental income	210,269	191,223
Car park income	10,212	9,388
Rental related income	42,018	39,231
	262,499	239,842

6 Property operating expenses

	Six months ended 31 December	
	2010 (Unaudited) \$'000	2009 (Unaudited) \$'000
Building management fee	22,790	23,040
Property Manager's fees	17,359	15,571
Government rent and rates	8,559	7,981
Marketing and promotion expenses	4,535	4,292
Car park operating costs (note)	3,433	3,324
Other direct costs	5,893	5,377
	62,569	59,585

Note: Included Property Manager's fees of \$908,000 (2009: \$825,000).

7 Profit before taxation and transactions with unitholders

Profit before taxation and transactions with unitholders is arrived at after charging/(crediting):

	Six months ended 31 December	
	2010 (Unaudited) \$'000	2009 (Unaudited) \$'000
(a) Finance costs on interest bearing liabilities		
Interest on borrowings	59,366	66,905
Other borrowing costs	14,984	24,679
	74,350	91,584

The total amount represents finance costs on secured bank borrowings (note 15), whereas other borrowing costs represent the amortisation of the upfront payments for the interest rate swaps (note 12) and various financing charges.

	Six months ended 31 December	
	2010 (Unaudited) \$'000	2009 (Unaudited) \$'000
(b) Other items		
Interest income	(824)	(287)
Manager's fees	27,831	24,473
Property Manager's fees	18,267	16,396
Trustee's remuneration	1,551	1,399
Auditor's remuneration		
— Audit services	600	577
— Other services	370	370
Valuation fees	325	366
Other legal and professional fees	1,220	2,070
Bank charges	220	225

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

Notes to the Interim Financial Report (continued)

(Expressed in Hong Kong dollars)

8 Income tax

	Six months ended 31 December	
	2010 (Unaudited) \$'000	2009 (Unaudited) \$'000 (restated)
Current tax — Provision for Hong Kong Profits Tax		
Provision for the period	8,675	7,032
Under-provision in respect of prior years	—	59
	8,675	7,091
Deferred tax		
Origination and reversal of temporary differences	5,970	5,940
	14,645	13,031

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

9 Earnings per unit before transactions with unitholders

The basic earnings per unit before transactions with unitholders for the six months ended 31 December 2010 amounted to \$0.30 (2009 (restated): \$0.24). The calculation of basic earnings per unit before transactions with unitholders is based on the Group's profit after taxation and before transactions with unitholders of \$467,666,000 (2009 (restated): \$377,960,000) and the weighted average of 1,567,756,147 units in issue during the period (2009: 1,550,519,662 units).

Diluted earnings per unit before transactions with unitholders for the six months ended 31 December 2010 and 2009 are not presented as there was no potential dilution of earnings per unit before transactions with unitholders.

10 Investment properties

	31 December 2010 (Unaudited) \$'000	30 June 2010 (Audited) \$'000
At 1 July 2010 / 2009	10,722,100	9,364,000
Additions	554	13,885
Net increase in fair value	388,646	1,344,215
At 31 December 2010 / 30 June 2010	11,111,300	10,722,100

- (a) The investment properties were revalued at 31 December 2010 by Knight Frank Petty Limited (“**Knight Frank**”), which is an independent firm of professional surveyors 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:

	31 December 2010 (Unaudited) \$'000	30 June 2010 (Audited) \$'000
In Hong Kong		
— long leases	5,114,800	4,946,000
— medium-term leases	5,996,500	5,776,100
	11,111,300	10,722,100

- (c) The Group’s investment properties have been mortgaged to secure banking facilities granted to the Group (note 15).

11 Reimbursement rights

The amount represents the reimbursement rights recognised pursuant to the tax indemnity provided by the vendors (comprising subsidiaries of Shau Kee Financial Enterprises Limited, Henderson Land Development Company Limited, Henderson Investment Limited, Henderson Development Limited and Jetwin International Limited) (collectively referred to as the “**Vendors**”), to the extent of certain relevant deferred tax liabilities recognised in the subsidiaries at the date of acquisition.

