



SUNLIGHT REIT

陽光房地產基金

Stock Code 股份代號: 435



2011/12
Interim Report 中期報告

Sunlight REIT

Listed on The Stock Exchange of Hong Kong Limited on 21 December 2006 (the “**Listing Date**”), Sunlight Real Estate Investment Trust (“**Sunlight REIT**”) (stock code: 435) offers investors the opportunity to invest in a diversified portfolio of 12 office and 8 retail properties totaling 1,294,389 sq. ft. in gross rentable area (“**GRA**”) with an appraised value of HK\$12,601 million at 31 December 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 interim report contains statements that are forward-looking and adopts certain forward-looking terminologies. These statements are made on the basis of the current beliefs, assumptions, expectations and projections of the board of directors (the “**Board**”) and senior management 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.

Contents

Management Discussion and Analysis	2
Portfolio at a Glance	2
Market and Operation Review	4
Financial Review	7
Outlook	11
Corporate Governance	12
Connected Party Transactions	15
Disclosure of Interests	19
Interim Financial Report	22
Auditor's Review Report	46
Performance Table	47
Corporate Information and Financial Calendar	48

Portfolio at a Glance

Property	Property Details						Occupancy (%)		
	Location	Year of completion	No. of car park spaces	GRA ¹ (sq. ft.)			at 31 Dec 11	at 30 Jun 11	at 31 Dec 10
				Office	Retail	Total			
Office Property									
Grade A									
248 Queen's Road East	Wan Chai	1998	46	369,891	6,490	376,381	95.3	100.0	99.4
Grade B									
Bonham Trade Centre	Sheung Wan	1998	0	108,506	9,403	117,909	96.4	97.9	97.5
Righteous Centre	Mong Kok	1996	0	41,004	10,763	51,767	99.3	97.0	99.3
Winsome House Property	Central	1999	0	37,937	2,177	40,114	94.3	100.0	100.0
135 Bonham Strand Trade Centre Property	Sheung Wan	2000	0	60,844	3,071	63,915	99.3	97.8	93.2
235 Wing Lok Street Trade Centre	Sheung Wan	2000	0	47,481	4,804	52,285	97.9	96.3	94.8
Java Road 108 Commercial Centre	North Point	1998	0	35,694	2,229	37,923	96.1	98.1	98.1
Yue Fai Commercial Centre Property	Aberdeen	1997	0	41,272	1,479	42,751	96.6	99.4	96.2
On Loong Commercial Building Property	Wan Chai	1984	0	23,856	1,708	25,564	97.9	100.0	95.7
Everglory Centre	Tsim Sha Tsui	1999	0	25,896	3,906	29,802	90.2	95.2	92.7
Sun Fai Commercial Centre Property	Mong Kok	1998	0	23,817	2,334	26,151	100.0	100.0	100.0
Wai Ching Commercial Building Property	Yau Ma Tei	1997	0	14,239	2,082	16,321	100.0	97.2	95.6
Sub-total/Average			46	830,437	50,446	880,883	96.3	98.8	97.9
Retail Property									
New Town									
Sheung Shui Centre Shopping Arcade	Sheung Shui	1993	297	0	122,339	122,339	99.6	98.6	99.3
Metro City Phase I Property	Tseung Kwan O	1996	452	0	188,889	188,889	99.0	98.8	98.3
Kwong Wah Plaza Property	Yuen Long	1998	0	39,101	25,741	64,842	100.0	100.0	98.8
Urban									
Royal Terrace Property	North Point	2002	49	0	9,565	9,565	100.0	100.0	100.0
Beverly Commercial Centre Property	Tsim Sha Tsui	1982	0	0	7,934	7,934	100.0	100.0	100.0
Glory Rise Property	North Point	2003	0	0	7,086	7,086	90.7	100.0	100.0
Supernova Stand Property	North Point	2001	0	0	4,226	4,226	100.0	100.0	100.0
Palatial Stand Property	Hung Hom	2001	0	3,566	5,059	8,625	100.0	100.0	100.0
Sub-total/Average			798	42,667	370,839	413,506	99.3	99.1	98.8
Total/Average			844	873,104	421,285	1,294,389	97.3	98.9	98.2

Notes: 1. Size of the properties is measured in terms of GRA.
2. Passing rent and committed rent are expressed in terms of rent per month.
3. Valuation prepared by Knight Frank Petty Limited.
N/A: Not applicable

Operational Statistics						Property Financials					
Passing Rent ² (HK\$ / sq. ft.)			Committed Rent ² (HK\$ / sq. ft.)			Net Property Income (HK\$'000)		Capitalisation Rate at 31 Dec 11 (%)		Appraised Value at 31 Dec 11 ³ (HK\$'000)	
at 31 Dec 11	at 30 Jun 11	at 31 Dec 10	1 Jul 11 – 31 Dec 11	1 Jan 11 – 30 Jun 11	1 Jul 10 – 31 Dec 10	First half of FY2011/12	First half of FY 2010/11	Retail	Office		
26.9	25.6	24.8	28.9	30.5	25.5	55,979	53,219	4.20	4.00	3,341,000	
18.7	17.8	16.7	21.3	19.1	18.4	10,845	10,196	4.20	4.00	698,000	
30.0	27.8	24.1	22.3	64.9	40.3	8,436	6,832	3.80	4.10	499,000	
32.0	32.2	29.9	46.1	31.5	48.0	6,593	6,559	4.20	4.00	420,000	
17.9	17.5	16.6	17.8	18.5	18.3	6,059	5,105	4.20	4.00	369,000	
14.1	13.1	12.2	14.0	13.2	15.4	3,657	2,944	4.25	4.00	219,000	
16.7	15.8	15.5	17.4	23.9	14.6	3,070	2,510	4.20	4.10	205,300	
15.9	15.3	14.7	14.9	18.9	16.4	3,558	2,900	4.20	4.25	205,000	
22.5	21.7	21.5	17.8	16.0	14.7	3,170	2,825	4.20	4.10	182,000	
16.3	15.5	15.3	17.6	17.3	16.7	1,953	2,144	4.15	4.00	159,400	
17.2	16.4	16.2	13.8	12.6	18.6	2,274	2,032	4.35	4.25	134,000	
8.2	7.6	7.1	8.4	9.1	7.8	599	432	4.35	4.00	43,300	
22.7	21.7	20.8	23.6	23.8	22.8	106,193	97,698			6,475,000	
78.6	76.1	72.7	76.5	116.6	85.9	52,113	46,600	4.40	N/A	2,903,000	
37.9	36.9	35.4	51.5	32.9	36.7	42,433	39,200	4.50	N/A	2,148,000	
33.6	33.1	30.5	25.5	32.4	57.8	11,901	10,444	4.00	4.00	703,000	
26.4	26.4	26.4	N/A	N/A	33.0	1,877	1,844	4.25	N/A	116,600	
39.5	38.0	35.6	44.5	39.6	40.1	1,724	1,530	4.30	N/A	93,000	
32.4	30.0	29.0	105.5	36.8	92.0	1,136	1,081	4.20	N/A	75,000	
39.4	39.4	42.4	N/A	40.8	N/A	882	1,036	4.00	N/A	51,000	
10.9	10.8	10.4	19.4	14.1	N/A	517	497	4.35	N/A	36,400	
48.4	46.9	44.9	59.4	50.5	54.2	112,583	102,232			6,126,000	
31.1	29.8	28.5	29.8	32.7	31.0	218,776	199,930			12,601,000	

