



Refreshing Landscapes



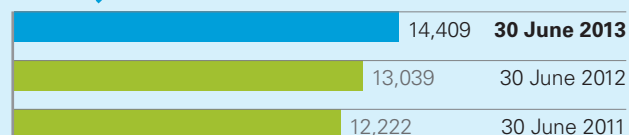
SUNLIGHT REIT

Annual Report 2012/13
Stock Code : 435

Performance Highlights

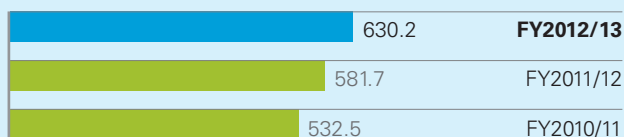
Appraised property value (HK\$' million)

14,409



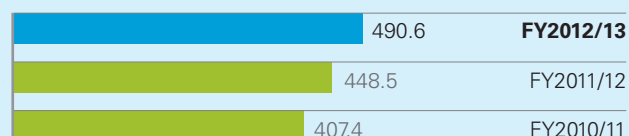
Turnover (HK\$' million)

630.2



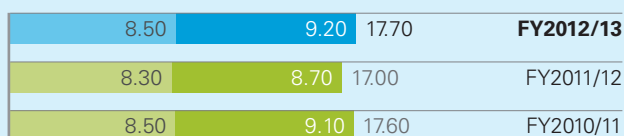
Net property income (HK\$' million)

490.6



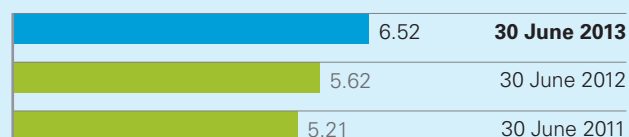
Distribution per unit (HK cents)

17.70



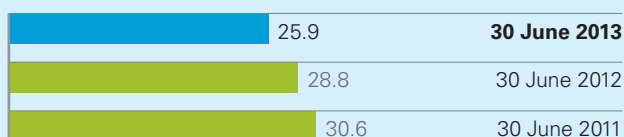
Net asset value per unit (HK\$)

6.52



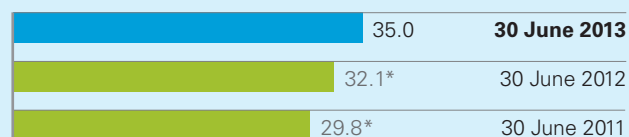
Gearing (%)

25.9



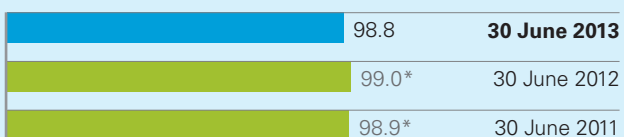
Passing rent (HK\$/sq. ft.)

35.0



Occupancy (%)

98.8



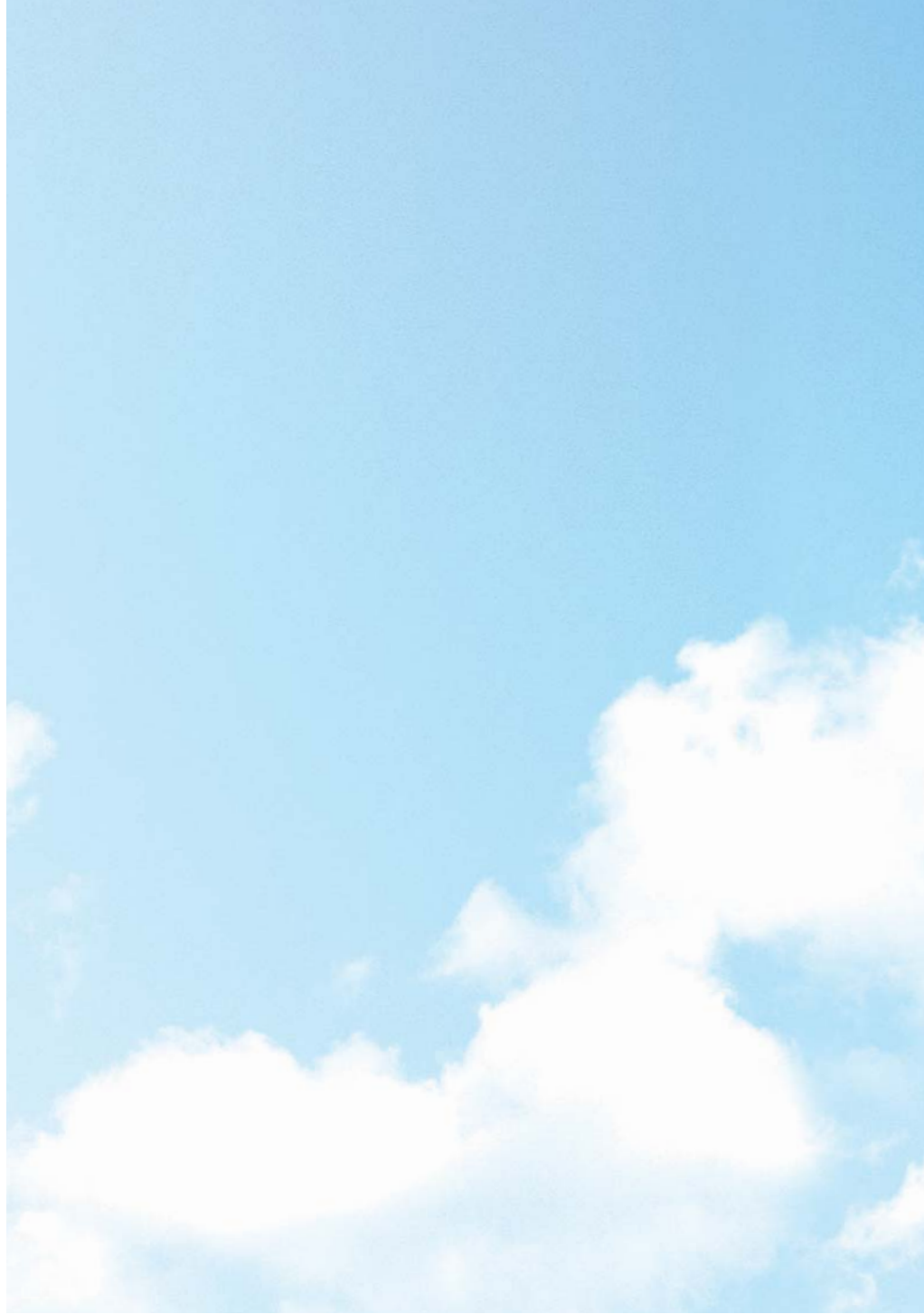
* These figures have been adjusted to eliminate the effect of the Glory Rise Property, the disposal of which was completed on 3 September 2012.

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Forward-looking Statements

This annual report contains certain statements and terminologies that are forward-looking. 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 sectors in which Sunlight Real Estate Investment Trust (“**Sunlight REIT**”) operates. They are subject to risks, uncertainties and other factors beyond the Manager’s control, the emergence of which may cause actual results or performance to differ materially from those expressed or implied in such statements.



Firm Foundations

Strengthen fundamentals via proactive operational and capital management strategies





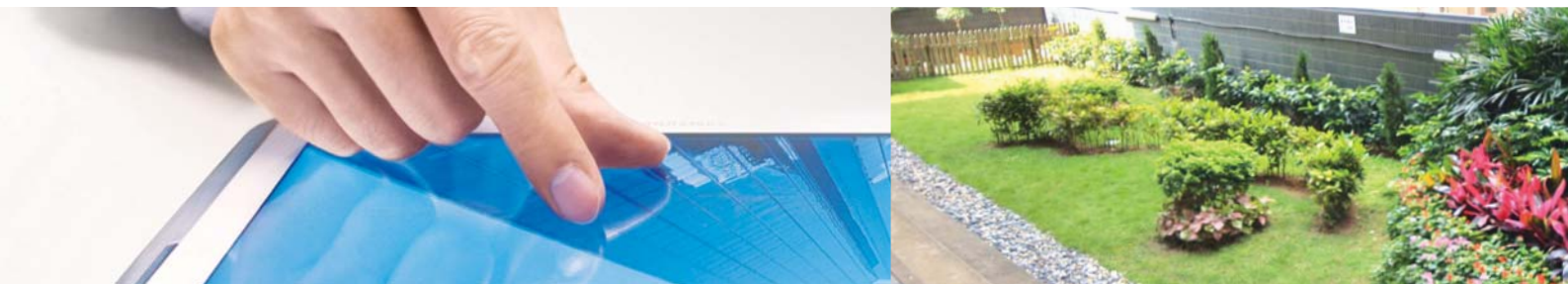


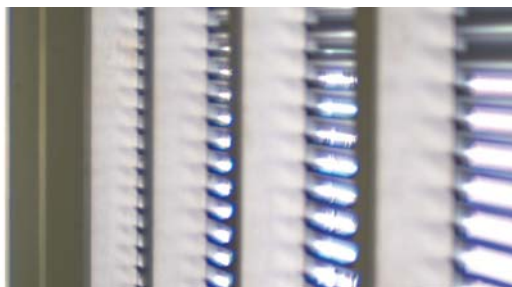
Responsible Growth

Achieve performance milestones without
losing the passion in caring for the community

Enhancing Initiatives

Pursue asset management with a particular focus on cost and environment









Expanding Territories

Aspire to accretive acquisitions in tandem with organic growth

Who We Are : In Brief

Valuation and Net Property Income since Listing



* This figure represents the net property income of Sunlight REIT's first year operation which only covered 192 days.

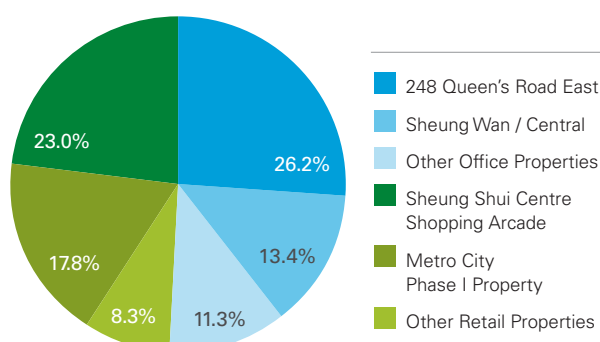
Our Business

Sunlight REIT is a real estate investment trust authorised by the Securities and Futures Commission (the "SFC") and constituted by the trust deed dated 26 May 2006 (as amended) (the "Trust Deed"). The trustee of Sunlight REIT (the "Trustee") is HSBC Institutional Trust Services (Asia) Limited.

Listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 21 December 2006, the market capitalisation of Sunlight REIT, based on the closing unit price of HK\$3.17 on 30 June 2013, was approximately HK\$5,124 million.

Sunlight REIT offers investors the opportunity to invest in a diversified portfolio of twelve office and seven retail properties in Hong Kong with an aggregate gross rentable area ("GRA") of approximately 1,287,303 sq. ft.. The office properties are primarily located in core business areas, including Central, Wan Chai, Sheung Wan and Tsim Sha Tsui and in decentralised business areas such as North Point, Mong Kok/Yau Ma Tei and Aberdeen. The retail properties are primarily situated at regional transportation hubs and New Towns including Sheung Shui, Tseung Kwan O and Yuen Long, as well as in urban areas with high population density. At 30 June 2013, Sunlight REIT's portfolio was appraised at HK\$14,408.8 million, with office and retail properties accounting for 50.9% and 49.1% of total valuation respectively.

Valuation Segmentation by Property and District



Our Management

The Manager is an indirect wholly-owned subsidiary of Henderson Land Development Company Limited ("HLD") and its responsibility is to manage Sunlight REIT in the sole interest of unitholders. The Manager establishes and executes strategies for Sunlight REIT in relation to operation, investment, capital and risk management, and is responsible for ensuring compliance with the Code on Real Estate Investment Trust (the "REIT Code"), the Trust Deed, applicable provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and other relevant legislations and regulations.

Henderson Sunlight Property Management Limited (the "Property Manager") has been delegated the responsibilities of providing property management, lease management and marketing services solely and exclusively for the properties of Sunlight REIT located in Hong Kong, subject to the overall management and supervision of the Manager.



● Sunlight REIT's property management team at work

Our Strategy

The key objectives of the Manager are to provide unitholders with regular and stable cash distributions with the potential for sustainable long-term growth of such distributions. The Manager intends to accomplish these objectives through the following business and investment strategies.

Operational Management and Asset Enhancement Strategy

The Manager works closely with the Property Manager to develop proactive leasing as well as asset enhancement initiatives principally aimed at unlocking the value of the property portfolio.

Investment and Acquisition Growth Strategy

The Manager actively seeks to identify, evaluate and acquire income-producing investment properties which offer the potential to provide positive returns through accretion in distribution yield, sustainable growth in distributions and/or long-term enhancement in capital value.

Capital Management and Business Management Strategy

The Manager supports Sunlight REIT's operational and acquisition growth strategies by employing an efficient capital management strategy using an appropriate mix of debt and equity capital. It has also established a solid business management framework which includes sound corporate governance practices, reliable infrastructure and management information systems as well as a well-trained work force.

Our Strength

With a diversified and balanced portfolio of office and retail properties, Sunlight REIT has established a solid track record in delivering growth in net property income and portfolio valuation since inception. As a focused property investment vehicle, Sunlight REIT has no development risk. The defensive qualities of Sunlight REIT are supported by a stable management team which places a strong emphasis on creative asset enhancement, prudent financial management and a high level of corporate governance. Further, Sunlight REIT has received unwavering support from its sponsors, namely Shau Kee Financial Enterprises Limited ("**SKFE**") and HLD (collectively, the "**Sponsors**"). At 30 June 2013, the Sponsors collectively owned approximately 36.04% of its outstanding units in issue.

Chairman's Statement



Mr. Au Siu Kee, Alexander – Chairman

“In light of the strong operating platform, the Manager remains sanguine of extending this impressive track record, particularly if the portfolio can be expanded in the future.”

Dear Unitholders,

On behalf of the Board of the Manager, I am pleased to present the annual report of Sunlight REIT for the financial year ended 30 June 2013 (the “**year**”). In addition to reporting a satisfactory set of results, the Manager has accomplished several strategic objectives which will bolster the operating platform and enhance the long-term prospects of Sunlight REIT.

During the year, Sunlight REIT’s net property income grew by 9.4% year-on-year to HK\$490.6 million. The total distributable income for the year amounted to HK\$307.0 million, which represented a year-on-year increase of 2.9%, on account of a higher effective tax rate and a larger proportion of management fee paid in cash to the Manager when compared with the previous year.

The Board has resolved to declare a final distribution of HK 9.2 cents per unit, or HK\$148,703,000. Together with an interim distribution of HK 8.5 cents per unit, the distribution per unit (“**DPU**”) for the year totalled HK 17.7 cents, representing a year-on-year increase of 4.1%. The full-year payout ratio was approximately 93.1%, compared with 91.3% for the year ended 30 June 2012.

