



SUNLIGHT REIT

Stock Code: 435

# Greener Pastures

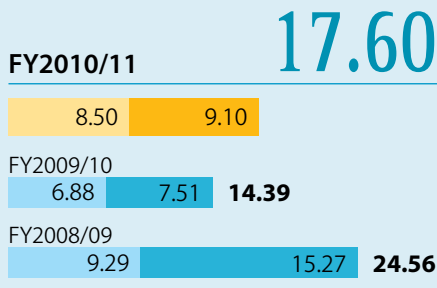
Annual Report 2010/11



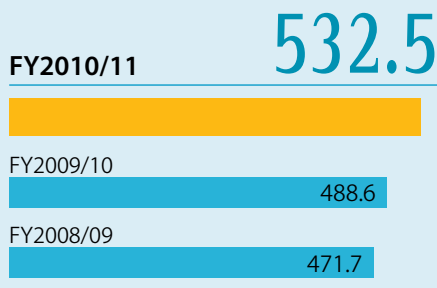
# Performance Highlights

## Distribution per unit (HK cents)

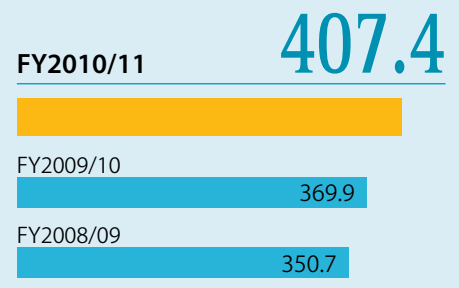
Interim  
Final



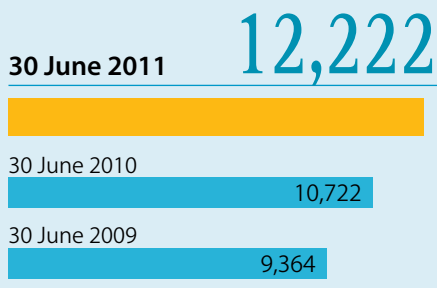
## Turnover (HK\$' million)



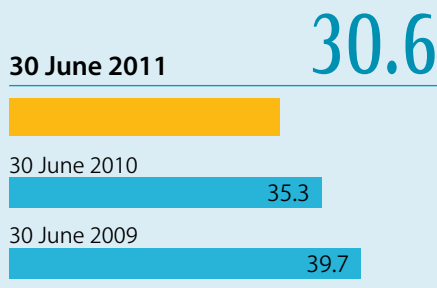
## Net property income (HK\$' million)



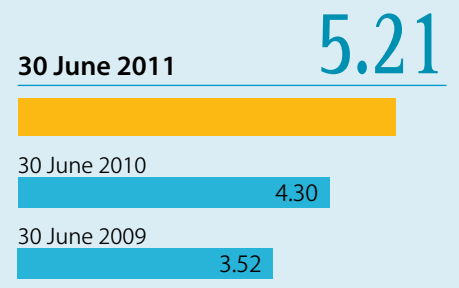
## Appraised property value (HK\$' million)



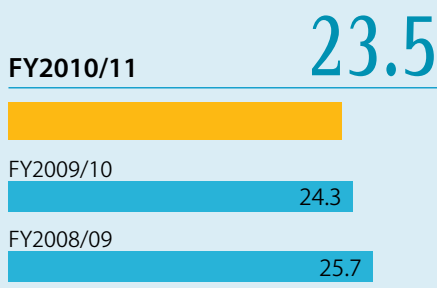
## Gearing (%)



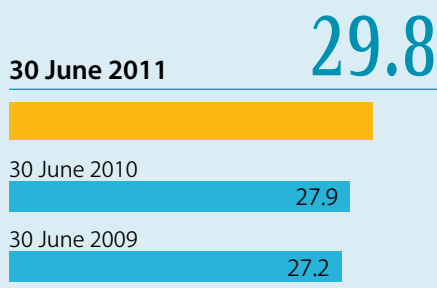
## Net asset value per unit (HK\$)



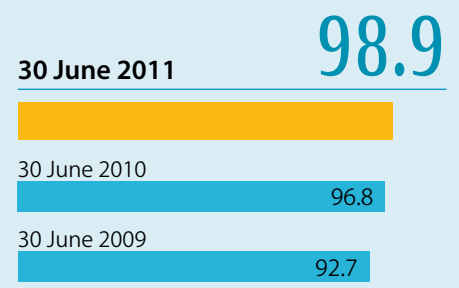
## Cost-to-income (%)



## Passing rent (HK\$/sq. ft.)



## Occupancy (%)





# Portfolio Overview



 <p><b>4</b> Winsome House Property</p> <p>Location: Central Year of completion: 1999 Gross rentable area: 40,114 sq. ft.</p>	 <p><b>7</b> Java Road 108 Commercial Centre</p> <p>Location: North Point Year of completion: 1998 Gross rentable area: 37,923 sq. ft.</p>	 <p><b>10</b> Everglory Centre</p> <p>Location: Tsim Sha Tsui Year of completion: 1999 Gross rentable area: 29,802 sq. ft.</p>	 <p><b>16</b> Royal Terrace Property</p> <p>Location: North Point Year of completion: 2002 Gross rentable area: 9,565 sq. ft.</p>	 <p><b>19</b> Supernova Stand Property</p> <p>Location: North Point Year of completion: 2001 Gross rentable area: 4,226 sq. ft.</p>
 <p><b>5</b> 135 Bonham Strand Trade Centre Property</p> <p>Location: Sheung Wan Year of completion: 2000 Gross rentable area: 63,915 sq. ft.</p>	 <p><b>8</b> Yue Fai Commercial Centre Property</p> <p>Location: Aberdeen Year of completion: 1997 Gross rentable area: 42,751 sq. ft.</p>	 <p><b>11</b> Sun Fai Commercial Centre Property</p> <p>Location: Mong Kok Year of completion: 1998 Gross rentable area: 26,151 sq. ft.</p>	 <p><b>17</b> Beverley Commercial Centre Property</p> <p>Location: Tsim Sha Tsui Year of completion: 1982 Gross rentable area: 7,934 sq. ft.</p>	 <p><b>20</b> Palatial Stand Property</p> <p>Location: Hung Hom Year of completion: 2001 Gross rentable area: 8,625 sq. ft.</p>
 <p><b>6</b> 235 Wing Lok Street Trade Centre</p> <p>Location: Sheung Wan Year of completion: 2000 Gross rentable area: 52,285 sq. ft.</p>	 <p><b>9</b> On Loong Commercial Building Property</p> <p>Location: Wan Chai Year of completion: 1984 Gross rentable area: 25,564 sq. ft.</p>	 <p><b>12</b> Wai Ching Commercial Building Property</p> <p>Location: Yau Ma Tei Year of completion: 1997 Gross rentable area: 16,321 sq. ft.</p>	 <p><b>18</b> Glory Rise Property</p> <p>Location: North Point Year of completion: 2003 Gross rentable area: 7,086 sq. ft.</p>	<p><b>Legend</b></p> <ul style="list-style-type: none"> <li>Office properties</li> <li>Retail properties</li> <li>MTR lines</li> </ul>

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## Sunlight REIT

Listed on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) on 21 December 2006 (“**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\$12,222.2 million at 30 June 2011. 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.

## 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 of directors (the “**Board**”) of Henderson Sunlight Asset Management Limited (the “**Manager**”) 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, which may cause actual results or performance to differ materially from those expressed or implied in such statements.

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# Promising Prospects







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## Chairman's Statement

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Au Siu Kee, Alexander  
Chairman

While operating costs will increase in tandem with burgeoning inflation, we are guardedly optimistic that Sunlight REIT's income will be able to absorb such cost escalation.

Dear Unitholders,

On behalf of the board of Directors of the Manager (the "**Board**"), I am delighted to report an encouraging set of results of Sunlight REIT.

For the year ended 30 June 2011, Sunlight REIT's net property income amounted to HK\$407.4 million, representing a year-on-year growth of approximately 10.1%. The total distributable income for the year rose 41.8% year-on-year to HK\$264.5 million. Such increase was attributable to various factors, notably including the improvement in the underlying operational performance, interest saving achieved as a result of a series of capital management initiatives undertaken during FY2009/10 and the election by the Manager to receive its fees entirely in units.

The Board has approved a final distribution of HK 9.1 cents per unit, or HK\$124,276,000. Together with the interim distribution of HK 8.5 cents per unit, the total distribution per unit ("**DPU**") for the year is HK 17.6 cents, representing an increase of 22.3% over the previous year and implying a full year payout ratio of approximately 90.5%.

Reflecting the solid recovery in commercial property market in Hong Kong as well as the Manager's asset enhancement initiatives, the appraised value of Sunlight REIT's portfolio increased by 14.0% to reach HK\$12,222.2 million at 30 June 2011. Consequently, the net asset value of Sunlight REIT appreciated by 22.9% to arrive at HK\$8,261.9 million at 30 June 2011, which equates to HK\$5.21 on a per unit basis (30 June 2010: HK\$4.30).

During the year, Sunlight REIT benefitted from the improved domestic and multinational demand for office premises and from the buoyant retail environment. The recovery in the local commercial property market together with the steep rental differential between Central/Admiralty and other Grade A office locations, has increased the desire of corporate relocation, both for the purpose of cost mitigation and expansion. The Manager has capitalised on this trend by attracting migration of quality tenants, resulting in satisfactory improvement in both occupancy and income.

Given the good prospects for further expansion in take-up and limited new supply, the vacancy rates for both office and retail properties are expected to remain low. While operating costs will increase in tandem with burgeoning inflation, we are guardedly optimistic that Sunlight REIT's income will be able to absorb such cost escalation. Finally, the complete fading out of financial engineering assistance notwithstanding (which would have an impact on DPU), Sunlight REIT should continue to offer investors a steady distribution.

I would like to take this opportunity to express my gratitude to my fellow directors, management and staff for all their hard work throughout the year.

**Au Siu Kee, Alexander**  
Chairman

## CEO's Report

The strategic locations and quality of the portfolio, supported by a proactive and diligent management team, has enabled Sunlight REIT to capitalise on the continued strength of the commercial property market. Our prudent capital management strategy, as illustrated by the signing of the loan refinancing agreements and proactive interest rate management initiatives, has also proved rewarding amidst the global economic uncertainties. Finally, our corporate social responsibility and green initiatives have reached new milestones and we shall endeavor to further improve the environmental footprint of Sunlight REIT's properties, with the aim of providing a sustainable and pleasant environment for our staff, tenants and customers.

The recovery in Hong Kong's commercial property market that started in mid-2009 gained further momentum during the year under review. Key features of the market included the following:

### Office sector:

- Decentralisation has become a pronounced trend as multinational corporations initiated an unprecedented wave of relocation to new destinations (such as Kowloon Station and Kowloon East), mainly incentivised by huge rental savings (vis-à-vis Central/Admiralty), the need for organic expansion and an improved transportation network.
- In tandem with the sustainable economic recovery, unoccupied space and new supply in peripheral locations have been met with a warm reception. The massive new supply in Kowloon East, once a worrying feature, is now mostly absorbed, led by multinational insurance companies. Overall vacancy rates have fallen steadily and in the case of Wan Chai-Causeway Bay district, the vacancy rate had consistently stayed below 5.0% during the year under review. Meanwhile, rents were approaching, and in some cases exceeding the pre-crisis peak recorded in mid-2008.



Wu Shiu Kee, Keith  
Chief Executive Officer

This is my fifth CEO's report. Since the listing of Sunlight REIT in December 2006, the appraised value of its portfolio and net property income have grown 34.5% and 93.7%, representing compound annual growth rates of 6.4% and 14.1% respectively.



- While the rental differential between Central and non-Central offices remained substantial, the gradient of which has appeared to flatten slightly, thanks to decentralisation. According to the Rating and Valuation Department, average Grade A office rent in Central at June 2011 was approximately HK\$89.0 per sq. ft., representing a year-on-year increase of 19.2%, whereas the corresponding figure for the Wan Chai-Causeway Bay district was approximately HK\$56.0 per sq. ft., 22.7% higher than the same period last year.

#### Retail sector:

- Growth in mainland tourist spending remained unabated and was a key driver to retail rental reversion, while the recovery in domestic spending as a result of solid economic growth has provided further impetus to retail rent improvement. For the first six months of 2011, total retail sales in Hong Kong exhibited a 24.4% increase in value over the same period last year, a strong anecdotal evidence in support of this evolving trend.
- Supply of new retail space in key regional and transportation hubs remain scarce, while both Yuen Long and Sheung Shui have firmly established themselves as key shopping destinations for mainland visitors.

Turning to the operational performance of Sunlight REIT, I am pleased to report that the overall portfolio occupancy at 30 June 2011 stood at 98.9%, up from 96.8% a year earlier. Occupancy of the office portfolio improved from 95.9% to 98.8%, while the retail portfolio was practically fully let. Passing rent at 30 June 2011 for both our office and retail properties continued their ascent, with respective improvements of 6.4% and 8.1% from a year earlier. The relatively small increase in office passing rent reflects the fact that rental reversion for a typical three-year lease was minimal as office rent registered its previous peak in early 2008. Meanwhile, the strength in retail rent was evident, with both Sheung Shui Centre Shopping Arcade and Metro City Phase I Property achieving double-digit rental reversion during the year under review.

The Manager's emphasis on service excellence is reflected in the loyalty of the tenant base, as demonstrated by its overall retention rate of 68.3% and in the number of high quality companies joining the tenancy list of Sunlight REIT.

On capital management, the HK\$4,050.0 million loan refinancing scheme was launched prior to year-end and we are pleased to

inform unitholders that the loan agreements were signed on 23 August 2011, with drawdown of the term loan scheduled to take place in late September 2011. The higher interest margin (of HIBOR+100 bps versus HIBOR+45 bps previously) reflects the escalating Hong Kong dollar funding cost due to loan demand from mainland enterprises, as well as the liquidity risk premium attributable to the still uncertain global banking environment, particularly in Europe. In tandem with the refinancing exercise, we have also secured approximately 76% of our indebtedness to fixed rate arrangement for a period of two to five years, thereby providing good income visibility to our stakeholders without compromising our financial flexibility.

On sustainability, I am delighted to report that our flagship office property, namely 248 Queen's Road East, has been awarded by the Building Environmental Assessment Method ("**BEAM**") Society with (the highest) *HK-BEAM Eco Building Platinum Standard* in July 2011. Such accreditation amply demonstrates the Manager's priority on sustainability and care for the environment. Going forward, improving the environmental footprint of our properties will continue to be at the forefront of our operational agenda.

## Outlook

The escalating uncertainties in global financial markets pose grave risks to the pace of world economic growth. However, barring another global recession, we are cautiously optimistic that the domestic economy, given its strong fundamentals, will be resilient in the face of turbulence in the financial markets. With the continued focus on Hong Kong as a gateway between China and the rest of the world, office demand for both prime and peripheral locations is expected to remain strong. Meanwhile, the shortage in new office supply is apparent – according to government and market estimates, the average new supply for Grade A offices over the next four to five years is unlikely to exceed 1 million sq. ft. per annum, versus a five-year historical take-up average of approximately 1.6 million sq. ft. per annum.

However, we do envisage challenges ahead. Besides the global economic uncertainties, the growing dynamics of office decentralisation implies that tenant competition and movements are likely to become a more prominent feature. Meanwhile, the consistently favourable China economic factor is a vital assumption behind the rental prospects of retail space. Finally, cost containment on the operational front will be a stern test for the Manager as we aim to

temper the rising inflationary pressure with more efficient resource allocation.

Beginning FY2011/12, Sunlight REIT will no longer enjoy distribution waivers from the vendors of its portfolio. This, together with the cash outlay for the Manager's fees, would have an impact on DPU, albeit mild.

On the asset enhancement front, refurbishment works at the ground floor and associated lobby areas of Righteous Centre in Mong Kok are expected to be completed by the end of September 2011. With an unrivalled location at one of the busiest areas of Nathan Road, the rental prospects of this property are promising. Longer term, a key agenda on asset enhancement is a major overhaul of Metro City Phase I Property. A multi-phase project spanning the next few years, the purpose of this enhancement initiative is to redesign and rebuild the image of the property, with an ultimate objective of a quantum leap in both income and footfall as we target to transform this property to become an attractive destination mall.

This is my fifth CEO's report. Since the listing of Sunlight REIT in December 2006, the appraised value of its portfolio and net property income have grown 34.5% and 93.7%, representing compound annual

growth rates of 6.4% and 14.1% respectively<sup>note</sup>. The cumulative DPU has totaled HK 94.26 cents, while the level of gearing has fallen from 41.2% at the time of the IPO to the current 30.6%. In addition, there have been numerous qualitative improvements in our portfolio, in terms of structural improvements, as well as enhancement in tenant mix and quality.

Going forward, we aspire to reach even higher ground in the next five years. The management team will continue to focus on maintaining a high level of occupancy and maximising the underlying potential of our portfolio through proactive management programs. The prospect of expanding the size of our portfolio as and when appropriate will also be a long term priority. By revitalising our portfolio and creating a more conducive environment where people prefer to work and choose to shop, we are hopeful of further enhancing Sunlight REIT's capability to generate a high quality recurring income stream, which in turn will translate into sustainable return for our unitholders.

**Wu Shiu Kee, Keith**

*Chief Executive Officer*

Note: The appraised value of the portfolio and net property income disclosed in the offering circular of Sunlight REIT were HK\$9,090.0 million (at 30 September 2006) and HK\$210.4 million (for the year ended 30 June 2006) respectively.

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# Building with Vision







## Portfolio at a Glance

Property	Property Details						No. of leases at 30 June	
	Location	Year of completion	No. of car park spaces	GRA <sup>1</sup> (sq. ft.)			2011	2010
				Office	Retail	Total		
<b>Office Property</b>								
<b>Grade A</b>								
248 Queen's Road East	Wan Chai	1998	46	369,891	6,490	376,381	76	69
<b>Grade B</b>								
Bonham Trade Centre	Sheung Wan	1998	0	108,506	9,403	117,909	109	109
Righteous Centre	Mong Kok	1996	0	41,004	10,763	51,767	60	58
Winsome House Property	Central	1999	0	37,937	2,177	40,114	24	24
135 Bonham Strand Trade Centre Property	Sheung Wan	2000	0	60,844	3,071	63,915	74	74
235 Wing Lok Street Trade Centre	Sheung Wan	2000	0	47,481	4,804	52,285	69	70
Java Road 108 Commercial Centre	North Point	1998	0	35,694	2,229	37,923	39	33
Yue Fai Commercial Centre Property	Aberdeen	1997	0	41,272	1,479	42,751	108	105
On Loong Commercial Building Property	Wan Chai	1984	0	23,856	1,708	25,564	37	37
Everglory Centre	Tsim Sha Tsui	1999	0	25,896	3,906	29,802	28	28
Sun Fai Commercial Centre Property	Mong Kok	1998	0	23,817	2,334	26,151	46	44
Wai Ching Commercial Building Property	Yau Ma Tei	1997	0	14,239	2,082	16,321	33	31
<b>Sub-total/Average</b>			<b>46</b>	<b>830,437</b>	<b>50,446</b>	<b>880,883</b>	<b>703</b>	<b>682</b>
<b>Retail Property</b>								
<b>New Town</b>								
Sheung Shui Centre Shopping Arcade	Sheung Shui	1993	297	0	122,339	122,339	123	127
Metro City Phase I Property	Tseung Kwan O	1996	452	0	188,889	188,889	110	112
Kwong Wah Plaza Property	Yuen Long	1998	0	39,101	25,741	64,842	37	37
<b>Urban</b>								
Royal Terrace Property	North Point	2002	49	0	9,565	9,565	7	6
Beverly Commercial Centre Property	Tsim Sha Tsui	1982	0	0	7,934	7,934	39	39
Glory Rise Property	North Point	2003	0	0	7,086	7,086	7	7
Supernova Stand Property	North Point	2001	0	0	4,226	4,226	2	2
Palatial Stand Property	Hung Hom	2001	0	3,566	5,059	8,625	5	5
<b>Sub-total/Average</b>			<b>798</b>	<b>42,667</b>	<b>370,839</b>	<b>413,506</b>	<b>330</b>	<b>335</b>
<b>Total/Average</b>			<b>844</b>	<b>873,104</b>	<b>421,285</b>	<b>1,294,389</b>	<b>1,033</b>	<b>1,017</b>

- 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. Please refer to "Valuation Report" on pages 53 to 68 for further details.