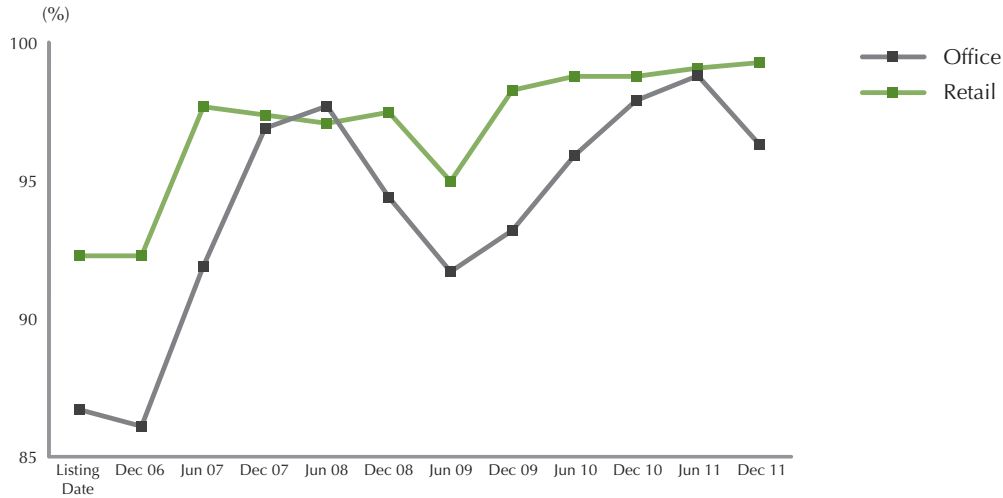
Market and Operation Review

Business activities in Hong Kong weakened during the six months ended 31 December 2011 (the “**Reporting Period**”) given the unfavourable economic developments in both Europe and the United States. Together with a more cautious economic outlook for China and a tight liquidity environment, sentiment on the domestic commercial property market has turned cautious in anticipation of possible corporate downsizing activities, reminiscent of the aftermath of the global financial crisis in 2008. Accompanied by a drop in the level of transactions, the Grade A office leasing market in Central has seen clear signs of softening. Gratifyingly, the momentum of decentralisation was able to sustain office demand in non-core areas, resulting in the continued narrowing of rental gap between centralised and decentralised offices. According to statistics provided by Knight Frank Petty Limited, office vacancy in Central edged up to 3.0% at 31 December 2011 from 2.3% at 30 June 2011, while vacancy in non-core areas has remained low, with Wan Chai registering a level of 1.1% at 31 December 2011 as compared to 1.2% at 30 June 2011.

Despite the expectation of a less robust economic outlook, the domestic retail environment remained reasonably well-supported by tourism spending from mainland visitors. According to the provisional statistics released by the Hong Kong Tourism Board, overall visitors arrivals into Hong Kong in 2011 exhibited a 16.4% annual growth to reach a new record of 41.92 million, of which approximately 28.1 million were mainland tourists, up 23.9% from the previous year. Notably, the growth of mainland tourist arrivals was mainly underwritten by a 34.5% growth in same-day visitors (to 14.8 million), indicating that visitors commuting by train or other means of land traffic was the major driver of growth. Such pattern of tourism arrival, together with the scarcity of new retail space supply in locations with strategic access to mainland shoppers, continued to bode well for Sunlight REIT’s properties such as Sheung Shui Centre Shopping Arcade and (the retail portion of) Kwong Wah Plaza Property which achieved satisfactory rental reversion over the past twelve months.

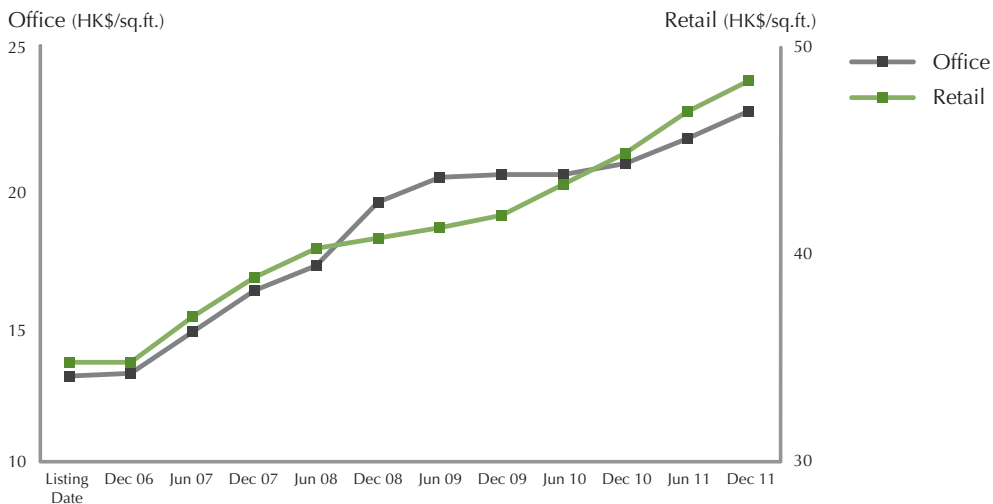
The overall occupancy of Sunlight REIT’s portfolio stood at 97.3% at 31 December 2011 (30 June 2011: 98.9%), being affected by a mild retreat of the office portfolio where occupancy declined from 98.8% to 96.3% during the Reporting Period. The retail portfolio continued to be practically fully let with an occupancy of 99.3% at 31 December 2011 (30 June 2011: 99.1%).

Historical Trends in Occupancy since Listing



In tandem with the rise in commercial market rents in the last few years, passing rent of the office portfolio continued its ascent, registering a year-on-year growth of 9.1% to HK\$22.7 per sq. ft. at 31 December 2011, while the average unit rent committed during the Reporting Period was HK\$23.6 per sq. ft.. Meanwhile, passing rent for the retail portfolio rose 7.8% year-on-year to HK\$48.4 per sq. ft. at 31 December 2011, with the average unit rent committed for the Reporting Period reaching HK\$59.4 per sq. ft.. During the Reporting Period, rental reversion for the office and retail portfolio was 15.8% and 24.6% respectively.

Historical Trends in Passing Rent since Listing



Market and Operation Review

The mild decline in overall office occupancy during the Reporting Period was attributable to tenant migration activities notably at 248 Queen's Road East ("**248 QRE**") and Bonham Trade Centre. In particular, the retreat at 248 QRE was in line with the Manager's expectation given that a larger proportion of lease expiries took place in the first half of the financial year. However, it is anticipated that the level of occupancy would recover quickly in light of the satisfactory progress in ongoing leasing activities, largely driven by the momentum of office decentralisation and expansion of certain existing tenants. In respect of Bonham Trade Centre, it is the Manager's strategy to combine smaller vacant units so as to attract quality tenants requiring larger office space. A slowdown in leasing activities was also witnessed at Winsome House Property and Everglory Centre, but the impact on both income and occupancy was immaterial.

On the retail front, the continued influx of mainland shoppers at Sheung Shui Centre Shopping Arcade appealed to certain high-tech and telecom retailers which resulted in the opening of two quality outlets during the Reporting Period. Meanwhile, tenant repositioning was also underway at Metro City Phase I Property in conjunction with the proposed enhancement program which should uplift the image and footfall of the shopping mall.

The portfolio had a total of 1,022 tenancies at 31 December 2011 (30 June 2011: 1,033). The 10 largest tenants by rental income, which contributed approximately 22.8% of the total rental income in December 2011 (June 2011: 22.2%), occupied approximately 17.7% of the total GRA (June 2011: 18.4%). No single tenant accounted for more than 5.2% of the total rental income for December 2011 (June 2011: 4.1%).

Financial Review

Financial Highlights

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

	Six months ended 31 December 2011	Six months ended 31 December 2010	Change (%)
Turnover	285.9	262.5	8.9
Property operating expenses	67.1	62.6	7.2
Net property income	218.8	199.9	9.4
Cost-to-income ratio (%)	23.5	23.8	N/A
Profit after taxation	484.5	467.7	3.6
Total distributable income	146.7	127.8	14.8
Payout ratio (%)	90.5	90.0	N/A
Distribution per unit ¹ (cents)	8.30	8.50 ²	(2.4)
	At 31 December 2011	At 30 June 2011	Change (%)
Portfolio valuation	12,601.0	12,222.2	3.1
Total assets	13,231.8	12,888.2	2.7
Total liabilities	4,609.0	4,626.3	(0.4)
Net asset value	8,622.8	8,261.9	4.4
Net asset value per unit (HK\$)	5.39	5.21	3.5
Gearing ratio (%)	29.9	30.6	N/A

Notes:

1. Please refer to "Distribution Statement" on page 27 for details.
2. Distribution per unit for the six months ended 31 December 2010 was adjusted for distribution waivers.