Notes to the Interim Financial Report (continued)

(Expressed in Hong Kong dollars)

12 Derivative financial instruments

	31 December 2010 (Unaudited) \$'000	30 June 2010 (Audited) \$'000
Interest rate swaps — cash flow hedges		
Current portion	33,134	59,191
Non-current portion	24,850	20,929
	57,984	80,120

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.

Under the original arrangement entered into with The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”), the swap counterparty of the Group, HSBC was to pay the Group, on a quarterly basis, an aggregate amount equivalent to the interest payment payable in respect of the term loan. In return, the Group was to make quarterly payment to HSBC, calculated by applying fixed interest rates of 3.50%* per annum 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 made by HSBC to the Group were made monthly. The fixed interest rate for calculating the amount paid by the Group to HSBC was also amended from 3.50%* per annum to 3.36%* per annum.

During the year ended 30 June 2010, the Group has unwound an aggregate notional amount of \$1,500,000,000 in respect of the interest rate swaps with a notional amount of \$3,950,000,000 for the period from 30 June 2010 to 30 June 2011, while three interest rate swaps with notional amount of \$500,000,000 each were entered into for the period from 30 June 2010 to 28 June 2013.

The interest rate swaps will mature on 30 June 2011 and 28 June 2013 and have fixed interest rates ranging from 1.84%* per annum to 3.50%* per annum and 1.84%* per annum and 2.615%* per annum respectively.

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.

* Included the credit spread of 0.45% per annum under the existing term loan which will mature on 20 December 2011.

13 Trade and other receivables

	31 December 2010 (Unaudited) \$'000	30 June 2010 (Audited) \$'000
Rental receivables	20,676	16,726
Deposits and prepayments	6,444	5,861
Other receivables	644	634
Amounts due from related companies	397	418
	28,161	23,639

\$5,036,000 (30 June 2010: \$5,086,000) included in deposits and prepayments is expected to be recovered after more than one year. Apart from the above, all of the balances are expected to be recovered or recognised as expense within one year.

The ageing analysis of rental receivables is as follows:

	31 December 2010 (Unaudited) \$'000	30 June 2010 (Audited) \$'000
Current	15,713	10,833
Less than 1 month overdue	3,717	3,679
More than 1 month and up to 3 months overdue	491	1,204
More than 3 months and up to 6 months overdue	59	452
More than 6 months overdue	696	558
	20,676	16,726

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

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

Notes to the Interim Financial Report (continued)

(Expressed in Hong Kong dollars)

14 Trade and other payables

	31 December 2010 (Unaudited) \$'000	30 June 2010 (Audited) \$'000 (restated)
Creditors and accrued charges	26,992	31,652
Manager's fees payable (note 19(b)(ii))	14,215	16,891
Amounts due to related companies	172,331	47,865
	213,538	96,408

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 primarily represent amounts received from certain Vendors for purchasing tax reserve certificates on their behalf in respect of the potential tax liabilities arising from the outstanding tax cases. The outstanding tax cases relate to the notional gains arising from reclassification of properties as at the date of acquisition and the potential tax liabilities are indemnified by the Vendors. The relevant tax reserve certificates were classified as tax recoverable under current assets at the current period end. The amounts are unsecured, interest-free and have no fixed terms of repayment except for the amount due to the Trustee of \$793,000 (30 June 2010: \$909,000) which is due within 30 days.

15 Secured bank borrowings

The bank loans were repayable as follows:

	31 December 2010 (Unaudited) \$'000	30 June 2010 (Audited) \$'000
Within 1 year	3,961,145	15,000
After 1 year but within 2 years	—	3,944,141
	3,961,145	3,959,141

15 Secured bank borrowings (continued)

The Group has two facilities in the aggregate amount of \$3,975,000,000 (30 June 2010: \$3,975,000,000) before transaction costs, comprising a \$3,950,000,000 (30 June 2010: \$3,950,000,000) term loan and a \$25,000,000 (30 June 2010: \$25,000,000) 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. Both facilities are interest bearing at Hong Kong Interbank Offered Rate plus 0.45% per annum and repayable in full on 20 December 2011. The total facilities drawn down by the Group at 31 December 2010 is \$3,965,000,000 (30 June 2010: \$3,965,000,000). The Group also entered into the interest rate swaps and details are set out in note 12.