N/A: Not applicable

Operational Statistics						Property Financials				
Occupancy at 30 June (%)		Passing Rent <sup>2</sup> at 30 June (HK\$ / sq. ft.)		Committed Rent <sup>2</sup> (HK\$ / sq. ft.)		Net Property Income (HK\$'000)		Capitalisation Rate at 30 June 2011 (%)		Appraised Value at 30 June 2011 <sup>3</sup> (HK\$'000)
2011	2010	2011	2010	1 Jul 10 – 30 Jun 11	1 Jul 09 – 30 Jun 10	FY2010/11	FY2009/10	Retail	Office	
100.0	94.9	25.6	24.7	27.0	23.6	109,004	92,754	4.20	4.00	3,225,000
97.9	98.2	17.8	16.4	18.9	16.2	20,522	18,944	4.20	4.00	684,000
97.0	96.7	27.8	23.0	48.5	17.2	13,569	13,423	3.80	4.10	479,000
100.0	97.1	32.2	29.7	34.7	24.8	12,966	12,372	4.20	4.00	407,000
97.8	96.0	17.5	16.2	18.4	16.1	10,454	9,560	4.20	4.00	363,000
96.3	97.9	13.1	11.7	14.1	11.3	5,998	6,004	4.25	4.00	215,000
98.1	86.4	15.8	15.6	16.4	15.0	5,386	4,077	4.20	4.10	196,000
99.4	97.6	15.3	14.0	17.6	12.8	6,118	5,909	4.20	4.25	195,000
100.0	97.9	21.7	20.8	15.3	26.7	5,713	5,085	4.20	4.10	173,000
95.2	100.0	15.5	15.0	16.9	13.9	4,256	4,205	4.15	4.00	154,500
100.0	96.3	16.4	15.9	16.2	16.5	4,225	3,995	4.35	4.25	129,000
97.2	95.6	7.6	7.0	8.4	6.8	901	975	4.35	4.00	41,300
<b>98.8</b>	<b>95.9</b>	<b>21.7</b>	<b>20.4</b>	<b>23.2</b>	<b>17.9</b>	<b>199,112</b>	<b>177,303</b>			<b>6,261,800</b>
98.6	99.8	76.1	70.2	99.4	71.0	95,689	89,317	4.40	N/A	2,836,000
98.8	97.7	36.9	34.0	35.2	35.5	79,732	71,836	4.50	N/A	2,094,000
100.0	100.0	33.1	29.6	37.1	25.9	21,052	20,548	4.00	4.00	668,000
100.0	95.5	26.4	26.1	33.0	19.9	3,678	3,347	4.25	N/A	112,200
100.0	100.0	38.0	33.7	39.8	35.6	3,072	2,838	4.30	N/A	91,000
100.0	100.0	30.0	28.7	47.7	10.0	2,194	2,106	4.20	N/A	73,000
100.0	100.0	39.4	42.4	40.8	28.6	1,859	2,053	4.00	N/A	51,000
100.0	100.0	10.8	10.4	14.1	10.3	983	559	4.35	N/A	35,200
<b>99.1</b>	<b>98.8</b>	<b>46.9</b>	<b>43.4</b>	<b>52.2</b>	<b>42.6</b>	<b>208,259</b>	<b>192,604</b>			<b>5,960,400</b>
<b>98.9</b>	<b>96.8</b>	<b>29.8</b>	<b>27.9</b>	<b>31.8</b>	<b>26.0</b>	<b>407,371</b>	<b>369,907</b>			<b>12,222,200</b>



# Business Review

## Office Portfolio

### 248 Queen's Road East

The cornerstone of Sunlight REIT's office portfolio, 248 Queen's Road East has been a major beneficiary of the office market recovery and the growing tendency of decentralisation. Fully let at 30 June 2011, the Manager's core strategy of improving both occupancy as well as the quality of the tenant base has proven to be a major success. During the year, the average committed rent was HK\$27.0 per sq. ft., up 14.4% from that achieved in the previous financial year, while average rental reversion for renewing tenancies was 6.4%. Given the continued strength of the office sector, such reversionary momentum is expected to be sustainable going forward.

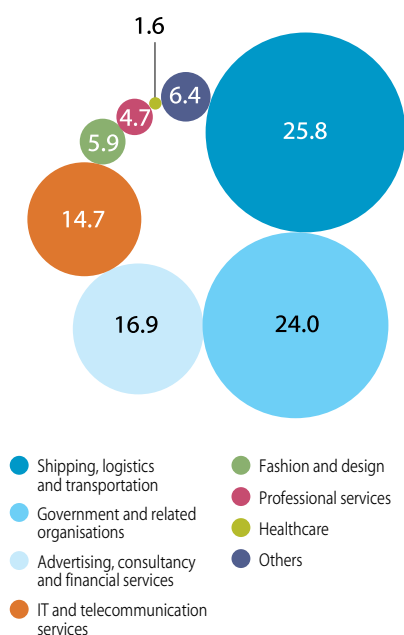


248 Queen's Road East

In anticipation of possible tenant relocations, particularly in the first half of FY2011/12, the Manager has already begun liaising with existing and potential tenants in order to mitigate the impact of rent void. Despite the short term effect of the transition, the manager is confident that occupancy for the property will be maintained at a satisfactory level.

The tenant base of 248 Queen's Road East remains balanced and well diversified, with Government and governmental-related organisations accounting for 24.0% of the GRA of this property. At the time of writing, a major electronic products retailer has taken possession of a substantial space in the retail podium of the property, which is expected to complement to the growing vibrancy of the Wan Chai south district.

### Tenant Mix at 248 Queen's Road East\*



\* Tenant mix charts on pages 12 to 14 are expressed by percentage and in terms of GRA at 30 June 2011

During the year, certain enhancement works have been completed, including the installation of a new carpark system and renovation works in relation to environmental enhancement.

### Grade B Central/Sheung Wan Office Properties

The performance of the four Grade B properties in Central/Sheung Wan has been satisfactorily underpinned by the momentum in the domestic business environment. All four properties reported satisfactory occupancy at 30 June 2011 compared to their respective year earlier levels, while rental reversion averaged 15.5% for the year. As Sunlight REIT reaped the benefit brought about by the renovation at Bonham Trade Centre completed in FY2009/10, it is evident that the Sheung Wan district is undergoing transformation with the emergence of niche restaurants, boutique offices and service apartments, turning the area into an interesting hub for smaller enterprises. Such metamorphosis should bode well for rental prospects of this area to which Sunlight REIT has considerable exposure.



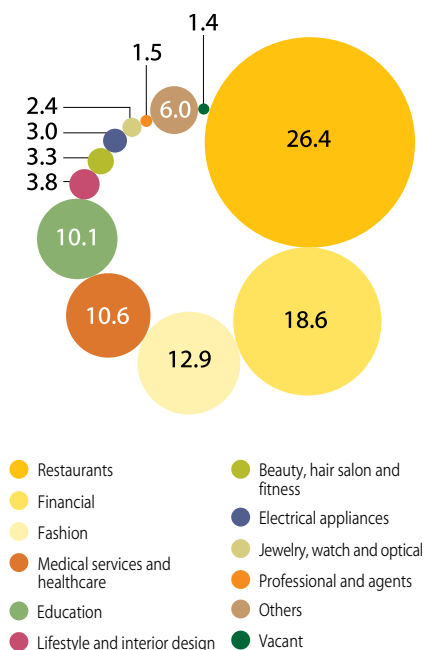
Bonham Trade Centre

## Other Office Properties

At the smaller office properties, tenants are involved in a wide spectrum of industries or businesses. Small and diverse, they share a common trait, namely, they are more driven by the domestic retail cycle than the world economy, and their prospects tend to correlate with domestic consumption. Righteous Centre, located in the heart of Mong Kok, and Everglory Centre which is situated at the interchange of Tsim Sha Tsui and Jordan, are good cases in point.

The defensive quality of these properties has not only provided strong cash flow, but also the necessary leverage for growth. Looking ahead, the Manager will continue to strive to improve their contributions through adequate income enhancing and cost control measures.

### Tenant Mix at Sheung Shui Centre Shopping Arcade



## Retail Portfolio

The fine performance of the retail property market reflects the healthy underlying fundamentals of the local economy, with the domestic demand recovery and the continued robust growth in tourism spending being the key positive features.

In light of the strength of retail sales in Hong Kong, both domestic and international retailers looking to showcase their products have aggressively sought out prime locations to expand their networks. The strong competition for retail space has translated into solid rental improvement during the year under review. Looking ahead, the prevailing economic recovery and the improving job market should continue to boost consumer confidence. Meanwhile, there is little signs of let up in visitor arrivals from China. As a result, the prospects for retail sales, and by extension retail rents, are encouraging.

## Sheung Shui Centre Shopping Arcade

The asset enhancement works relating to this property were substantially completed during the year under review. This refurbishment has provided a timely improvement in both rent and tenant qualities, as rental reversion for the period averaged 17.1%, while committed rent rose 40.0% to HK\$99.4 per sq. ft. as a result of the renewal of a number of high value leases during the year, with a new tenancy achieving a record unit rent of over HK\$250.0 per sq. ft..

As shopping traffic at this retail complex is well supported by mainland China shoppers, a key leasing strategy is therefore to enrich the mix of trades with a special focus on both up-market trades and those catering for the spending preference of mainland tourists. The upgrading of the property to meet the needs of more reputable brands has enabled



Sheung Shui Centre Shopping Arcade

## Business Review

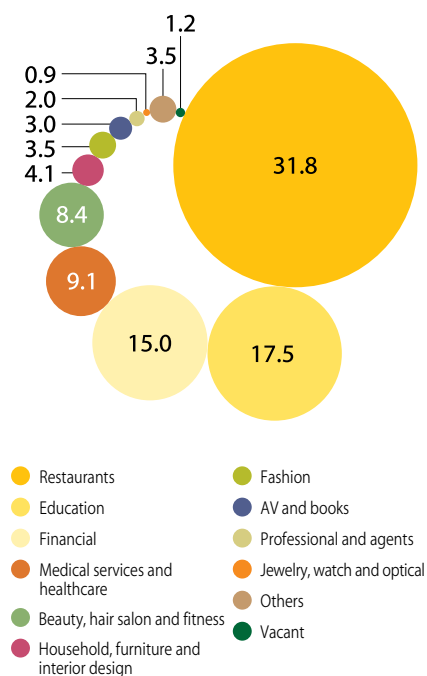
the property to secure a further improvement in tenant mix. During the year under review, new joining tenants include wine distributors, certain fashion chains, telecommunication and electronic products retailers and a major international bank.

Over the medium term, the Manager seeks to focus on narrowing the rent differential between the core shopping area and the spaces located at the corridors and perimeters of the shopping mall. As these corridors provide shoppers circulation through an outdoor veranda, the Manager will look into the enhancement benefit of this area, targeting the provision of trades that are lifestyle oriented.

### Metro City Phase I Property

Occupancy at Metro City Phase I Property, a two-storey shopping centre and the second largest retail property of Sunlight REIT, was 98.8% at 30 June 2011. Average rental reversion during the year was 15.7%. For the year, average committed rent for new and renewing leases at the property has decreased marginally by 0.8% to HK\$35.2 per sq. ft., mainly due to a higher proportion of leases renewed on the lower floor where the level of rent is typically lower. On a like-to-like comparison, committed rents for the upper and lower floors have actually increased from the previous year by 12% and 7% respectively. During the year under review, we have been successful in

#### Tenant Mix at Metro City Phase I Property



attracting quality tenants (notably from the beauty and education trades) to take occupancy at the lower floor of the property in an attempt to rectify the inherently lower circulation traffic and unit rent in comparison with the upper floor.

Unlike our Sheung Shui Centre Shopping Arcade which enjoys significant mainland tourist traffic, this regional mall caters primarily to domestic consumers in its catchment area. It is our intention to design and rebuild the image of this property with a view to broadening its appeal beyond the immediate area. An architectural study on this project is already underway and we are hopeful that the enhancement works will provide long term benefit to our stakeholders.



Metro City Phase I Property



## Kwong Wah Plaza Property

This property is classified as retail but its office portion has attracted corporations in the financial and service trades establishing their regional headquarters in the northern New Territories. As a result, the property has continued to be fully let and the average committed rent during the year rose 43.2% to HK\$37.1 per sq. ft., thanks to the successful renewal of certain retail leases at satisfactory level of reversion.

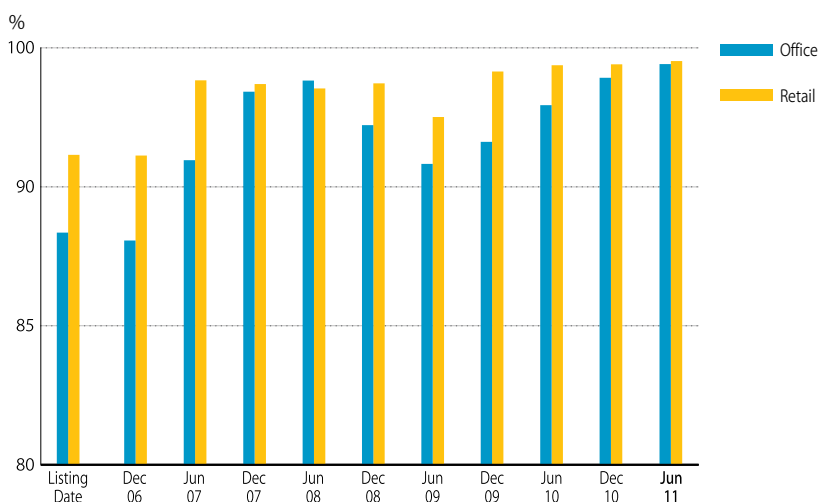


Kwong Wah Plaza Property

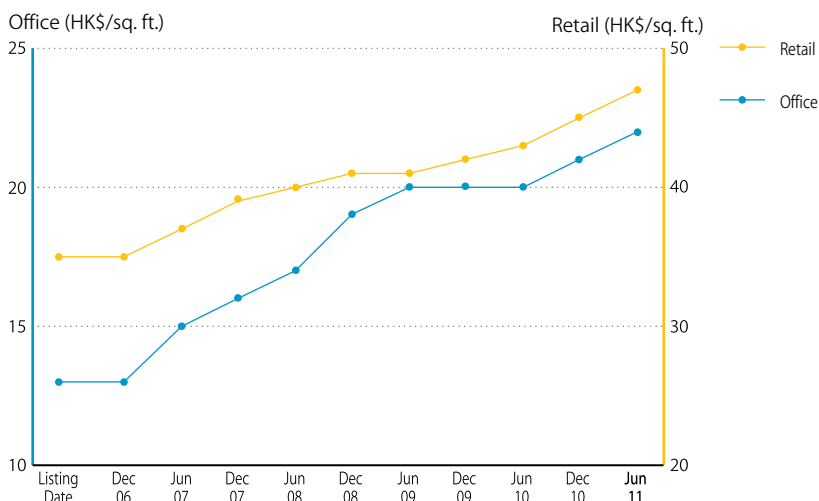
## Other Retail Properties

Other retail properties, which are typical street level shops in residential or office developments, serve the regular shopping requirements of the people in their immediate vicinities. They tend to provide stable rental income and occupancy, but with good rental potential attributable to their prime location vis-à-vis future infrastructural development of Hong Kong.

## Historical Trends in Occupancy since IPO



## Historical Trends in Passing Rent since IPO



## Operational Statistics

Overall passing rent improved across the board, registering a growth of 6.8% to HK\$29.8 per sq. ft.. The office portfolio managed to achieve an average passing rent of HK\$21.7 per sq. ft., 6.4% higher than the previous year due to a 29.6% increase in committed rent to HK\$23.2 per sq. ft.. Meanwhile, average committed rent

and passing rent of our retail portfolio increased by 22.5% to HK\$52.2 per sq. ft. and by 8.1% to HK\$46.9 per sq. ft. respectively.

During the year, a total of 562,701 sq. ft. (including both new letting and renewal) were leased out. The level of office tenant retention rate was 68.7% compared to 61.8% recorded in the same period last

## Business Review

year, while as a result of our tenant improvement strategy, tenant retention in respect of the retail portfolio was lower at 67.4% in FY2010/11 compared to 84.5% in FY2009/10.

At 30 June 2011, the weighted average lease length by GRA was 2.7 years for the entire portfolio. Lease expiries on or before 30 June 2012 account for 40.8% of office GRA and 36.2% of retail GRA. The average unit rent for the expiring office and retail leases are HK\$19.5 per sq. ft. and HK\$43.3 per sq. ft. respectively.

### Diversified Tenancy Base

The portfolio had a total of 1,033 tenancies at 30 June 2011. The largest tenant by rental income accounted for 4.1% of the total rental income and occupied 4.8% of total GRA, while the corresponding numbers for the top ten tenants were 22.2% and 18.4% respectively. Details of the top ten tenants by rental contribution at 30 June 2011 are shown in the table on page 17.

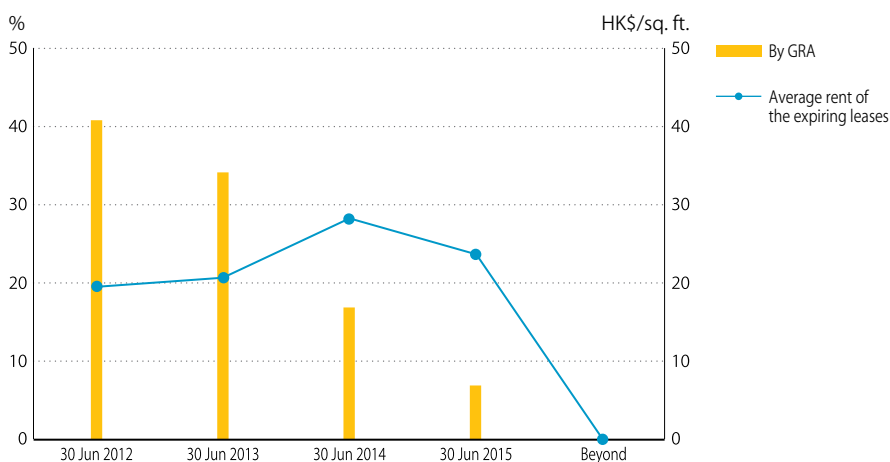
### Other Income

Sunlight REIT has a total of 844 car parking spaces which generated income of approximately HK\$20.4 million for the year. The Manager also generated income from outdoor advertising space and income generated from short term licenses on certain properties. Cost recovery items include management and air-conditioning fees.