The valuation of Sunlight REIT’s portfolio was appraised at HK\$14,408.8 million at 30 June 2013, 10.5% higher than that at 30 June 2012. Consequently, the net asset value of Sunlight REIT rose by 16.7% to HK\$10,531.7 million at 30 June 2013, which is equivalent to HK\$6.52 per unit (30 June 2012: HK\$5.62 per unit).

The Manager is dedicated to creating value for unitholders. During the year, a small non-core property was disposed of because, in the Manager’s view, the price had fully reflected its rental growth potential in the intermediate term. Meanwhile, as the units continued to trade substantially below its net asset value, a total of 2,100,000 units were repurchased at an average price of approximately HK\$3.23 per unit during the year.

Meanwhile, the Manager has capitalised on persistently low interest rates to improve Sunlight REIT’s capital structure. In particular, by entering into several bilateral loan agreements between April and September 2013, Sunlight REIT’s entire outstanding term loan would be fully refinanced before the end of October 2013, resulting in a better structured maturity profile. Moreover, a medium term note (“**MTN**”) programme was launched during the year, offering an additional source and increased flexibility of funding which may facilitate the exploration of attractive investment opportunities by Sunlight REIT ahead.

In looking back over the past five years, Sunlight REIT has gone from strength to strength, registering a compound annual growth rate of 9.0% and 10.2% in net property income and net asset value respectively. In light of the strong operating platform, the Manager remains sanguine of extending this impressive track record, particularly if the portfolio can be expanded in the future. Rest assured that the Manager will exercise financial prudence when investment decisions are made, with a view to sustaining the growth and distribution of Sunlight REIT.

In the year ahead, the outlook for Hong Kong’s commercial property market is clouded by a plethora of uncertain factors. Externally, the US Federal Reserve’s intention to taper its quantitative easing programme, as well as anticipated slower growth in China’s economy, may impact negatively on the business climate. Domestically, wage inflation is still climbing, which may place pressure on the profit margins of business enterprises. These factors may combine to curb the demand for office space. Meanwhile, a mild slowdown in mainland tourist arrivals could dampen the hitherto frenetic leasing activities in the retail scene. Nevertheless, the Manager believes that Sunlight REIT is well positioned to weather the upcoming challenges, as its portfolio is geographically diversified, with marked exposure to favoured office locations and popular shopping districts.

I wish to take this opportunity to express my appreciation for the commitment and hard work of my fellow directors, management and staff, who have been crucial to our success.

Au Siu Kee, Alexander
Chairman

5 September 2013

Interview with CEO



Mr. Wu Shiu Kee, Keith – Chief Executive Officer

Q: *How would you put FY2012/13 in a nutshell?*

A: The main theme of our annual report is “Refreshing Landscapes”, which highlights the strategic focus of Sunlight REIT in FY2012/13, a year in which the Manager capitalised on favourable evolving trends to further strengthen the fundamentals of Sunlight REIT, particularly in the area of capital management.

During the year, we continued to deliver on our core property operations, as reflected by encouraging rental reversion figures and cost-to-income ratio. In addition, the disposal of a non-core asset in the first half of the year, together with further unit repurchases on behalf of Sunlight REIT, clearly illustrated our firm commitment to creating value for unitholders.

Q: *Sunlight REIT has continued to report respectable rental reversions. Looking ahead, would this trend be sustainable should market rents stay flat?*

A: I remain optimistic about the prospect of rental reversions for our office portfolio. In particular, I am convinced that 248 Queen’s Road East (“**248 QRE**”), as a key Grade A office building in Wan Chai, will continue to appeal to quality multinational tenants as a cost efficient alternative in an area that is gradually evolving into a unique hub with office, retail and residential footprints.

Our office properties in Central and Sheung Wan will continue to benefit from spillover demand for inexpensive alternatives in fringe Central areas. Meanwhile, those in Kowloon and the New Territories should remain attractive to companies in the service sector given their strategic locations and convenient access to bustling retail districts. In sum, Sunlight REIT has established a niche in the resilient decentralised office market, which should provide good rental support over the medium-to-long term.

Turning to our retail portfolio, I believe Metro City Phase I Property stands a good chance of improvement both in terms of footfall and income. As this property continues to leverage on the overall Metro City retail complex which commands more than 1.4 million sq. ft. of lettable area in the Po Lam vicinity, our plan to transform and enliven the overall image and tenant mix of this shopping mall through an extensive asset enhancement programme should prove highly rewarding.

Meanwhile, I am impressed with the performance of Sheung Shui Centre Shopping Arcade, which has enjoyed uninterrupted growth in shopping traffic from both nearby catchment areas and across the border. With the ongoing enhancement works as well as tenant reconfiguration activities, I am hopeful of the reversionary potential of this property which should remain a key driver to income growth for Sunlight REIT going forward.

Q: *Please share with us your thoughts on how inflation may affect overheads of Sunlight REIT.*

A: Inflationary pressure has remained significant, particularly relating to labour costs. This trend is unlikely to reverse in the coming year given the minimum wage revision, which would have a substantial impact on security and cleaning expenses. We shall endeavour to cope with this challenge by becoming more cost efficient, such as investing heavily in areas that can result in energy savings. In the meantime, the prevailing favourable rental cycle has allowed us to absorb such cost increase through management fee adjustment. As such, we are guardedly optimistic that the cost-to-income ratio would remain at a satisfactory level.

Q: *You mentioned earlier about capital management as a key refreshing platform during the year. Can you elaborate and how does it fit in with your overall management strategy?*

A: As mentioned in our previous interim and annual reports, it has always been the Manager’s intention to diversify the debt maturity profile of Sunlight REIT as and when appropriate. We have recently successfully secured certain loan transactions which would fulfill this objective and strengthen the balance sheet of Sunlight REIT.

Moreover, the establishment of an MTN programme has provided Sunlight REIT with the swiftness to access the debt capital market. While we did not utilise this funding platform during the year, it should remain as a useful instrument for implementing our overall capital management strategy.

Interview with CEO

Q: *Would unit repurchase and disposal of non-core properties be an ongoing strategy?*

A: Both unit repurchase and non-core property disposal were in line with the goal of unlocking or enhancing the net asset value of Sunlight REIT. Moreover, they can be skillfully interwoven to bring double benefits to unitholders, as proceeds derived from disposal can be deployed to support unit repurchase activities.

Going forward, if the units are trading below the net asset value and resources are available, we would consider further unit repurchases, though we would also take into account the free float liquidity.

Regarding the disposal of non-core properties, we do not have a definite agenda in place but would consider this option if opportunities arise. What is more, we would be enthused by “asset swap” opportunities, i.e. utilising proceeds from asset sale to partially fund a potential acquisition with an overall accretive outcome.

Q: *Please explain to us your acquisition strategy and your investment criteria.*

A: We are well aware of the need to expand our portfolio so as to reduce the reliance on the top three properties that currently account for almost 70% of both net property income and appraised value of the portfolio. In formulating our acquisition strategy, we take into consideration two major criteria, namely the accretive benefit from the target property and its potential for enhancement. As we have accumulated sufficient experience in managing decentralised office properties and shopping malls, we would likely focus on these segments for future acquisition opportunities.

Q: *In anticipation of a cutback in the quantitative easing measures by the US government, the bond yield curve has steepened considerably, thus triggering a sharp correction in financial assets that are more interest-rate sensitive, including the REIT sector. What is your view on this development?*

A: My reading is that the investment community is concerned about the negative effect of rising interest rates on capitalisation rates and thus the valuation of properties as the extended period of yield compression may have run its course. To a smaller extent, investors might also be worried by property companies’ overreliance on floating rate financing.

For Sunlight REIT, such concern might have been overplayed. In comparison to the property valuation conducted at the time of the initial public offering of Sunlight REIT (“**IPO**”), the capitalisation rates for 248 QRE and Sheung Shui Centre Shopping Arcade have only fallen by 35 basis points and 10 basis points respectively, and it stays unchanged in the case of Metro City Phase I Property. This stable pattern is in stark contrast to a drop of over 380 basis points in 3-month HIBOR over the corresponding period, and strongly implies that the change in property valuation in our case is mainly attributed to growth in rental income. As such, we consider that any mild uptick in interest rates would only inflict a limited impact on capitalisation rates and thus portfolio valuation.

In terms of interest rate management, we have always maintained a substantial portion of our debt exposure in fixed rates. During the year, more than 80% of our interest exposure was pegged to fixed rates. Going forward, maintaining the majority of our debt in fixed rates and establishing a diversified maturity profile would serve as the “twin pillars” of our capital management strategy.

Q: *There are nine REITs in Hong Kong now, let alone a few listed landlords. How can investors differentiate Sunlight REIT from its peers? How would such differentiation(s) define your strategy going forward?*

A: Sunlight REIT is quite unique in that it maintains a diversified and balanced commercial property portfolio with a particular emphasis on office and retail properties in decentralised locations. This distinct market position of Sunlight REIT, which harmonises well with the development of the commercial property market, will continue to provide firm support to its growth prospects going forward.

Q: *Is the low daily transaction volume of Sunlight REIT a cause for concern? How would you address this issue, or will there be a way to address it?*

A: I believe those interested in REITs tend to be long-term investors. Sunlight REIT is proud to have a group of loyal unitholders who are confident in our ability to continuously create value and provide steady distribution. However, the corollary of such a stable base of investors is low trading liquidity, which is a tradeoff that the Manager cannot control.

Outlook

Sunlight REIT has been well positioned to reap the triple benefits of office decentralisation, mainland tourist spending and global monetary easing over the last few years, translating into robust rental reversion and a fine operating performance. It is natural to question whether such a favourable environment can be maintained or whether the portfolio can withstand and combat uncertainties which might arise from time to time.

In the Manager's opinion, while the momentum of office decentralisation and retail sales growth might somewhat moderate, the fundamentals of the commercial property market should remain sound, in view of a healthy supply profile and the still buoyant "necessity shopping" environment. On the office side, the consensus forecast of new supply of Grade A offices averages approximately 1.4 million sq. ft. per annum in 2013 and 2014, of which a substantial portion has been earmarked for strata-title sales. Meanwhile, retail sales and mainland tourist arrival figures up to the first half of 2013 continued to be encouraging, attesting our earlier observation that shopping by mainlanders has naturally knitted into the consumption fabrics of Hong Kong.

In FY2013/14, lease contracts constituting 39.7% and 39.5% of Sunlight REIT's total GRA and rental income respectively are due for renewal. While we are confident that positive rental reversions can be achieved, we are also aware of continued upward pressure on operating costs despite the expectation that domestic inflation is likely to ease gradually. In this regard, the Manager would make every effort to keep expenses under control so that revenue growth may flow through to the bottom line.

Our guarded optimism about the prospects of Sunlight REIT also builds on our long-term asset enhancement plan which will be rolled out full steam ahead and reflected by a considerable increase in capital expenditure over the next few years. The first stage of the renovation of Metro City Phase I Property, budgeted at approximately HK\$25 million, is expected to commence shortly, with completion slated for the second quarter of 2014. Meanwhile, Sheung Shui Centre Shopping Arcade will be further upgraded. The facelift principally involves ceiling refurbishment works extending to certain sections of the external corridors, which should help improve traffic circulation and enable the leasing team to further optimise the tenant mix of the shopping complex.

In addition to the two refurbishment programmes mentioned above, another key capital expenditure initiative is to invest heavily on energy savings. Such a strategy would bring the dual benefits of lower operating costs and a greener environment. A major overhaul of the air-conditioning system at 248 QRE is a strong case in point.

With respect to concerns about funding cost, a steepening US yield curve notwithstanding, the prospect of a near term surge in local interest rates is of weak likelihood. The Manager's success in completely refinancing the existing term loan amply illustrates not only the credit strength of Sunlight REIT, but also the availability of credit. As Sunlight REIT rides on a new and diversified loan maturity profile spanning 2017 to 2020, with more than half of its debt hedged to fixed rates, the Manager takes pride in elevating its credit profile to the next level, while unitholders should take comfort from an improved cash flow picture.

Going forward, the Manager will continue to devote effort to modifying the capital structure of Sunlight REIT, with a view to optimising the financial flexibility of Sunlight REIT, as the Manager prepares to explore accretive acquisition opportunities for the benefit of unitholders. We believe that potential new acquisitions could spur revenue growth and enable Sunlight REIT to achieve better economies of scale at a time when cost pressure remains a real threat. That said, we shall adhere to our prudent investment policy, eyeing only those properties that can complement the existing portfolio and have good potential for yield accretion and asset enhancement.

Since inception, Sunlight REIT has performed well in terms of income growth and stable distribution, in spite of a tumultuous period precipitated by the global financial tsunami. In anticipation of further challenges on both the macroeconomic and property market fronts, the Manager will continue to work assiduously to refresh the existing landscapes of Sunlight REIT, to grow the portfolio meaningfully and to establish more assuring contingency measures, with a view to enhancing the interests of unitholders from a long-term perspective.

Wu Shiu Kee, Keith

Chief Executive Officer

5 September 2013

Portfolio at a Glance



1 248 Queen's Road East

Location : Wan Chai
 Year of completion : 1998
 Gross rentable area : 376,381 sq. ft.

2 Bonham Trade Centre

Location : Sheung Wan
 Year of completion : 1998
 Gross rentable area : 117,909 sq. ft.

3 Righteous Centre

Location : Mong Kok
 Year of completion : 1996
 Gross rentable area : 51,767 sq. ft.

4 Winsome House Property

Location : Central
 Year of completion : 1999
 Gross rentable area : 40,114 sq. ft.

5 135 Bonham Strand Trade Centre Property

Location : Sheung Wan
 Year of completion : 2000
 Gross rentable area : 63,915 sq. ft.

235 Wing Lok Street Trade Centre

Location : Sheung Wan
 Year of completion : 2000
 Gross rentable area : 52,285 sq. ft.

Yue Fai Commercial Centre Property

Location : Aberdeen
 Year of completion : 1997
 Gross rentable area : 42,751 sq. ft.

Java Road 108 Commercial Centre

Location : North Point
 Year of completion : 1998
 Gross rentable area : 37,923 sq. ft.

On Loong Commercial Building Property

Location : Wan Chai
 Year of completion : 1984
 Gross rentable area : 25,564 sq. ft.

Everglory Centre

Location : Tsim Sha Tsui
 Year of completion : 1999
 Gross rentable area : 29,802 sq. ft.

Sun Fai Commercial Centre Property

Location : Mong Kok
 Year of completion : 1998
 Gross rentable area : 26,151 sq. ft.

Wai Ching Commercial Building Property

Location : Yau Ma Tei
 Year of completion : 1997
 Gross rentable area : 16,321 sq. ft.

1 Sheung Shui Centre Shopping Arcade

Location : Sheung Shui
Year of completion : 1993
Gross rentable area : 122,339 sq. ft.

Royal Terrace Property

Location : North Point
Year of completion : 2002
Gross rentable area : 9,565 sq. ft.