Bank borrowings under the term loan and revolving credit facility 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 \$11,111,300,000 at 31 December 2010 (30 June 2010: \$10,722,100,000) (note 10);
- floating charge over bank balances of \$85,362,000 (30 June 2010: \$32,135,000) and \$151,550,000 (30 June 2010: \$192,741,000) 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 rates of the bank borrowings ranged from 0.75% per annum to 3.63% per annum (30 June 2010: from 0.82% per annum to 4.50% per annum). The carrying amounts of the bank borrowings approximate their fair values.

At 31 December 2010, the Group's current liabilities exceeded its current assets by \$3,915,102,000 as the secured term loan of \$3,946,145,000 maturing on 20 December 2011 was classified as current liabilities at the current period end. The Manager has been in discussion with certain financial institutions on the refinancing exercise and believes that the refinancing exercise will be concluded before the maturity of the secured term loan. Apart from the above, the Group also maintains sufficient cash reserve and committed lines of funding from financial institutions with sound credit rating to meet its liquidity requirement. The Manager considers that sufficient resources will be secured to satisfy the funding obligations in respect of the Group's operations.

Notes to the Interim Financial Report (continued)

(Expressed in Hong Kong dollars)

16 Units in issue

	Number of units	
	31 December 2010 (Unaudited)	30 June 2010 (Audited)
At 1 July 2010 / 2009	1,564,041,268	1,546,905,770
Issuance of units during the period/year	10,515,964	17,135,498
At 31 December 2010 / 30 June 2010	1,574,557,232	1,564,041,268

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

Payment of the Manager's fees for the period/year	Average issue price per unit determined based on the Trust Deed \$	Aggregate amount of units issued \$'000	Number of units issued
Six months ended 31 December 2010			
1 April 2010 to 30 June 2010	1.9937	6,745	3,383,242
Adjustment of Manager's fees for the financial year 2009/10	2.2400	1,700	758,995
1 July 2010 to 30 September 2010	2.1363	13,616	6,373,727
		22,061	10,515,964
Year ended 30 June 2010			
1 April 2009 to 30 June 2009	1.5258	11,454	7,507,079
1 July 2009 to 30 September 2009	1.9796	6,034	3,047,781
1 October 2009 to 31 December 2009	1.8856	6,203	3,289,652
1 January 2010 to 31 March 2010	1.9177	6,311	3,290,986
		30,002	17,135,498

17 Capital commitments

Capital commitments outstanding at 31 December 2010 not provided for in the interim financial report are as follows:

	31 December 2010 (Unaudited) \$'000	30 June 2010 (Audited) \$'000
Contracted for	5,184	1,118
Authorised but not contracted for	23,843	28,872
	29,027	29,990

18 Contingent liabilities

At the balance sheet date, the Group has provided a guarantee to a commercial bank for its issuance of bank guarantees in lieu of deposit to electricity companies in the total amount of \$4,685,000 (30 June 2010: \$4,685,000).

19 Connected party transactions and material related party transactions

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

(a) Nature of relationship with connected/related parties

Connected/related party	Relationship with the Group
Shau Kee Financial Enterprises Limited and other members of its group (collectively referred to as " SKFE Group ")	Significant holders of Sunlight REIT and their associates
Henderson Land Development Company Limited and other members of its group (collectively referred to as " HLD Group ")	Connected persons of SKFE Group, the Manager and the Property Manager
Henderson Development Limited (" HD ")	Connected persons of SKFE Group and holding company of HLD Group
HSBC Institutional Trust Services (Asia) Limited (the " Trustee ")	The Trustee of Sunlight REIT

Notes to the Interim Financial Report (continued)