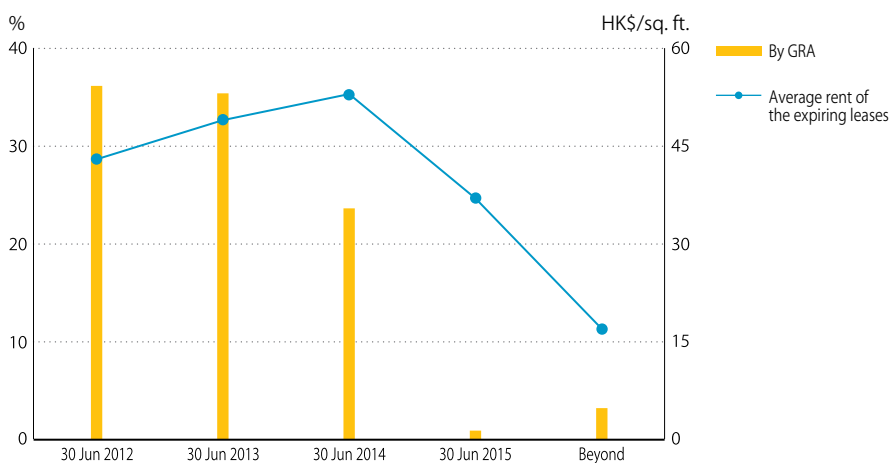
### Major New Tenants (Jul 2010 – Jun 2011)



### Expiry Profile of Office Properties at 30 June 2011



### Expiry Profile of Retail Properties at 30 June 2011



## Top Ten Tenants by Rental Contribution at 30 June 2011

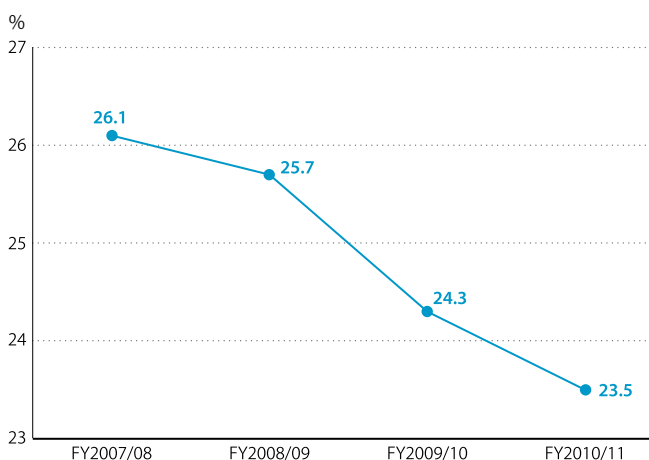
Tenant name	Trade sector	Total gross area (sq. ft.)	% of total GRA	% of total monthly rent
The Financial Secretary Incorporated c/o Government Property Agency	Government and related organisations	61,772	4.8	4.1
Anglo-Eastern Ship Management Limited	Shipping, logistic and transportation	61,879	4.8	3.9
Tenant A <sup>note</sup>	Medical services and healthcare	23,008	1.8	2.5
Bank of Communications Co., Ltd.	Financial	8,782	0.7	2.2
The Bank of East Asia, Limited	Financial	8,997	0.7	1.9
PCCW Teleservices (Hong Kong) Limited	IT and telecommunication services	28,822	2.2	1.7
Forever Sky (Asia) Limited	Restaurants	20,261	1.5	1.7
The Dairy Farm Company Limited	Supermarket	8,883	0.7	1.6
Hang Seng Bank Limited	Financial	7,628	0.6	1.3
Bank of China (Hong Kong) Limited	Financial	7,849	0.6	1.3

Note: Tenant requests anonymity.

## Cost Control

After a period of quiescence, rising cost became a notable operational factor during the year. While the cost-to-income ratio of 23.5% in the year under review compared favourably to 24.3% recorded in the previous year, the absolute amount of property operating expenses has increased to HK\$125.1 million from HK\$ 118.7 million. The increment is largely due to items that are related to rental income or value of the portfolio such as rental commission and government rates. Items relating to the management of the properties such as repair and maintenance, marketing and promotions, and building management fee components such as utilities, security and cleaning expenses, have been mostly well contained.

### Trend of Cost-to-income



Energy audit for BEAM accreditation

While optimising occupancy and rental improvement with achieving a suitable tenant mix remains the key operational objective, cost control has also become a more important consideration. In particular, the effect of the minimum wage legislation on



## Business Review

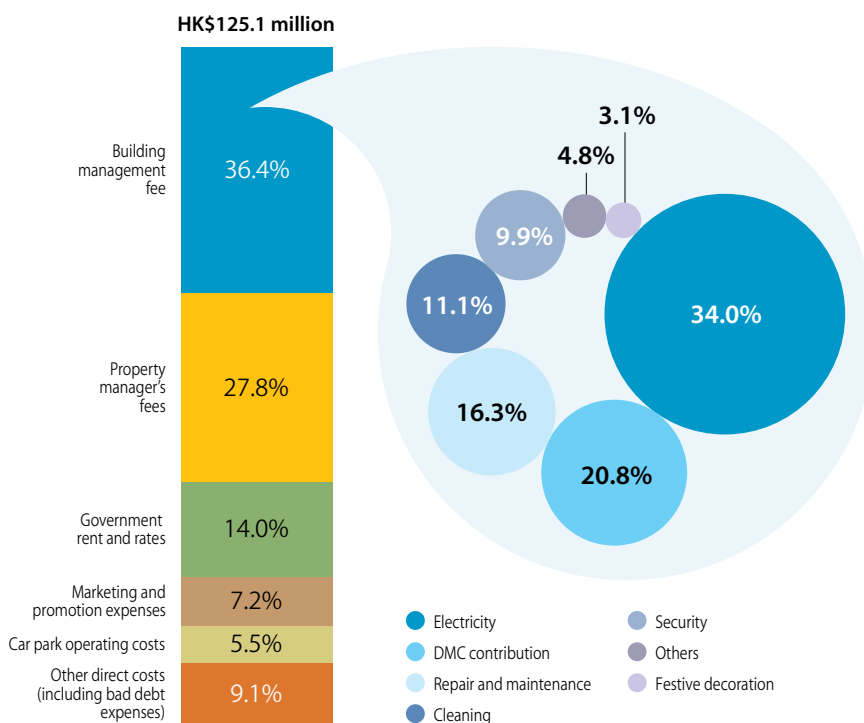
security and cleaning services as well as the growing inflationary pressure will be notable going forward.

A breakdown of the total property operating expenses, together with components constituting building management expenses for the year under review are provided in the table below for easy reference.



Installation of LED lights at 248 Queen's Road East

### Components of total Property Operating Expenses



### Top Five Real Estate Agents and Contractors<sup>1</sup>

Real estate agents and contractors	Nature of service	Value of contract (HK\$'000)	Relevant cost (%)
Henderson Sunlight Property Management Limited <sup>2</sup>	Leasing, marketing and building management	36,700	33.65
Hang Yick Properties Management Limited <sup>2</sup>	Building management	7,960	7.30
Winston Air Conditioning & Engineering (Hong Kong) Company Limited	Repairs and maintenance	4,131	3.79
Megastrength Security Services Company Limited <sup>2</sup>	Security services	3,822	3.50
Man Yuen Construction Engineering Company Limited	Repairs and maintenance	3,305	3.03
<b>TOTAL</b>		<b>55,918</b>	<b>51.27</b>

Notes:

- For the year ended 30 June 2011.
- Wholly owned subsidiaries of Henderson Land Development Company Limited ("HLD"), being interested in more than 5% of the total units in issue of Sunlight REIT.

## Financial Review

### Financial Highlights

(in HK\$' million, unless otherwise specified)	2011	2010	2009	2008	2007 <sup>2</sup>
<b>For the year/period ended 30 June:</b>					
Turnover	532.5	488.6	471.7	431.3	200.3
Property operating expenses	125.1	118.7	121.0	112.6	51.9
Net property income	407.4	369.9	350.7	318.7	148.4
Profit/(loss) after taxation <sup>1</sup>	1,655.1	1,389.1	(629.3)	751.0	2,240.9
Total distributable income	264.5	186.5	269.8	258.7	141.8
Cost-to-income ratio (%)	23.5	24.3	25.7	26.1	25.9
DPU <sup>3</sup> (HK cents)	17.60	14.39	24.56	24.20	13.51
Distribution yield per unit <sup>4</sup> (%)	7.1	7.3	16.2	12.6	6.0
<b>At 30 June:</b>					
Portfolio valuation	12,222.2	10,722.1	9,364.0	10,151.0	9,558.0
Total assets <sup>1</sup>	12,888.2	11,226.8	9,947.1	10,802.0	10,343.7
Total liabilities <sup>1</sup>	4,626.3	4,504.6	4,499.0	4,315.2	4,288.1
Net asset value <sup>1</sup>	8,261.9	6,722.2	5,448.1	6,486.8	6,055.6
Net asset value per unit <sup>1</sup> (HK\$)	5.21	4.30	3.52	4.28	4.06
Gearing ratio <sup>1</sup> (%)	30.6	35.3	39.7	36.6	38.2

#### Notes:

1. 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 consolidated financial statements on page 87 for details.
2. 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.
3. Please refer to "Distribution Statement" on pages 77 and 78 for details.
4. Calculations are based on DPU and the last traded unit price of Sunlight REIT at the end of the respective year/period.

### Operating Results

Sunlight REIT recorded a 9.0% increase in turnover to HK\$532.5 million from the previous financial year. Property operating expenses for the year amounted to HK\$125.1 million, resulting in a 10.1% year-on-year growth in net property income to HK\$407.4 million. Meanwhile, reflecting the benefit of a series of interest rate swaps transactions entered into in the previous financial year, interest expense on bank borrowings for the year was reduced by 11.4% to HK\$117.6 million. Finally, with the gain in fair value of investment properties amounting to HK\$1,493.7 million (FY2009/10: HK\$1,344.2 million), profit after taxation for the year was HK\$1,655.1 million, up 19.1% from the previous year.

### Distribution

The total distributable income of Sunlight REIT for the year was HK\$264,452,000, representing an increase of 41.8% from HK\$186,479,000 recorded in the previous year.

The Board of the Manager has resolved to declare a final distribution of HK 9.1 cents per unit, or HK\$124,276,000. Together with the interim distribution of HK\$115,018,000, total distributions for the year came to HK\$239,294,000, implying an effective payout ratio of 90.5%. The DPU for the year was HK 17.6 cents, representing a year-on-year increase of 22.3% as compared with HK 14.39 cents declared in the previous year.

## Financial Review

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

1. Pursuant to the Deeds of Distribution Waiver (with details contained in note (ii) of the "Distribution Statement" on page 78), the extent of distribution waivers offered by certain subsidiaries of 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).

A year-on-year comparison of the DPU is shown in the chart "Distribution at a Glance". 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.

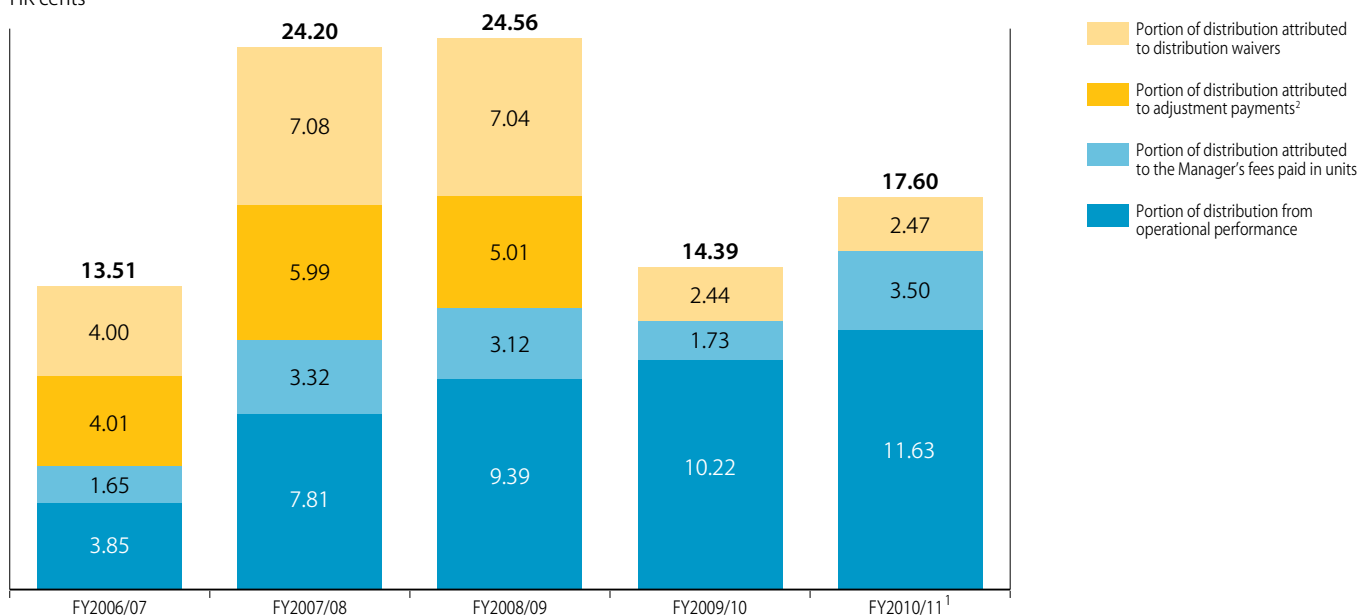
It should be noted that the distribution waivers as mentioned above will lapse with effect from FY2011/12. Meanwhile, pursuant to the announcement issued on 18 May 2011, the Manager has elected to receive its base fee and variable fee for FY2011/12 as to 30% in cash and 70% in units.

### Distribution Entitlement and Closure of Register of Unitholders

The record date for the final distribution will be Wednesday, 28 September 2011. The register of unitholders will be closed from Monday, 26 September 2011 to Wednesday, 28 September 2011, both days inclusive, during which period no transfer of units will be effected. In order to be entitled to the final distribution, 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 Friday, 23 September 2011. Payment of final distribution will be made to unitholders on Thursday, 27 October 2011.

### Distribution at a Glance

HK cents



Notes: 1. If the payout ratio were 100%, DPU for the year would be HK 19.44 cents, while DPU derived from operational performance would be HK 12.86 cents.

2. The adjustment payments were calculated based on several Deeds of Adjustment Payments, which covered the period from the Listing Date to 30 June 2009 and had lapsed with effect from 1 July 2009.

## Financial Position

The valuation of the portfolio at 30 June 2011 was appraised at HK\$12,222.2 million, representing a 14.0% appreciation from HK\$10,722.1 million achieved at 30 June 2010. Office properties accounted for 51.2% of the total appraised value and registered a year-on-year increase of 16.1% while retail properties accounted for the remainder and recorded an 11.9% increase as compared to the valuation conducted at 30 June 2010.

Consequently, the gearing ratio of Sunlight REIT, defined as total borrowings as a percentage of gross assets, was reduced from 35.3% to 30.6%, while net assets reached HK\$8,261.9 million (2010 (restated): HK\$6,722.2 million), which translates into a 21.2% increase in net asset value per unit to HK\$5.21 (2010 (restated): HK\$4.30). In the year under review, 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 consolidated 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 consolidated financial statements on page 87).

The gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets was 35.9% at 30 June 2011. 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 30 June 2011.

## Capital Management

At 30 June 2011, Sunlight REIT had in place total loan facilities of HK\$3,975.0 million comprising a term loan facility of HK\$3,950.0 million which had been fully drawn

and a HK\$25.0 million revolving credit facility that remained undrawn. These facilities will mature on 20 December 2011 and are secured by, among others, the investment properties of Sunlight REIT, a floating charge over its bank balances and assignment of proceeds from tenancies. On refinancing, new facilities comprising a term loan facility of HK\$3,950.0 million and a revolving credit facility of HK\$100.0 million are already in place following the signing of the loan agreements on 23 August 2011. These new facilities will bear interest at HIBOR plus 100 basis points, and are for a term of three years with final maturity in 2014. It is expected that full drawdown of the term loan facility will take place in late September to refinance the existing term loan facility.

In order to minimise financial market risks and to capitalise on the low interest rate environment, during the year under review, three new forward interest rate swaps transactions, each with a notional amount of HK\$500.0 million, were entered into for a period of five years starting from 4 July 2011. The terms of all the interest rate swaps are summarised below:

Notional amount (HK\$' million)	Tenure	Average interest rate* (per annum)
1,500	30 June 2010 – 28 June 2013	1.68%
1,500	4 July 2011 – 30 June 2016	2.10%

\* Excludes credit spread

The Manager has adopted a prudent cash management policy. Rental receipts are placed as short term bank deposits to ensure flexibility in meeting operational requirements of Sunlight REIT. At 30 June 2011, Sunlight REIT had total bank and cash balances of HK\$261.3 million. Taking into consideration the recurrent income generated from its operations, the current cash position and credit facilities available, Sunlight REIT has sufficient financial resources to satisfy its working capital, distribution payment and capital expenditure requirements.



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# Nurturing Growth







# Sustainability and Corporate Social Responsibility

At Sunlight REIT, we are putting increasing emphasis on corporate social responsibility as we are committed to manage our business processes to produce a positive impact on society. We strive to reach this goal by focusing on two aspects of the operations. Firstly, we review the internal aspect of the management – both in terms of people and processes, and the nature of their impact on society. Secondly, we look at the external aspects which involve our operations and their impact on the environment and local communities.

We promote sustainable working relationships among all the people involved in the management of our properties. They can rely on our support for their professional and personal development, which is natural given our high professional expectations. Meanwhile, community services have also been organised and the more notable ones include a field day with underprivileged children to Wetland Park.

As our major shopping malls are located in close proximity to regional communities and neighbourhoods, Sunlight REIT has been actively involved in local community events. For the year under review, we have stepped up our community outreach and the events organised have exceeded those of the previous years both in terms of quantity and scale.

Our community outreach events during the year under review began with a series of summer activities at both Metro City Phase I Property and Sheung Shui Centre Shopping Arcade involving games, sports and performances, followed by a special seminar at Mid-Autumn Festival for the local community focusing on raising awareness on health and free medical consultation. We worked with Heifer Project International during Chinese New Year at both Metro City Phase I Property and Sheung Shui Centre Shopping Arcade in addition to various programs organised to showcase Chinese arts and craft. Last but not least, we then celebrated Mother's Day with a series of festive activities with local communities.

Besides maintaining a sound business relationship with the communities, we believe that managing socially responsible business also means balancing economic considerations with environmental and social values. The most notable development during the year is our commitment and success in attaining the Building Environmental Assessment Method (BEAM) certification for our flagship building 248 Queen's Road East with a *HK-BEAM Eco Building Platinum Standard*.

Although the use of electric and hybrid vehicles has yet to be popular, Sunlight REIT has installed electric vehicle charger stations at Sheung Shui Centre Shopping Arcade as a token of our support to the use of environmental friendly electric vehicles.

Energy management has always been a priority as it can be achieved cost effectively by updating our existing facilities with technologies that are mature. It was proven at Bonham Trade Centre that modern technology can greatly reduce the building's energy consumption, thus leading to significant cost saving. Cutting edge technology on materials for thermal insulation has been selected for the central air conditioning units at Metro City Phase I Property and the same is now being installed at Sheung Shui Centre Shopping Arcade. Besides cost saving, these improvements are also expected to reduce Sunlight REIT's carbon footprint.



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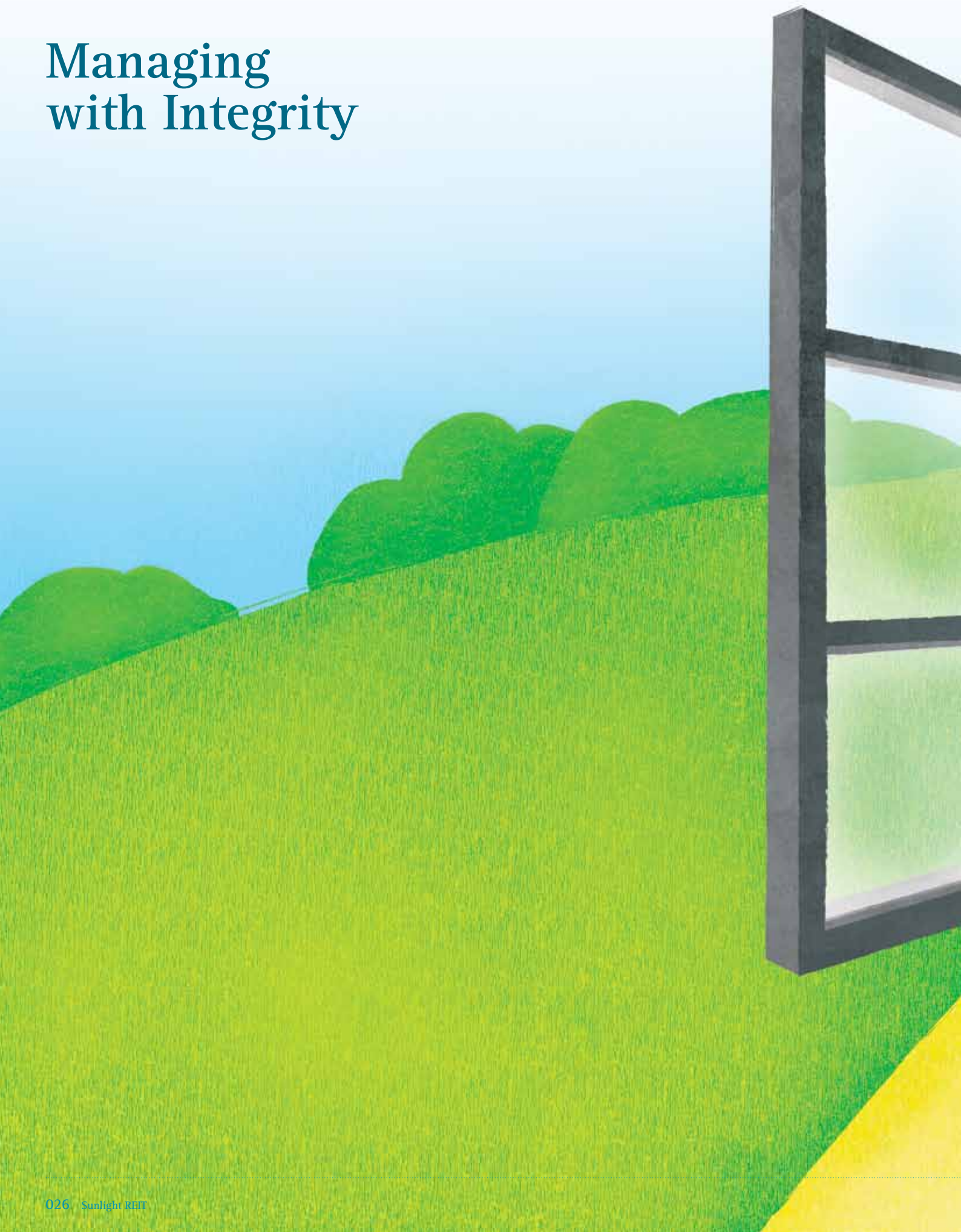
1. Volunteer work at The Hong Kong Wetland Park with Fu Hong Society
2. "Shopping for Charity" organised in conjunction with St James' Settlement, People's Food Bank
3. Kids Fun Fair at Metro City Phase I Property
4. Launch of the summer event program 2011
5. Mother's Day celebration





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# Managing with Integrity





## Board of Directors



### Mr. Au Siu Kee, Alexander

*OBE, ACA, FCCA, FCPA, AAIA, FCIB, FHKIB*  
Chairman and Non-executive Director

Mr. Au, aged 64, has been the Chairman and Non-executive Director of the Manager since 2010. Mr. Au was an executive director and the chief financial officer of Henderson Land Development Company Limited (“HLD”) from December 2005 to June 2011. He stepped down from the position of Chief Financial Officer and was re-designated as a non-executive director on 1 July 2011. He is also a non-executive director of each of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited, both of which are companies listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and are associated companies of HLD.