Palatial Stand Property

Location : Hung Hom
Year of completion : 2001
Gross rentable area : 8,625 sq. ft.

2 Metro City Phase I Property

Location : Tseung Kwan O
Year of completion : 1996
Gross rentable area : 188,889 sq. ft.

Beverley Commercial Centre Property

Location : Tsim Sha Tsui
Year of completion : 1982
Gross rentable area : 7,934 sq. ft.

3 Kwong Wah Plaza Property

Location : Yuen Long
Year of completion : 1998
Gross rentable area : 64,842 sq. ft.

Supernova Stand Property

Location : North Point
Year of completion : 2001
Gross rentable area : 4,226 sq. ft.



● Office properties ● Retail properties

Portfolio Statistics

Property	Property Details						No. of leases at 30 June	
	Location	Year of completion	No. of car park spaces	GRA ¹ (sq. ft.)				
				Office	Retail	Total	2013	2012
Office								
Grade A								
248 Queen's Road East	Wan Chai	1998	46	369,891	6,490	376,381	79	81
Grade B								
Bonham Trade Centre	Sheung Wan	1998	0	108,506	9,403	117,909	106	107
Righteous Centre	Mong Kok	1996	0	41,004	10,763	51,767	62	60
Winsome House Property	Central	1999	0	37,937	2,177	40,114	24	23
135 Bonham Strand Trade Centre Property	Sheung Wan	2000	0	60,844	3,071	63,915	74	75
235 Wing Lok Street Trade Centre	Sheung Wan	2000	0	47,481	4,804	52,285	72	70
Yue Fai Commercial Centre Property	Aberdeen	1997	0	41,272	1,479	42,751	106	108
Java Road 108 Commercial Centre	North Point	1998	0	35,694	2,229	37,923	40	37
On Loong Commercial Building Property	Wan Chai	1984	0	23,856	1,708	25,564	36	37
Everglory Centre	Tsim Sha Tsui	1999	0	25,896	3,906	29,802	30	30
Sun Fai Commercial Centre Property	Mong Kok	1998	0	23,817	2,334	26,151	46	46
Wai Ching Commercial Building Property	Yau Ma Tei	1997	0	14,239	2,082	16,321	33	33
Sub-total/Average			46	830,437	50,446	880,883	708	707
Retail								
New Town								
Sheung Shui Centre Shopping Arcade	Sheung Shui	1993	297	0	122,339	122,339	116	120
Metro City Phase I Property	Tseung Kwan O	1996	452	0	188,889	188,889	112	114
Kwong Wah Plaza Property	Yuen Long	1998	0	39,101	25,741	64,842	37	36
Urban								
Royal Terrace Property	North Point	2002	49	0	9,565	9,565	7	7
Beverly Commercial Centre Property	Tsim Sha Tsui	1982	0	0	7,934	7,934	38	39
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	4	5
Sub-total/Average			798	42,667	363,753	406,420	316	323⁵
Total/Average			844	873,104	414,199	1,287,303	1,024	1,030⁵

- Notes :
1. Size of the properties is measured in terms of GRA.
 2. Passing rent is expressed in terms of rent per month.
 3. Rental reversion is calculated on the basis of change in effective rent of the leases that have been renewed during the relevant year.
 4. Please refer to "Valuation Report" on pages 56 to 71 for further details.
 5. These figures have been adjusted to eliminate the effect of the Glory Rise Property, the disposal of which was completed on 3 September 2012.

N/A : Not applicable

Operational Statistics						Property Financials				
Occupancy at 30 June (%)		Passing Rent ² at 30 June (HK\$/sq. ft.)		Rental Reversion ³ (%)		Net Property Income (HK\$'000)		Capitalisation Rate at 30 June 2013 (%)		Appraised Value at 30 June 2013 ⁴ (HK\$'000)
2013	2012	2013	2012	FY2012/13	FY2011/12	FY2012/13	FY2011/12	Retail	Office	
98.5	100.0	29.2	27.3	30.3	19.2	126,756	115,614	3.75	3.85	3,773,900
99.7	99.7	21.9	19.3	25.5	26.8	26,784	22,322	4.20	3.85	793,200
100.0	92.5	33.1	31.5	27.3	30.6	18,646	17,278	3.60	3.95	582,500
100.0	97.2	36.2	33.6	20.7	19.4	15,207	13,823	4.00	3.85	476,400
99.0	99.1	20.8	18.8	19.9	19.9	12,445	12,080	4.20	3.85	410,000
98.9	97.8	15.4	14.5	13.5	25.0	7,865	7,254	4.25	3.85	249,000
98.8	99.4	17.6	16.3	15.4	17.4	7,279	7,348	4.10	4.10	230,800
100.0	94.2	19.4	17.8	22.6	24.2	6,829	6,272	4.20	3.95	229,500
96.7	100.0	26.0	23.2	15.2	21.0	6,526	6,145	4.00	3.95	206,500
100.0	100.0	18.3	16.9	24.4	21.7	5,590	4,256	4.15	3.85	176,000
100.0	100.0	19.1	17.6	18.0	20.6	5,018	4,691	4.35	4.10	148,700
97.2	100.0	9.5	8.6	23.3	22.1	1,414	1,421	4.20	3.85	52,100
99.0	98.9	25.2	23.3	24.4	21.1	240,359	218,504			7,328,600
98.5	98.8	89.6	82.4	29.9	31.8	118,745	106,763	4.40	N/A	3,318,100
99.5	99.8	43.2	40.3	30.8	18.8	95,051	87,164	4.50	N/A	2,570,800
100.0	97.9	38.3	34.3	31.2	28.7	24,883	23,942	3.80	3.85	825,500
100.0	100.0	46.4	29.7	46.9	19.5	4,718	3,808	4.25	N/A	151,900
100.0	100.0	48.6	41.6	29.0	29.9	3,921	3,518	4.30	N/A	122,000
100.0	100.0	40.8	39.4	N/A	N/A	1,839	1,778	4.00	N/A	54,800
58.7	100.0	13.2	10.9	20.6	15.1	875	1,009	4.35	N/A	37,100
98.4	99.0⁵	56.2	51.1⁵	30.4⁵	24.8⁵	250,032⁵	227,982⁵			7,080,200
98.8	99.0⁵	35.0	32.1⁵	27.2⁵	22.8⁵	490,391⁵	446,486⁵			14,408,800

Business Review



● Air-conditioner cooling plant at 248 Queen's Road East

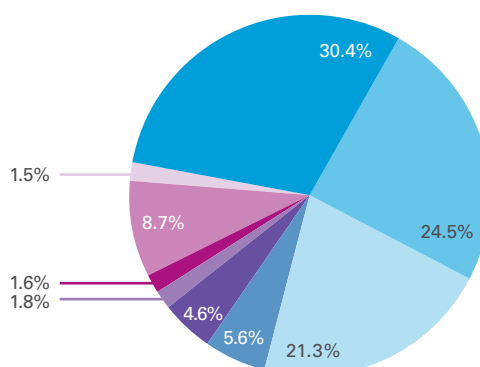
Office Portfolio

248 Queen's Road East

This flagship property of Sunlight REIT is situated at Wan Chai south, a district which is morphing into a new hub that features a good mix of office, retail and residential properties, thanks to an improvement in infrastructure and changes in demographics. Coupled with a significant rental difference with the office properties in Central, the popularity and competitiveness of Wan Chai as an office location has been further enhanced.

248 QRE is clearly a major beneficiary of such developments. During the year, it enjoyed a retention rate of 63.7% (FY2011/12: 56.8%), while rental reversion reached 30.3% (FY2011/12: 19.2%). At 30 June 2013, the occupancy at 248 QRE recorded at 98.5%, down 1.5 percentage points from the previous year, while passing rent increased 7.0% year-on-year to HK\$29.2 per sq. ft..

Tenant Mix at 248 Queen's Road East*



- Shipping, logistics and transportation
- Government and related organisations
- Advertising, consultancy and financial services
- Fashion and design
- Professional services
- IT and telecommunication services
- Healthcare
- Others
- Vacant

* Tenant mix charts on pages 20 to 23 are expressed by percentage and in terms of GRA at 30 June 2013.



● Building management office at 248 Queen's Road East

At 30 June 2013, the number of leases at 248 QRE was 79, compared with 81 a year ago. Its tenant base remained well balanced and diversified, including a strong presence of non-financial multinational companies and government related organisations.

During the year, we continued to upgrade the infrastructure at 248 QRE to cater to the changing requirements of Grade A offices. In particular, we implemented various asset enhancement initiatives focusing on energy savings and the creation of a greener office environment. We have also started to adopt a more flexible property management strategy to cater for higher density work space resulting from the increasingly fashionable "hot desking" concept, which involves multiple workers sharing a single work station during different time periods.

Grade B Central/Sheung Wan Office Properties

Sunlight REIT's Grade B office portfolio is an inexpensive alternative to the Grade A offices (notably in Central), appealing to a unique market segment that encompasses small and medium-sized enterprises in creative industries. In view of this market position, we have carried out some minor enhancement works and tailored the leasing terms for these offices.

Bonham Trade Centre, which is the second largest office property of Sunlight REIT, has continued to derive benefits from both the repositioning that began three years ago and the proactive leasing strategy to attract larger multinational tenants, as its passing rent at 30 June 2013 increased 13.5% from a year ago to reach HK\$21.9 per sq. ft.. Meanwhile, Winsome House, which has had its lobby refurbished, recorded a year-on-year 7.7% increase in passing rent to HK\$36.2 per sq. ft..

Other Office Properties

The tenants of Sunlight REIT's smaller office properties are involved in a wide array of service-related businesses, including health and beauty, education as well as professional services. The fortunes of these tenants are tied more to the business climate of the retail sector which has remained resilient thus far. The performance at Everglory Centre was particularly impressive following a repositioning of its service trade, rental reversion for renewing leases surpassed 24.4% during the year.

Business Review

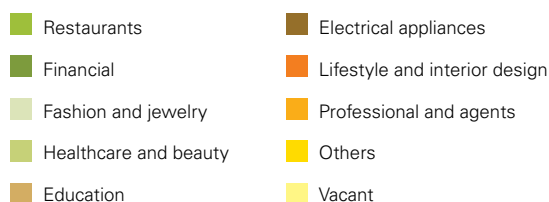
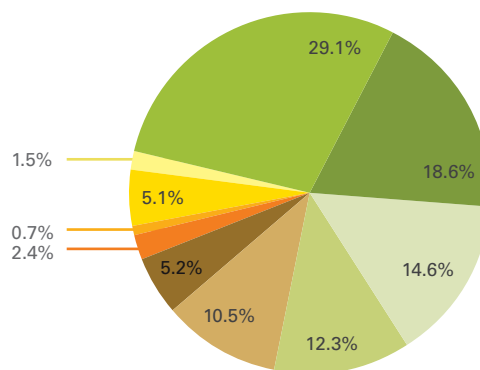
Retail Portfolio

Sheung Shui Centre Shopping Arcade

The shops and restaurants in this property have been patronised by numerous locals and mainland visitors alike over the past few years. Although the tourism receipts attributable to visitors from China has shown a mild slowdown, the growth in non-discretionary spending has remained intact. Given that necessity and community shopping predominates in Sheung Shui Centre Shopping Arcade with food and beverages, financial services and certain education related trade constituting more than 58% of the trade mix (in terms of GRA), the impact of slackening luxury spending should be limited.

At 30 June 2013, Sheung Shui Centre Shopping Arcade posted an occupancy of 98.5% compared with 98.8% recorded a year earlier. Meanwhile, on the back of a strong average rental reversion of approximately 29.9%, its passing rent increased to HK\$89.6 per sq. ft. from HK\$82.4 per sq. ft. a year ago. Together with stable tenant retention rate of 79.5% (FY2011/12: 75.9%), this set of operating results is a testament to the resilience and sustainability of business activities at this shopping mall strategically located in the northern part of the New Territories.

Tenant Mix at Sheung Shui Centre Shopping Arcade



During the year, pre-renovation work which involved a facelift of its ceiling and lighting has commenced. We have also begun the repositioning of the secondary corridors with a view to enrich trade mix and extend footfall to the quieter areas on the perimeter of the mall.



● Sheung Shui Centre Shopping Arcade



● Sheung Shui Centre Shopping Arcade

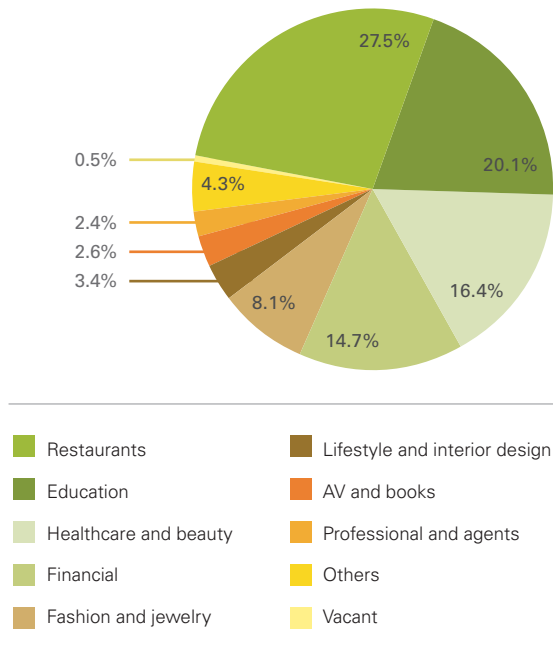
Metro City Phase I Property

During the year, the occupancy of Metro City Phase I Property exhibited a marginal retreat from 99.8% at 30 June 2012 to 99.5% at 30 June 2013 while passing rent increased from HK\$40.3 per sq. ft. to HK\$43.2 per sq. ft.. Encouraging rental reversion rate of 30.8% was registered demonstrating the robustness and resilience of necessity shopping. Tenant retention, however, experienced a slight drop to 73.7% in FY2012/13 against 78.0% in FY2011/12 as we began tenant reconfiguration in anticipation of the planned asset enhancement programme.

The first phase of the asset enhancement programme of Metro City Phase I Property was activated in the year. In tandem with and in conjunction with the upcoming renovation works, we have relocated certain tenants to the lower floor at which notable increase in shopper circulation was witnessed. In the meantime, the upper floor is also destined for major reconfiguration, as a cluster of new trade type and necessity retails will be introduced to enhance the vitality of the shopping mall.