(Expressed in Hong Kong dollars)

19 Connected party transactions and material related party transactions (continued)

(a) Nature of relationship with connected/related parties (continued)

Connected/related party	Relationship with the Group
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
Knight Frank and other members of its group (collectively referred to as “ Knight Frank Group ”)	The Principal Valuer of Sunlight REIT

(b) Transactions with connected/related parties

	Six months ended 31 December	
	2010 (Unaudited) \$'000	2009 (Unaudited) \$'000
Rental and rental related income received/ receivable from (note (i)):		
— HLD Group	3,753	3,957
— HSBC Group	5,728	5,143
Property management expenses and bank charges paid/payable to (note (i)):		
— HLD Group	(8,404)	(8,478)
— HSBC Group	(43)	(48)

19 Connected party transactions and material related party transactions *(continued)*

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

	Six months ended 31 December	
	2010 (Unaudited) \$'000	2009 (Unaudited) \$'000
Manager's fees (note (ii))	(27,831)	(24,473)
Property Manager's fees (note (iii))	(18,267)	(16,396)
Trustee's remuneration (note (iv))	(1,551)	(1,399)
Interest expenses and agency charge on bank loans paid/payable to (note (v)): — HSBC Group	(4,163)	(2,553)
Interest paid/payable under the interest rate swaps (note 12): — HSBC Group	(39,055)	(56,224)
Interest income on bank deposits received/receivable from (note (i)): — HSBC Group	11	13
Valuation fees and other charges paid/payable to (note (i)): — Knight Frank Group	(910)	(811)
Promotion income received/receivable from (note (i)): — HLD Group	577	425

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 the Group and a variable fee of 3% per annum of the Group's Net Property Income (as defined in the Trust Deed).

Pursuant to the Trust Deed, for the period from 1 July 2009 until 30 June 2011, the Manager is entitled to make an election for the payment of the Manager's fees, only to the extent that it is related to the Group's Properties (as defined in the Trust Deed), to be made in the form of cash and/or units, provided that the percentages of each of the base fee and the variable fee to be paid in cash shall not exceed 50% of the amount due and payable.

On 18 June 2009, the Manager made an election for the base fee and the variable fee for the financial year ended 30 June 2010 to be paid 50% in the form of cash and 50% in the form of units. While on 26 May 2010, the Manager has made an election for the base fee and variable fee for the financial year ending 30 June 2011 to be paid entirely in the form of units.

Notes to the Interim Financial Report (continued)

(Expressed in Hong Kong dollars)

19 Connected party transactions and material related party transactions (continued)

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

Notes: (continued)

- (iii) Under the property management agreement entered into between the Manager and the Property Manager dated 29 November 2006 (as amended by the supplemental agreement dated 28 April 2009) (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;
- 10% of the total licence fee for securing a licence for a duration of less than 12 months; and
- one-fourth month’s base rent for handling each rent review during the term of a tenancy provided for in the tenancy agreement.

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 the Group.

- (iv) The Trustee is entitled to receive a remuneration of 0.03% per annum on the first \$5 billion on the total assets of the Group, 0.025% per annum on the next \$5 billion on the total assets of the Group 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 rates as set out in notes 12 and 15.

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

	31 December 2010 (Unaudited) \$’000	30 June 2010 (Audited) \$’000
Net amount due to:		
— SKFE Group	(83,536)	—
— HLD Group	(43,143)	(67,044)
— HD	(54,999)	—
— HSBC Group (note)	(799,598)	(852,935)
— Knight Frank Group	(743)	(450)
Note:		
Deposits and cash placed with the HSBC Group	85,429	32,179
Secured bank borrowings and interest payable to the HSBC Group	(881,358)	(881,337)
Others	(3,669)	(3,777)
	(799,598)	(852,935)

20 Critical accounting estimates and judgements

The key sources of estimation uncertainty 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 rates.

(b) Recognition of deferred tax assets

At 31 December 2010, the Group has recognised deferred tax assets in relation to the unused tax losses amounting to approximately \$140,743,000 (30 June 2010 (restated): \$141,358,000). 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.