A banker by profession, he was the chief executive officer of Hang Seng Bank Limited from October 1993 to March 1998 and of Oversea-Chinese Banking Corporation Limited in Singapore from September 1998 to April 2002. He was formerly a non-executive director of a number of leading companies including The Hongkong and Shanghai Banking Corporation Limited, MTR Corporation Limited and Hang Lung Group Limited. Currently Mr. Au is an independent non-executive director of Wheelock and Company Limited, a company listed on the Stock Exchange and a member of the Court of Hong Kong University of Science and Technology. An accountant by training, Mr. Au is a Chartered Accountant.

### Mr. Wu Shiu Kee, Keith

Chief Executive Officer and  
Executive Director

Mr. Wu, aged 47, is the Chief Executive Officer, Executive Director and a Responsible Officer of the Manager. He has almost 25 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 primarily responsible for overseeing corporate finance related matters of the group. Prior to his appointment at Lai Sun Development, Mr. Wu worked in the investment banking field and 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. He is also a fellow of the Hong Kong Institute of Directors.

### Mr. Kwok Ping Ho

*BSc, MSc, Post-Graduate Diploma in  
Surveying, ACIB*  
Non-executive Director

Mr. Kwok, aged 58, 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 30 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.





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### Mr. Kwan Kai Cheong

Independent Non-executive Director

Mr. Kwan, aged 61, 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 an Independent Non-executive Director of Goldpoly New Energy Holdings Limited, Hutchison Harbour Ring 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). He is also an Independent Non-executive Director of Galaxy Resources Limited, whose shares are listed on the Australian Securities Exchange.

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 fellow of both the Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Directors. He completed the Stanford Executive Program in 1992.

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### Mr. Ma Kwong Wing

Independent Non-executive Director

Mr. Ma, aged 65, 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.

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### Dr. Tse Kwok Sang

JP

Independent Non-executive Director

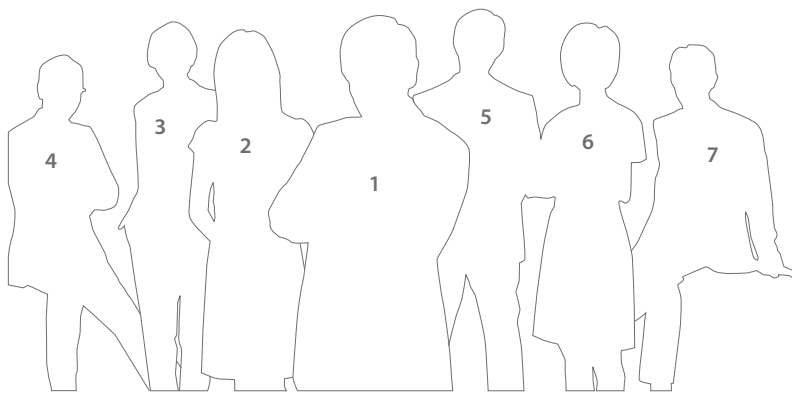
Dr. Tse, aged 54, is currently Associate Dean and Associate Professor of Finance, Faculty of Business and Economics of The University of Hong Kong.

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. Currently Dr. Tse is a Co-Opted Executive Councillor of the New Territories Heung Yee Kuk and a Justice of the Peace. 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



1. Mr. Wu Shiu Kee, Keith
2. Ms. Cheung See Wing, Dorothy
3. Ms. Kan Shuk Fan, Winnie
4. Mr. Leung Kwok Hoe, Kevin

5. Mr. Wong Chi Ming
6. Ms. Lo Yuk Fong, Phyllis
7. Mr. Hah Yick Yat, Kelvin

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### 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 28.

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**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 17 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.

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**Mr. Wong Chi Ming**  
Asset Management Manager and  
Responsible Officer

Mr. Wong is responsible for, among other matters, driving the operating performance of Sunlight REIT's property portfolio, planning and developing asset enhancement strategies for recommendation to the Chief Executive Officer and to the Board, and directing the development and implementation of marketing strategies and business development plans for Sunlight REIT.

Mr. Wong has over 20 years of experience in the leasing and property management fields. Between 2006 and April 2010, Mr. Wong was the Chief Leasing Administration Manager of Henderson Sunlight Property Management Limited, the property manager (the "**Property Manager**") of Sunlight REIT. Prior to joining the Property Manager, Mr. Wong was a leasing manager at the Henderson Land Group from 2005 to 2006. He also previously worked for Hang Lung Properties Limited from 1990 to 2005 and was its Property Manager from 1994 to 2005.

Mr. Wong holds a Bachelor of Engineering degree from The University of Hong Kong and a Master of Corporate Governance degree from the Open University of Hong Kong. He is an associate of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries, and is a holder of Hong Kong Estate Agent's Licence (Individual).

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

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

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## Executive Officers

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

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

Mr. Hah has over 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 and 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.

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### 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 periodically.

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. She is also a Certified Fraud Examiner (CFE) awarded by Association of Certified Fraud Examiners (ACFE).

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### Ms. Cheung See Wing, Dorothy<sup>note</sup> 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 Code on Real Estate Investment Trusts, 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.

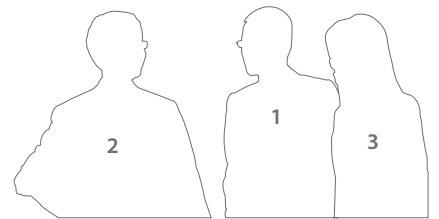
#### Note:

Ms. Cheung See Wing, Dorothy resigned from the position of Compliance Manager with effect from 26 August 2011. That position will be taken up by Ms. Chung Siu Wah with effect from 1 October 2011.

# Property Managers



1. Mr. Lee Kiu Ming
2. Mr. Poon Hung Tak
3. Ms. Ho Kuk Fong



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## 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 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.

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## 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.

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## Ms. Ho Kuk Fong

Chief Leasing Administration Manager

Ms. Ho works with the General Manager to oversee the marketing and leasing administration of the Property Manager.

Ms. Ho has nearly 20 years of experience in property leasing. Prior to joining the Property Manager, she was the Senior Leasing Manager of Sun Hung Kai Real Estate Agency Limited.

Ms. Ho holds a Master of Science in Real Estate degree from the University of Hong Kong, a Postgraduate Diploma in Surveying (Real Estate Development) from the University of Hong Kong and a Diploma in Property Development from the School of Professional and Continuing Education of the University of Hong Kong.



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

On 23 July 2010, the Compliance Manual, together with the Trust Deed, were modified, among other things, to comply with the revision of the Code on Real Estate Investment Trusts (the “**REIT Code**”) on 25 June 2010 which has extended the application of the Codes on Takeovers and Mergers and Share Repurchases (the “**Takeovers Code**”) to Real Estate Investment Trusts authorised by the Securities and Futures Commission (the “**SFC**”).

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.



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## Checks and Balances

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### Structure of Sunlight REIT

Sunlight REIT is a collective investment scheme authorised by the SFC under section 104 of the Securities and Futures Ordinance (Cap. 571) (the “SFO”) and regulated by the provisions of the REIT Code issued by the SFC. The Manager has been licensed 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. Wong Chi Ming, the Asset Management Manager, 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 responsible for, among other things, the safe custody of the assets of Sunlight REIT on behalf of the unitholders. 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.

The Manager is to manage and operate Sunlight REIT and 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 Delegations

The Board principally oversees the day-to-day management and corporate governance of the Manager. The Board and management functions are largely separated; subject to certain matters specifically reserved to the Board itself, the day-to-day management duties are delegated to the relevant management teams of the Manager. Meanwhile, various board committees have been established with clear terms of references, each of which is to assist the Board in supervising specific issues or functions of the Manager.

### The Board

The Board takes the role to lead and guide the corporate strategy and direction of Sunlight REIT. It 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 of the Board) and three Independent Non-executive Directors (“INEDs”). The names and biographical details of the members of the Board are set out under “Board of Directors” on pages 28 and 29. The positions of the Chairman of the Board and Chief Executive Officer are held by two different persons to ensure that segregation of duties and balance of authority are maintained. 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 as well as certain specific proposed policies and transactions.

# Corporate Governance Report

Subsequent to publication of the 2010/11 Interim Report of Sunlight REIT, the Manager was informed of the following changes of Director's information:

1. Mr. Kwan Kai Cheong has been appointed as an INED of Goldpoly New Energy Holdings Limited and resigned as a non-executive director of JF Household Furnishings Limited with effect from 1 April 2011 and 16 August 2011 respectively. Shares of both companies are listed on the Stock Exchange; and
2. Mr. Au Siu Kee, Alexander stepped down from the position of Chief Financial Officer of HLD and was re-designated as its non-executive director with effect from 1 July 2011.

The size, composition and structure of the Board is reviewed on a regular basis 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.

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. Further, 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 any newly appointed Director is subject to re-election at the first annual general

meeting of the Manager following his/her 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 shareholder(s) of the Manager, with reasons given by the Board as to why it believes the retiring INED will continue to be independent and should be re-elected.

As required by the Compliance Manual, at least one-third (and with a minimum of three) of the Directors shall be 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 from each INED an annual written confirmation of his independence by reference to such factors set out in the said policy.

The Board meets on a regular basis and generally no less than four times in each financial year at approximately quarterly intervals. Directors are given written notices of Board meetings at least 14 days in advance of the regular meetings, with suitable arrangements in place to allow Directors to raise items in the agenda. Agendas and accompanying board papers are circulated at least 3 days before the scheduled date of a Board meeting. Board consents are given by votes at the Board meetings, and written resolutions are signed by all Directors from time to time.

The membership and attendance to meetings, major responsibilities of and key work performed by the Board during the year are summarised in the table on pages 38 and 39.

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## Delegations

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 membership and attendance to meetings, major responsibilities of and key work performed by each of the board committees during the year are also summarised in the table on pages 38 and 39.

The Manager is organised with six functional departments, headed up respectively by the Investment and Investor Relations Manager, the Asset Management Manager, the Corporate Services Manager, the Financial Controller (who is also the Company Secretary), the Internal Auditor and the Compliance Manager. All department heads 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 interactions from time to time, the management team holds management meetings on a periodical basis to coordinate and facilitate the implementation and operation of different delegated management and business functions.

The names and biographical details of the management team members of the Manager are set out under “Executive Officers” on pages 30 to 32.

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 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 principal officers of the Property Manager are set out under “Property Managers” on page 33.



# Corporate Governance Report

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

	Board of Directors		Audit Committee	
<b>Membership and attendance to meetings (No. of meetings attended/No. of meetings eligible to attend)</b>				
Mr. Au Siu Kee, Alexander	Chairman and Non-executive Director	(9/9)	N/A	
Mr. Wu Shiu Kee, Keith	Chief Executive Officer and Executive Director	(8/9) <sup>1</sup>	N/A	
Mr. Kwok Ping Ho	Non-executive Director	(8/9) <sup>2</sup>	N/A	
Mr. Kwan Kai Cheong	Independent Non-executive Director	(9/9)	Chairman <sup>3</sup>	(4/4)
Mr. Ma Kwong Wing	Independent Non-executive Director	(9/9)	Member <sup>3</sup>	(4/4)
Dr. Tse Kwok Sang	Independent Non-executive Director	(9/9)	Member <sup>3</sup>	(4/4)

## Major responsibilities

	<ul style="list-style-type: none"> <li>– leads and guides the corporate strategy and direction of Sunlight REIT</li> <li>– oversees the day-to-day management and corporate governance of the Manager</li> </ul>	<ul style="list-style-type: none"> <li>– reviews the completeness, accuracy, clarity and fairness of financial statements of Sunlight REIT</li> <li>– monitors overall risk management</li> <li>– reviews and monitors connected party transactions</li> <li>– appoints and recommends the remuneration of and assesses the independence of auditor</li> <li>– reviews and assesses the effectiveness of the internal control system</li> <li>– reviews Sunlight REIT's legal and regulatory compliance</li> <li>– 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</li> <li>– oversees internal control structure and financial reporting procedure of Sunlight REIT and conduct and performance of special purpose vehicles</li> </ul>
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## Summary of key work

<p>During the year, the Board and its committees have considered, approved, reviewed and/or formulated the matters summarised herein:</p>	<ul style="list-style-type: none"> <li>– financial results of Sunlight REIT and the Manager</li> <li>– reports and recommendations from board committees</li> <li>– announcements/reports for publication, including release of quarterly operational statistics and interim and annual reports of Sunlight REIT</li> <li>– annual operating and capital expenditure budget of Sunlight REIT</li> <li>– revision of the Contingency Plan</li> <li>– refinancing of banking facilities of Sunlight REIT</li> <li>– approval of information technology strategy</li> <li>– review of remuneration paid by the Manager to certain Directors/officers, renewal of relevant engagement and revision of terms</li> <li>– election of percentage of the Manager's base fee and variable fee to be paid in cash</li> <li>– execution of interest rate swaps</li> </ul>	<ul style="list-style-type: none"> <li>– internal audit reports</li> <li>– financial results of Sunlight REIT</li> <li>– adequacy of resources, qualification and experience of staff in relation to accounting and financial reporting functions</li> <li>– internal control system</li> <li>– auditor engagement and their reports</li> <li>– revision of the Contingency Plan</li> <li>– connected party transactions between Sunlight REIT and its connected persons</li> <li>– guidelines on connected party transactions</li> <li>– engagement of tax representative</li> <li>– anti-money laundering policy</li> </ul>
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N/A: Not applicable as the Director is not a member of the committee

Notes:

1. Mr. Wu Shiu Kee, Keith was absent from the Board meeting held on 17 January 2011 at which renewal of his service contract as the CEO of the Manager was considered.
2. Mr. Kwok Ping Ho was absent from the Board meeting held on 11 April 2011 due to his overseas commitment at the time of the Board meeting.
3. The 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	(4/4)	Chairman	(3/3)	N/A	
Member	(4/4)	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	(4/4)	N/A		N/A	

<ul style="list-style-type: none"> <li>– oversees the investment strategy of and proposals to Sunlight REIT, including budget review, acquisition and disposal of properties, and asset enhancement proposals</li> <li>– ensures the establishment and functioning of internal controls for investment and financial matters</li> <li>– ensures the compliance with investment objectives, policies and restrictions as contained in the REIT Code and the Trust Deed</li> </ul>	<ul style="list-style-type: none"> <li>– oversees the human resources strategy and policies</li> <li>– identifies and recommends candidates of board members to the Board</li> <li>– evaluates the performance of the Board and its members</li> <li>– reviews the terms and conditions of employment of senior executives and Board members</li> </ul>	<ul style="list-style-type: none"> <li>– reviews matters relating to the disclosure of information to unitholders and in public announcements</li> <li>– ensures compliance with applicable legal requirements and the continuity, accuracy, clarity and completeness of information disseminated to the public and applicable regulatory authorities</li> </ul>
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<ul style="list-style-type: none"> <li>– financial results of Sunlight REIT</li> <li>– annual business plan and operating and capital expenditure budget of Sunlight REIT</li> <li>– derivative positions and risk assessment in respect of derivative instruments</li> <li>– services of financial service providers</li> <li>– investment restrictions under the REIT Code and the Trust Deed</li> <li>– execution of interest rate swaps</li> </ul>	<ul style="list-style-type: none"> <li>– staff performance appraisal</li> <li>– staff budget and policy on staff benefits</li> <li>– recommendation on remuneration paid by the Manager to certain Director/officer, and renewal of relevant engagement</li> <li>– amendments to staff handbook and staff appraisal form</li> <li>– board structure, performance of board and committee members</li> <li>– impact of the Minimum Wage Ordinance</li> </ul>	<ul style="list-style-type: none"> <li>– public regulatory filings and other documents filed with the applicable regulatory authorities</li> <li>– announcements and reports including interim and annual reports of Sunlight REIT and other corporate communication to unitholders</li> </ul>
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# Corporate Governance Report

## Reporting and Transparency

### 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 itself. 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 any securities of Sunlight REIT. The Manager will keep track on the development of legal and regulatory requirements in this regard.

Director(s) who is(are) aware of or privy to any price sensitive information or any negotiations or agreements related to intended acquisitions or disposals by Sunlight REIT which are significant transactions must immediately refrain from dealing in any securities of Sunlight REIT until (i) proper disclosure of the information has been made either voluntarily or in accordance with the REIT Code and any applicable provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”); or (ii) the aforesaid negotiations or agreements related to such intended acquisitions or disposals have lapsed. Directors who are privy to relevant negotiations or agreements or any price-sensitive information should caution those Directors who are not so privy that there may be unpublished price-sensitive information and that they must not deal in any securities of Sunlight REIT for a similar period. In general, 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 the 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 and the Directors, and also indirectly cover unitholders and persons claiming through or under him/her.

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 Stock Exchange and the Manager of their holdings in Sunlight REIT and certain changes thereof (in general, within 3 business days). The Manager is under a duty to keep a register of interests pursuant to the notifications, and the said register is available for inspection by unitholders without charge during normal business hours. Copies of all disclosure notices received or disclosed by the Manager are posted on Sunlight REIT’s website at [www.sunlightreit.com](http://www.sunlightreit.com). Please also refer to “Disclosure of Interests” on pages 50 to 52 for information relating to certain holding at 30 June 2011.

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

The Manager and the Property Manager are both indirect wholly-owned subsidiaries of HLD. Each of SKFE and HLD also has interest in units of Sunlight REIT through various subsidiaries; 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. During the year under review, two non-executive directors (including the Chairman) of the Manager were 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.

At the operational level, the Manager and the Property Manager may also experience conflicts of interests with HLD and its affiliates in connection with identifying and competing for potential tenants and procurement of 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 interests 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 of 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 of Sunlight REIT and/or its affiliates.

To ensure that all conflicts of interests relating to Sunlight REIT can be managed and/or avoided, a number of measures has been taken to deal with these issues, including but not limited to the following:

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 functions independently from its shareholders;
3. 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;
4. a Director with a conflict of interests 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;
5. a register of other directorships and senior positions held by the Directors is maintained and updated from time to time; and
6. the principal valuer has confirmed to the Manager that it has established stringent internal controls and guidelines to its staff with respect to confidentiality and conflict of interest obligations, and has also assured to the Manager that the provision of tenancy agency services would neither affect its performance nor jeopardise its independence as the principal valuer of Sunlight REIT.