Metro City Phase I Property combines with the adjoining Phases II and III (currently owned by the HLD group) to form the overall Metro City shopping complex, offering approximately 1.4 million sq. ft. of shopping space, which is undoubtedly one of the biggest retail destinations in

Tenant Mix at Metro City Phase I Property



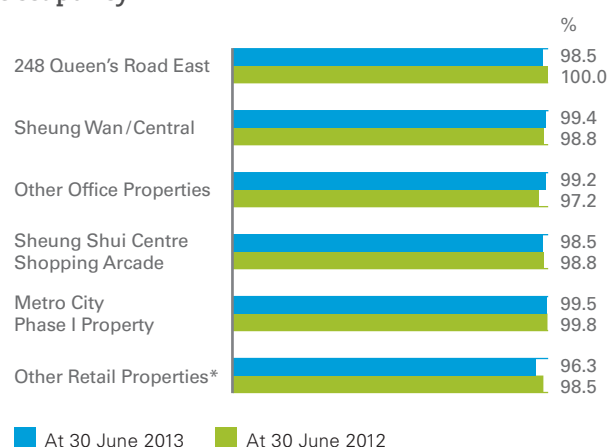
Hong Kong. As we shall continue to capitalise on this critical mass advantage, we are also convinced that the freshened image of Metro City Phase I Property following the completion of the major upgrade would appeal to quality retailers, as it is well placed to attract shoppers beyond its residential neighbourhood.



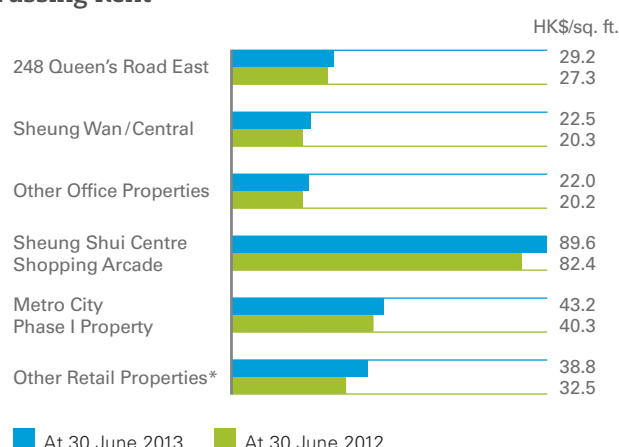
● Metro City Phase I Property

Business Review

Occupancy



Passing Rent



* These figures have been adjusted to eliminate the effect of the Glory Rise Property, the disposal of which was completed on 3 September 2012.

Kwong Wah Plaza Property

By virtue of a continued inflow of mainland tourists and a growing population in Yuen Long, the retail component of Kwong Wah Plaza Property continued to perform well during the year. Meanwhile, encouraging performance had also been witnessed for its office portion which appealed to tenants in the finance related and service trades who wish to establish a presence in the northern part of Hong Kong. As a result, the property was fully let as of 30 June 2013 while on the back of an average rental reversion of 31.2%, its passing rent increased 11.7% to HK\$38.3 per sq. ft..

Other Retail Properties

The small retail properties of Sunlight REIT comprise a number of street or podium level shops in various office and residential buildings. Aiming to satisfy the regular shopping needs of customers in the immediate vicinity, these properties have always been providing Sunlight REIT with a stable and defensive rental income stream.

It is noteworthy to highlight the impressive performance of the Royal Terrace Property, which was a beneficiary of growing commercial activities in the Quarry Bay area. During the year, two new leases were entered into on attractive rental terms, contributing to the 23.9% rise in the net property income of the property.

Operational Statistics

At 30 June 2013, the overall portfolio occupancy was 98.8% (30 June 2012: 99.0%), with the occupancy rates of its office and retail properties standing at 99.0% and 98.4% respectively. Average passing rent of the office portfolio was HK\$25.2 per sq. ft., an increase of 8.2% from the previous year, while the corresponding figures for the retail portfolio were HK\$56.2 per sq. ft. and 10.0% respectively.

During the year, a total of 557,316 sq. ft. were leased out, comprising 164,892 sq. ft. of new letting and 392,424 sq. ft. of renewal; the implied retention rate of 68.0% was largely unchanged from 66.5% recorded in the previous year. Rental reversion for the office and retail portfolios were 24.4% and 30.4% respectively. In particular, it was gratifying to report the impressive rental performances of the top three properties, namely 248 QRE, Sheung Shui Centre Shopping Arcade and Metro City Phase I Property, as demonstrated by rental reversion of approximately 30% for each property during the year.

Rental Reversion and Retention Rate

	Rental Reversion		Retention Rate	
	FY2012/13 (%)	FY2011/12 (%)	FY2012/13 (%)	FY2011/12 (%)
248 Queen's Road East	30.3	19.2	63.7	56.8
Sheung Wan/Central	21.6	22.9	70.4	64.3
Other Office Properties	20.3	23.7	65.8	66.9
Sheung Shui Centre Shopping Arcade	29.9	31.8	79.5	75.9
Metro City Phase I Property	30.8	18.8	73.7	78.0
Other Retail Properties*	31.0	25.7	56.4	79.6
Total	27.2	22.8	68.0	66.5

* These figures have been adjusted to eliminate the effect of the Glory Rise Property, the disposal of which was completed on 3 September 2012.

At 30 June 2013, the weighted average lease duration of the whole portfolio (by GRA) was 2.7 years. Lease expiries on or before 30 June 2014 account for 42.0% of office GRA and 34.7% of retail GRA. The average unit rents for the expiring office and retail leases are HK\$23.8 per sq. ft. and HK\$62.2 per sq. ft. respectively.

Diversified Tenancy Base

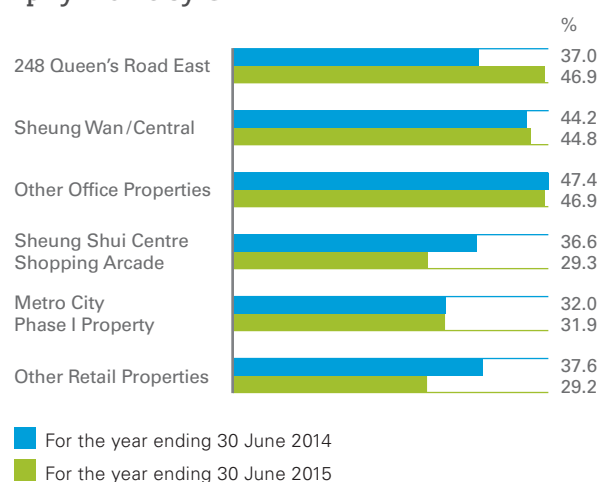
The portfolio had 1,024 tenancies altogether at 30 June 2013. The largest tenant accounted for 4.0% of total rental income and occupied 4.8% of total GRA, while the corresponding figures for the top ten tenants were 20.8% and 16.5% respectively. Details of the rental contribution of the top ten tenants at 30 June 2013 are set out in the table on page 26.

Selected new tenants in FY2012/13

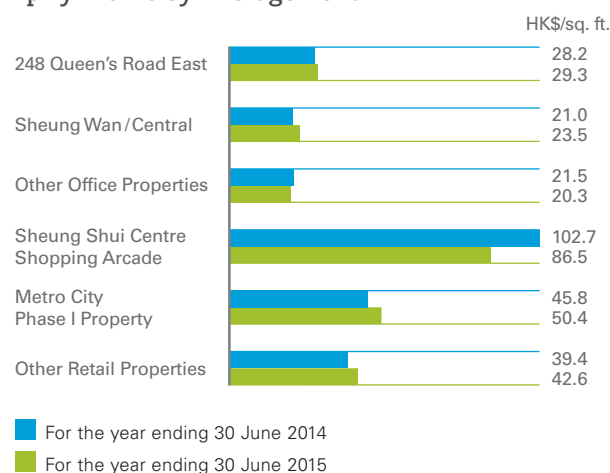


Business Review

Expiry Profile by GRA^{1,2}



Expiry Profile by Average Rent¹



Other Income

Sunlight REIT owns a total of 844 car parking spaces which produced an income of approximately HK\$26.0 million for the year, representing a year-on-year increase of 12.9%. The growth was in part attributable to a rise in the rates of monthly permits at Metro City Phase I Property and

Sheung Shui Centre Shopping Arcade, as well as an upward revision of hourly parking fees. Income was also derived from outdoor advertising space and short-term licenses on certain properties, but the contribution to the bottom line was relatively immaterial.

Top Ten Tenants by Rental Contribution¹

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	4.0
Anglo-Eastern Ship Management Limited	Shipping, logistic and transportation	61,576	4.8	3.5
A.S. Watson Group (HK) Limited	Healthcare and electrical appliances	20,069	1.6	2.4
Bank of Communications Co., Ltd.	Financial	8,782	0.7	2.0
The Bank of East Asia, Limited	Financial	8,997	0.7	1.9
Forever Sky (Asia) Limited	Restaurants	20,261	1.6	1.7
The Dairy Farm Company, Limited	Supermarket	9,656	0.7	1.5
Bank of China (Hong Kong) Limited	Financial	7,849	0.6	1.4
Hang Seng Bank Limited	Financial	7,628	0.6	1.2
The Hongkong and Shanghai Banking Corporation Limited	Financial	5,390	0.4	1.2

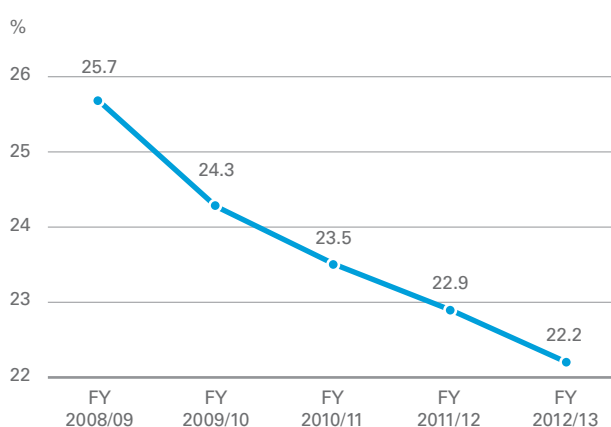
Notes :

1. At 30 June 2013.
2. Expiring GRA as a percentage of total GRA.

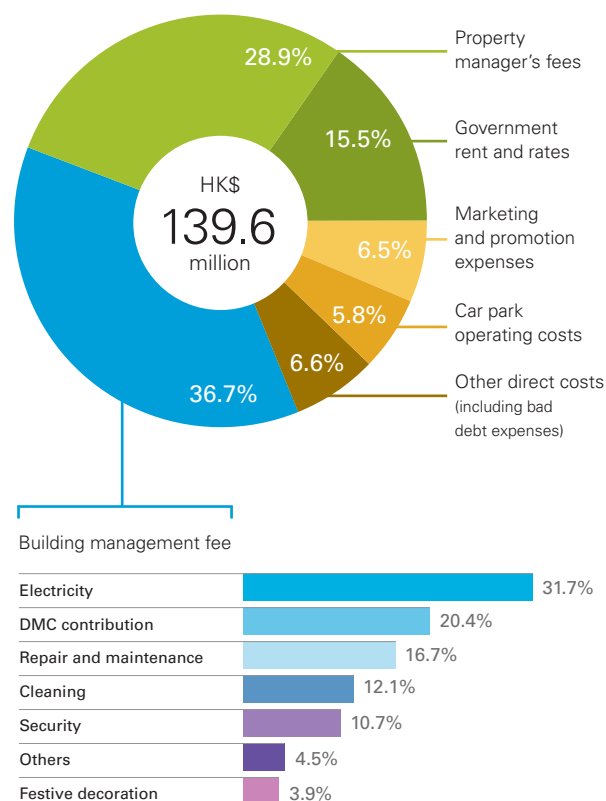
Cost Control

Escalating cost-push inflation remained a vivid feature during the year, and had to a certain extent diluted the benefits brought about by the Manager's endeavour to adopt various energy saving measures. However, thanks to the continued growth in rental income, and the ability to absorb some of the cost increase via higher management fees and strict budgetary control, the cost-to-income ratio for the year showed a mild improvement to 22.2% as compared to 22.9% in the previous year.

Cost-to-income : Five-Year Trend



Components of Property Operating Expenses



Top Five Real Estate Agents and Contractors for the year

Real estate agents and contractors	Nature of service	Value of contract (HK\$'000)	Relevant cost (%)
Henderson Sunlight Property Management Limited ^{Note}	Leasing, marketing and building management	42,831	40.54
Hang Yick Properties Management Limited ^{Note}	Building management	8,774	8.30
Winston Air Conditioning & Engineering (Hong Kong) Co., Limited	Repairs and maintenance	4,645	4.40
KONE Elevator (HK) Limited	Repairs and maintenance	3,239	3.07
Ngai Lik Cleaning Services Company Limited	Cleaning services	2,474	2.34
Total		61,963	58.65

Note : Wholly owned subsidiaries of 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)	2013	2012	2011	2010	2009
For the year ended 30 June :					
Turnover	630.2	581.7	532.5	488.6	471.7
Property operating expenses	139.6	133.2	125.1	118.7	121.0
Net property income	490.6	448.5	407.4	369.9	350.7
Cost-to-income ratio (%)	22.2	22.9	23.5	24.3	25.7
Profit/(loss) after taxation ¹	1,674.6	1,027.3	1,655.1	1,389.1	(629.3)
Total distributable income	307.0	298.4	264.5	186.5	269.8
DPU ² (HK cents)	17.70	17.00	17.60	14.39	24.56
Payout ratio (%)	93.1	91.3	90.5	100	100
At 30 June :					
Portfolio valuation	14,408.8	13,038.8	12,222.2	10,722.1	9,364.0
Total assets ¹	15,156.4	13,692.5	12,888.2	11,226.8	9,947.1
Total liabilities ¹	4,624.7	4,670.5	4,626.3	4,504.6	4,499.0
Net asset value ¹	10,531.7	9,022.0	8,261.9	6,722.2	5,448.1
Net asset value per unit ¹ (HK\$)	6.52	5.62	5.21	4.30	3.52
Gearing ratio ¹ (%)	25.9	28.8	30.6	35.3	39.7

Operating Results

Sunlight REIT recorded an 8.3% year-on-year increase in turnover to HK\$630.2 million for the year. Property operating expenses amounted to HK\$139.6 million, giving rise to a net property income of HK\$490.6 million, up 9.4% year-on-year. Meanwhile, finance costs for the year rose 16.3% from the preceding year to HK\$128.1 million, mainly attributable to a marked increase in the amortisation of debt establishment fees resulting from the partial refinancing of the term loan during the year; stripping that out, interest expenses actually rose a milder 7.2% to HK\$103.1 million. As EBITDA³ of Sunlight REIT grew 11.0% year-on-year to HK\$413.0 million, the interest coverage ratio⁴ for the year consequently improved to 4 times as compared to 3.86 times recorded in the previous year. Profit after taxation exhibited a year-on-year increase of 63.0% to HK\$1,674.6 million, principally reflecting a HK\$1,440.7 million gain in the fair value of investment properties (FY2011/12: HK\$808.3 million).

Notes :

1. The comparative figures for the financial years prior to 2011 had been restated as a result of the adoption of the amendments to Hong Kong Accounting Standard 12, *Income Taxes*.
2. The DPU of Sunlight REIT in the previous years were enhanced by arrangements offered by the Sponsors in the form of (i) adjustment payments (from the date of IPO to June 2009) and (ii) distribution waivers (from the date of IPO to June 2011). Please refer to the offering circular of Sunlight REIT dated 8 December 2006 (the "**Offering Circular**") for more details.
3. EBITDA represents net earnings before change in fair value of investment properties, interest expenses, taxation, depreciation and amortisation.
4. Interest coverage ratio is calculated by dividing EBITDA by cash interest expense incurred on gross borrowings.