Operating Results

Sunlight REIT reported an 8.9% growth in turnover to HK\$285.9 million for the Reporting Period. In tandem with accelerating inflation and wage pressure, property operating expenses recorded a 7.2% increase from the same period last year to HK\$67.1 million. As revenue growth continued to outpace that of operating cost, net property income grew 9.4% to reach HK\$218.8 million, while the overall cost-to-income ratio showed a further improvement to 23.5% as compared to 23.8% recorded in the previous interim period. Meanwhile, reflecting the benefit of the expiry of the interest rate swaps entered into at the time of the initial public offering of Sunlight REIT (the "IPO") and the balance between floating and fixed rate exposure, total finance costs for the Reporting Period was HK\$50.8 million, representing a reduction of HK\$23.6 million as compared with the same period last year. After taking into account other non-property operating expenses and the change in fair value of the investment properties for the period, Sunlight REIT reported a profit after taxation of HK\$484.5 million for the Reporting Period (first half of FY2010/11: HK\$467.7 million).

Financial Review

Distribution

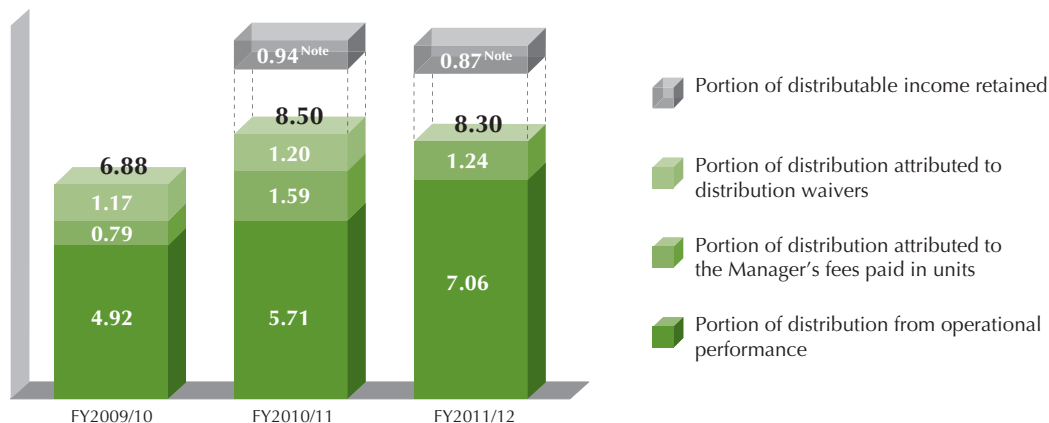
For the Reporting Period, the total distributable income of Sunlight REIT rose 14.8% year-on-year to HK\$146,687,000. The Board of the Manager has resolved to declare an interim distribution of HK 8.30 cents per unit, or HK\$132,748,000, which implies a payout ratio of 90.5%. The interim distribution declared represents a year-on-year decline of 2.4% as compared with HK 8.50 cents (based on a payout ratio of 90.0%) distributed in the previous corresponding period. It should be noted that the distribution per unit (“DPU”) in the previous year was enhanced by a 50% distribution waivers (in respect of the units subscribed at the time of the IPO) extended by certain subsidiaries of Henderson Land Development Company Limited (“HLD”) and of Shau Kee Financial Enterprises Limited (“SKFE”) (collectively, the “Sponsors”). On the basis of no distribution waivers, the interim DPU declared in FY2011/12 actually rose 13.7% from the same period last year. Based on the closing unit price of HK\$2.22 (on the last trading day of the Reporting Period), the interim distribution represents an annualised yield of 7.48%.

FY2011/12 marks the cessation of all Sponsors’ support (originated at the time of the IPO), and thus the total distributable income and DPU will be fully reflecting the underlying operational performance of Sunlight REIT, subject to the payout ratio and the proportion of Manager’ fees to be paid in units. Pursuant to the announcement issued on 18 May 2011, the Manager has elected to receive 70% of its base fee and variable fee for the current financial year in units (FY2010/11: 100% in units).

The chart below provides a year-on-year comparison of the DPU. Contributions from operation, distribution waivers and the change in the payment structure of Manager’s fees are shown separately to illustrate the effect of each component on the DPU. The effect of payout ratio is also illustrated by showing the portion of distributable income retained.

Interim DPU at a Glance

HK cents



Note: HK\$13,939,000 or HK 0.87 cents per unit (first half of FY2010/11: HK\$12,780,000 or approximately HK 0.94 cents per unit) has been retained.

Distribution Entitlement and Closure of Register of Unitholders

The record date for the interim distribution will be Friday, 2 March 2012. The register of unitholders will be closed from Wednesday, 29 February 2012 to Friday, 2 March 2012, both days inclusive, during which period no transfer of units will be effected. In order to be entitled to the interim distribution, completed transfer forms accompanied by the relevant unit certificates must be lodged for registration with the Unit Registrar, 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 Tuesday, 28 February 2012. Payment of the interim distribution will be made to unitholders on Friday, 30 March 2012.

Financial Position

Sunlight REIT's portfolio was appraised by Knight Frank Petty Limited at HK\$12,601.0 million at 31 December 2011, representing an increase of 3.1% from the valuation of HK\$12,222.2 million appraised at 30 June 2011. Office and retail properties accounted for 51.4% and 48.6% of the valuation and registered an appreciation of 3.4% and 2.8% in comparison with their respective valuation at 30 June 2011. Consequently, the net asset value of Sunlight REIT rose 4.4% to arrive at HK\$8,622.8 million or HK\$5.39 per unit at 31 December 2011 (30 June 2011: HK\$8,261.9 million or HK\$5.21 per unit).

At 31 December 2011, the gearing ratio of Sunlight REIT, defined as total borrowings as a percentage of gross assets, stood at 29.9% as compared with 30.6% at 30 June 2011. Gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets was 34.8% at 31 December 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 31 December 2011.

Capital Management

On 23 August 2011, Sunlight REIT successfully entered into credit facility agreements (the "**New Facility Agreements**") with a syndicate of banks (the "**Banks**"). Under the New Facility Agreements, Sunlight REIT has been granted by the Banks with aggregate new facilities amounting to HK\$4,050.0 million, which comprises a HK\$3,950.0 million term loan facility (the "**New Term Loan Facility**") and a HK\$100.0 million revolving credit facility (the "**New RCF**"). The new facilities bear interest at HIBOR plus 100 basis points, and are for a term of three years from the date of the first drawdown. The New Term Loan Facility and the New RCF are secured by, among others, the investment properties of Sunlight REIT, assignment of proceeds under tenancies and a floating charge over its bank balances.

Financial Review

The drawdown of the entire New Term Loan Facility took place on 21 September 2011, the proceeds of which was utilised to refinance all the then prevailing term loan facilities which was due for repayment on 21 December 2011.

In order to minimise financial market risks and maintain financial flexibility, Sunlight REIT has maintained certain interest rate swap arrangements, as the effective interest rate of the term loan (including credit spread) for the Reporting Period was approximately 2.24% per annum. During the Reporting Period, an additional interest rate swap with a notional amount of HK\$300.0 million was entered into for a period of seven years starting from 7 October 2011. This transaction represents the first swap arrangement for Sunlight REIT with a maturity beyond five years. The effective 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%
300	7 October 2011 – 28 September 2018	1.5975%

* Excludes the credit spread of 1% per annum under the existing term loan.

To ensure that Sunlight REIT maintains sufficient liquidity to meet operational and distribution requirements, it is the Manager's treasury management policy (being in compliance with relevant regulatory requirements) to place funds derived from operations as short term bank deposits or fixed income securities which must be of investment grade, with maturity profile to be compatible with the projected funding requirements. At 31 December 2011, Sunlight REIT had a total bank and cash balances of HK\$234.6 million, and had no exposure to fixed income securities. Taking into consideration the recurrent income generated from its operations, the current cash position and credit facilities available, Sunlight REIT has sufficient financial resources to satisfy its working capital, distribution payment and capital expenditure requirements.