# Corporate Governance Report

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The Manager confirms that it is capable of performing, and shall continue to perform, its duties for Sunlight REIT independent of HLD's related businesses and in the best interests of Sunlight REIT and the unitholders.

## 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 reports and accounts of Sunlight REIT are published and distributed to unitholders within four months following the end of each financial year, and for semi-annual reports within two months following the end of the relevant period.

The Directors acknowledge their responsibility for the preparation of the accounts of Sunlight REIT and its subsidiaries for the year ended 30 June 2011, which give a true and fair view of the state of affairs of Sunlight REIT and its subsidiaries at 30 June 2011 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 announcements of Sunlight REIT are released on a semi-annual basis. The Manager also releases the operational statistics on a quarterly basis as mentioned under "Investor Relations" on pages 42 and 43.

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

## Other Announcements

In order to keep unitholders abreast of the position of Sunlight REIT, the Manager ensures that public announcements of material information and developments with respect to Sunlight REIT are made in a timely and transparent manner. Such 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.

## Auditor

The Manager has engaged KPMG as the auditor for Sunlight REIT. 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 auditor of Sunlight REIT amounted to HK\$1.57 million for audit and audit related services and HK\$0.57 million for non-audit services respectively.

The responsibilities of the auditor with respect to financial reporting are set out in the Independent Auditor's Report on pages 70 and 71.

## Accountability and Communication

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### Investor Relations

The Manager is committed to open and effective communication to ensure that unitholders and the investment community at large are informed of the ongoing developments of Sunlight REIT. The Manager provides an investor relations platform which utilises a variety of interactive means to maintain dialogues with investors and analysts. The Manager believes feedback and comments from the investment community are 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. Direct communication including physical meetings conducted with the senior management of the Manager, both locally and overseas;
2. Guided property tour organised by the property management team;
3. Provision of regular communication materials; and
4. Announcements and press releases posted on Sunlight REIT's website, including disclosures made pursuant to regulatory requirements.

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.

A waiver was granted by the SFC on 27 April 2009 from strict compliance with paragraph 9.13 of the REIT Code in relation to certain promotional expenses (the "**Promotional Expenses**") to be paid out of the deposited property of Sunlight REIT, in connection with related amendments to the Trust Deed as approved by the unitholders at an extraordinary general meeting on 28 April 2009. In the financial year ended 30 June 2011, the Promotional Expenses incurred amounted to HK\$293,000. Pursuant to the conditions of such waiver, the Audit Committee has confirmed that such Promotional Expenses were incurred (i) in accordance with the internal control procedures of the Manager; and (ii) solely for the purposes as set out in the relevant provisions of the Trust Deed relating to promotional expenses.

## Unitholders' Rights

Unitholders are encouraged to attend all general meetings of Sunlight REIT. 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 ("**AGM**"), not less than twenty business days' notice shall be given to the unitholders. The above 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; meanwhile 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.

As required by the Trust Deed, 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 outstanding units in issue 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 under review, the AGM was held on 27 October 2010.

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# Corporate Governance Report

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## 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 (save for issues that are necessary to comply with applicable regulatory requirements);
- removal of the Trustee;
- disposal of an investment within two years from the date of its acquisition;
- termination or merger of Sunlight REIT in compliance with applicable provisions of the Takeovers Code;
- 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 generally require that, unless the REIT Code otherwise permits, further issues of units shall be offered on a pro rata basis to existing unitholders. If new units are not offered on a pro rata basis, the approval of unitholders by way of an ordinary resolution is required unless the aggregate number of new units issued during the financial year does not increase the total number of units in issue at the end of the previous financial year by more than 20%.

## New Units Issued

Except for an aggregate of 22,450,396 new units issued to the Manager as payment of part of the Manager's fees, there were no other new units issued during the year.

## Repurchase, Sale or Redemption of Units

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

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## Risk Control and Compliance

### Management of Business Risk

The Board, with the assistance of the Investment Committee and the 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 management of assets of Sunlight REIT, to examine liability management and to act upon any advice or comments from the auditor of Sunlight REIT.

The Manager has appointed experienced and qualified management to handle the day-to-day operations of the Manager and Sunlight REIT. The Board reviews on a quarterly basis, business and other risks which may affect the performance of Sunlight REIT with recommendations from the Investment Committee and the Audit Committee. 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 addition, the Board will review from time to time relevant analyses and proposals prior to approving any major transactions.

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## Internal Control

The Board is entrusted with the overall responsibility for maintaining a sound and effective internal control system of Sunlight REIT. Proper measures have been established by the Board (and monitored by the Audit Committee) to provide effective internal controls, including (i) well defined organisational structure with clear lines of responsibility and limits of authority; (ii) reliable management reporting system; and (iii) proper budgetary and management accounting controls.

The Internal Auditor, who assists the Board and the Audit Committee in carrying out such responsibilities, adopts a risk based approach to review the operations of Sunlight REIT by evaluating the control environment, assessing the adequacy of and sample testing on the functioning of key controls.

The Board, through the Audit Committee, has reviewed the internal control system of the Manager for the year ended 30 June 2011, and in particular covered all aspects of material controls, including financial, operational and compliance controls and risk management functions. The review has also considered the adequacy of resources, qualifications and experiences of staff in carrying out Sunlight REIT's accounting and financial reporting functions, and their training programmes and budget. The Board considers that the system of internal control is effective and adequate, with no significant areas of concerns which may affect the interest of unitholders.

## Confirmation of Compliance with the Dealings Code

Specific enquiry has been made of all Directors and the Manager, and all of them have confirmed that they have complied with the required standard as set out in the Dealings Code from time to time throughout the year.

## Public Float

Based on information that is publicly available to the Manager and within the knowledge of the Directors, more than 25% of the outstanding units in issue were held in public hands at 30 June 2011.

## Review of Annual Report

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

## Employees

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



## Connected Party Transactions

Set out below is information in respect of connected party transactions during the year involving Sunlight REIT and its connected persons (as defined in paragraph 8.1 of the 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 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 year:

Name of Connected Person	Relationship with Sunlight REIT <sup>note</sup>	Nature of the Connected Party Transactions	Income for the year (HK\$'000)	Rental and other deposits received at 30 June 2011 (HK\$'000)
Henderson Sunlight Asset Management Limited	The Manager	Leasing	4,479	1,062
Henderson Sunlight Property Management Limited	Associated company of the Manager	Leasing	2,862	675
Henderson Real Estate Agency Limited	Associated company of the Manager	Joint effort arrangements	1,122	–
Citistore (Hong Kong) Limited	Associated company of the Manager	Licensing	277	20
<b>TOTAL:</b>			<b>8,740</b>	<b>1,757</b>

Note: Within the meaning of the REIT Code.

## 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 its expenses during the year:

Name of Connected Person	Relationship with Sunlight REIT <sup>note</sup>	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	7,960
Henderson Sunlight Property Management Limited	Associated company of the Manager	Property management and related services and marketing services	36,700
Megastrength Security Services Company Limited	Associated company of the Manager	Security services	3,822
Metro City Management Limited	Associated company of the Manager	Property management and operations	1,646
Sheung Shui Centre Management Limited	Associated company of the Manager	Property management and operations	2,023
Knight Frank Hong Kong Limited	Subsidiary of the Principal Valuer	Agency fee	585
<b>TOTAL:</b>			<b>53,723</b>

Note: Within the meaning of the REIT Code.

# Connected Party Transactions

## Connected Party Transactions with the Trustee Connected Persons

The following table sets 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<sup>1</sup> (collectively, the “**Trustee Connected Persons**”) within the meaning of the REIT Code during the year:

Name of Connected Person	Relationship with Sunlight REIT <sup>2</sup>	Nature of the Connected Party Transactions	Income/Expense for the year (HK\$'000)	Rental and other deposits received at 30 June 2011 (HK\$'000)
<b>Leasing Transactions:</b>				
HSBC	Trustee Connected Persons	Leasing <sup>3</sup>	5,268	1,399
Hang Seng Bank Limited	Trustee Connected Persons	Leasing <sup>4</sup>	6,464	1,470
<b>Ordinary Banking and Financial Services<sup>5</sup>:</b>				
HSBC	Trustee Connected Persons	Interest income received/receivable	18	–
HSBC	Trustee Connected Persons	Interest expense, agency and other charges on bank loan and interest rate swaps and other bank charges	84,372	–
Hang Seng Bank Limited	Trustee Connected Persons	Interest expense on bank loan and other bank charges	3,565	–

An interest rate swap of a notional amount of HK\$500 million was entered into with HSBC on 5 May 2011 at an interest rate of 2.127% per annum (excluding credit spread) and for the tenure from 4 July 2011 to 30 June 2016.

### Corporate Finance Transactions:

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.

Notes:

1. HSBC Group means The Hongkong and Shanghai Banking Corporate Limited (“**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. In general, “ordinary banking and financial services” include bank deposits and interest earned therefrom, loan facilities and interest rate swaps including interest and charges paid thereto and other banking or financial services.

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## Terms and Remuneration of services provided by the Manager and the Trustee

Pursuant to note 2 to Chapter 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 year, 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\$61.1 million and HK\$3.3 million respectively. Particulars of services provided by the Manager and the Trustee are set out in notes 24(b)(ii) and (iv) of the Consolidated Financial Statements. Save for these services transactions, there was no other services transaction 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 confirm 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 favourable 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 waivers from strict compliance with the requirement under Chapter 8 of the REIT Code, the Manager has engaged the auditor of Sunlight REIT to report on the continuing connected 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 2011 in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has issued a letter containing the findings and unqualified conclusions in respect of the continuing connected transactions disclosed in this Annual Report in accordance with Rule 14A.38 of the Listing Rules and the waivers.



## 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 also indirectly covers certain 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 30 June 2011 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 30 June 2011		At 30 June 2010		Change in % interest
	Number of Units interested (long position)	% of interest in Units <sup>1</sup>	Number of Units interested (long position)	% of interest in Units <sup>1</sup>	
The Manager <sup>2</sup>	29,031,034	1.83	6,580,638	0.42	1.41
Au Siu Kee, Alexander <sup>3</sup>	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 1,586,491,664 at 30 June 2011 and 1,564,041,268 at 30 June 2010 respectively.
2. At 30 June 2010, the Manager beneficially held 6,580,638 units. With the issue of 10,515,964 and 11,934,432 new units to the Manager on 28 October 2010 and 28 April 2011 respectively as payment of part of the Manager's fees, the Manager beneficially held 29,031,034 units at 30 June 2011.
3. At 30 June 2011, Mr. Au Siu Kee, Alexander, Chairman and Non-executive Director of the Manager, was interested in 1,329,000 units (30 June 2010: 1,329,000 units) within the meaning of Part XV of the SFO. 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 30 June 2011 and 30 June 2010 as recorded in the register required to be kept by the Manager under Schedule C of the Trust Deed.

## Holdings of Substantial Unitholders

At 30 June 2011 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 30 June 2011		At 30 June 2010		Change in % interest
	Number of Units interested (long position)	% of Interest in Units <sup>1</sup>	Number of Units interested (long position)	% of Interest in Units <sup>1</sup>	
Lee Shau Kee <sup>2</sup>	547,016,059	34.48	517,760,663	33.10	1.38
Lee Financial (Cayman) Limited <sup>2</sup>	374,072,708	23.58	374,072,708	23.92	-0.34
Leesons (Cayman) Limited <sup>2</sup>	374,072,708	23.58	374,072,708	23.92	-0.34
Leeworld (Cayman) Limited <sup>2</sup>	374,072,708	23.58	374,072,708	23.92	-0.34
SKFE <sup>2</sup>	374,072,708	23.58	374,072,708	23.92	-0.34
Uplite Limited <sup>2</sup>	224,443,625	14.15	224,443,625	14.35	-0.20
Wintrade Limited <sup>2</sup>	149,629,083	9.43	149,629,083	9.57	-0.14
Henderson Development Limited <sup>2</sup>	161,008,919	10.15	143,687,955	9.19	0.96
HLD <sup>2</sup>	161,008,919	10.15	143,687,955	9.19	0.96
Hopkins (Cayman) Limited <sup>2</sup>	161,008,919	10.15	143,687,955	9.19	0.96
Riddick (Cayman) Limited <sup>2</sup>	161,008,919	10.15	143,687,955	9.19	0.96
Rimmer (Cayman) Limited <sup>2</sup>	161,008,919	10.15	143,687,955	9.19	0.96
Silchester Partners Limited <sup>3</sup> (Formerly known as Silchester International Investors Limited <sup>3</sup> )	–	–	272,811,150	17.44	N/A
Silchester International Investors LLP <sup>3</sup>	292,519,150	18.44	–	–	18.44
Silchester International Investors International Value Equity Trust <sup>3</sup>	142,292,922	8.97	136,730,922	8.74	0.23

### Notes:

- The percentages expressed are based on the total units in issue of 1,586,491,664 at 30 June 2011 and 1,564,041,268 at 30 June 2010 respectively.
- At 30 June 2011, 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 30 June 2011, 76,533,345 units were owned by Cobase Limited, 67,378,972 units were owned by Richful Resources Limited and 29,031,034 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 (“**Hopkins**”) as the trustee of a unit trust, the units of which were held by Rimmer (Cayman) Limited (“**Rimmer**”) and Riddick (Cayman) Limited (“**Riddick**”) as the respective trustees of two discretionary trusts. Under Part XV of the SFO (as applied by Schedule C of the Trust Deed), HD, HLD, Hopkins, Riddick and Rimmer were therefore taken to be interested in a total of 172,943,351 units at 30 June 2011 (representing approximately 10.90% of the total units in issue). In the register required to be kept by the Manager under Schedule C of the Trust Deed, HD, HLD, Hopkins, Riddick and Rimmer were respectively recorded as having an interest in 161,008,919 units at 30 June 2011, as no further notification requirement arose on their parts subsequent to the last notification in respect of their interests in units.

## Disclosure of Interests

Under Part XV of the SFO (as so applied), Dr. LEE Shau Kee was therefore taken to be interested in a total of 547,016,059 units at 30 June 2011 (representing approximately 34.48% 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.

At 30 June 2011, the units mentioned above were beneficially held by connected persons of Sunlight REIT.

3. At 30 June 2011, the long position of 292,519,150 units were held by Silchester International Investors LLP in its capacity as investment manager of which 142,292,922 units were beneficially owned by 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 30 June 2011, Silchester International Investors International Value Equity Trust was interested in 142,430,922 units (representing approximately 8.98% of the total units in issue).

## Holding 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 paragraph 8.1 of the REIT Code, subject to the exclusion granted by the SFC) of Sunlight REIT at 30 June 2011 were as follows:

Name of Connected Persons	Number of Units Held	% of Unit Holding <sup>1</sup>
Chan Wing Cheng <sup>2</sup>	50,000	0.0032
Lee King Yue <sup>3</sup>	50,000	0.0032
Lee Pui Ling, Angelina <sup>4</sup>	2,307	0.0001
Mao Kenneth Ruys <sup>5</sup>	500,000	0.0315
Persons related to the Trustee <sup>6</sup>	120,000	0.0076
Yu Kong Nin, Daniel <sup>7</sup>	90,000	0.0057

Notes:

1. The percentage expressed is based on the total units in issue of 1,586,491,664 at 30 June 2011.
2. Mr. Chan Wing Cheng was a connected person by virtue of being a director of a company controlled by the family trust of Dr. Lee Shau Kee. Mr. Chan did not hold any units at 30 June 2010.
3. 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.
4. 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.
5. 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.
6. 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 30 June 2011; so far as the Manager is aware, they had no beneficial interest in units at 30 June 2010.
7. Mr. Yu Kong Nin, Daniel was a connected person by virtue of being a director of one of the subsidiaries of HLD. Mr. Yu did not hold any units at 30 June 2010.

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# Valuation Report

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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)

1 August 2011

Dear Sirs,

- (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")



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+852 2840 1177 Tel  
+852 2840 0600 fax  
[www.knightfrank.com](http://www.knightfrank.com)



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# Valuation Report

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- (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 Shop 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) Shop Nos. 1 to 7 on Ground Floor and shop No.8 on Ground Floor and its Roof; Office 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 Space Nos.1-24 on 1st Floor, Nos. 1-25 on 2nd Floor and Motorcycle Parking Space 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 2011 (referred to as the “**Valuation Date**”).

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## 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

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 reversionary 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.

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# Valuation Report

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## 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 analysed 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 report 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, title defects, restrictions and outgoings of an onerous nature which could affect their values.

## Summary of Valuation

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 2011	Capitalisation Rate Adopted*	
				Retail (%)	Office (%)
1. 248 Queen's Road East Property	376,381	46	\$3,225,000,000	4.20	4.00
2. Bonham Trade Centre Property	117,909	N/A	\$684,000,000	4.20	4.00
3. Righteous Centre Property	51,767	N/A	\$479,000,000	3.80	4.10
4. 135 Bonham Strand Trade Centre Property	63,915	N/A	\$363,000,000	4.20	4.00
5. Winsome House Property	40,114	N/A	\$407,000,000	4.20	4.00
6. Java Road 108 Commercial Centre Property	37,923	N/A	\$196,000,000	4.20	4.10
7. Sun Fai Commercial Centre Property	26,151	N/A	\$129,000,000	4.35	4.25
8. Wai Ching Commercial Building Property	16,321	N/A	\$41,300,000	4.35	4.00
9. 235 Wing Lok Street Trade Centre Property	52,285	N/A	\$215,000,000	4.25	4.00
10. Yue Fai Commercial Centre Property	42,751	N/A	\$195,000,000	4.20	4.25
11. Everglory Centre Property	29,802	N/A	\$154,500,000	4.15	4.00
12. On Loong Commercial Building Property	25,564	N/A	\$173,000,000	4.20	4.10
13. Metro City Phase I Property	188,889	452	\$2,094,000,000	4.50	N/A
14. Sheung Shui Centre Property	122,339	297	\$2,836,000,000	4.40	N/A
15. Kwong Wah Plaza Property	64,842	N/A	\$668,000,000	4.00	4.00
16. Beverley Commercial Centre Property	7,934	N/A	\$91,000,000	4.30	N/A
17. Glory Rise Property	7,086	N/A	\$73,000,000	4.20	N/A
18. Supernova Stand Property	4,226	N/A	\$51,000,000	4.00	N/A
19. Palatial Stand Property	8,625	N/A	\$35,200,000	4.35	N/A
20. Royal Terrace Property	9,565	49	\$112,200,000	4.25	N/A
<b>Total</b>	<b>1,294,389</b>	<b>844</b>	<b>\$12,222,200,000</b>		

\* 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.



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# Valuation Report

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## Limitation Clause

The reported analyses, opinions and conclusions are subject to the assumptions and limiting conditions stated in our valuation report and are our personal, unbiased professional analyses, opinions and conclusions.

## Disclosure of Interest

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 report.

Yours faithfully

For and on behalf of

**Knight Frank Petty Limited**

**Alex S L Ng**

MRICS MHKIS RPS(GP)

Executive Director

## Summary Valuation Report

### 248 Queen's Road East Property

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

#### Description

The building is a 40-storey (including a mechanical floor) commercial building with ancillary car parking facilities erected on an L-shaped site having a registered site area of approximately 1,442.84 sq. m. (15,531 sq. ft.). The building was completed in 1998. The property comprises all units within the building having a total gross rentable area of approximately 34,966.65 sq. m. (376,381 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 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 lot is 20 pounds 4 shillings and 10 pence.

#### Monthly Rental Income as at 30 June 2011

HK\$9,640,000 exclusive of rates, management fees and air-conditioning charges

#### Monthly Car Parking Income as at 30 June 2011

HK\$252,000 exclusive of operating expenses, rates, Government rents and management fees

#### Monthly Licence Income as at 30 June 2011

HK\$2,100 exclusive of rates and management fees

#### Market value in existing state as at 30 June 2011

HK\$3,225,000,000

#### Estimated Net Property Yield

3.7%

### Bonham Trade Centre Property

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

#### Description

The building is a 28-storey commercial building erected on a trapezoid site having a registered site area of approximately 720.27 sq. m. (7,753 sq. ft.). The building was completed in 1998. The property comprises all units within the building having a total gross rentable area of approximately 10,954.01 sq. m. (117,909 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 Lot Nos. 142 and 144 are held under their respective Government Leases each for a term of 981 years commencing from 26 December 1860. The total annual Government rent payable for the lots is HK\$124.8.