Distribution

The total distributable income of Sunlight REIT for the year was HK\$307.0 million, representing an increase of 2.9% from HK\$298.4 million recorded in the previous year. It should be noted that the level of distributable income during the year was mildly impacted by the onset of a higher effective tax rate primarily due to past tax losses being fully utilised for certain properties, and the election of a larger cash component for Manager's fees. The Board has resolved to declare a final distribution of HK 9.2 cents per unit, or HK\$148,703,000. Together with the interim distribution of HK\$136,991,000, total distributions for the year amounted to HK\$285,694,000, implying a payout ratio of 93.1%. The DPU for the year of HK 17.7 cents was 4.1% ahead of the HK 17.0 cents paid in the preceding year, and represented a distribution yield of 5.6% based on the closing unit price of HK\$3.17 on the last trading day of the year.

In respect of FY2012/13, the Manager elected to receive 50% of its base fee and variable fee in cash (the unit/cash split in FY2011/12 was 70/30). Pursuant to the announcement issued on 14 May 2013, the Manager has elected to keep the split unchanged for FY2013/14.

A yearly comparison of the DPU is illustrated in the chart "Distribution at a Glance". The effect on DPU attributable to contributions from operations, cash savings from change in the payment structure of Manager's fees and distribution waivers (as applicable) are shown separately. The effect of payout ratio on DPU is also exhibited by the portion of distributable income retained.

Distribution Entitlement and Closure of Register of Unitholders

The record date for the final distribution will be Friday, 27 September 2013. The register of unitholders will be closed from Wednesday, 25 September 2013 to Friday, 27 September 2013, 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 Tuesday, 24 September 2013. Payment of the final distribution will be made to unitholders on Wednesday, 30 October 2013.

Financial Position

The valuation of Sunlight REIT's portfolio at 30 June 2013 was appraised at HK\$14,408.8 million, representing an 11.1% appreciation from HK\$12,963.5 million recorded

a year earlier (after adjusting for the effect on disposal of the Glory Rise Property in September 2012). At HK\$7,328.6 million, valuation of the office portfolio was up 9.7% year-on-year, while the appraised value of the retail properties recorded a 12.7% year-on-year increase to HK\$7,080.2 million.

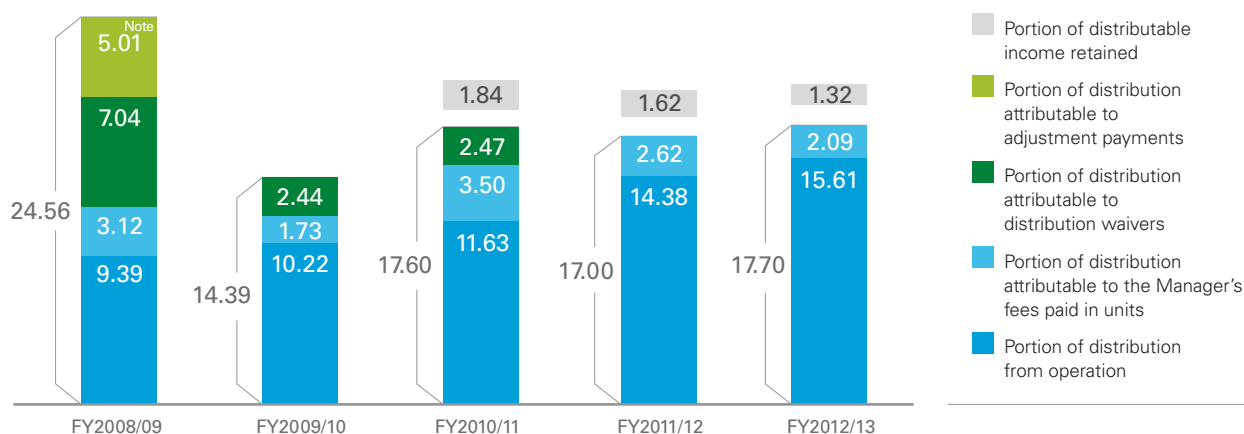
Given the higher property valuation, the gearing ratio of Sunlight REIT, which is defined as total borrowings as a percentage of gross assets, fell from 28.8% at 30 June 2012 to 25.9%. Meanwhile, the net assets of Sunlight REIT rose by 16.7% to HK\$10,531.7 million (30 June 2012: HK\$9,022.0 million). After taking into account the effect of payment of Manager's fees in units and the cancellation of repurchased units during the year, net asset value per unit rose 16.0% to HK\$6.52 (30 June 2012: HK\$5.62). Gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets was 30.5%. 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 utility companies in the total amount of HK\$4.7 million at 30 June 2013.

Capital Management

On 8 April 2013, Sunlight REIT was granted term loan facilities in the aggregate amount of HK\$2,000.0 million, comprising a five-year tranche and a seven-year tranche of HK\$1,000.0 million apiece (collectively "**Partial Refinancing Facilities**"). The drawdown of both tranches took place on 28 June 2013, and the proceeds were utilised to refinance part of the term loan facility due in 2014 ("**Facility Due 2014**").

Distribution at a Glance

HK cents



Note : The adjustment payments were calculated based on several deeds of adjustment payments, which covered the period from the date of IPO to 30 June 2009.

Financial Review

At 30 June 2013, Sunlight REIT had in place total loan facilities of HK\$4,025.0 million (including the facilities mentioned above), comprising term loan facilities of HK\$3,925.0 million which were fully drawn and a HK\$100.0 million revolving credit facility that remained undrawn. These facilities are currently secured by, among others, all the investment properties of Sunlight REIT, assignment of proceeds under tenancies and a floating charge over its bank balances.

Subsequent to the financial year-end, Sunlight REIT entered into several bilateral credit facility agreements with certain banks¹ on 2 September 2013 and was granted an aggregate amount of HK\$1,925.0 million in term loan facilities (“**New Facilities**”). The New Facilities, repayable in four to five years from the date of drawdown, will be applied toward refinancing the remaining portion of the Facility Due 2014, while the existing HK\$100.0 million revolving credit facility would be cancelled. Together with the Partial Refinancing Facilities, the New Facilities will be sharing on a pari passu basis a revised pool of securities including, among others, a mortgage over certain (but not all) properties held by Sunlight REIT, as properties with an aggregate appraised value of HK\$2,150.6 million would be released from the existing pool of securities upon conclusion of the refinancing of the Facility Due 2014, and would constitute a core portion of unencumbered assets of Sunlight REIT. The series of capital management exercises are expected to equip Sunlight REIT with a more flexible capital structure and a diversified debt maturity profile. Upon complete drawdown of the New Facilities, the bank borrowings of Sunlight REIT will bear a blended interest margin of 1.24% per annum over HIBOR (before interest rate swap arrangements).

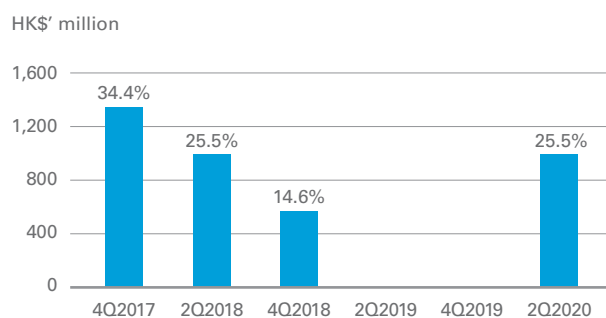
In order to mitigate interest rate risks, Sunlight REIT has maintained certain interest rate swap arrangements. At the date of this annual report, approximately 58.6% (or HK\$2,300.0 million) of Sunlight REIT’s indebtedness is hedged to fixed rates, having incorporated the expiry of

interest rate swaps with an aggregate notional amount of HK\$1,500.0 million in June 2013 and the commencement of a five-year interest rate swap with a notional amount of HK\$500.0 million in July 2013. The terms of all the current interest rate swaps are summarised below :

Tenure	Notional amount (HK\$ million)	Weighted average interest rate ² (per annum)
4 July 2011 – 30 June 2016	1,500	2.0973%
7 October 2011 – 28 September 2018	300	1.5975%
2 July 2013 – 29 June 2018	500	0.8150%
Total	2,300	1.7534%

It is the Manager’s treasury management policy (being in compliance with relevant regulatory requirements) to place funds derived from operations on short term bank deposits or fixed income securities which must be of investment grade, with maturity profile compatible with the projected funding requirements. At 30 June 2013, Sunlight REIT had a total cash and bank balances of HK\$329.1 million, and had no exposure to fixed income securities. Taking into consideration the recurrent income generated from its operations, the current cash position and sources of funding available, the Manager is of the view that Sunlight REIT has sufficient financial resources to satisfy its working capital, distribution payment and capital expenditure requirements.

Debt Maturity Profile³



Notes :

- Certain banks include The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”) and Hang Seng Bank Limited (“**Hang Seng**”). Being in the same group as the Trustee, both HSBC and Hang Seng are connected persons of Sunlight REIT within the meaning of the REIT Code. The transactions between Sunlight REIT and each of HSBC and Hang Seng thus constitute connected party transactions under the REIT Code. As the contemplated transactions fall within the nature of “ordinary banking and financial services” provided by the HSBC group (including HSBC and Hang Seng) to the Sunlight REIT group, pursuant to a waiver granted by the SFC at the time of IPO, those transactions will not be subject to any requirements for announcement or unitholders’ approval under Chapter 8 of the REIT Code. Information relating to those transactions will be included in the interim and annual reports of Sunlight REIT for the relevant year.
- This represents the weighted average interest rate currently payable on the interest rate swap contracts, excluding the relevant interest margin under the respective term loan agreements. The tenure of these contracts may or may not exactly match with that of Sunlight REIT’s indebtedness.
- Upon complete drawdown of the New Facilities.

Sustainability and Corporate Social Responsibility



● “Sunlight Nursery” in the podium garden of 248 Queen’s Road East

Sunlight REIT is committed to being a responsible corporate citizen. We embrace the vision of sustainable development, which is manifested in our care for people and nature. In our view, the notion of sustainability constitutes an integral part of our business decision-making process, which helps to endeavour and establish best practices in every aspect of our operations, such as property management, corporate governance and human resources administration. In pursuit of this goal, we have constantly engaged various stakeholders, including our tenants, subcontractors, suppliers, sponsors, investors as well as our employees.

FY2012/13 marked a milestone in our mission, as a special task force was formed to oversee it. The Corporate Social Responsibility Committee (“**CSRC**”), headed by the CEO, is responsible for planning, executing and monitoring the progress of programmes aimed at fostering the principle of sustainability in the business operations of Sunlight REIT.

Care for Our Environment

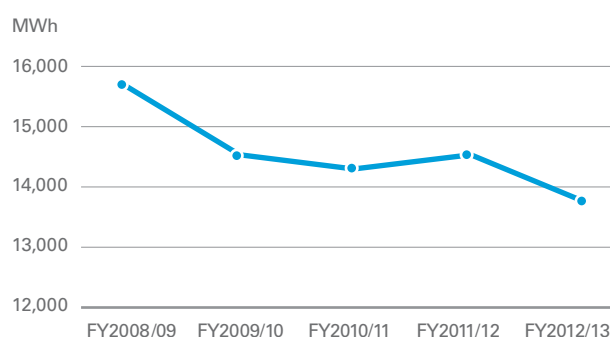
As Sunlight REIT owns a portfolio of quality commercial properties, we acknowledge the need to manage them in a way that can minimise any adverse impact on the environment. We have therefore devised a threefold strategy focusing on energy conservation, waste treatment and creation of green surroundings.

We have been closely monitoring and analysing the energy consumption patterns of our buildings, a large part of which is attributable to air-conditioning systems. During the year, the electricity consumption of the eight

properties* solely managed by the Property Manager was down 6% on average year-on-year, as illustrated in the following chart. Our energy audits show that the average in energy consumption for these eight properties stayed below the industrial standards published by the Hong Kong Government’s Electrical and Mechanical Services Department by approximately of 32%.

Looking ahead, we will continue to examine the need for further improving the electrical and mechanical infrastructures as well as the lighting and air-conditioning systems of our buildings, which may result in greater energy efficiency.

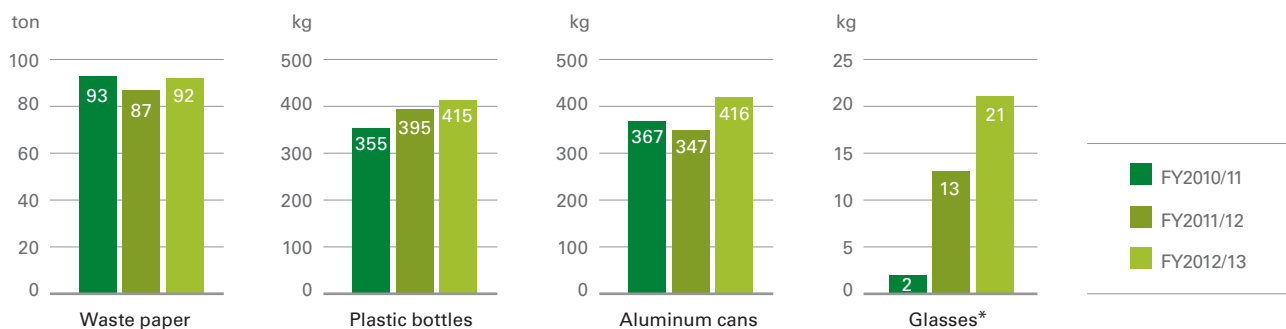
Total Electricity Consumption of the Eight Properties*



* The eight properties are 248 Queen’s Road East, Sheung Shui Centre Shopping Arcade, Metro City Phase I Property, Righteous Centre, Everglory Centre, Bonham Trade Centre, 235 Wing Lok Street Trade Centre and Java Road 108 Commercial Centre.

Sustainability and Corporate Social Responsibility

Solid Waste Recycled at 248 Queen's Road East, Sheung Shui Centre Shopping Arcade and Metro City Phase I Property



* Only at 248 Queen's Road East.

In addition, we have taken steps to raise the awareness of environmental protection amongst our tenants. To encourage them to undertake waste separation and recycling, we have placed individual garbage containers at various locations of our buildings to collect waste paper, plastic bottles, aluminum cans, fluorescent tubes and printer cartridges respectively. Since 2011, we have also provided door-to-door collection of glass bottles for recycling at 248 QRE. Our measures have proved to be effective, as shown in the above charts.

Furthermore, we deem it essential to provide a clean and safe environment for the tenants and other users of our properties, focusing primarily on maintaining good air and water quality. As a testament to our achievement, 248 QRE has been awarded the "Excellent Class" Indoor Air Quality Certificate, while six of our properties have complied with the standards of the Quality Water Recognition Scheme organised by the Water Supplies Department.