Outlook

Sunlight REIT delivered a set of resilient interim results amid a turbulent global economic environment. Looking ahead, in light of the lingering economic uncertainties in both Europe and the United States exacerbated by global credit tightening, the Manager will stay vigilant and proactive so as to ensure that Sunlight REIT is well positioned to withstand the potential volatilities ahead. The mild softening of the local commercial leasing market would nonetheless present the Manager with an opportunity to nurture and optimise tenant relationship and mix in order to pave way for long term growth.

As the Manager has already concluded a substantial portion of the leases at 248 QRE expiring in the current financial year, any further impact resulting from potential volatilities in the Grade A office market should be greatly mitigated. For the portfolio as a whole, expiries in the second half of FY2011/12 account for 18.1% of the office GRA and 24.2% of the retail GRA, while the average unit rent for the expiring office and retail leases are HK\$20.4 per sq. ft. and HK\$40.7 per sq. ft. respectively. Barring unforeseen circumstances, the Manager is confident that positive rental reversion for the overall portfolio of Sunlight REIT would remain a sustainable feature for the rest of the financial year.

The Manager will be turning its full attention to map out the asset enhancement plan for Metro City Phase I Property. The process will be spearheaded by strategic leasing initiatives, notably including a major tenant mix reconfiguration on the lower level of the complex. The Manager is encouraged by the level of enthusiasm indicated by existing tenants and is anticipating to commence phase one of the enhancement works by the end of 2012.

At 31 December 2011, approximately 83.5% of Sunlight REIT's debt exposure has been hedged to fixed rates for an average tenure of approximately 3.34 years. The Manager is comfortable with the current balance between floating and fixed rate exposure, but will continue to monitor the interest rate environment closely with a view to capitalising on the prevailing low interest rate environment.

Corporate Governance

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

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

Board of the Manager and Changes of Director’s Information

The Board currently comprises a total of six Directors, consisting of one Executive Director (who is also the Chief Executive Officer), two Non-executive Directors (including the Chairman of the Board) and three Independent Non-executive Directors. The positions of 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. Various board committees have been established with clear terms of reference, each of which is to assist the Board in supervising specific issues or functions of the Manager.

Subsequent to publication of the 2010/11 Annual Report of Sunlight REIT, the Manager was informed that Dr. Tse Kwok Sang ceased to be a member of the examination panel of the Estate Agents Authority of Hong Kong with effect from 31 December 2011.

Save as aforesaid, the Manager has not been notified of any change of Director’s information.

Structure of Sunlight REIT

Sunlight REIT is a collective investment scheme authorised by the Securities and Futures Commission (the “**SFC**”) under section 104 of the Securities and Futures Ordinance (Cap. 571) (the “**SFO**”) and regulated by the provisions of the Code on Real Estate Investment Trusts (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. The Manager has three senior executives who are approved as responsible officers of the Manager pursuant to the requirements of section 125 of the SFO and paragraph 5.4 of the REIT Code.

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

Confirmation of Compliance with the Dealings Code

The Manager has adopted a code governing dealings in units of Sunlight REIT by Directors of the Manager (the “**Dealings Code**”) which is also applicable to the Manager itself. Similar dealing requirements are also applicable to the senior executives, officers and the employees of the Manager. 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 Reporting Period.

Review of Interim Report

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

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

The Manager and Henderson Sunlight Property Management Limited (the “**Property Manager**”) are both indirect wholly-owned subsidiaries of HLD. Each of SKFE and HLD also has interest 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 Reporting Period, two non-executive directors (including the Chairman) of the Manager were executive and non-executive directors of HLD respectively.

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

Corporate Governance

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.

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 31 December 2011.

New Units Issued

Except for an aggregate of 12,883,263 new units issued to the Manager as payment of part of the Manager's fees, there were no other new units issued during the Reporting Period.

Repurchase, Sale or Redemption of Units

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

Employees

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

Connected Party Transactions

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

Name of Connected Person	Relationship with Sunlight REIT ^{note}	Nature of the Connected Party Transactions	Income for the Reporting Period (HK\$'000)	Rental and other deposits received at 31 December 2011 (HK\$'000)
Henderson Sunlight Asset Management Limited	The Manager	Leasing	2,303	1,062
Henderson Sunlight Property Management Limited	Associated company of the Manager	Leasing	1,480	681
Henderson Real Estate Agency Limited	Associated company of the Manager	Joint effort arrangements	525	–
Citistore (Hong Kong) Limited	Associated company of the Manager	Licensing	304	30
TOTAL:			4,612	1,773

Note: Within the meaning of the REIT Code.

Connected Party Transactions

Connected Party Transactions – Expenses

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

Name of Connected Person	Relationship with Sunlight REIT ^{note}	Nature of the Connected Party Transactions	Expenses for the Reporting Period (HK\$'000)
Goodwill Management Limited	Associated company of the Manager	Property management and operations	503
Hang Yick Properties Management Limited	Associated company of the Manager	Property management and operations	4,215
Henderson Sunlight Property Management Limited	Associated company of the Manager	Property management and related services and marketing services	19,092
Megastrength Security Services Company Limited	Associated company of the Manager	Security services	912
Metro City Management Limited	Associated company of the Manager	Property management and operations	927
Sheung Shui Centre Management Limited	Associated company of the Manager	Property management and operations	1,088
TOTAL:			26,737

Note: Within the meaning of the REIT Code.

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 Group¹ (collectively, the “Trustee Connected Persons”) within the meaning of the REIT Code during the Reporting Period:

Name of Connected Person	Relationship with Sunlight REIT ²	Nature of the Connected Party Transactions	Income/Expense for the Reporting Period (HK\$'000)	Rental and other deposits received at 31 December 2011 (HK\$'000)
Leasing Transactions:				
The Hongkong and Shanghai Banking Corporation Limited (“HSBC”)	Trustee Connected Persons	Leasing ³	2,863	1,757
Hang Seng Bank Limited	Trustee Connected Persons	Leasing ⁴	3,501	1,470
Ordinary Banking and Financial Services⁵:				
HSBC	Trustee Connected Persons	Interest income received/receivable	9	–
HSBC	Trustee Connected Persons	Interest expense, agency and other charges on bank loan and interest rate swaps and other charges bank	16,044	–
Hang Seng Bank Limited	Trustee Connected Persons	Interest expense on bank loan and other bank charges	2,513	–

An interest rate swap of a notional amount of HK\$300 million was entered into with HSBC on 6 October 2011. Please refer to “Financial Review” on page 10 for details.

Corporate Finance Transactions:

Both the Manager and the Trustee confirm that during the Reporting Period, there was no corporate finance transaction entered into between Sunlight REIT and the HSBC Group.

Notes:

1. HSBC Group means HSBC and its subsidiaries and, unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries (being the subsidiaries of the Trustee but excluding those subsidiaries formed in its capacity as the Trustee of Sunlight REIT).
2. Within the meaning of the REIT Code.
3. For Shop Nos. 1024-31, Sheung Shui Centre Shopping Arcade.
4. For Shop No. 211, Metro City Phase I Property.
5. 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.

Connected Party Transactions

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

Pursuant to note (2) to paragraph 8.10 of the REIT Code, services provided by the Manager, the Trustee and the Principal Valuer to Sunlight REIT as contemplated under the constitutive documents shall not be deemed connected party transactions. Therefore, such services are not disclosed in the above sections. During the Reporting Period, the aggregate amount of fees payable by Sunlight REIT to the Manager (including fees paid in the form of units) and to the Trustee under the Trust Deed were approximately HK\$31.4 million and HK\$1.7 million respectively. Particulars of services provided by the Manager and the Trustee are set out in notes 19(b)(ii) and (iv) to the interim financial report. Save for these services transactions, there was no other services transaction which requires disclosure in this report.