#### Monthly Rental Income as at 30 June 2011

HK\$2,050,000 exclusive of rates, management fees and air-conditioning charges

#### Market value in existing state as at 30 June 2011

HK\$684,000,000

#### Estimated Net Property Yield

3.6%

# Valuation Report

## Righteous Centre Property

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

### Description

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

### Land Tenure

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

### Monthly Rental Income as at 30 June 2011

HK\$1,396,000 exclusive of rates, management fees and air-conditioning charges

### Monthly Licence Income as at 30 June 2011

HK\$59,000 exclusive of rates and management fees

### Market value in existing state as at 30 June 2011

HK\$479,000,000

### Estimated Net Property Yield

3.6%

## 135 Bonham Strand Trade Centre Property

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

### Description

The building is a 25-storey (including a mechanical floor) commercial building completed in 2000. The property comprises the majority portion of the subject building having a total gross rentable area of approximately 5,937.85 sq. m. (63,915 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 total annual Government rent payable for the subject sections of the lot is HK\$88.

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 lot is HK\$196.

### Monthly Rental Income as at 30 June 2011

HK\$1,093,000 exclusive of rates, management fees and air-conditioning charges

### Market value in existing state as at 30 June 2011

HK\$363,000,000

### Estimated Net Property Yield

3.6%

### Winsome House Property

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

#### Description

The building is a 27-storey commercial building completed in 1999. The property comprises the majority portion of the building having a total gross rentable area of approximately 3,726.68 sq. m. (40,114 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 Lot Nos. 5025 and 994 are held under their respective Government Leases each for a term of 999 years commencing from 26 June 1843. The total annual Government rent payable for the 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 lot is HK\$30.

#### Monthly Rental Income as at 30 June 2011

HK\$1,291,000 exclusive of rates, management fees and air-conditioning charges

#### Market value in existing state as at 30 June 2011

HK\$407,000,000

#### Estimated Net Property Yield

3.8%

### Java Road 108 Commercial Centre Property

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

#### Description

The building is a 25-storey commercial building erected on a rectangular site having a registered site area of approximately 228.26 sq. m. (2,457 sq. ft.). The building was completed in 1998. The property comprises all units within the building having a total gross rentable area of approximately 3,523.13 sq. m. (37,923 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 a total an annual Government rent payable for the subject sections of the lot of HK\$188,912.

#### Monthly Rental Income as at 30 June 2011

HK\$587,000 exclusive of rates, management fees and air-conditioning charges

#### Market value in existing state as at 30 June 2011

HK\$196,000,000

#### Estimated Net Property Yield

3.6%



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# Valuation Report

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## Sun Fai Commercial Centre Property

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

### Description

The building is a 15-storey commercial building completed in 1998. The property comprises the majority portion of the building having a total gross rentable area of approximately 2,429.49 sq. m. (26,151 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 Lot Nos. 10813, 10814 and 10815 are held under Conditions of Lease Extension Nos. 12068, 12269 and 12259 respectively each 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 2011

HK\$430,000 exclusive of rates, management fees and air-conditioning charges

### Market value in existing state as at 30 June 2011

HK\$129,000,000

### Estimated Net Property Yield

4.0%

## Wai Ching Commercial Building Property

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

### Description

The building is a 19-storey commercial building completed in 1997. The property comprises the majority portion of the building with a total gross rentable area of approximately 1,516.26 sq. m. (16,321 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 2011

HK\$121,000 exclusive of rates, management fees and air-conditioning charges

### Market value in existing state as at 30 June 2011

HK\$41,300,000

### Estimated Net Property Yield

3.5%

### 235 Wing Lok Street Trade Centre Property

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

#### Description

The building 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. The property comprises all units within the building having a total gross rentable area of approximately 4,857.40 sq. m. (52,285 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\$316.63.

#### Monthly Rental Income as at 30 June 2011

HK\$660,000 exclusive of rates, management fees and air-conditioning charges

#### Market value in existing state as at 30 June 2011

HK\$215,000,000

#### Estimated Net Property Yield

3.7%

### Yue Fai Commercial Centre Property

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

#### Description

The building is a 26-storey commercial building completed in 1997. The property comprises the majority portion of the building having a total gross rentable area of approximately 3,971.66 sq. m. (42,751 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 2011

HK\$649,000 exclusive of rates, management fees and air-conditioning charges

#### Market value in existing state as at 30 June 2011

HK\$195,000,000

#### Estimated Net Property Yield

4.0%

# Valuation Report

## Everglory Centre Property

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

### Description

The building is a 21-storey commercial building erected on a rectangular site having a registered site area of approximately 224.73 sq. m. (2,419 sq. ft.). The building was completed in 1999. The property comprises all units within the building having a total gross rentable area of approximately 2,768.67 sq. m. (29,802 sq. ft.).

### Land Tenure

Kowloon Inland Lots Nos. 9455 and 9639 are held under Conditions of Re-grants Nos. 9401 and 9502 respectively each 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 2011

HK\$440,000 exclusive of rates, management fees and air-conditioning charges

### Market value in existing state as at 30 June 2011

HK\$154,500,000

### Estimated Net Property Yield

3.4%

## 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 building is a 23-storey commercial building completed in 1984. The property comprises the majority portion of the building having a total gross rentable area of approximately 2,374.95 sq. m. (25,564 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 Lot 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 a total annual Government rent of HK\$20.

### Monthly Rental Income as at 30 June 2011

HK\$555,000 exclusive of rates, management fees and air-conditioning charges

### Market value in existing state as at 30 June 2011

HK\$173,000,000

### Estimated Net Property Yield

3.9%

### 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 development 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. The property comprises all the shop units on the Ground Floor and Level 2 of the commercial / car parking podium having a total gross rentable area of approximately 17,548.22 sq. m. (188,889 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 development.

#### 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 2011

HK\$6,981,000 exclusive of rates, management fees and air-conditioning charges but inclusive of turnover rent.

#### Monthly Car Parking Income as at 30 June 2011

HK\$786,000 exclusive of operating expenses, rates, Government rents and management fees

#### Monthly Licence Income as at 30 June 2011

HK\$133,000 exclusive of rates and management fees

#### Market value in existing state as at 30 June 2011

HK\$2,094,000,000

#### Estimated Net Property Yield

4.5%

### 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 development 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. The property 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.). 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 2011

HK\$9,176,000 exclusive of rates, management fees and air-conditioning charges but inclusive of turnover rent

#### Monthly Car Parking Income as at 30 June 2011

HK\$559,000 exclusive of operating expenses, rates, Government rents and management fees

#### Monthly Licence Income as at 30 June 2011

HK\$78,000 exclusive of rates and management fees

#### Market value in existing state as at 30 June 2011

HK\$2,836,000,000

#### Estimated Net Property Yield

4.2%



# Valuation Report

## Kwong Wah Plaza Property

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

### Description

The building is a 17-storey (including a basement and a mechanical floor but excluding cocklofts) commercial building completed in 1998. The property comprises the majority portion of the building having a total gross rentable area of approximately 6,023.97 sq. m. (64,842 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 2011

HK\$2,145,000 exclusive of rates, management fees and air-conditioning charges

### Monthly Licence Income as at 30 June 2011

HK\$10,500 exclusive of rates and management fees

### Market value in existing state as at 30 June 2011

HK\$668,000,000

### Estimated Net Property Yield

3.9%

## Beverly Commercial Centre Property

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

### Description

The building is a 20-storey (including a basement) commercial building completed in 1982. The property comprises 60 shop units on the Ground Floor of the shopping arcade within the building, having a total gross rentable area of approximately 737.09 sq. m. (7,934 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 commencing from 25 December 1902. The total annual Government rent payable for the lots is HK\$7,576.

### Monthly Rental Income as at 30 June 2011

HK\$301,000 exclusive of rates, management fees and air-conditioning charges

### Market value in existing state as at 30 June 2011

HK\$91,000,000

### Estimated Net Property Yield

4.0%

### 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 building is a 26-storey composite commercial / residential building completed in 2003. The property comprises all the shop units on the Ground and 1st Floors having a total gross rentable area of approximately 658.31 sq. m. (7,086 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 2011

HK\$213,000 exclusive of rates, management fees and air-conditioning charges

#### Market value in existing state as at 30 June 2011

HK\$73,000,000

#### Estimated Net Property Yield

3.5%

### 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 building is a 27-storey composite commercial / residential building completed in 2001. The property comprises all nine shop units on the Ground Floor having a total gross rentable area of approximately 392.60 sq. m. (4,226 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 2011

HK\$167,000 exclusive of rates, management fees and air-conditioning charges

#### Market value in existing state as at 30 June 2011

HK\$51,000,000

#### Estimated Net Property Yield

3.9%

# Valuation Report

## Palatial Stand Property

Shop Nos. 1 to 7 on Ground Floor and Shop No. 8 on Ground Floor and its Roof; Office 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 building is a 20-storey residential tower built over a 3-storey commercial / garden podium completed in 2001. The property 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 having a total gross rentable area of approximately 801.28 sq. m. (8,625 sq. ft.). The property 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 commencing from 14 September 1897. The total annual Government rent payable for the lots is HK\$204.

### Monthly Rental Income as at 30 June 2011

HK\$93,000 exclusive of rates, management fees and air-conditioning charges

### Market value in existing state as at 30 June 2011

HK\$35,200,000

### Estimated Net Property Yield

3.2%

## Royal Terrace Property

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

### Description

The building is a 36-storey composite commercial / residential building with carparking and recreational facilities completed in 2002. The property comprises eleven shop units on the Ground Floor having a total gross rentable area of approximately 888.61 sq. m. (9,565 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 for the subject sections of the lot at HK\$60.

### Monthly Rental Income as at 30 June 2011

HK\$252,000 exclusive of rates, management fees and air-conditioning charges

### Monthly Car Parking Income as at 30 June 2011

HK\$103,000 exclusive of operating expenses, rates, Government rents and management fees

### Market value in existing state as at 30 June 2011

HK\$112,200,000

### Estimated Net Property Yield

3.9%

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.

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# Trustee's Report

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## 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) for the year ended 30 June 2011.

### **HSBC Institutional Trust Services (Asia) Limited**

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

Hong Kong, 5 September 2011

# 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 72 to 112 which comprise the consolidated balance sheet as at 30 June 2011, the 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 consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

### Manager's responsibility for the consolidated financial statements

The Manager of Sunlight REIT is responsible for the preparation of consolidated financial statements that give a true and fair view 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) (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**") and for such internal control as the Manager of Sunlight REIT determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### 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 about whether the consolidated financial statements are free from material misstatement.

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 of the consolidated financial statements that give a true and fair view 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.



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## 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 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix C of the REIT Code.

### **KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

4 September 2011

## Consolidated Income Statement

For the year ended 30 June 2011  
(Expressed in Hong Kong dollars)

	Note	2011 \$'000	2010 (restated) \$'000
<b>Turnover</b>	4 & 5	<b>532,462</b>	488,584
<b>Property operating expenses</b>	4 & 6	<b>(125,091)</b>	(118,677)
<b>Net property income</b>		<b>407,371</b>	369,907
Other income	7	<b>1,882</b>	635
Administrative expenses		<b>(70,829)</b>	(63,810)
Net increase in fair value of investment properties	11	<b>1,493,665</b>	1,344,215
<b>Profit from operations</b>		<b>1,832,089</b>	1,650,947
Finance costs on interest bearing liabilities	8(a)	<b>(147,281)</b>	(234,270)
<b>Profit before taxation and transactions with unitholders</b>	8	<b>1,684,808</b>	1,416,677
Income tax	9(a)	<b>(29,700)</b>	(27,559)
<b>Profit after taxation and before transactions with unitholders</b>		<b>1,655,108</b>	1,389,118

The notes on pages 80 to 112 form part of these consolidated financial statements.

## Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011  
(Expressed in Hong Kong dollars)

	2011 \$'000	2010 (restated) \$'000
<b>Profit after taxation and before transactions with unitholders</b>	<b>1,655,108</b>	1,389,118
<b>Other comprehensive income for the year</b>		
Cash flow hedges:		
Changes in fair value recognised during the year	<b>46,630</b>	59,986
Reclassification adjustments for amounts transferred to profit or loss in respect of finance costs on interest bearing liabilities	–	52,632
	<b>46,630</b>	112,618
<b>Total comprehensive income for the year</b>	<b>1,701,738</b>	1,501,736

The notes on pages 80 to 112 form part of these consolidated financial statements.

# Consolidated Balance Sheet

At 30 June 2011

(Expressed in Hong Kong dollars)

	Note	At 30 June 2011 \$'000	At 30 June 2010 (restated) \$'000	At 1 July 2009 (restated) \$'000
<b>Non-current assets</b>				
Fixed assets	11			
– Investment properties		<b>12,222,200</b>	10,722,100	9,364,000
– Other fixed assets		<b>44</b>	33	36
		<b>12,222,244</b>	10,722,133	9,364,036
Deferred tax assets	9(c)	<b>5,649</b>	5,562	5,796
Reimbursement rights	12	<b>203,932</b>	203,932	203,932
		<b>12,431,825</b>	10,931,627	9,573,764
<b>Current assets</b>				
Trade and other receivables	14	<b>26,518</b>	23,639	109,087
Pledged deposits	17	<b>261,119</b>	224,876	222,864
Cash at bank and in hand		<b>177</b>	135	140
Tax recoverable		<b>168,563</b>	46,545	41,296
		<b>456,377</b>	295,195	373,387
<b>Total assets</b>		<b>12,888,202</b>	11,226,822	9,947,151
<b>Current liabilities</b>				
Tenants' deposits	15	<b>(135,324)</b>	(121,272)	(112,094)
Rent receipts in advance		<b>(5,284)</b>	(3,163)	(2,986)
Trade and other payables	16	<b>(222,699)</b>	(96,408)	(83,716)
Secured bank borrowings	17	<b>(3,948,116)</b>	(15,000)	–
Derivative financial instruments	13	<b>–</b>	(59,191)	–
Current taxation		<b>(17,879)</b>	(19,035)	(15,332)
		<b>(4,329,302)</b>	(314,069)	(214,128)
<b>Net current (liabilities)/assets</b>		<b>(3,872,925)</b>	(18,874)	159,259
<b>Total assets less current liabilities</b>		<b>8,558,900</b>	10,912,753	9,733,023

## Consolidated Balance Sheet (continued)

At 30 June 2011  
(Expressed in Hong Kong dollars)

	Note	At 30 June 2011 \$'000	At 30 June 2010 (restated) \$'000	At 1 July 2009 (restated) \$'000
<b>Non-current liabilities, excluding net assets attributable to unitholders</b>				
Secured bank borrowings	17	–	(3,944,141)	(3,940,166)
Deferred tax liabilities	9(c)	<b>(237,748)</b>	(225,472)	(212,673)
Derivative financial instruments	13	<b>(59,224)</b>	(20,929)	(132,040)
		<b>(296,972)</b>	(4,190,542)	(4,284,879)
<b>Total liabilities, excluding net assets attributable to unitholders</b>				
		<b>(4,626,274)</b>	(4,504,611)	(4,499,007)
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>				
		<b>8,261,928</b>	6,722,211	5,448,144
<b>Number of units in issue</b>	18	<b>1,586,491,664</b>	1,564,041,268	1,546,905,770
<b>Net asset value attributable to unitholders per unit</b>		<b>\$5.21</b>	\$4.30	\$3.52

The consolidated financial statements on pages 72 to 112 were approved and authorised for issue by Henderson Sunlight Asset Management Limited, as the Manager of Sunlight REIT on 4 September 2011 and were signed on behalf by:

**Au Siu Kee, Alexander**  
Chairman

**Wu Shiu Kee, Keith**  
Executive Director

The notes on pages 80 to 112 form part of these consolidated financial statements.



## Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the year ended 30 June 2011  
(Expressed in Hong Kong dollars)

	Note	2011 \$'000	2010 (restated) \$'000
<b>At the beginning of the year</b>		<b>5,319,400</b>	4,263,544
Impact of change in accounting policy	3	<b>1,402,811</b>	1,184,600
<b>Restated balance at the beginning of the year</b>		<b>6,722,211</b>	5,448,144
Profit after taxation and before transactions with unitholders	3	<b>1,655,108</b>	1,389,118
Other comprehensive income		<b>46,630</b>	112,618
Total comprehensive income for the year		<b>1,701,738</b>	1,501,736
Distribution paid to unitholders		<b>(212,634)</b>	(257,671)
Issuance of units to Manager during the year	18	<b>50,613</b>	30,002
		<b>(162,021)</b>	(227,669)
<b>At the end of the year</b>		<b>8,261,928</b>	6,722,211

The notes on pages 80 to 112 form part of these consolidated financial statements.

## Distribution Statement

For the year ended 30 June 2011  
(Expressed in Hong Kong dollars)

	Note	2011 \$'000	2010 (restated) \$'000
<b>Profit after taxation and before transactions with unitholders</b>		<b>1,655,108</b>	1,389,118
Adjustments:			
– Net increase in fair value of investment properties	11	<b>(1,493,665)</b>	(1,344,215)
– Manager's fees paid or payable in the form of units		<b>61,110</b>	26,993
– Cash flow hedges, reclassified from net assets attributable to unitholders		–	52,632
– Non-cash finance costs on interest bearing liabilities		<b>29,710</b>	48,918
– Deferred tax	9(a)	<b>12,189</b>	13,033
		<b>(1,390,656)</b>	(1,202,639)
<b>Total distributable income</b> (note (i))		<b>264,452</b>	186,479
Interim distribution, paid		<b>115,018</b>	88,863
Final distribution, to be paid to unitholders (note (iii))		<b>124,276</b>	97,616
<b>Total distributions for the year</b> (note (i))		<b>239,294</b>	186,479
Payout ratio (note (iii))		<b>90.5%</b>	100%
<b>Distribution per unit:</b>			
– Before adjusting for distribution waivers (notes (ii), (iv) and (v))			
Interim distribution per unit, paid		<b>7.30 cents</b>	5.71 cents
Final distribution per unit, to be paid to unitholders		<b>7.83 cents</b>	6.24 cents
		<b>15.13 cents</b>	11.95 cents
– After adjusting for distribution waivers (notes (ii), (iii) and (vi))			
Interim distribution per unit, paid		<b>8.50 cents</b>	6.88 cents
Final distribution per unit, to be paid to unitholders		<b>9.10 cents</b>	7.51 cents
		<b>17.60 cents</b>	14.39 cents

Notes:

- (i) Pursuant to the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong (the "REIT Code") and the trust deed dated 26 May 2006 (as amended) (the "Trust Deed"), Sunlight 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.

## Distribution Statement (continued)

For the year ended 30 June 2011  
(Expressed in Hong Kong dollars)

Notes: (continued)

- (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 total distributable income for the year ended 30 June 2011 amounted to \$264,452,000 (2010: \$186,479,000). The Board of Directors of the Manager has resolved to declare a final distribution per unit of 9.10 cents, after adjusting for distribution waivers as mentioned in (ii) above. The final distribution of \$124,276,000 is calculated by multiplying the final distribution per unit of 9.10 cents by 1,365,670,344 units, which is arrived as follows:

	At 30 June 2011	At 30 June 2010
Units in issue	1,586,491,664	1,564,041,268
Less: Units held by the unitholders who agreed to waive their entitlement to distribution for the year	(220,821,320)	(264,985,583)
	<b>1,365,670,344</b>	1,299,055,685

The final distribution together with the interim distribution of \$115,018,000 represents a payout ratio of 90.5% of Sunlight REIT's total distributable income for the year.

For the year ended 30 June 2010, the payout ratio was 100%. The final distribution per unit, after adjusting for distribution waivers as mentioned in (ii) above, of 7.51 cents, is calculated by dividing the final distribution of \$97,616,000 by 1,299,055,685 units.