Care for Our Community

Sunlight REIT is mindful of the welfare of the communities in which it operates. Our staff members are encouraged to interact with the neighbourhoods where our buildings are located so as to understand the needs of the people around us. Volunteers from our team have organised sports games for the youth of ethnic minority groups, participated in charity walks and visited elderly homes. The time spent on such charitable work exceeded 130 hours in the year, while we were also the sponsor for a host of community activities by furnishing the organisers with the venue for more than 70 days during the year.

Meanwhile, we believe that the retail areas of the portfolio can be utilised as a platform to nurture important social and cultural values. For instance, the 2012 summer event "Love Green Summer" held in our two shopping malls were organised not only to promote traffic but also to encourage the public to adopt an eco-friendly lifestyle. During the year, we continued to partner with a non-government organisation called "Read-Cycling" to run a programme that recycled used books, the idea being books collected could eventually reach the community in Tseung Kwan O. This programme eventually resulted in a collection of over 5,000 books, reflecting the strength of our platform in serving our communities.



● “Bring a book and share” at Metro City Phase I Property



● “Love Green Summer” at Sheung Shui Centre Shopping Arcade

Care for Our Stakeholders

The wellbeing of our stakeholders is also high in the priority list of Sunlight REIT. As a case in point, we have founded the “Sunlight Nursery” in the podium garden of 248 QRE. Participating tenants are provided with certain space and tools to grow fruit and herbs. We hope that this project can enable them to enjoy the pleasure of organic farming and serve as a safety valve for their stress at work.

Moreover, being recognised that a high standard of corporate governance is in the best interests of all stakeholders, a thorough compliance manual has been made available to ensure fair and ethical business practices. We also espouse greater transparency in our operations and financials, with timely disclosure of important information. In fact, Sunlight REIT is the first of its peers in Hong Kong to release quarterly operational statistics.

Care for Our Staff

We greatly value our employees, who underpin the success of Sunlight REIT. We believe in equal opportunities at the workplace. Competitive remuneration, coupled with job satisfaction, is the key to retaining our staff. We have also invested heavily in training programmes.

Moreover, we have advocated the need for a work-life balance. To this end a five-day working week has been implemented, while a birthday leave has been introduced and a staff tour is organised on an annual basis.

Conclusion

FY2012/13 marks the launch of the CSRC with a clear framework and road map established for the future. We recognise the importance of social responsibility and sustainable development, and are committed to incorporating these virtues in the workplace. It is our aspiration that not only our properties will stay as enjoyable office and shopping destinations, but that our care for the people and the environment will not be compromised as we continue to drive the performance of Sunlight REIT.

Board of Directors



Mr. Au Siu Kee, Alexander



Mr. Wu Shiu Kee, Keith



Mr. Kwok Ping Ho



Mr. Kwan Kai Cheong



Mr. Ma Kwong Wing



Dr. Tse Kwok Sang

Mr. Au Siu Kee, Alexander

OBE, ACA, FCCA, FCPA, AAlA, FCIB, FHKIB
Chairman and Non-Executive Director

Mr. Au, aged 66, 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 HLD from December 2005 to June 2011. In July 2011, he stepped down from the position of chief financial officer and was re-designated as a non-executive director of HLD. In December 2012, he was further re-designated as an independent non-executive director of HLD. 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 and are associated companies of HLD. Currently Mr. Au is an independent non-executive director of The Wharf (Holdings) Limited, a company listed on the Stock Exchange.

A banker by profession, he was the chief executive officer of Hang Seng 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 HSBC, MTR Corporation Limited and Hang Lung Group Limited. He also served as an independent non-executive director of Wheelock and Company Limited

from September 2002 to October 2012. An accountant by training, Mr. Au is a Chartered Accountant.

Mr. Wu Shiu Kee, Keith

Chief Executive Officer and Executive Director

Mr. Wu, aged 49, is the Chief Executive Officer, Executive Director and a Responsible Officer of the Manager. He has over 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 60, has also been an executive director of HLD since December 1993. Further, Mr. Kwok also served as an executive director of Henderson Investment Limited since September 1988 until his retirement in June 2012.

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 had previously been a part-time lecturer for the MBA programme of The University of Hong Kong. In 2012, Mr. Kwok was appointed as an Honorary Professor of the Department of Real Estate and Construction, Faculty of Architecture of The University of Hong Kong.

Mr. Kwok has over 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 the Henderson Land Group of companies since 1987, including group re-organisation, privatisation proposals and corporate acquisitions.

Mr. Kwan Kai Cheong

Independent Non-executive Director

Mr. Kwan, aged 63, 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). He is also an independent non-executive director of Galaxy Resources Limited, the shares of which 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 fellow of the Institute of Chartered Accountants in Australia, the Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Directors. He completed the Stanford Executive Program in 1992.

Mr. Ma Kwong Wing

Independent Non-executive Director

Mr. Ma, aged 67, served with Hang Seng for over 30 years in various business areas and functions (including compliance) prior to his retirement in October 2005. He was appointed as the company secretary of Hang Seng in 1988 and Assistant General Manager (while remaining as Company Secretary) in January 1993. In September 2013, Mr. Ma has been appointed as an independent non-executive director of Goldpoly New Energy Holdings Limited, a company listed on the Stock Exchange.

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 and Investment Institute.

Dr. Tse Kwok Sang

JP

Independent Non-executive Director

Dr. Tse, aged 56, 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 is also a member of the CFP Examination Committee. 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, and an independent non-executive director of Wing Lee Property Investments Limited, the shares of which are listed on the Main Board of the Stock Exchange.

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

Executive Officers and Property Managers



1. Mr. Wu Shiu Kee, Keith
2. Mr. Leung Kwok Hoe, Kevin
3. Mr. Wong Chi Ming
4. Ms. Lo Yuk Fong, Phyllis
5. Mr. Hah Yick Yat, Kelvin
6. Ms. Kan Shuk Fan, Winnie
7. Ms. Chung Siu Wah
8. Mr. Lee Kiu Ming
9. Mr. Poon Hung Tak
10. Ms. Ho Kuk Fong

Executive Officers

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 34.

Mr. Leung Kwok Hoe, Kevin

General Manager – Investment and Investor Relations 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 nearly 20 years of experience in finance and treasury, investment and fund management fields. Prior to joining the Manager, he was the Investment Manager and a Responsible Officer of The Link Management Limited, the manager of The Link Real Estate Investment Trust.

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

Mr. Wong Chi Ming

General Manager – Asset Management 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 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).

Executive Officers and Property Managers

Ms. Lo Yuk Fong, Phyllis

Chief Financial Officer

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.

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.

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.

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).

Ms. Chung Siu Wah

Compliance Manager and Company Secretary

Ms. Chung is responsible for, among other things, design and implementation of adequate internal systems and controls so as to ensure that both Sunlight REIT and the Manager are in compliance with the relevant statutory requirements and all other applicable laws, rules and regulations.

In addition to her role as Compliance Manager, Ms. Chung also serves as the Company Secretary of the Manager since November 2011. Ms. Chung has over 20 years of experience in the company secretarial field. Prior to joining the Manager, she was the Assistant Company Secretary of Hopewell Holdings Limited.

Ms. Chung holds a Bachelor of Arts degree in Accountancy from the City University of Hong Kong; and is also an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

Property Managers

Mr. Lee Kiu Ming

General Manager

Mr. Lee is responsible for formulating and implementing business plans and strategies and business development of the Property Manager. Mr. Lee has over 20 years of marketing, leasing and property management experience in the property field in Hong Kong. Prior to joining the Property Manager, he was a Leasing Manager in the Portfolio Leasing Department of HLD.

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

Mr. Poon Hung Tak

Chief Property Manager

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

Mr. Poon has over 25 years of experience in property management. Prior to joining the Property Manager, he was an Estate Manager in the Portfolio Leasing Department 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.

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 over 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 a high 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.

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

The key components of the corporate governance policies that have been adopted by the Manager and Sunlight REIT are set out below.

Checks and Balances

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, Chief Executive Officer and Executive Director, Mr. Leung Kwok Hoe, Kevin, General Manager – Investment and Investor Relations, and Mr. Wong Chi Ming, General Manager – Asset Management, 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.

Role of the Trustee and the Manager

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

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 management team of the Manager. Meanwhile, 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.

The Board takes the role to lead and guide the corporate strategy and direction of Sunlight REIT. It currently has 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**”). All Directors shall retire from office at every annual general meeting of the Manager but shall be eligible for re-election in accordance with the articles of association of the Manager. 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.

The size, composition and structure of the Board is reviewed on a regular basis to ensure that there is an 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 appointment and removal of Directors is a matter for the Board and the shareholders of the Manager to determine in accordance with the provisions of the Compliance Manual, the articles of association of the Manager and the applicable law.

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 corporate governance policy as contained in the Compliance Manual. Each INED has provided to the Manager an annual written confirmation of his independence by reference to such factors.

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 fourteen days in advance of the regular meetings, with suitable arrangements in place to allow Directors to raise items in the agenda. Agenda and accompanying board papers are circulated at least three days before the scheduled date of a board meeting. Board consents are given by votes at board meetings, and written resolutions are signed by all Directors from time to time.

The Board has **delegated** certain functions to four board committees, namely the Audit Committee, the Investment Committee, the Remuneration and Nomination Committee and the Disclosures Committee to deal with specific issues which require extensive discussion.

Membership, directors' attendance to meetings and major responsibilities of and key work performed by the Board and each of the board committees during the year are summarised in the table on pages 42 and 43.

Subsequent to publication of the 2012/13 Interim Report of Sunlight REIT, the Manager was informed of the following changes of Director's information :

1. Dr. Tse Kwok Sang has been appointed as an independent non-executive director of Wing Lee Property Investments Limited, the shares of which are listed on the Stock Exchange since 18 March 2013;
2. Mr. Au Siu Kee, Alexander ceased to act as a member of the Court of The Hong Kong University of Science and Technology on 1 June 2013; and

3. Mr. Ma Kwong Wing has been appointed as an independent non-executive director of Goldpoly New Energy Holdings Limited (a company listed on the Stock Exchange) with effect from 1 September 2013.

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

Management functions of the Manager are delegated to six departments, respectively headed up by the General Manager – Investment and Investor Relations, the General Manager – Asset Management, the Chief Financial Officer, the Corporate Services Manager, the Internal Auditor and the Compliance Manager (who is also the Company Secretary). 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 regular communications amongst the department heads, management meetings are held periodically to coordinate and facilitate the implementation and operation of different management and business functions.

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. In this regard, the Manager has appointed the Property Manager to operate, maintain, manage and market solely and exclusively all the properties of Sunlight REIT in Hong Kong, subject to the overall management and supervision of the Manager. A property management agreement (the "**Property Management Agreement**") was entered into between the Manager and the Property Manager on 29 November 2006, and was subsequently renewed on amended terms and conditions on 28 April 2009 and 25 June 2012 respectively.

The names and biographical details of the members of the Board and the management team members of the Manager and the principal officers of the Property Manager are set out under "Board of Directors" and "Executive Officers and Property Managers" on pages 34 to 39.

During the year, the Directors participated in certain continuous professional development to develop and refresh their knowledge and skills. The costs of such training activities, if applicable, were borne by the Manager.

Corporate Governance Report

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

	Board of Directors		Audit Committee	
Membership and attendance to meetings (No. of meetings attended/No. of meetings eligible to attend)				
Mr. Au Siu Kee, Alexander	Chairman and Non-executive Director	(8/8)	N/A	
Mr. Wu Shiu Kee, Keith	Chief Executive Officer and Executive Director	(8/8) ¹	N/A	
Mr. Kwok Ping Ho	Non-executive Director	(8/8)	N/A	
Mr. Kwan Kai Cheong	Independent Non-executive Director	(8/8)	Chairman ²	(5/5)
Mr. Ma Kwong Wing	Independent Non-executive Director	(8/8)	Member ²	(5/5)
Dr. Tse Kwok Sang	Independent Non-executive Director	(8/8)	Member ²	(5/5)

Major responsibilities

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

During the year, the Board and its committees have considered, approved, reviewed and/or formulated the matters summarised herein :	<ul style="list-style-type: none"> financial results of Sunlight REIT and the Manager reports and recommendations from board committees announcements/reports, including release of quarterly operational statistics and annual reports of Sunlight REIT annual operating and capital expenditure budget of Sunlight REIT update of the contingency plan refinancing of banking facilities of Sunlight REIT election of percentage of the Manager's base fee and variable fee to be paid in cash and/or units execution of interest rate swaps disposal of a non-core property appointment of new principal valuer establishment of a medium term note programme revision of cash management policy 	<ul style="list-style-type: none"> internal audit reports financial results of Sunlight REIT adequacy of resources, qualification and experience of staff in relation to accounting and financial reporting functions internal control system auditor re-appointment and their reports update of the contingency plan connected party transactions of Sunlight REIT guidelines on connected party transactions compliance measures on unit repurchase
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N/A : Not applicable as the Director is not a member of the committee

Notes :

- At the Board meeting held on 14 January 2013, Mr. Wu Shiu Kee, Keith was excused from participating in the discussion relating to his remuneration package as the CEO of the Manager.
- 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	(2/2)	N/A	
Member	(4/4)	N/A		Chairman	(2/2)
N/A		N/A		N/A	
N/A		Member	(2/2)	N/A	
N/A		Member	(2/2)	Member	(2/2)
Member	(4/4)	N/A		N/A	
<ul style="list-style-type: none"> oversees the investment strategy of and proposals to Sunlight REIT, including budget review, acquisition and disposal of properties, and asset enhancement proposals ensures the establishment and functioning of internal controls for investment and financial matters ensures compliance with investment objectives, policies and restrictions as contained in the REIT Code and the Trust Deed 		<ul style="list-style-type: none"> oversees the human resources strategy and policies identifies and recommends candidates of board members to the Board evaluates the performance of the Board and its members reviews the terms and conditions of employment of senior executives and Board members 		<ul style="list-style-type: none"> reviews matters relating to the disclosure of information to unitholders and in public announcements ensures compliance with applicable legal requirements and the continuity, accuracy, clarity and completeness of information disseminated to the public and applicable regulatory authorities 	
<ul style="list-style-type: none"> financial results of Sunlight REIT annual business plan and capital expenditure budget of Sunlight REIT derivative positions and risk assessment in respect of derivative instruments services of financial service providers investment restrictions under the REIT Code and the Trust Deed 		<ul style="list-style-type: none"> staff performance appraisal staff budget and policy on staff benefits board structure, performance of board and committee members introduction of retirement age flexible office hours arrangement 		<ul style="list-style-type: none"> public regulatory filings and other documents filed with the applicable regulatory authorities announcements and reports including interim and annual reports of Sunlight REIT and other corporate communications to unitholders change in frequency of meetings 	

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 employees of the Manager. The Dealings Code was revised such that the applicability of certain restrictions and notification requirements as provided under the Listing Rules are extended to unit repurchase by the Manager on behalf of Sunlight REIT.