Disclosure of Interests

The REIT Code requires that connected persons (as defined in paragraph 8.1 of the REIT Code) of Sunlight REIT disclose their interests in units. Further, the provisions of Part XV of the 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 31 December 2011 and 30 June 2011, the interests and short position in units of the Manager and the Directors or the chief executive of the Manager as recorded in the register required to be kept by the Manager under Schedule C of the Trust Deed, were respectively as follows:

Name	At 31 December 2011		At 30 June 2011		Change in % interest
	Number of Units interested (long position)	% of interest in Units ¹	Number of Units interested (long position)	% of interest in Units ¹	
The Manager ²	41,914,297	2.62	29,031,034	1.83	0.79
Au Siu Kee, Alexander ³	1,329,000	0.083	1,329,000	0.084	-0.001

Notes:

1. The percentages expressed are based on the total units in issue of 1,599,374,927 at 31 December 2011 and 1,586,491,664 at 30 June 2011 respectively.
2. At 30 June 2011, the Manager beneficially held 29,031,034 units. With the issue of 12,883,263 new units to the Manager on 27 October 2011 as payment of part of the Manager's fees, the Manager beneficially held 41,914,297 units at 31 December 2011.
3. At 31 December 2011, Mr. Au Siu Kee, Alexander, Chairman and Non-executive Director of the Manager, was interested in 1,329,000 units (30 June 2011: 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 31 December 2011 and 30 June 2011 as recorded in the register required to be kept by the Manager under Schedule C of the Trust Deed.

Disclosure of Interests

Holdings of Substantial Unitholders

At 31 December 2011 and 30 June 2011, the interests and short position in units of every person, other than the Manager and the Directors or the chief executive of the Manager, as recorded in the register required to be kept by the Manager under Schedule C of the Trust Deed, were respectively as follows:

Name	At 31 December 2011		At 30 June 2011		Change in % interest
	Number of Units interested (long position)	% of interest in Units ¹	Number of Units interested (long position)	% of interest in Units ¹	
Lee Shau Kee ²	559,899,322	35.01	547,016,059	34.48	0.53
Lee Financial (Cayman) Limited ²	374,072,708	23.39	374,072,708	23.58	-0.19
Leesons (Cayman) Limited ²	374,072,708	23.39	374,072,708	23.58	-0.19
Leeworld (Cayman) Limited ²	374,072,708	23.39	374,072,708	23.58	-0.19
SKFE ²	374,072,708	23.39	374,072,708	23.58	-0.19
Uplite Limited ²	224,443,625	14.03	224,443,625	14.15	-0.12
Wintrade Limited ²	149,629,083	9.36	149,629,083	9.43	-0.07
Henderson Development Limited ²	185,826,614	11.62	161,008,919	10.15	1.47
HLD ²	185,826,614	11.62	161,008,919	10.15	1.47
Hopkins (Cayman) Limited ²	185,826,614	11.62	161,008,919	10.15	1.47
Riddick (Cayman) Limited ²	185,826,614	11.62	161,008,919	10.15	1.47
Rimmer (Cayman) Limited ²	185,826,614	11.62	161,008,919	10.15	1.47
Silchester International Investors LLP ³	292,519,150	18.29	292,519,150	18.44	-0.15
Silchester International Investors International Value Equity Trust ³	142,292,922	8.90	142,292,922	8.97	-0.07

Notes:

1. The percentages expressed are based on the total units in issue of 1,599,374,927 at 31 December 2011 and 1,586,491,664 at 30 June 2011 respectively.
2. At 31 December 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 31 December 2011, 76,533,345 units were owned by Cobase Limited, 67,378,972 units were owned by Richful Resources Limited and 41,914,297 units were owned by the Manager. Cobase Limited and Richful Resources Limited were wholly-owned subsidiaries of Brightland Enterprises Limited, and the Manager was a wholly-owned subsidiary of Latco Investment Limited, both of which in turn were wholly-owned by HLD. Henderson Development Limited (“HD”) owned more than one-third of the issued share capital of HLD. HD was wholly-owned by Hopkins (Cayman) Limited as the trustee of a unit trust, the units of which were held by Rimmer (Cayman) Limited and Riddick (Cayman) Limited as the respective trustees of two discretionary trusts.

Under Part XV of the SFO (as applied by Schedule C of the Trust Deed), Dr. Lee Shau Kee was therefore taken to be interested in a total of 559,899,322 units at 31 December 2011 (representing approximately 35.01% 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 31 December 2011, the units mentioned above were beneficially held by connected persons of Sunlight REIT.

- At 31 December 2011, in accordance with the notice given to the Manager pursuant to Part XV of the SFO, Silchester International Investors LLP (“**Silchester LLP**”) in its capacity as investment manager, was interested in 292,519,150 units, of which 142,292,922 units were beneficially owned by Silchester International Investors International Value Equity Trust (“**Silchester Trust**”). Nevertheless, the Manager has been notified informally that at 31 December 2011, (i) the beneficial interest owned by Silchester Trust had dropped to 141,214,922 units (representing approximately 8.83% of the total units in issue); (ii) the decrease in unitholding (mentioned in (i)) was not required to be disclosed under Part XV of the SFO; and (iii) such interest held by Silchester Trust has been included as part of the interests reported above for Silchester LLP.

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 31 December 2011 were as follows:

Name of Connected Persons	Number of Units Held	% of Unit Holding ¹
Chan Wing Cheng ²	100,000	0.0063
Lee King Yue ³	50,000	0.0031
Lee Pui Ling, Angelina ⁴	2,307	0.0001
Mao Kenneth Ruys ⁵	500,000	0.0313
Persons related to the Trustee ⁶	120,000	0.0075

Notes:

- The percentage expressed is based on the total units in issue of 1,599,374,927 at 31 December 2011.
- 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 held 50,000 units at 30 June 2011.
- 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 2011.
- 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 2011.
- 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 2011.
- The Manager has been informed that certain directors, senior executives and officers of the Trustee and their associates (as defined in the REIT Code) were beneficially interested in such units at 31 December 2011. They had beneficial interest in 120,000 units at 30 June 2011.

Consolidated Income Statement

For the six months ended 31 December 2011 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 31 December	
		2011	2010
		\$'000	\$'000
	Note		
Turnover	5	285,848	262,499
Property operating expenses	6	(67,072)	(62,569)
Net property income		218,776	199,930
Other income		1,741	824
Administrative expenses		(40,564)	(32,739)
Net increase in fair value of investment properties		374,825	388,646
Profit from operations		554,778	556,661
Finance costs on interest bearing liabilities	7(a)	(50,792)	(74,350)
Profit before taxation and transactions with unitholders	7	503,986	482,311
Income tax	8	(19,532)	(14,645)
Profit after taxation and before transactions with unitholders		484,454	467,666

The notes on pages 30 to 45 form part of this interim financial report.

Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2011 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2011 \$'000	2010 \$'000
Profit after taxation and before transactions with unitholders	484,454	467,666
Other comprehensive income for the period Changes in fair value of cash flow hedges recognised during the period	(29,167)	35,110
Total comprehensive income for the period	455,287	502,776

The notes on pages 30 to 45 form part of this interim financial report.

Consolidated Balance Sheet

At 31 December 2011

(Expressed in Hong Kong dollars)

	Note	31 December 2011 (Unaudited) \$'000	30 June 2011 (Audited) \$'000
Non-current assets			
Fixed assets			
– Investment properties	10	12,601,000	12,222,200
– Other fixed assets		37	44
		12,601,037	12,222,244
Deferred tax assets		5,289	5,649
Reimbursement rights	11	203,932	203,932
		12,810,258	12,431,825
Current assets			
Trade and other receivables	13	27,819	26,518
Pledged deposits	15	234,435	261,119
Cash at bank and in hand		155	177
Tax recoverable		159,101	168,563
		421,510	456,377
Total assets		13,231,768	12,888,202
Current liabilities			
Tenants' deposits		(136,675)	(135,324)
Rent receipts in advance		(4,768)	(5,284)
Trade and other payables	14	(211,320)	(222,699)
Secured bank borrowings	15	–	(3,948,116)
Derivative financial instruments	12	(44,632)	(45,938)
Current taxation		(13,343)	(17,879)
		(410,738)	(4,375,240)
Net current assets/(liabilities)		10,772	(3,918,863)
Total assets less current liabilities		12,821,030	8,512,962

		31 December 2011 (Unaudited) \$'000	30 June 2011 (Audited) \$'000
	Note		
Non-current liabilities, excluding net assets attributable to unitholders			
Secured bank borrowings	15	(3,908,167)	–
Deferred tax liabilities		(246,337)	(237,748)
Derivative financial instruments	12	(43,759)	(13,286)
		(4,198,263)	(251,034)
Total liabilities, excluding net assets attributable to unitholders		(4,609,001)	(4,626,274)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		8,622,767	8,261,928
Number of units in issue	16	1,599,374,927	1,586,491,664
Net asset value attributable to unitholders per unit		\$5.39	\$5.21

The notes on pages 30 to 45 form part of this interim financial report.

Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the six months ended 31 December 2011 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 31 December	
		2011	2010
		\$'000	\$'000
	Note		
At the beginning of the period		8,261,928	6,722,211
Profit after taxation and before transactions with unitholders		484,454	467,666
Other comprehensive income		(29,167)	35,110
Total comprehensive income for the period		455,287	502,776
Distribution paid to unitholders		(124,276)	(97,615)
Issuance of units to Manager during the period	16	29,828	22,061
At the end of the period		8,622,767	7,149,433

The notes on pages 30 to 45 form part of this interim financial report.

Distribution Statement

For the six months ended 31 December 2011 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 31 December	
		2011	2010
		\$'000	\$'000
	Note		
Profit after taxation and before transactions with unitholders		484,454	467,666
Adjustments:			
– Net increase in fair value of investment properties		(374,825)	(388,646)
– Manager's fees paid or payable in the form of units		21,970	27,831
– Non-cash finance costs on interest bearing liabilities		6,139	14,977
– Deferred tax	8	8,949	5,970
		(337,767)	(339,868)
Total distributable income		146,687	127,798
Payout ratio (note (i))		90.5%	90.0%
Interim distribution (notes (ii) and (vi))		132,748	115,018
Distribution per unit:			
– Before adjusting for distribution waivers (notes (ii), (iii) and (iv))		8.30 cents	7.30 cents
– After adjusting for distribution waivers (notes (iii) and (v))		N/A	8.50 cents

Distribution Statement

For the six months ended 31 December 2011 – unaudited
(Expressed in Hong Kong dollars)

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 current policy of Henderson Sunlight Asset Management Limited, the manager of Sunlight REIT (the “**Manager**”), is to distribute to unitholders an amount not less than 90% of Sunlight REIT’s annual distributable income for each financial year.
- (ii) The interim distribution of \$132,748,000 for the six months ended 31 December 2011, representing a payout ratio of 90.5%, is calculated by multiplying the interim distribution per unit of 8.30 cents by 1,599,374,927 units in issue at 31 December 2011.
- (iii) Pursuant to two Deeds of Distribution Waiver dated 2 December 2006 as disclosed in Sunlight REIT’s offering circular dated 8 December 2006 (the “**Distribution Waivers**”), certain unitholders who subscribed for a total of 441,642,638 units 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 agreed to, where applicable, make payments to Sunlight REIT in case they disposed of these original units subscribed under the initial public offering of Sunlight REIT. The Distribution Waivers expired on 30 June 2011.
- (iv) The distribution per unit for the six months ended 31 December 2010, before adjusting for distribution waivers as mentioned in (iii) above, of 7.30 cents, was calculated by dividing the interim distribution for that period of \$115,018,000, representing a payout ratio of 90.0%, by 1,574,557,232 units in issue at 31 December 2010.
- (v) The distribution per unit for the six months ended 31 December 2010, after adjusting for distribution waivers as mentioned in (iii) above, of 8.50 cents, was calculated by dividing the interim distribution for that period of \$115,018,000 by 1,353,735,912 units, which was arrived at as follows:

	At 31 December 2010
Units in issue	1,574,557,232
Less: Units held by the unitholders who agreed to waive their entitlement to distribution for the period	(220,821,320)
	<u>1,353,735,912</u>

- (vi) The interim distribution is expected to be paid on 30 March 2012 to unitholders whose names appear on the register of unitholders on 2 March 2012.
- (vii) The interim distribution proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

The notes on pages 30 to 45 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 31 December 2011 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 31 December	
	2011 \$'000	2010 \$'000
Net cash generated from operating activities	190,143	168,733
Net cash (used in)/generated from investing activities	(2,274)	314
Net cash used in financing activities	(187,891)	(169,024)
Net (decrease)/increase in cash at bank and in hand for the period	(22)	23
Cash at bank and in hand at the beginning of the period	177	135
Cash at bank and in hand at the end of the period	155	158

The notes on pages 30 to 45 form part of this interim financial report.

Notes to the Interim Financial Report

(Expressed in Hong Kong dollars)

1 General

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

The principal activity of Sunlight REIT and its subsidiaries (collectively referred to as the “Group”) is to own and invest in income-producing office and retail properties with the objective of producing stable and sustainable distributions to unitholders and to achieve long term growth in the net asset value per unit. It has its principal place of business at 30th Floor, 248 Queen’s Road East, Wan Chai, Hong Kong.

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the REIT Code and the Rules Governing the Listing of Securities on the SEHK, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, “*Interim financial reporting*”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issuance on 14 February 2012.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010/11 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011/12 annual financial statements. Details of these changes in accounting policies are set out in note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2010/11 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, “*Review of interim financial information performed by the independent auditor of the entity*”, issued by the HKICPA. KPMG’s independent review report to the Board of Directors of the Manager is included on page 46.

The financial information relating to the financial year ended 30 June 2011 that is included in the interim financial report as being previously reported information does not constitute the Sunlight REIT’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 30 June 2011 are available from the Sunlight REIT’s registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 4 September 2011.

3 Changes in accounting policies

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

- HKAS 24 (revised 2009), "*Related party disclosures*"
- Improvements to HKFRSs (2010)

The above developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, with the exception of the amendments to HKAS 12, "*Income taxes*", in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40, "*Investment property*". The amendments are effective for annual periods beginning on or after 1 January 2012, but as permitted by the amendments, the Group has early adopted the amendments to the consolidated financial statements for the year ended 30 June 2011.

Under the amendments, 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 values 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.

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.

Notes to the Interim Financial Report

(Expressed in Hong Kong dollars)

4 Segment reporting (continued)

Segment results

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

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

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

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

	Six months ended 31 December					
	2011 (Unaudited)			2010 (Unaudited)		
	Office properties \$'000	Retail properties \$'000	Total \$'000	Office properties \$'000	Retail properties \$'000	Total \$'000
Turnover						
– rental income	111,252	117,091	228,343	102,845	107,424	210,269
– car park income	1,541	9,652	11,193	1,568	8,644	10,212
– rental related income	24,484	21,828	46,312	22,076	19,942	42,018
	137,277	148,571	285,848	126,489	136,010	262,499
Property operating expenses	(31,084)	(35,988)	(67,072)	(28,791)	(33,778)	(62,569)
Net property income	106,193	112,583	218,776	97,698	102,232	199,930
Administrative expenses	(16,807)	(16,037)	(32,844)	(14,734)	(14,460)	(29,194)
Segment results	89,386	96,546	185,932	82,964	87,772	170,736
Net increase in fair value of investment properties	209,721	165,104	374,825	201,046	187,600	388,646
Finance costs on interest bearing liabilities			(50,792)			(74,350)
Income tax			(19,532)			(14,645)
Interest income			1,741			824
Unallocated net expenses			(7,720)			(3,545)
Profit after taxation and before transactions with unitholders			484,454			467,666
Depreciation	3	4	7	3	2	5

5 Turnover

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

	Six months ended 31 December	
	2011 (Unaudited) \$'000	2010 (Unaudited) \$'000
Rental income	228,343	210,269
Car park income	11,193	10,212
Rental related income	46,312	42,018
	285,848	262,499

6 Property operating expenses

	Six months ended 31 December	
	2011 (Unaudited) \$'000	2010 (Unaudited) \$'000
Building management fee	25,877	22,790
Property Manager's fees	18,049	17,359
Government rent and rates	9,465	8,559
Marketing and promotion expenses	4,964	4,535
Car park operating costs (note)	3,796	3,433
Other direct costs	4,921	5,893
	67,072	62,569

Note: Included Property Manager's fees of \$1,043,000 (2010: \$908,000).