- (iv) The final distribution per unit, before adjusting for distribution waivers as mentioned in (ii) above, of 7.83 cents (2010: 6.24 cents), is calculated by dividing the final distribution of \$124,276,000 by 1,586,491,664 units in issue at 30 June 2011 (2010: \$97,616,000 by 1,564,041,268 units).
- (v) The interim distribution per unit for the six months ended 31 December 2010, before adjusting for distribution waivers as mentioned in (ii) above, of 7.30 cents, is calculated by dividing the interim distribution of \$115,018,000 by 1,574,557,232 units in issue at 31 December 2010 (six months ended 31 December 2009: 5.71 cents, calculated based on \$88,863,000 and 1,557,460,630 units in issue at 31 December 2009).
- (vi) The interim distribution per unit for the six months ended 31 December 2010, after adjusting for distribution waivers as mentioned in (ii) above, of 8.50 cents, is calculated by dividing the interim distribution of \$115,018,000 by 1,353,735,912 units (six months ended 31 December 2009: 6.88 cents, calculated based on \$88,863,000 and 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)
	<b>1,353,735,912</b>	1,292,475,047

- (vii) The 2011 interim distribution was paid to unitholders on 30 March 2011. The 2011 final distribution is expected to be paid on 27 October 2011 to unitholders whose names appear on the register of unitholders on 28 September 2011.

The notes on pages 80 to 112 form part of these consolidated financial statements.

## Consolidated Cash Flow Statement

For the year ended 30 June 2011  
(Expressed in Hong Kong dollars)

	2011 \$'000	2010 \$'000
<b>Operating activities</b>		
Profit before taxation and transactions with unitholders	1,684,808	1,416,677
Adjustments:		
– Manager's fees paid or payable in the form of units	61,110	26,993
– Net increase in fair value of investment properties	(1,493,665)	(1,344,215)
– Finance costs on interest bearing liabilities	147,281	234,270
– Depreciation	11	9
– Interest income	(1,878)	(580)
<b>Operating cash flow before changes in working capital</b>	<b>397,667</b>	<b>333,154</b>
(Increase)/decrease in trade and other receivables	(2,697)	7,887
Increase in tenants' deposits	14,052	9,178
Increase in rent receipts in advance	2,121	177
Increase in trade and other payables	115,992	15,738
<b>Cash generated from operations</b>	<b>527,135</b>	<b>366,134</b>
Tax paid		
– Hong Kong Profits Tax paid	(140,684)	(16,072)
<b>Net cash generated from operating activities</b>	<b>386,451</b>	<b>350,062</b>
<b>Investing activities</b>		
Interest received	1,696	642
Expenditure on investment properties	(6,435)	(13,885)
Payment for purchase of other fixed assets	(22)	(6)
Adjustment Payments received	–	77,499
<b>Net cash (used in)/generated from investing activities</b>	<b>(4,761)</b>	<b>64,250</b>
<b>Financing activities</b>		
Distribution paid to unitholders	(212,634)	(257,671)
(Repayment to)/proceeds from bank borrowings	(15,000)	15,000
Payment for partial unwinding of interest rate swaps	–	(36,877)
Increase in pledged deposits	(36,243)	(2,012)
Interest paid	(117,771)	(132,757)
<b>Net cash used in financing activities</b>	<b>(381,648)</b>	<b>(414,317)</b>
<b>Net increase/(decrease) in cash at bank and in hand</b>	<b>42</b>	<b>(5)</b>
<b>Cash at bank and in hand at the beginning of the year</b>	<b>135</b>	<b>140</b>
<b>Cash at bank and in hand at the end of the year</b>	<b>177</b>	<b>135</b>

The notes on pages 80 to 112 form part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

(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 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 REIT Code and the Rules Governing the Listing of Securities on the SEHK. A summary of the principal accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

### (b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 30 June 2011 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(e)); and
- investment properties (see note 2(g)).



## 2 Significant accounting policies (continued)

### (b) Basis of preparation of the consolidated financial statements (continued)

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 major sources of estimation uncertainty 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.

### (d) 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 consolidated balance sheet as "Net assets attributable to unitholders".

### (e) 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(f)).

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

## 2 Significant accounting policies (continued)

### (f) 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 other comprehensive income and accumulated separately 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 reclassified from net assets attributable to unitholders to 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 until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from net assets attributable to unitholders to profit or loss immediately.

### (g) Investment properties

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

Investment properties are stated 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(o)(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(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases.

### (h) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and impairment losses.

Gains or losses arising from the retirement or disposal of an item of other fixed assets 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 of items of other fixed assets, 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

## 2 Significant accounting policies (continued)

### (h) Other fixed assets (continued)

Where parts of an item of other fixed assets have different useful lives, the cost 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 fixed assets 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 fixed assets is the greater of its fair value less costs to sell 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 the time value of money and the risks specific to the asset.

An impairment loss is recognised in profit or loss if the carrying amount of an item of other fixed assets 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.

### (i) 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 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(g)).

### (j) 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.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

## 2 Significant accounting policies (continued)

### (j) Trade and other receivables (continued)

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.

### (k) 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.

### (l) 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.

### (m) Income tax

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 except to the extent that they relate to items recognised in other comprehensive income or directly in net assets attributable to unitholders, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in net assets attributable to unitholders, respectively.

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.

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.

## 2 Significant accounting policies (continued)

### (m) Income tax (continued)

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.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sales of those assets at their carrying value at the balance sheet date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, 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.

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.

### (n) 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.



# Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

## 2 Significant accounting policies (continued)

### (n) Provisions and contingent liabilities (continued)

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.

### (o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. 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 accrual basis.

#### (iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

### (p) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

### (q) Related parties

For the purposes of these 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.

## 2 Significant accounting policies (continued)

### (r) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Manager's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the settlements have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 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 consolidated financial statements:

- Amendments 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 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.

### 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 consolidated financial statements in the current and 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.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

## 3 Changes in accounting policies (continued)

### Early adoption of the amendments to HKAS 12, "Income taxes" (continued)

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 year ended 30 June 2010. 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 year ended 30 June 2010:			
– Income tax expense	245,770	(218,211)	27,559
– Profit after taxation and before transactions with unitholders	1,170,907	218,211	1,389,118
– Basic earnings per unit before transactions with unitholders	\$0.75	\$0.14	\$0.89
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 asset 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

### 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 consolidated 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 Manager's most senior executive management for the purposes of resource allocation and performance assessment, the Manager has identified two reportable segments, which are "Office properties" and "Retail properties".

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

## 4 Segment reporting (continued)

### Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the senior executive management of the Manager monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible and current assets with the exception of tax recoverable, deferred tax assets and other corporate assets. Segment liabilities include tenants' deposits, rent receipts in advance and trade and other payables managed directly by the segments.

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).

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

	2011			2010 (restated)		
	Office properties \$'000	Retail properties \$'000	Total \$'000	Office properties \$'000	Retail properties \$'000	Total \$'000
Turnover						
– rental income	208,284	219,385	427,669	188,949	201,976	390,925
– car park income	3,020	17,375	20,395	2,817	15,875	18,692
– rental related income	44,368	40,030	84,398	41,330	37,637	78,967
	<b>255,672</b>	<b>276,790</b>	<b>532,462</b>	233,096	255,488	488,584
Property operating expenses	(56,560)	(68,531)	(125,091)	(55,793)	(62,884)	(118,677)
Net property income	199,112	208,259	407,371	177,303	192,604	369,907
Administrative expenses	(32,587)	(31,177)	(63,764)	(28,531)	(28,187)	(56,718)
Segment results	166,525	177,082	343,607	148,772	164,417	313,189
Net increase in fair value of investment properties	865,943	627,722	1,493,665	573,479	770,736	1,344,215
Finance costs on interest bearing liabilities			(147,281)			(234,270)
Income tax			(29,700)			(27,559)
Interest income			1,878			580
Unallocated net expenses			(7,061)			(7,037)
Profit after taxation and before transactions with unitholders			<b>1,655,108</b>			<b>1,389,118</b>
Depreciation	6	5	11	6	3	9

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

## 4 Segment reporting (continued)

### Segment results, assets and liabilities (continued)

	At 30 June 2011			At 30 June 2010 (restated)		
	Office properties \$'000	Retail properties \$'000	Total \$'000	Office properties \$'000	Retail properties \$'000	Total \$'000
Segment assets	<b>6,408,204</b>	<b>6,043,891</b>	<b>12,452,095</b>	5,539,313	5,409,982	10,949,295
Pledged deposits			<b>261,119</b>			224,876
Cash at bank and in hand			<b>177</b>			135
Tax recoverable			<b>168,563</b>			46,545
Deferred tax assets			<b>5,649</b>			5,562
Unallocated assets			<b>599</b>			409
Total assets			<b>12,888,202</b>			11,226,822
Segment liabilities	<b>(99,545)</b>	<b>(93,078)</b>	<b>(192,623)</b>	(87,973)	(85,048)	(173,021)
Derivative financial instruments			<b>(59,224)</b>			(80,120)
Secured bank borrowings			<b>(3,948,116)</b>			(3,959,141)
Current taxation			<b>(17,879)</b>			(19,035)
Deferred tax liabilities			<b>(237,748)</b>			(225,472)
Unallocated liabilities			<b>(170,684)</b>			(47,822)
Total liabilities, excluding net assets attributable to unitholders			<b>(4,626,274)</b>			(4,504,611)
Capital expenditure incurred during the year	<b>1,757</b>	<b>4,700</b>	<b>6,457</b>	5,627	8,264	13,891

## 5 Turnover

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

	2011 \$'000	2010 \$'000
Rental income (note)	<b>427,669</b>	390,925
Car park income	<b>20,395</b>	18,692
Rental related income	<b>84,398</b>	78,967
	<b>532,462</b>	488,584

Note: Included additional rents based on business turnover of tenants amounting to \$1,246,000 (2010: \$795,000).

## 6 Property operating expenses

	2011 \$'000	2010 \$'000
Building management fee	45,536	44,797
Property Manager's fees	34,828	31,239
Government rent and rates	17,496	16,174
Marketing and promotion expenses	8,998	8,593
Car park operating costs (note)	6,926	6,891
Bad debts expenses	577	90
Other direct costs	10,730	10,893
	<b>125,091</b>	<b>118,677</b>

Note: Included Property Manager's fees of \$1,872,000 (2010: \$1,690,000).

## 7 Other income

	2011 \$'000	2010 \$'000
Bank interest income	1,878	580
Others	4	55
	<b>1,882</b>	<b>635</b>

## 8 Profit before taxation and transactions with unitholders

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

	2011 \$'000	2010 \$'000
<b>(a) Finance costs on interest bearing liabilities</b>		
Interest on secured bank borrowings	117,554	132,684
Other borrowing costs	29,727	48,954
	<b>147,281</b>	<b>181,638</b>
Interest rate swaps: cash flow hedges, reclassified from net assets attributable to unitholders	–	52,632
	<b>147,281</b>	<b>234,270</b>

Other borrowing costs represent the amortisation of the upfront payments for the interest rate swaps (note 13) and various financing charges.



## Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

### 8 Profit before taxation and transactions with unitholders (continued)

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

	2011 \$'000	2010 \$'000
<b>(b) Other items</b>		
Manager's fees	61,110	53,986
Property Manager's fees	36,700	32,929
Trustee's remuneration	3,328	2,997
Auditor's remuneration		
– Audit services	1,570	1,520
– Other services	570	370
Valuation fees	650	770
Other legal and professional fees	3,362	2,851
Bank charges	471	475

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.

### 9 Income tax

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

	2011 \$'000	2010 (restated) \$'000
<b>Current tax – Provision for Hong Kong Profits Tax</b>		
Provision for the year	17,523	14,466
(Over)/under-provision in respect of prior years	(12)	60
	<b>17,511</b>	<b>14,526</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	12,189	13,033
	<b>29,700</b>	<b>27,559</b>

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

## 9 Income tax (continued)

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

	2011 \$'000	2010 (restated) \$'000
Profit before taxation and transactions with unitholders	1,684,808	1,416,677
Notional tax on profit before taxation and transactions with unitholders, calculated at the Hong Kong Profits Tax rate of 16.5%	277,993	233,752
Tax effect of non-deductible expenses	3,811	3,440
Tax effect of non-taxable income	(246,249)	(218,766)
Tax effect of tax losses not recognised	264	8,883
Tax effect of prior years' tax losses and other temporary differences	29	296
Tax effect of prior years' tax losses utilised in the current year	(6,135)	(106)
(Over)/under-provision in respect of prior years	(13)	60
Actual tax expense	29,700	27,559

### (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
At 1 July 2009	69,507	509,904	159,709	675,044	(24,785)	1,389,379
Impact of change in accounting policy (note 3)	–	(509,904)	–	(675,044)	2,446	(1,182,502)
Restated balance at 1 July 2009	69,507	–	159,709	–	(22,339)	206,877
Charged/(credited) to profit or loss (restated)	14,018	–	–	–	(985)	13,033
Restated balance at 30 June 2010	83,525	–	159,709	–	(23,324)	219,910
At 1 July 2010	<b>83,525</b>	<b>728,574</b>	<b>159,709</b>	<b>675,044</b>	<b>(26,229)</b>	<b>1,620,623</b>
Impact of change in accounting policy (note 3)	–	(728,574)	–	(675,044)	2,905	(1,400,713)
Restated balance at 1 July 2010	<b>83,525</b>	–	<b>159,709</b>	–	<b>(23,324)</b>	<b>219,910</b>
Charged to profit or loss	<b>11,615</b>	–	–	–	<b>574</b>	<b>12,189</b>
At 30 June 2011	<b>95,140</b>	–	<b>159,709</b>	–	<b>(22,750)</b>	<b>232,099</b>

## Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

### 9 Income tax (continued)

#### (c) Deferred tax assets and liabilities recognised: (continued)

	At 30 June 2011 \$'000	At 30 June 2010 (restated) \$'000	At 1 July 2009 (restated) \$'000
Represented by:			
Net deferred tax assets recognised in the consolidated balance sheet	(5,649)	(5,562)	(5,796)
Net deferred tax liabilities recognised in the consolidated balance sheet	237,748	225,472	212,673
	<b>232,099</b>	219,910	206,877

#### (d) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 2(m), the Group has not recognised deferred tax assets in respect of unused tax losses of certain subsidiaries of \$152,223,000 (2010 (restated): \$187,481,000) 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.

### 10 Earnings per unit before transactions with unitholders

The basic earnings per unit before transactions with unitholders for the year ended 30 June 2011 amounted to \$1.05 (2010 (restated): \$0.89). 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 \$1,655,108,000 (2010 (restated): \$1,389,118,000) and the weighted average of 1,573,221,352 units in issue during the year (2010: 1,555,115,487 units).

Diluted earnings per unit before transactions with unitholders for the year ended 30 June 2011 and 2010 are not presented as there was no potential dilution of earnings per unit before transactions with unitholders.

## 11 Fixed assets

	Furniture and fixtures \$'000	Investment properties \$'000	Total \$'000
<b>Cost or valuation:</b>			
At 1 July 2009	40	9,364,000	9,364,040
Additions	6	13,885	13,891
Net increase in fair value	–	1,344,215	1,344,215
At 30 June 2010	46	10,722,100	10,722,146
<b>Representing:</b>			
Cost	46	–	46
Valuation – 2010	–	10,722,100	10,722,100
	46	10,722,100	10,722,146
<b>Cost or valuation:</b>			
At 1 July 2010	46	10,722,100	10,722,146
Additions	22	6,435	6,457
Net increase in fair value	–	1,493,665	1,493,665
At 30 June 2011	68	12,222,200	12,222,268
<b>Representing:</b>			
Cost	68	–	68
Valuation – 2011	–	12,222,200	12,222,200
	68	12,222,200	12,222,268
<b>Accumulated depreciation:</b>			
At 1 July 2009	4	–	4
Charge for the year	9	–	9
At 30 June 2010	13	–	13
At 1 July 2010	13	–	13
Charge for the year	11	–	11
At 30 June 2011	24	–	24
<b>Net book value:</b>			
At 30 June 2011	44	12,222,200	12,222,244
At 30 June 2010	33	10,722,100	10,722,133

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

## 11 Fixed assets (continued)

- (a) The investment properties were revalued at 30 June 2011 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:

	2011 \$'000	2010 \$'000
In Hong Kong		
– long leases	5,694,200	4,946,000
– medium-term leases	6,528,000	5,776,100
	<b>12,222,200</b>	10,722,100

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

## 12 Reimbursement rights

The amount represents the reimbursement rights recognised pursuant to the tax indemnity provided by the vendors (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.

## 13 Derivative financial instruments

	2011 \$'000	2010 \$'000
<b>Interest rate swaps – cash flow hedges</b>		
Current portion	–	59,191
Non-current portion	59,224	20,929
	<b>59,224</b>	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.

### 13 Derivative financial instruments (continued)

During the year ended 30 June 2010, the Group has unwound an aggregate notional amount of \$1,500,000,000 in respect of the original 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 Group has paid to The Hongkong and Shanghai Banking Corporation Limited (“HSBC”), the swap counterparty of the original interest rate swaps, a total amount of \$36,877,000 as consideration for the partial unwinding of the interest rate swaps.

As a result of the unwinding, the cumulative unrealised losses on the unwound portion of the interest rate swaps from inception of the hedge until the unwinding amounting to \$52,632,000 were reclassified from net assets attributable to unitholders to profit or loss during the year ended 30 June 2010.

At 30 June 2011, the Group had interest rate swaps in place with an aggregate notional amount of \$3,000,000,000 (2010: \$3,950,000,000). These interest rate swaps will mature on 28 June 2013 and 30 June 2016 respectively and have fixed swap interest rates ranging from 1.39%\* per annum to 2.17%\* per annum (2010: 1.39%\* per annum to 3.05%\* per annum) .

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.

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

### 14 Trade and other receivables

	2011 \$'000	2010 \$'000
Rental receivables	17,954	16,726
Deposits and prepayments	6,481	5,861
Other receivables	1,663	634
Amounts due from related companies	420	418
	<b>26,518</b>	<b>23,639</b>



## Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

### 14 Trade and other receivables (continued)

\$5,060,000 (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:

	2011 \$'000	2010 \$'000
Current	14,600	10,833
Less than 1 month overdue	2,613	3,679
More than 1 month and up to 3 months overdue	381	1,204
More than 3 months and up to 6 months overdue	26	452
More than 6 months overdue	334	558
	<b>17,954</b>	16,726

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.

### 15 Tenants' deposits

The tenants' deposits include \$86,792,000 (2010: \$75,732,000) which is expected to be settled after more than one year. If tenancies are not renewed upon expiry, the remaining balances are expected to be settled within one year.

### 16 Trade and other payables

	At 30 June 2011 \$'000	At 30 June 2010 (restated) \$'000	At 1 July 2009 (restated) \$'000
Creditors and accrued charges	31,614	31,652	33,909
Manager's fees payable (note 24(b)(ii))	18,943	16,891	11,454
Amounts due to related companies	172,142	47,865	38,353
	<b>222,699</b>	96,408	83,716

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.

## 16 Trade and other payables (continued)

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 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 year end. 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 \$1,022,000 (2010: \$909,000) which is due within 30 days.

## 17 Secured bank borrowings

The bank loans were repayable as follows:

	2011 \$'000	2010 \$'000
Within 1 year	3,948,116	15,000
After 1 year but within 2 years	–	3,944,141
	<b>3,948,116</b>	<b>3,959,141</b>

The Group has two facilities in the aggregate amount of \$3,975,000,000 (2010: \$3,975,000,000) before transaction costs, comprising a \$3,950,000,000 (2010: \$3,950,000,000) term loan facility and a \$25,000,000 (2010: \$25,000,000) revolving credit facility, both for a five-year term from the first date of drawdown under the term loan facility 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 30 June 2011 was \$3,950,000,000 (2010: \$3,965,000,000). The Group also entered into the interest rate swaps and details are set out in note 13.