Pursuant to the Dealings Code, any Director who wish 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.

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 provided to the Directors and the Manager.

The Manager has also adopted procedures in monitoring disclosure of interests by the 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.

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 in accordance with the REIT Code and any applicable provisions of 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 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.

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 three 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. Please refer to “Disclosure of Interests” on pages 53 to 55 for information relating to holdings of Directors, the Manager and the substantial unitholders at 30 June 2013.

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. The two non-executive directors (including the Chairman) of the Manager are an executive director and an INED of HLD respectively. Each of SKFE and HLD 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, among other things, development, investment and management of retail, office and other properties in and outside Hong Kong. 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; and (iii) tenancy agency services provided by the Principal Valuer 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 have 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 operates 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 disclose his interest to the Board and 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; and
5. a register of other directorships, and senior positions (which may give rise to conflict of interests), held by the Directors is maintained and updated from time to time.

The Manager assures 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 financial statements in accordance with accounting principles generally accepted 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 financial statements 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 financial statements of Sunlight REIT and its subsidiaries for the year, which give a true and fair view of the state of affairs of Sunlight REIT and its subsidiaries at 30 June 2013 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

Pursuant to the requirements under the REIT Code, results announcements of Sunlight REIT are released on a semi-annual basis.

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.

Corporate Governance Report

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\$1,730,000 for audit and audit related services and HK\$805,000 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 page 73.

Accountability and Communication

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 development 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, communications with investors are conducted through :

1. Direct communication including physical meetings conducted with the senior management of the Manager, both locally and overseas;
2. Guided property tours 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 or on a voluntary basis.

Other than annual and interim results announcements, the Manager also voluntarily releases the operational statistics of Sunlight REIT twice every year. 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.

In addition to the waiver granted by the SFC on 27 April 2009 from strict compliance with paragraph 9.13(b) of the REIT Code in relation to certain expenses of advertising or promotional activities to be paid out of the deposited property of Sunlight REIT, a further waiver was granted by the SFC on 30 April 2012 to expand the scope of such expenses to include the fees, costs and expenses incurred in relation to any fund raising exercise, any assets or otherwise in connection with Sunlight REIT; the expenses are collectively referred to as the "**Promotional Expenses**". The related amendment to the Trust Deed was approved by the unitholders at an extraordinary general meeting.

During the year, the Promotional Expenses incurred were HK\$375,000. Pursuant to the conditions of the said waivers and having reviewed the supporting evidence as it may reasonably deem necessary, the Audit Committee has confirmed that such Promotional Expenses were incurred in accordance with the internal control procedures of the Manager; and solely for the purposes as set out in the relevant clauses of the Trust Deed relating to Promotional Expenses.

Unitholders' Rights

Unitholders are encouraged to attend 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, not less than twenty business days' notice shall be given to the unitholders. 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, not less than two unitholders registered as together holding not less than 10% of the outstanding units in issue for the time being are entitled to request the Manager in writing to convene a meeting of unitholders. In addition, unitholders may send their enquiries to the Board or may put forward proposals at general meeting, in both cases, to the investor relations team of the Manager by email or to the registered office of the Manager by post. Please refer to "Corporate Information" on page 118 for the contact details.

Annual General Meeting

The convening of an annual general meeting by the Manager is one of the principal communication channels with 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.

The 2012 annual general meeting was held on 29 October 2012 (the "AGM") and attended by all the Directors.

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; and

- 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 the Manager.

Issues of Further Units Post-Listing

Further issue of units in Sunlight REIT is subject to compliance 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 12,846,842 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

Pursuant to the general mandates granted by unitholders at the annual general meetings, the Manager repurchased on behalf of Sunlight REIT a total of 2,100,000 units on the Stock Exchange during the year, for an aggregate consideration of approximately HK\$6.8 million. Details of the repurchases are as follows :

Month of Repurchase	Number of Units Repurchased	Highest Price Paid per Unit (HK\$)	Lowest Price Paid per Unit (HK\$)	Aggregate Consideration Paid* (HK\$'000)
October 2012	1,500,000	3.17	3.14	4,732
March 2013	82,000	3.38	3.38	277
June 2013	518,000	3.45	3.40	1,780
Total	2,100,000			6,789

* Excluding repurchase expenses.

All repurchased units were cancelled prior to the end of the year.

Save as disclosed above, there was no purchase, sale or redemption of units by Sunlight REIT or its wholly owned and controlled entities during the year.

Corporate Governance Report

Risk Control and Compliance

Management of Business Risks

The Board, assisted by 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 and performance of Sunlight REIT, to examine liability management and to act upon any advice or comments from the auditor of Sunlight REIT.

In respect of risk management, mitigating strategies are formulated by the management team to combat with all identified risks, and are 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.

Internal Control

The Board is responsible for establishing a sound and effective system of internal control which is designed for (i) safeguarding the interests of the unitholders; (ii) safeguarding the assets of Sunlight REIT against misappropriation; (iii) ensuring proper maintenance of accounting records for the provision of reliable financial information; and (iv) ensuring compliance with relevant legislation and regulations.

In particular, a formal policy on reporting of irregularities has been enacted to encourage and guide all staff of the Manager and the Property Manager to raise matters of concern internally in good faith, with the pledge that such reporting will be treated fairly, and to the extent possible be protected from reprisal.

The Internal Audit Department adopts a risk-based approach to review all major operations of Sunlight REIT on a cyclical basis in accordance with the annual audit plan as approved by the Audit Committee. Results of the audit reviews are discussed at the Audit Committee meetings. No material irregularity or deficiency in internal control has come to the attention of the Audit Committee during the year.

Through the Audit Committee and Internal Audit Department, the Board has conducted an annual review on the effectiveness of internal control systems of Sunlight REIT for the year which covered all material control areas including financial, operational, compliance and risk management functions. The review also covered the adequacy of resources, qualifications and experiences of staff carrying out Sunlight REIT's accounting and financial reporting functions and their training programmes and budget. The Board, is satisfied that Sunlight REIT has maintained a sound and effective internal control system for the year.

Confirmation of Compliance with the Dealings Code

Specific enquiry has been made with all Directors and the Manager, and all of them have confirmed that they 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, Sunlight REIT has maintained a sufficient public float with more than 25% of the outstanding units in issue being held by the public at 30 June 2013.

Review of Annual Report

This annual report has been reviewed by the Audit Committee and the Disclosures Committee in accordance with their respective terms of reference.

Employees

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

Connected Party Transactions

Information in respect of the connected party transactions entered into during the year between 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 and/or exempted from the disclosure requirements, is set out in this section.

Connected Party Transactions – Income and Expenses

The following tables set out information on all the connected party transactions (other than those transactions entered into with the Trustee Connected Persons) from which Sunlight REIT derived its income and in which Sunlight REIT incurred its expenses during the year :

(a) Income

Name of Connected Person	Relationship with Sunlight REIT ^{Note}	Nature of the Connected Party Transactions	Income for the Year (HK\$'000)	Rental and Other Deposits Received at 30 June 2013 (HK\$'000)
Henderson Sunlight Asset Management Limited	The Manager	Leasing	5,105	1,187
Henderson Sunlight Property Management Limited	Associated company of the Manager	Leasing	3,398	792
Henderson Real Estate Agency Limited	Associated company of the Manager	Joint effort arrangements	1,475	–
Henderson Property Agency Limited	Associated company of the Manager	Licensing	30	–
Galaxy Hotel Management Company Limited	Associated company of the Manager	Leasing	116	103
Citistore (Hong Kong) Limited	Associated company of the Manager	Licensing	115	30
Total			10,239	2,112

(b) Expenses

Name of Connected Person	Relationship with Sunlight REIT ^{Note}	Nature of the Connected Party Transactions	Expenses for the Year (HK\$'000)
Goodwill Management Limited	Associated company of the Manager	Property management and operations and licence fee	1,086
Hang Yick Properties Management Limited	Associated company of the Manager	Property management and operations	8,774
Henderson Sunlight Property Management Limited	Associated company of the Manager	Property management and related services and marketing services	42,831
Megastrength Security Services Company Limited	Associated company of the Manager	Security services	1,662
Metro City Management Limited	Associated company of the Manager	Property management and operations	1,943
Sheung Shui Centre Management Limited	Associated company of the Manager	Property management and operations	2,248
Contender Limited	Associated company of the Manager	Facilities leasing	66
Total			58,610

Note : Within the meaning of the REIT Code.

Connected Party Transactions

Connected Party Transactions with the Trustee Connected Persons

The following table sets out information on all the connected party transactions entered into 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 year :

Name of Connected Person	Relationship with Sunlight REIT ²	Nature of the Connected Party Transactions	Income/ Expenses for the Year (HK\$'000)	Rental and Other Deposits Received at 30 June 2013 (HK\$'000)
Leasing Transactions :				
The Hongkong and Shanghai Banking Corporation Limited (“ HSBC ”)	Trustee Connected Persons	Leasing ³	6,698	1,758
HSBC	Trustee Connected Persons	Licensing ⁴	159	41
Hang Seng Bank Limited	Trustee Connected Persons	Leasing ⁵	7,676	1,890
Ordinary Banking and Financial Services⁶ :				
HSBC	Trustee Connected Persons	Interest income received/receivable on bank deposits	25	–
HSBC	Trustee Connected Persons	Interest expense, agency and other charges on bank loans, interest expense on interest rate swaps, and other bank charges	33,614	–
HSBC Broking Securities (Asia) Limited	Trustee Connected Persons	Brokerage commission	2	–
Hang Seng Bank Limited	Trustee Connected Persons	Interest expense on bank loan and other bank charges	7,438	–
An interest rate swap of a notional amount of HK\$500 million was entered into with HSBC on 13 November 2012. Please refer to “Financial Review” on page 30 for details.				

Corporate Finance Transactions :

On 14 March 2013, Sunlight REIT MTN Limited (the “**Issuer**”), a special purpose vehicle wholly-owned by Sunlight REIT, established a US\$1,000,000,000 guaranteed medium term note (the “**Note**”) programme (the “**Programme**”). The Note may be issued by the Issuer from time to time, and will be guaranteed by the Trustee. Pursuant to a dealer agreement dated 14 March 2013 relating to the Programme and the offering and sale of Note (the “**Dealer Agreement**”) entered into by the Issuer, the Manager, HSBC and others, HSBC was appointed as one of the arrangers and was one of the dealers for the Programme and the Note. Hence, the Dealer Agreement and potentially the transactions contemplated under the Programme constitute connected party transactions of Sunlight REIT under the REIT Code. The Dealer Agreement and the transactions under the Programme that involve HSBC constitute “corporate finance transactions” between Sunlight REIT on the one part and the HSBC Group on the other part respectively, and are covered by the waivers granted by the SFC to Sunlight REIT on 30 November 2006 from strict compliance with the requirement under Chapter 8 of the REIT Code in relation to certain categories of transactions with parties related to the Trustee.

During the year, no Note was issued by the Issuer and no fee was paid to HSBC relating to the Programme.

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. A tenancy agreement was entered into for Shop Nos. 1024-31, Sheung Shui Centre Shopping Arcade whereby both parties had agreed to extend a further term of 3 years from 4 November 2011 to 3 November 2014.
4. For external wall signage Nos. 1 & 82-93, Level 1, and light box F2, Level 2, Sheung Shui Centre Shopping Arcade.
5. A tenancy agreement was entered into for Shop No. 211, Metro City Phase I Property whereby both parties had agreed to extend a further term of 3 years from 17 February 2012 to 16 February 2015.
6. 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.

Other Disclosures

Pursuant to note (2) to paragraph 8.10 of the REIT Code, services provided by the Manager, the Trustee and the Principal Valuer to Sunlight REIT as contemplated under the constitutive documents shall not be deemed connected party transactions and therefore 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\$72.8 million and HK\$3.8 million respectively. Particulars of services provided by the Principal Valuer, the Manager and the Trustee, including terms and remuneration, are set out in notes 25(b)(ii) and (iv) of the Consolidated Financial Statements. The fees payable to the Principal Valuer during the year was less than HK\$1 million and no disclosure was required in this section of the annual report.

On 18 February 2013, the rights, obligations and undertakings of Keep Harvest Development Limited ("**Keep Harvest**") under the sale and purchase agreement dated 2 December 2006, the deed of tax covenant dated 21 December 2006 and the deed of adjustment payments (with HLD as guarantor) dated 2 December 2006, each as described in the Offering Circular, to which Keep Harvest is a party (together, the "**Transaction Documents**") have been assigned and novated to Profit Best Development Limited, a wholly-owned subsidiary of HLD (the "**Transferee**"). The duties, undertakings, warranties, obligations, liabilities, claims and demands of Keep Harvest under the Transaction Documents have been released and have been assumed by the Transferee. The representations and warranties given by Keep Harvest under the relevant Transaction Documents were taken to have been given by the Transferee, and the obligations and liabilities of Keep Harvest as so novated to the Transferee were guaranteed by HLD.

Confirmation by the INEDs of the Manager

The INEDs of the Manager confirm that they have reviewed all relevant connected party transactions during the year as disclosed above and they are satisfied 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 sufficient 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 readily 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.

Connected Party Transactions

Confirmation by the Manager and the Trustee

Each of the Manager and the Trustee confirms that the Dealer Agreement and the transactions under the Programme that involve HSBC have complied with the general conditions of the relevant waiver granted by the SFC to Sunlight REIT on 30 November 2006 in respect of “corporate finance transactions” between Sunlight REIT and the HSBC Group and that the Trustee has not been involved in the making of any decision to enter into any of the above corporate finance transactions on behalf of Sunlight REIT (subject to the Trustee’s duties of oversight under the REIT Code and the Trust Deed) including the selection of arrangers and dealers for the Programme and the Note.

Confirmation by Auditor of Sunlight REIT

Pursuant to the waivers granted by the SFC from strict compliance with the requirement under Chapter 8 of the REIT Code, the Manager has engaged KPMG, being the auditor of Sunlight REIT, to report on the continuing connected party transactions on the leasing and licensing arrangements (including facilities leasing), property management and operations (including joint effort arrangements and security services), ordinary banking and financial services and corporate finance transactions for the year 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 aforesaid continuing connected party transactions disclosed in this annual report in accordance with the waivers and a copy of such letter will be provided to the SFC.

Disclosure of Interests

The REIT Code requires that connected persons (as defined in paragraph 8.1 of the REIT Code) of Sunlight REIT to disclose their interests in units. Further, certain provisions of Part XV of the SFO in relation to disclosure of interest are deemed, pursuant to Schedule C of the Trust Deed, to apply to each of the Manager, its Directors or chief executive, and also indirectly to certain persons interested in or having a short position in units.