Notes to the Interim Financial Report

(Expressed in Hong Kong dollars)

7 Profit before taxation and transactions with unitholders

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

	Six months ended 31 December	
	2011 (Unaudited) \$'000	2010 (Unaudited) \$'000
(a) Finance costs on interest bearing liabilities		
Interest on secured bank borrowings	44,603	59,366
Other borrowing costs	6,189	14,984
	50,792	74,350

Other borrowing costs represent various financing charges and the amortisation of the upfront payments for the secured bank borrowings (note 15) and interest rate swaps (note 12).

	Six months ended 31 December	
	2011 (Unaudited) \$'000	2010 (Unaudited) \$'000
(b) Other items		
Interest income	(1,741)	(824)
Manager's fees	31,386	27,831
Property Manager's fees	19,092	18,267
Trustee's remuneration	1,698	1,551
Auditor's remuneration		
– Audit services	685	600
– Other services	490	370
Valuation fees	325	325
Other legal and professional fees	4,844	1,220
Bank charges	364	220

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

8 Income tax

	Six months ended 31 December	
	2011 (Unaudited) \$'000	2010 (Unaudited) \$'000
Current tax – Provision for Hong Kong Profits Tax		
Provision for the period	10,546	8,675
Under-provision in respect of prior periods	37	–
	10,583	8,675
Deferred tax		
Origination and reversal of temporary differences	8,949	5,970
	19,532	14,645

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

During the six months ended 31 December 2011, the Group settled with the Inland Revenue Department in respect of the deductibility of certain taxation allowances claimed by certain subsidiaries of the Group in connection with the profits generated prior to the date of acquisition by Sunlight REIT. The relevant amount paid to the Inland Revenue Department was \$3,629,000 and was reimbursed by certain vendors (comprising subsidiaries of Shau Kee Financial Enterprises Limited, Henderson Land Development Company Limited, Henderson Investment Limited, Henderson Development Limited and Jetwin International Limited) (collectively referred to as the “Vendors”) pursuant to the tax indemnity.

9 Earnings per unit before transactions with unitholders

The basic earnings per unit before transactions with unitholders for the six months ended 31 December 2011 amounted to \$0.30 (2010: \$0.30). 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 \$484,454,000 (2010: \$467,666,000) and the weighted average of 1,591,112,834 units in issue during the period (2010: 1,567,756,147 units).

Diluted earnings per unit before transactions with unitholders for the six months ended 31 December 2011 and 2010 are not presented as there was no potential dilution of earnings per unit before transactions with unitholders.

Notes to the Interim Financial Report

(Expressed in Hong Kong dollars)

10 Investment properties

	31 December 2011 (Unaudited) \$'000	30 June 2011 (Audited) \$'000
At 1 July 2011 / 2010	12,222,200	10,722,100
Additions	3,975	6,435
Net increase in fair value	374,825	1,493,665
At 31 December 2011 / 30 June 2011	12,601,000	12,222,200

- (a) The investment properties were revalued at 31 December 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 a market value basis in their existing states by means of capitalisation of the net income allowing for reversionary income potential and by reference to comparable market transactions.
- (b) The analysis of the fair value of investment properties is as follows:

	31 December 2011 (Unaudited) \$'000	30 June 2011 (Audited) \$'000
In Hong Kong		
– long leases	5,881,900	5,694,200
– medium-term leases	6,719,100	6,528,000
	12,601,000	12,222,200

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

11 Reimbursement rights

The amount represents the reimbursement rights recognised pursuant to the tax indemnity provided by the Vendors to the extent of certain relevant deferred tax liabilities recognised in the subsidiaries at the date of acquisition.

12 Derivative financial instruments

	31 December 2011 (Unaudited) \$'000	30 June 2011 (Audited) \$'000
Interest rate swaps – cash flow hedges		
Current portion	44,632	45,938
Non-current portion	43,759	13,286
	88,391	59,224

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.

At 31 December 2011, the Group had interest rate swaps in place with an aggregate notional amount of \$3,300,000,000 (30 June 2011: \$3,000,000,000). The interest rate swaps will mature on 28 June 2013, 30 June 2016 and 28 September 2018 respectively and have fixed interest rates ranging from 1.598% per annum to 2.615% per annum (30 June 2011: 1.840% per annum to 2.615% 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.

Notes to the Interim Financial Report

(Expressed in Hong Kong dollars)

13 Trade and other receivables

	31 December 2011 (Unaudited) \$'000	30 June 2011 (Audited) \$'000
Rental receivables	17,193	17,954
Deposits and prepayments	8,248	6,481
Other receivables	1,859	1,663
Amounts due from related companies	519	420
	27,819	26,518

\$5,002,000 (30 June 2011: \$5,060,000) included in deposits and prepayments is expected to be recovered after more than one year. Apart from the above, all of the balances are expected to be recovered or recognised as expense within one year.

The ageing analysis of rental receivables is as follows:

	31 December 2011 (Unaudited) \$'000	30 June 2011 (Audited) \$'000
Current	13,515	14,600
Less than 1 month overdue	3,246	2,613
More than 1 month and up to 3 months overdue	423	381
More than 3 months and up to 6 months overdue	9	26
More than 6 months overdue	–	334
	17,193	17,954

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

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

14 Trade and other payables

	31 December 2011 (Unaudited) \$'000	30 June 2011 (Audited) \$'000
Creditors and accrued charges	27,628	31,614
Manager's fees payable (note 19(b)(ii))	15,837	18,943
Amounts due to related companies	167,855	172,142
	211,320	222,699

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

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

The amounts due to related companies primarily represent amounts received from certain Vendors 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 period end. The amounts are unsecured, interest-free and have no fixed terms of repayment except for the amount due to the Trustee of \$864,000 (30 June 2011: \$1,022,000) which is due within 30 days.

Notes to the Interim Financial Report

(Expressed in Hong Kong dollars)

15 Secured bank borrowings

The bank loans were repayable as follows:

	31 December 2011 (Unaudited) \$'000	30 June 2011 (Audited) \$'000
Within 1 year	–	3,948,116
After 2 years but within 5 years	3,908,167	–
	3,908,167	3,948,116

On 23 August 2011, the Group entered into new facility agreements with a syndicate of financial institutions to refinance its term loan matured 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 before transaction costs, 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. Both facilities are interest bearing at Hong Kong Interbank Offered Rate plus 1% per annum and repayable in full on 21 September 2014. The total facilities drawn down by the Group at 31 December 2011 is \$3,950,000,000 (30 June 2011: \$3,950,000,000). The Group also entered into the interest rate swaps and details are set out in note 12.

Bank borrowings under the term loan 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 total fair value of \$12,601,000,000 at 31 December 2011 (30 June 2011: \$12,222,200,000) (note 10);
- floating charge over bank balances of \$25,900,000 (30 June 2011: \$28,595,000) and \$208,535,000 (30 June 2011: \$232,524,000) in bank accounts maintained respectively with The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) and other banks in the name of Sunlight REIT Treasury Limited, a subsidiary of the Group;
- assignment of rental income and all other proceeds arising from and including all rights, title and interest under all tenancy agreements relating to each of the investment properties; and
- first fixed charge over all present and future rights, title and interest in and to, all present and future shares in Sunlight REIT Finance Limited and Sunlight REIT Holding Limited, both being subsidiaries of the Group, and dividends and distributions thereof.

The effective interest rate of the bank borrowings at the balance sheet date was 2.60% per annum (30 June 2011: 1.93% per annum). The carrying amounts of the bank borrowings approximate their fair values.