21 Restatement of comparatives

As a result of the early adoption of the amendments to HKAS 12, *"Income taxes"*, certain comparative figures have been adjusted to reflect the decrease in accrual of deferred tax liabilities related to investment properties carried at fair value. Further details of these changes in accounting policies are disclosed in note 3.

Auditor's Review Report

Independent review report to the board of directors of Henderson Sunlight Asset Management Limited (the "Manager")

Introduction

We have reviewed the interim financial report sets out on pages 21 to 47 which comprises the consolidated balance sheet of Sunlight REIT as at 31 December 2010 and the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in net assets attributable to unitholders, the distribution statement and the condensed consolidated cash flows statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, "*Interim financial reporting*", issued by the Hong Kong Institute of Certified Public Accountants. The Manager is responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "*Review of interim financial information performed by the independent auditor of the entity*", issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 31 December 2010 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, "*Interim financial reporting*".

KPMG

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

14 February 2011

Performance Table

(Expressed in Hong Kong dollars, unless otherwise specified)

	Note	2010	2009	2008	2007	2006 ⁴
At 31 December:						
Net asset value (\$ million)	1	7,149.4	5,702.9	5,159.2	6,169.5	5,375.2
Net asset value per unit	1	4.54	3.66	3.38	4.10	3.61
Market capitalisation (\$ million)		3,763.2	2,990.3	2,139.8	3,517.8	3,360.6
For the six months ended 31 December:						
Highest traded unit price		2.40	2.06	1.96	2.56	2.60
Highest premium of the traded unit price to net asset value per unit	2	N/A	N/A	N/A	N/A	N/A
Lowest traded unit price		1.98	1.49	0.91	1.85	2.11
Highest discount of the traded unit price to net asset value per unit (%)	1	56.4	59.3	73.1	54.9	41.6
Last traded unit price		2.39	1.92	1.40	2.34	2.26
Distribution per unit, after adjusting for distribution waivers (HK cents)		8.50	6.88	9.29	7.44	N/A
Distribution yield per unit (%)	3	3.6	3.6	6.6	3.2	N/A

Notes:

1. The comparative figures have been restated as a result of the adoption of the amendments to HKAS 12, "Income taxes".
2. The highest traded unit price is lower than the net asset value per unit at the end of the period. Accordingly, premium of the traded unit price to net asset value per unit had not been recorded.
3. Distribution yield per unit is calculated by dividing the distribution per unit, after adjusting for distribution waivers, by the last traded unit price of that period.
4. The interim report for 2006/07 covered the period from 21 December 2006 (date of listing) to 31 December 2006. No distribution was made for that period.

Corporate Information and Financial Calendar

Board of Directors of the Manager

Chairman and Non-executive Director

AU Siu Kee, Alexander

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 *JP*

Company Secretary of the Manager

LO Yuk Fong, Phyllis

Trustee

HSBC Institutional Trust Services (Asia) Limited

Auditor

KPMG

Principal Valuer

Knight Frank Petty 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

Sumitomo Mitsui Banking Corporation

Registered Office of the Manager

30th Floor, 248 Queen's Road East,

Wan Chai, Hong Kong

Unit Registrar

Tricor Investor Services Limited

26th Floor, Tesbury Centre,

28 Queen's Road East,

Wan Chai, Hong Kong

Investor Relations

LEUNG Kwok Hoe, Kevin

Tel : (852) 3669 2888

Fax : (852) 2285 9980

Email : ir@HendersonSunlight.com

Website

www.sunlightreit.com

Key Dates

Interim Results Announcement

14 February 2011

Issuance of Interim Report

22 February 2011

Closure of Register

1 March 2011 to 3 March 2011,

for entitlement of interim distribution

both days inclusive

Interim distribution payable

30 March 2011

at approximately HK 8.50 cents per unit



Managed by Henderson Sunlight Asset Management Limited
由恒基陽光資產管理有限公司管理