Bank borrowings under the term loan facility 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 \$12,222,200,000 at 30 June 2011 (2010: \$10,722,100,000) (note 11);
- floating charge over bank balances of \$28,595,000 (2010: \$32,135,000) and \$232,524,000 (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 at the balance sheet date was 1.93% per annum (2010: ranging from 0.82% per annum to 4.50% per annum). The carrying amounts of the bank borrowings approximate their fair values.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

## 18 Units in issue

	Number of units	
	2011	2010
At the beginning of the year	<b>1,564,041,268</b>	1,546,905,770
Issuance of units during the year	<b>22,450,396</b>	17,135,498
At the end of the year	<b>1,586,491,664</b>	1,564,041,268

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 amount of units issued \$'000	Number of units issued
2011			
1 April 2010 to 30 June 2010	<b>1.9937</b>	<b>6,745</b>	<b>3,383,242</b>
Adjustment of Manager's fees for the financial year 2009/10	<b>2.2400</b>	<b>1,700</b>	<b>758,995</b>
1 July 2010 to 30 September 2010	<b>2.1363</b>	<b>13,616</b>	<b>6,373,727</b>
1 October 2010 to 31 December 2010	<b>2.3574</b>	<b>14,216</b>	<b>6,029,990</b>
1 January 2011 to 31 March 2011	<b>2.4280</b>	<b>14,336</b>	<b>5,904,442</b>
		<b>50,613</b>	<b>22,450,396</b>
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

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## 19 Financial risk management and fair values

Exposure to credit, liquidity and interest rate 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 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) Liquidity risk

The Group maintains sufficient cash reserve and committed lines of funding from financial institutions with sound credit ratings to meet its liquidity requirements in the short and longer term.

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.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

## 19 Financial risk management and fair values (continued)

### (b) 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:

	2011 Contractual undiscounted cash outflow				Total \$'000	Carrying amount \$'000
	Within 1 year or on demand \$'000	More than 1 year but less than 2 years \$'000	More than 2 years but less than 5 years \$'000	More than 5 years \$'000		
Secured bank borrowings	3,962,169	–	–	–	3,962,169	3,948,116
Derivative financial instruments (net settled)	56,205	63,185	94,380	–	213,770	59,224
Tenants' deposits	48,532	47,774	39,018	–	135,324	135,324
Creditors and accrued charges	31,614	–	–	–	31,614	31,614
Amounts due to related companies	172,142	–	–	–	172,142	172,142
	<b>4,270,662</b>	<b>110,959</b>	<b>133,398</b>	<b>–</b>	<b>4,515,019</b>	<b>4,346,420</b>

	2010 (restated) Contractual undiscounted cash outflow				Total \$'000	Carrying amount \$'000
	Within 1 year or on demand \$'000	More than 1 year but less than 2 years \$'000	More than 2 years but less than 5 years \$'000	More than 5 years \$'000		
Secured bank borrowings	55,344	3,969,109	–	–	4,024,453	3,959,141
Derivative financial instruments (net settled)	77,332	12,790	31,725	–	121,847	80,120
Tenants' deposits	45,540	44,488	28,097	3,147	121,272	121,272
Creditors and accrued charges	31,652	–	–	–	31,652	31,652
Amounts due to related companies	47,865	–	–	–	47,865	47,865
	<b>257,733</b>	<b>4,026,387</b>	<b>59,822</b>	<b>3,147</b>	<b>4,347,089</b>	<b>4,240,050</b>

## 19 Financial risk management and fair values (continued)

### (c) Interest rate risk

The Group's interest rate risk arises primarily 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. Details regarding the interest rate swaps are set out in note 13.

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

#### *Sensitivity analysis*

At 30 June 2011, if interest rates had been 100 basis points (2010: 100 basis points) higher with all other variable held constant, the net assets attributable to unitholders would have been \$105.1 million (2010: \$68.5 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 (2010: 10 basis points) lower with all other variable held constant, the net assets attributable to unitholders would have been \$10.8 million (2010: \$7.0 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 cash flow 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.

### (d) Fair values

#### (i) Financial instruments carried at fair value

The following presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, "Financial instruments: Disclosures", with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

At 30 June 2011, the Group's only financial instruments carried at fair values are the interest rate swaps, which are calculated with reference to the present values of their estimated future cash flows, taking into account current interest rate observable in the market. The Group's interest rate swaps fall into Level 2 of the fair value hierarchy described above.



# Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

## 19 Financial risk management and fair values (continued)

### (d) Fair values (continued)

#### (ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial assets including cash at bank and in hand, pledged deposits, rental receivables, deposits, prepayments, other receivables and amounts due from related companies and financial liabilities including rent receipts in advance, accruals, other payables and amounts due to related companies approximate their fair values at 30 June 2011 and 2010 due to their short maturities.

### (e) Estimation of fair values

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.

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. At 30 June 2011, Sunlight REIT's aggregate borrowings represent 30.6% (2010 (restated): 35.3%) of its total gross asset value.

At 30 June 2011, the Group's current liabilities exceeded its current assets by \$3,872,925,000 as the secured bank borrowings of \$3,948,116,000 maturing on 20 December 2011 was classified as current liabilities at the current year end. As the new banking facilities of \$4,050,000,000 was obtained by the Group on 23 August 2011 (note 26), the Manager considers that the Group has sufficient resources to satisfy the funding obligations in respect of the Group's operations.

## 21 Capital commitments

Capital commitments outstanding at 30 June 2011 not provided for in the consolidated financial statements are as follows:

	2011 \$'000	2010 \$'000
Contracted for	4,421	1,118
Authorised but not contracted for	17,086	28,872
	<b>21,507</b>	29,990

## 22 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 (2010: \$4,685,000).

## 23 Significant leasing arrangements

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

	2011 \$'000	2010 \$'000
Within 1 year	476,781	408,037
After 1 year but within 5 years	416,248	371,970
After 5 years	–	13,310
	<b>893,029</b>	793,317

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 to the Consolidated Financial Statements (continued)

(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 " <b>SKFE Group</b> ")	Significant holders of Sunlight REIT and their associates
Henderson Land Development Company Limited and other members of its group (collectively referred to as " <b>HLD Group</b> ")	Connected persons of SKFE Group, the Manager and the Property Manager
Henderson Development Limited (" <b>HD</b> ")	Connected persons of SKFE Group and holding company of HLD Group
HSBC Institutional Trust Services (Asia) Limited (the " <b>Trustee</b> ")	The Trustee of Sunlight REIT
HSBC and other members of its group (collectively referred to as " <b>HSBC Group</b> ")	Connected persons of the Trustee
Henderson Sunlight Asset Management Limited (the " <b>Manager</b> ")	The Manager of Sunlight REIT and a member of HLD Group
Henderson Sunlight Property Management Limited (the " <b>Property Manager</b> ")	The Property Manager of Sunlight REIT and a member of HLD Group
Knight Frank and other members of its group (collectively referred to as " <b>Knight Frank Group</b> ")	The Principal Valuer of Sunlight REIT

## 24 Connected party transactions and material related party transactions (continued)

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

	2011 \$'000	2010 \$'000
Rental and rental related income received/ receivable from (note (i)):		
– HLD Group	7,618	7,669
– HSBC Group	11,732	10,696
Property management expenses and bank charges paid/payable to (note (i)):		
– HLD Group	(16,437)	(16,948)
– HSBC Group	(119)	(123)
Manager's fees (note (ii))	(61,110)	(53,986)
Property Manager's fees (note (iii))	(36,700)	(32,929)
Trustee's remuneration (note (iv))	(3,328)	(2,997)
Interest expenses and agency charge on bank borrowings paid/payable to (note (v)):		
– HSBC Group	(7,480)	(5,145)
Interest paid/payable under the interest rate swaps (note 13):		
– HSBC Group	(80,338)	(111,136)
Interest income on bank deposits received/ receivable from (note (i)):		
– HSBC Group	18	22
Insurance expenses paid/payable to (note (i)):		
– HSBC Group	–	(15)
Payment for partial unwinding of interest rate swaps (note 13):		
– HSBC Group	–	(36,877)
Valuation fees and other charges paid/payable to (note (i)):		
– Knight Frank Group	(1,235)	(1,215)
Promotion income received/receivable from (note (i)):		
– HLD Group	1,122	890

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

## 24 Connected party transactions and material related party transactions (continued)

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

Notes:

- (i) These transactions were carried out on normal commercial terms and in the ordinary course of business.
- (ii) The Manager's fees are calculated as the aggregate of a base fee of 0.4% per annum of the value of all the properties of 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 26 May 2010, the Manager has made an election for the base fee and variable fee for the financial year ended 30 June 2011 to be paid entirely in the form of units. While on 17 May 2011, the Manager has made an election for the base fee and the variable fee for the financial year ending 30 June 2012 to be paid 30% in the form of cash and 70% in the form of units.

- (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 borrowings balance by reference to the interest rates as set out in notes 13 and 17.

## 24 Connected party transactions and material related party transactions (continued)

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

	2011 \$'000	2010 \$'000
Net amount due to:		
– SKFE Group	(83,536)	–
– HLD Group	(47,633)	(67,044)
– HD	(54,999)	–
– HSBC Group (note)	(853,057)	(852,935)
– Knight Frank Group	(400)	(450)
Note:		
Deposits and cash placed with HSBC Group	28,684	32,179
Secured bank borrowings and interest payable to HSBC Group	(877,836)	(881,337)
Others	(3,905)	(3,777)
	<b>(853,057)</b>	<b>(852,935)</b>

## 25 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 selling prices and the appropriate capitalisation rates.

### (b) Recognition of deferred tax assets

At 30 June 2011, the Group has recognised deferred tax assets in relation to the unused tax losses amounting to approximately \$137,879,000 (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.



# Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

## 26 Non-adjusting post balance sheet event

On 23 August 2011, the Group entered into new facility agreements with a syndicate of financial institutions to refinance its existing term loan (note 17) maturing on 20 December 2011, and to provide funding for general working capital of the Group. Under the new facility agreements, the Group has been granted two facilities in the aggregate amount of \$4,050,000,000, comprising a \$3,950,000,000 term loan facility and a \$100,000,000 revolving credit facility, both for a three-year term from the first date of drawdown under the term loan facility or revolving credit facility, whichever is earlier.

## 27 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.

## 28 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 30 June 2011

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 30 June 2011 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 is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

## 29 Principal subsidiaries

Details of the principal subsidiaries of Sunlight REIT are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	% of shares held by		Principal activity
			Sunlight REIT	a subsidiary	
Sunlight REIT Holding Limited	Cayman Islands	1 share of US\$1	100	–	Investing holding
Bayman Limited	British Virgin Islands/ Hong Kong	1 share of US\$1	–	100	Property investment
Bestguard Investment Limited	Hong Kong	2 ordinary shares of \$1 each	–	100	Property investment
Country Max Development Limited	Hong Kong	10,000 ordinary shares of \$1 each	–	100	Property investment
Gain Fortune Development Limited	Hong Kong	3,000,000 ordinary shares of \$1 each	–	100	Property investment

## 29 Principal subsidiaries (continued)

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

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	% of shares held by		Principal activity
			Sunlight REIT	a subsidiary	
Gallund Investment Limited	Hong Kong	20,000 ordinary shares of \$100 each	–	100	Property investment
Gentfair Development Limited	Hong Kong	10,000 ordinary shares of \$1 each	–	100	Property investment
Global Team Development Limited	Hong Kong	100 ordinary shares of \$1 each	–	100	Property investment
Glory Good Development Limited	Hong Kong	1,000 ordinary shares of \$1 each	–	100	Property investment
Glory Hero Development Limited	Hong Kong	3,000,000 ordinary shares of \$1 each	–	100	Property investment
Grand Faith Development Limited	Hong Kong	10,000,000 ordinary shares of \$1 each and 2 non-voting deferred shares of \$1 each	–	100	Property investment
Harzone Limited	Hong Kong	1,000 ordinary shares of \$1 each	–	100	Property investment
Jetwise Investment Limited	Hong Kong	10,000,000 ordinary shares of \$1 each and 10,000 non-voting deferred shares of \$1 each	–	100	Property investment
Lucky Million Development Limited	Hong Kong	2 ordinary shares of \$1 each	–	100	Property investment
Multimark Investment Limited	Hong Kong	2 ordinary shares of \$1 each and 2 non-voting deferred shares of \$1 each	–	100	Property investment
Newcorp Development Limited	Hong Kong	2 ordinary shares of \$1 each	–	100	Property investment
Nicetex Development Limited	Hong Kong	2 ordinary shares of \$1 each and 2 non-voting deferred shares of \$1 each	–	100	Property investment

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

## 29 Principal subsidiaries (continued)

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

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	% of shares held by		Principal activity
			Sunlight REIT	a subsidiary	
Pacific Joy Investment Limited	Hong Kong	52,000,000 ordinary shares of \$1 each	–	100	Property investment
Russum Company Limited	Hong Kong	10,000,000 ordinary shares of \$1 each and 1,000 non-voting deferred shares of \$1 each	–	100	Property investment
Seiren Investment Limited	Hong Kong	10,000 ordinary shares of \$1 each	–	100	Property investment
Smart Fortune Development Limited	Hong Kong	10,000 ordinary shares of \$1 each	–	100	Property investment
Smartwise Services Limited	British Virgin Islands/ Hong Kong	1 share of US\$1	–	100	Holding of domain name
Strong Bright Technology Limited	Hong Kong	10,000 ordinary shares of \$1 each	–	100	Property investment
Sunlight Crownwill Limited	British Virgin Islands/ Hong Kong	1 share of US\$1	–	100	Property investment
Sunlight REIT Finance Limited	British Virgin Islands/ Hong Kong	1 share of US\$1	–	100	Provision of finance functions
Sunlight REIT Treasury Limited	British Virgin Islands/ Hong Kong	1 share of US\$1	–	100	Provision of treasury functions
Tinselle Investment Limited	Hong Kong	10,000,000 ordinary shares of \$1 each and 10,000 non-voting deferred shares of \$1 each	–	100	Property investment
United Glory Development Limited	Hong Kong	2 ordinary shares of \$1 each	–	100	Property investment
Yu Loy Development Company Limited	Hong Kong	1,000,000 ordinary shares of \$10 each and 500 non-voting deferred shares of \$10 each	–	100	Property investment

## Performance Table

(Expressed in Hong Kong dollars, unless otherwise specified)

	Note	2011	2010	2009	2008	2007 <sup>4</sup>
<b>At 30 June:</b>						
Net asset value (\$ million)	1	<b>8,262</b>	6,722	5,448	6,487	6,056
Net asset value per unit	1	<b>5.21</b>	4.30	3.52	4.28	4.06
Market capitalisation (\$ million)		<b>3,950</b>	3,097	2,351	2,907	3,357
<b>For the year/period ended 30 June:</b>						
Highest traded unit price		<b>2.64</b>	2.06	1.96	2.56	2.60
Highest premium of the traded unit price to net asset value per unit	2	<b>N/A</b>	N/A	N/A	N/A	N/A
Lowest traded unit price		<b>1.98</b>	1.49	0.91	1.85	2.11
Highest discount of the traded unit price to net asset value per unit (%)	1	<b>62.0</b>	65.3	74.1	56.8	48.0
Last traded unit price		<b>2.49</b>	1.98	1.52	1.92	2.25
Distribution per unit, after adjusting for distribution waivers (HK cents)		<b>17.60</b>	14.39	24.56	24.20	13.51
Distribution yield per unit (%)	3	<b>7.1</b>	7.3	16.2	12.6	6.0

### 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 year/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 the year/period.
4. The annual report for 2006/07 covered the period from 21 December 2006 (date of listing) to 30 June 2007.

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# Notice of Annual General Meeting

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**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of unitholders (the “**Unitholders**”) of Sunlight Real Estate Investment Trust (“**Sunlight REIT**”) will be held at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 26 October 2011 at 10:00 a.m. for the following purposes:

- (1) To note the audited financial statements of Sunlight REIT together with the Auditor’s Report for the year ended 30 June 2011;
- (2) To note the appointment of Auditor of Sunlight REIT and the fixing of their remuneration; and
- (3) To consider and, if thought fit, pass with or without modification, the following resolution as an Ordinary Resolution:

**“THAT:**

- (a) the exercise by Henderson Sunlight Asset Management Limited (the “**Manager**”) during the Relevant Period (as defined in paragraph (c) below) of all the powers of the Manager to repurchase units of Sunlight REIT (“**Units**”) on behalf of Sunlight REIT on The Stock Exchange of Hong Kong Limited (the “**SEHK**”), subject to and in accordance with the circular dated 31 January 2008 issued by the Securities and Futures Commission of Hong Kong (the “**SFC**”) to management companies of SFC-authorized real estate investment trusts (“**REITs**”) in relation to on-market unit repurchases by SFC-authorized REITs, paragraph (b) below, the trust deed constituting Sunlight REIT (as amended, supplemented and/or modified from time to time) (the “**Trust Deed**”), the applicable laws of Hong Kong, the Code on Real Estate Investment Trusts, the applicable provisions of the Codes on Takeovers and Mergers and Share Repurchases, the guidelines issued by the SFC from time to time, and applicable rules and regulations, be and is hereby generally and unconditionally approved;
- (b) the aggregate number of Units which may be repurchased or agreed to be repurchased on the SEHK by the Manager pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10 per cent. of the aggregate number of Units in issue as at the date of the passing of this resolution, and such approval shall be limited accordingly; and
- (c) for the purpose of this resolution, “Relevant Period” means the period from the date of the passing of this resolution until the earliest of:
  - (i) the conclusion of the next annual general meeting of Unitholders of Sunlight REIT following the passing of this resolution;
  - (ii) the expiration of the period within which the meeting referred to in (i) above is required to be held under the Trust Deed; and
  - (iii) the revocation or variation of the authority conferred by this resolution by an ordinary resolution of the Unitholders in a general meeting.”

By Order of the Board  
**HENDERSON SUNLIGHT ASSET MANAGEMENT LIMITED**  
(as manager of Sunlight Real Estate Investment Trust)  
**LO Yuk Fong, Phyllis**  
*Company Secretary*

Hong Kong, 20 September 2011

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Notes:

- (a) A Unitholder entitled to attend and vote at the meeting (or at any adjournment thereof) is entitled to appoint one or more proxies to attend and vote in his/her stead. The proxy need not be a Unitholder.
- (b) In order to be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited with the unit registrar of Sunlight REIT, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong ("**Unit Registrar**") not less than 48 hours before the time appointed for holding the meeting or adjourned meeting (as the case may be). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the meeting or poll concerned. In the event that you attend the meeting or adjourned meeting (as the case may be) after having lodged a form of proxy, the form of proxy will be deemed to have been revoked.
- (c) In the case of joint Unitholders, the vote of the Unitholder who is first-named on the register of Unitholders, whether tendered in person or by proxy, shall be acceptable to the exclusion of the votes of the other joint Unitholders and for this purpose seniority shall be determined by the order in which the names stand in the register of Unitholders.
- (d) For the purpose of determining entitlements to vote at the AGM, the register of Unitholders of Sunlight REIT will be closed from Monday, 24 October 2011 to Wednesday, 26 October 2011, both days inclusive, during which period no transfer of Units will be registered. For those Unitholders who are not already on the Register, in order to qualify for attending the meeting (or at any adjournment thereof), all Unit certificates accompanied by the duly completed transfer forms must be lodged with the Unit Registrar for registration not later than 4:30 p.m. on Friday, 21 October 2011.
- (e) The votes at the meeting will be taken by way of poll.



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# Financial Calendar

For FY2010/11

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<b>Interim Results Announcement</b>	14 February 2011
<b>Issuance of Interim Report</b>	22 February 2011
<b>Closure of Register</b> for entitlement of interim distribution	1 March 2011 to 3 March 2011, both days inclusive
<b>Interim distribution paid</b> at approximately HK 8.5 cents per unit	30 March 2011
<b>Final Results Announcement</b>	4 September 2011
<b>Issuance of Annual Report</b>	20 September 2011
<b>Closure of Register</b> for entitlement of final distribution	26 September 2011 to 28 September 2011, both days inclusive
for entitlement to attend and vote at Annual General Meeting	24 October 2011 to 26 October 2011, both days inclusive
<b>Annual General Meeting</b>	26 October 2011
<b>Final distribution payable</b> at HK 9.1 cents per unit	27 October 2011

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# Corporate Information

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## 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

## 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](mailto:ir@HendersonSunlight.com)

## Website

[www.sunlightreit.com](http://www.sunlightreit.com)



## Sunlight Real Estate Investment Trust

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

[www.sunlightreit.com](http://www.sunlightreit.com)

Managed by Henderson Sunlight Asset Management Limited