16 Units in issue

	Number of units	
	31 December 2011 (Unaudited)	30 June 2011 (Audited)
At 1 July 2011 / 2010	1,586,491,664	1,564,041,268
Issuance of units during the period / year	12,883,263	22,450,396
At 31 December 2011 / 30 June 2011	1,599,374,927	1,586,491,664

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

Payment of the Manager's fees for the period / year	Average issue price per unit determined based on the Trust Deed \$	Aggregate amount of units issued \$'000	Number of units issued
Six months ended 31 December 2011 (Unaudited)			
1 April 2011 to 30 June 2011	2.4646	15,221	6,175,740
Adjustment of Manager's fees for the financial year 2010 / 11	2.2705	3,722	1,639,242
1 July 2011 to 30 September 2011	2.1476	10,885	5,068,281
		29,828	12,883,263
Year ended 30 June 2011 (Audited)			
1 April 2010 to 30 June 2010	1.9937	6,745	3,383,242
Adjustment of Manager's fees for the financial year 2009 / 10	2.2400	1,700	758,995
1 July 2010 to 30 September 2010	2.1363	13,616	6,373,727
1 October 2010 to 31 December 2010	2.3574	14,216	6,029,990
1 January 2011 to 31 March 2011	2.4280	14,336	5,904,442
		50,613	22,450,396

17 Capital commitments

Capital commitments outstanding at 31 December 2011 not provided for in the interim financial report are as follows:

	31 December 2011 (Unaudited) \$'000	30 June 2011 (Audited) \$'000
Contracted for	2,092	4,421
Authorised but not contracted for	19,299	17,086
	21,391	21,507

Notes to the Interim Financial Report

(Expressed in Hong Kong dollars)

18 Contingent liabilities

At the balance sheet date, the Group has provided a guarantee to a commercial bank for its issuance of bank guarantees in lieu of deposit to electricity companies in the total amount of \$4,685,000 (30 June 2011: \$4,685,000).

19 Connected party transactions and material related party transactions

In addition to the transactions and balances disclosed elsewhere in the interim financial report, the Group entered into the following transactions with certain connected and related parties, as defined under the REIT Code and HKAS 24 (revised 2009), "Related party disclosures", during the period:

(a) Nature of relationship with connected/related parties

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

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

(b) Transactions with connected/related parties

	Six months ended 31 December	
	2011 (Unaudited) \$'000	2010 (Unaudited) \$'000
Rental and rental related income received/ receivable from (note (i)):		
– HLD Group	4,086	3,753
– HSBC Group	6,364	5,728
Property management expenses and bank charges paid/payable to (note (i)):		
– HLD Group	(7,646)	(8,404)
– HSBC Group	(47)	(43)
Manager's fees (note (ii))	(31,386)	(27,831)
Property Manager's fees (note (iii))	(19,092)	(18,267)
Trustee's remuneration (note (iv))	(1,698)	(1,551)
Interest expenses and agency charge on bank borrowings paid/payable to (note (v)):		
– HSBC Group	(5,169)	(4,163)
Interest paid/payable under the interest rate swaps (note (v)):		
– HSBC Group	(13,341)	(39,055)
Interest income on bank deposits received/ receivable from (note (i)):		
– HSBC Group	9	11
Valuation fees and other charges paid/ payable to (note (i)):		
– Knight Frank Group	(325)	(910)
Promotion income received/receivable from (note (i)):		
– HLD Group	525	577

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, 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.

On 26 May 2010, the Manager 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 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.

Notes to the Interim Financial Report

(Expressed in Hong Kong dollars)

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

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

Notes: (*continued*)

- (iii) Under the property management agreement entered into between the Manager and the Property Manager dated 29 November 2006 (as amended by the supplemental agreement dated 28 April 2009) (the “**Property Management Agreement**”), the Property Manager is entitled to receive a fee of 3% per annum of the Gross Property Revenue (as defined in the Property Management Agreement).

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

- one month’s base rent for securing a tenancy of three years or more;
- one-half month’s base rent for securing a tenancy of less than three years;
- one-half month’s base rent for securing a renewal of tenancy irrespective of the duration of the renewal term;
- 10% of the total licence fee for securing a licence for a duration of less than 12 months; and
- one-fourth month’s base rent for handling each rent review during the term of a tenancy provided for in the tenancy agreement.

In addition to the above fees, the Property Manager is also reimbursed by relevant property companies for staff costs incurred for the management of properties of the Group.

- (iv) The Trustee’s remuneration is calculated at 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. In accordance with the Trust Deed, the Trustee’s remuneration may be increased, without obtaining unitholders’ approval subject to one month’s written notice to unitholders, to a maximum of 0.06% per annum of the total assets of the Group.
- (v) Interest expenses are calculated on the outstanding borrowings and interest rate swaps balance by reference to the interest rates as set out in notes 12 and 15.

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

	31 December 2011 (Unaudited) \$’000	30 June 2011 (Audited) \$’000
Net amount due to:		
– SKFE Group	(80,043)	(83,536)
– HLD Group	(43,851)	(47,633)
– HD	(54,999)	(54,999)
– HSBC Group (note)	(1,002,163)	(853,057)
– Knight Frank Group	(325)	(400)
Note:		
Deposits and cash placed with HSBC Group	26,014	28,684
Secured bank borrowings and interest payable to HSBC Group	(1,024,298)	(877,836)
Others	(3,879)	(3,905)
	(1,002,163)	(853,057)

20 Critical accounting estimates and judgements

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

(a) Valuation of investment properties

In arriving at the fair value of the investment properties, the Manager has 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 31 December 2011, the Group has recognised deferred tax assets in relation to the unused tax losses amounting to approximately \$102,988,000 (30 June 2011: \$137,879,000). The realisability of the deferred tax assets 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 assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

21 Non-adjusting post balance sheet event

After the balance sheet date the Board of Directors of the Manager proposed an interim distribution. Further details are disclosed in the "Distribution statement" of the interim financial report.

22 Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation. Further details are set out in note 12.

Auditor's Review Report



Independent review report to the Board of Directors of Henderson Sunlight Asset Management Limited (the “Manager”)

Introduction

We have reviewed the interim financial report set out on pages 22 to 45 which comprises the consolidated balance sheet of Sunlight REIT as of 31 December 2011 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in net assets attributable to unitholders, distribution statement and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, “*Interim financial reporting*”, issued by the Hong Kong Institute of Certified Public Accountants. The Manager is responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 31 December 2011 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, “*Interim financial reporting*”.

KPMG

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

14 February 2012

Performance Table

(Expressed in Hong Kong dollars, unless otherwise specified)

	Note	2011	2010	2009	2008	2007
At 31 December:						
Net asset value (\$ million)		8,622.8	7,149.4	5,702.9	5,159.2	6,169.5
Net asset value per unit		5.39	4.54	3.66	3.38	4.10
Market capitalisation (\$ million)		3,550.6	3,763.2	2,990.3	2,139.8	3,517.8
For the six months ended 31 December:						
Highest traded unit price		2.57	2.40	2.06	1.96	2.56
Highest premium of the traded unit price to net asset value per unit	1	N/A	N/A	N/A	N/A	N/A
Lowest traded unit price		1.91	1.98	1.49	0.91	1.85
Highest discount of the traded unit price to net asset value per unit (%)		64.6	56.4	59.3	73.1	54.9
Closing unit price		2.22	2.39	1.92	1.40	2.34
Distribution per unit (cents)	2	8.30	8.50	6.88	9.29	7.44
Distribution yield per unit (%)	3	3.74	3.56	3.58	6.64	3.18

Notes:

1. The highest traded unit price is lower than the net asset value per unit at the end of the period. Accordingly, premium of the traded unit price to net asset value per unit had not been recorded.
2. Distribution per unit for prior periods were adjusted for distribution waivers expired on 30 June 2011.
3. Distribution yield per unit is calculated by dividing the distribution per unit, after adjusting for distribution waivers (if applicable), by the closing unit price of that period.

Corporate Information

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

Chung Siu Wah

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
Crédit Agricole Corporate and Investment
Bank, Hong Kong Branch

Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited

Oversea-Chinese Banking Corporation
Limited Hong Kong Branch
Sumitomo Mitsui Banking Corporation

Registered Office of the Manager

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

Unit Registrar

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

Investor Relations

Leung Kwok Hoe, Kevin
Tel : (852) 3669 2888
Fax : (852) 2285 9980
Email : ir@HendersonSunlight.com

Website

www.sunlightreit.com

Financial Calendar

(in respect of FY2011/12 interim results)

Interim Results Announcement

14 February 2012

Issuance of Interim Report

24 February 2012

Closure of Register

for entitlement of interim distribution

29 February 2012 to 2 March 2012,
both days inclusive

Interim distribution payable

at HK 8.30 cents per unit

30 March 2012



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