Holdings of the Manager, its Directors or Chief Executive

At 30 June 2013 and 30 June 2012, the interests and short position in units of the Manager, its Directors or chief executive as recorded in the register required to be kept by the Manager under Schedule C of the Trust Deed, were as follows :

Name	At 30 June 2013		At 30 June 2012		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	64,570,136	3.99	51,723,294	3.22	0.77
Au Siu Kee, Alexander ³	1,329,000	0.082	1,329,000	0.083	-0.001
Wu Shiu Kee, Keith ⁴	250,000	0.015	–	–	0.015

Notes :

1. The percentages expressed are based on the total units in issue of 1,616,330,766 at 30 June 2013 and 1,605,583,924 at 30 June 2012 respectively.
2. At 30 June 2012, the Manager beneficially held 51,723,294 units. With the issue of 7,580,383 and 5,266,459 new units to the Manager on 30 October 2012 and 26 April 2013 respectively as payment of part of the Manager's fees, the Manager beneficially held 64,570,136 units at 30 June 2013.
3. At 30 June 2013, Mr. Au Siu Kee, Alexander, Chairman and Non-executive Director of the Manager, was interested in 1,329,000 units (30 June 2012 : 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.
4. At 30 June 2013, Mr. Wu Shiu Kee, Keith, Chief Executive Officer and Executive Director of the Manager, was interested in 250,000 units within the meaning of Part XV of the SFO. Mr. Wu did not have any beneficial interest in units at 30 June 2012.

Other than the above, none of the Manager, its Directors or chief executive was beneficially interested (or deemed to be interested) in units or held any short position in units at 30 June 2013 and 30 June 2012 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 30 June 2013 and 30 June 2012, the interests and short position in units of every person, other than the Manager, its Directors or chief executive, as recorded in the register required to be kept by the Manager under Schedule C of the Trust Deed, were as follows :

Name	At 30 June 2013		At 30 June 2012		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	582,555,161	36.04	559,899,322	34.87	1.17
Lee Financial (Cayman) Limited ²	374,072,708	23.14	374,072,708	23.30	-0.16
Leesons (Cayman) Limited ²	374,072,708	23.14	374,072,708	23.30	-0.16
Leeworld (Cayman) Limited ²	374,072,708	23.14	374,072,708	23.30	-0.16
SKFE ²	374,072,708	23.14	374,072,708	23.30	-0.16
Uplite Limited ²	224,443,625	13.89	224,443,625	13.98	-0.09
Wintrade Limited ²	149,629,083	9.26	149,629,083	9.32	-0.06
Henderson Development Limited ²	195,635,611	12.10	195,635,611	12.18	-0.08
HLD ²	195,635,611	12.10	195,635,611	12.18	-0.08
Hopkins (Cayman) Limited ²	195,635,611	12.10	195,635,611	12.18	-0.08
Riddick (Cayman) Limited ²	195,635,611	12.10	195,635,611	12.18	-0.08
Rimmer (Cayman) Limited ²	195,635,611	12.10	195,635,611	12.18	-0.08
Silchester International Investors LLP ³	257,791,150	15.95	292,519,150	18.22	-2.27
Silchester International Investors International Value Equity Trust ³	128,314,922	7.94	142,292,922	8.86	-0.92

Notes :

1. The percentages expressed are based on the total units in issue of 1,616,330,766 at 30 June 2013 and 1,605,583,924 at 30 June 2012 respectively.
2. At 30 June 2013, 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 2013, 76,533,345 units were owned by Cobase Limited, 67,378,972 units were owned by Richful Resources Limited and 64,570,136 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), each of HD, HLD, Hopkins, Riddick and Rimmer was taken to be interested in a total of 208,482,453 units at 30 June 2013 (representing approximately 12.90% of the total units in issue). In the register required to be kept by the Manager under Schedule C of the Trust Deed, each of HD, HLD, Hopkins, Riddick and Rimmer was respectively recorded as having an interest in 195,635,611 units at 30 June 2013, as no further notification arose on their parts subsequent to the last notification in respect of their interests in units.

Under Part XV of the SFO (as so applied), Dr. Lee Shau Kee was therefore taken to be interested in a total of 582,555,161 units at 30 June 2013 (representing approximately 36.04% 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 2013, the units mentioned under this note were beneficially held by connected persons of Sunlight REIT.

- At 30 June 2013, 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 257,791,150 units, of which 128,314,922 units were beneficially owned by Silchester International Investors International Value Equity Trust ("**Silchester Trust**"). Subsequent to year-end, the Manager has been notified informally that at 30 June 2013, (i) Silchester LLP was interested in 250,899,150 units (representing approximately 15.52% of the total units in issue); and (ii) the beneficial interest owned by Silchester Trust had decreased to 114,553,922 units (representing approximately 7.09% of the total units in issue), and such interest has been included as part of the interests (reported above) of Silchester LLP.

Holdings of other Connected Persons

So far as is known to the Manager and save as disclosed above, the holdings of units of other connected persons (as defined in paragraph 8.1 of the REIT Code, subject to the exclusion granted by the SFC) of Sunlight REIT at 30 June 2013 were as follows :

Name of Connected Persons	Number of Units Held	% of Unit Holding ¹
Chan Wing Cheng ²	100,000	0.0062
Lee King Yue ³	50,000	0.0031
Lee Pui Ling, Angelina ⁴	2,307	0.0001
Mao Kenneth Ruys ⁵	500,000	0.0310
Lo Yuk Fong, Phyllis ⁶	10,000	0.0006
Persons related to the Trustee ⁷	120,000	0.0074

Notes :

- The percentage expressed is based on the total units in issue of 1,616,330,766 at 30 June 2013.
- 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 100,000 units at 30 June 2012.
- 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 2012.
- 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 2012.
- 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 2012.
- Ms. Lo Yuk Fong, Phyllis was a connected person by virtue of being a senior executive of the Manager. Ms. Lo did not have any beneficial interest in units at 30 June 2012.
- 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 2013. Their beneficial interest was 120,000 units at 30 June 2012.

Valuation Report

30 July 2013

Henderson Sunlight Asset Management Limited
30/F, 248 Queen's Road East
Wan Chai
Hong Kong

HSBC Institutional Trust Services (Asia) Limited
17/F, Tower 2 & 3, HSBC Centre
1 Sham Mong Road
Kowloon
Hong Kong



JONES LANG
LASALLE®

仲
量
聯
行

6/F Three Pacific Place
1 Queen's Road East, Hong Kong
香港皇后大道東1號
太古廣場三期6樓
tel +852 2846 5000
fax +852 2968 0078

Dear Sirs

SUNLIGHT REIT – ANNUAL VALUATION AS AT 30 JUNE 2013

Instructions

We refer to the instruction from Henderson Sunlight Asset Management Limited (“the **Manager**”), acting as the manager of Sunlight Real Estate Investment Trust (“**Sunlight REIT**”), and HSBC Institutional Trust Services (Asia) Limited (“**Trustee**”) to conduct property valuations (“**Valuation**”) for the Sunlight REIT’s property portfolio (“the **Portfolio**”) as at 30 June 2013 for the Annual Report compliance with the relevant requirements set out in the Code on Real Estate Investment Trusts (the “**REIT Code**”) issued by the Securities and Futures Commission of Hong Kong (“**SFC**”), the trust deed of Sunlight REIT and, where applicable, the Listing Rules of The Stock Exchange of Hong Kong.

We confirm that we have inspected the Portfolio, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing our opinion of market value of the Portfolio, with the benefit of existing tenancies, as at 30 June 2013 (the “**Date of Valuation**”).

The Portfolio

The Portfolio as identified to us for this valuation is listed below :

- (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 Winsome House, 73 Wyndham Street, Central, Hong Kong (“Winsome House Property”)

- (5) Various Portions in 135 Bonham Strand Trade Centre, 135 Bonham Strand, Sheung Wan, Hong Kong ("135 Bonham Strand Trade Centre Property")
- (6) 235 Wing Lok Street Trade Centre, 235 Wing Lok Street, Sheung Wan, Hong Kong ("235 Wing Lok Street Trade Centre Property")
- (7) Java Road 108 Commercial Centre, 108 Java Road, North Point, Hong Kong ("Java Road 108 Commercial Centre Property")
- (8) Various Portions in Yue Fai Commercial Centre, 208 Aberdeen Main Road, Aberdeen, Hong Kong ("Yue Fai Commercial Centre Property")
- (9) 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")
- (10) Everglory Centre, 1B Kimberley Street, Tsim Sha Tsui, Kowloon, Hong Kong ("Everglory Centre Property")
- (11) Various Portions in Sun Fai Commercial Centre, 576 Reclamation Street, Mong Kok, Kowloon, Hong Kong ("Sun Fai Commercial Centre Property")
- (12) Various Portions in Wai Ching Commercial Building, 77 Wai Ching Street, Yau Ma Tei, Kowloon, Hong Kong ("Wai Ching Commercial Building Property")
- (13) 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")
- (14) 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")
- (15) Various Portions in Kwong Wah Plaza, 11 Tai Tong Road, Yuen Long, New Territories, Hong Kong ("Kwong Wah Plaza Property")
- (16) 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")
- (17) Various Shop Units on Ground Floor, Beverley Commercial Centre, 87-105 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong ("Beverley Commercial Centre 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")

Valuation Report

Valuer's Interest

We hereby certify Jones Lang LaSalle Limited is unaware of any of our business, relationship or interest is in real, potential or apparent conflict with the performance required for the above-mentioned assignment.

Basis of Valuation

Unless otherwise stated, our valuation has been prepared in accordance with Chapter 6.8 of the REIT Code, "The HKIS Valuation Standards 2012 Edition" published by The Hong Kong Institute of Surveyors ("HKIS") and our General Principles of Valuation. Where the Valuation Standards are silent on subjects requiring guidance, we would refer to "RICS Valuation – Professional Standards" published by the Royal Institution of Chartered Surveyors ("RICS") and the "International Valuation Standards" published by the International Valuation Standards Committee ("IVSC") subject to variation to meet local established law, custom, practice and market conditions.

Our valuation of the Portfolio is made on the basis of the 'Market Value' adopted by the HKIS, set out as :

"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Our valuation services have been executed in accordance with our Quality Assurance System, accredited by HKQAA via ISO 9001:2008 and our report prepared with reference to the assumptions, definitions and limiting conditions as set out in our General Principles of Valuation.

Valuation Methodologies

We have relied on the Direct Comparison method and Income Capitalisation Approach in arriving at our valuation conclusion.

Direct Comparison Approach

The direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transferred its legal ownership. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

This method has inherent limitations in quantitatively capturing various property specific characteristics including the quality of occupancy, existing rental income and reversionary potential, management and levels of performance of the Portfolio, existing tenant covenants and investors' expectations on returns. The ability to apply these assumptions in the income capitalisation approach is more appropriate for valuing an investment property where investors' emphasis on delivering returns is of paramount importance. The specific factors and assumptions applied within the income capitalisation approach have been derived via analysis and appreciation of market evidence and expectations.

The direct comparison approach is however useful as cross check to the overall unit values (per square foot) derived from the income capitalisation approach.

Income Capitalisation Approach

The income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and our interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in our valuation have reference to our view of recent lettings, within the subject building and other comparable premises.

In determining the capitalisation rates for the Portfolio, we have made particular reference to recent major investment transactions. The range of Capitalisation Rates adopted in our valuation is as follows :

Retail : 3.60% to 4.50%

Office : 3.85% to 4.10%

Car Park : 4.50% to 6.00%

Valuation Reconciliation

Our valuation of the property interests would be a reconciliation of the results of the above valuation methods and the assessed value will be analysed in terms of estimated net property yield and on a dollar per square foot basis.

Valuation Assumptions

Assumptions

The valuations have been made on the assumption that Sunlight REIT sells the property interests in the open market without the benefit of deferred-terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could serve to affect the values of the property interests.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Portfolio nor for any expenses or taxation which may be incurred in effecting sales. Unless otherwise stated, it is assumed that the Portfolio is free of encumbrances, restrictions and outgoings of an onerous nature which could affect the capital values of the properties.

Title Investigation and Encumbrances

We have conducted searches of the Land Registry records of the Portfolio. However, we have not examined the original documents to verify ownership or to ascertain the existence of any lease amendments, which may not appear on the copies handed to us. All documents and leases have been used for reference only and all dimensions, measurements and areas are approximate.

Property Inspection

We have inspected the exterior, and where possible the interior of the Portfolio during the period between 13 June 2013 and 19 June 2013.

We have not conducted formal site and structural surveys and, as such, we cannot report that the Portfolio is free from rot, infestation or any other structural defects. We have not carried out a building survey, nor have we inspected those parts of the Portfolio which are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts. No tests have been carried out to any of the services.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the Portfolio, or has since been incorporated, and we are therefore unable to report that the Portfolio are free from risk in this respect. For the purpose of this valuation we have assumed that such investigations would not disclose the presence of any such material to any significant extent.

Valuation Report

Site Investigation

We have not carried out any investigations on site in order to determine the suitability of ground conditions and services etc. for future redevelopment, nor did we undertake archaeological, ecological or environmental surveys. Our valuation is on the basis that these aspects are satisfactory and that where developments are contemplated, no extraordinary expenses or delays will be incurred during the construction period due to these, or to archaeological or ecological matters. In the course of our assessments, we have assumed that no contamination affecting the Portfolio or the neighbouring land. However, should it be established subsequently that contamination exists at the Portfolio or on any neighbouring land, or that the premises have been or are being put to any contaminative use, we reserve the right to adjust the values reported herein.

Plant and Machinery

Our valuation normally includes all plant and machinery that form part of the building services installations. However, process plant, machinery and equipment which may have been installed wholly in connection with the occupiers' commercial processes, together with furniture and furnishings, tenants' fixtures and fittings are excluded in our valuation.

Telecommunication Facilities

We have assumed that all telecommunication facilities at the Portfolio are permitted and that all necessary approvals have been obtained from the relevant authorities.

Acknowledgement of Information

We have relied to a considerable extent on the information provided by the Manager and have accepted advice given to us on such matters as identification of the Portfolio, planning approvals, statutory notices, easements, tenure, occupation, floor plans, floor areas, tenancy schedule and all other relevant matters.

In the course of our valuation, we have also made reference to inter alia, the following information provided by the Manager :

1. Copy of Rent Roll as at 31 May 2013 and 30 June 2013;
2. Copy of Other Retail and Car Park Incomes and Car Park Expenses from June 2012 to May 2013;
3. Copy of Expense Report from July 2012 to May 2013; and
4. Copy of layout plans of the Portfolio.

Dimensions, measurements and areas included in the report are based on information contained in copies of documents provided to us and are therefore only approximations. No on site measurements have been taken. We have not been instructed to independently verify the information provided to us. Our valuation is totally dependent on the adequacy and accuracy of the information supplied and/or the assumptions made. Should these prove to be incorrect or inadequate, the accuracy of the valuation may be affected.

We have not seen original planning and/or development and occupation consents. We have assumed that the Portfolio have been erected, being occupied and used in accordance with such consents and that there are no outstanding statutory notices.

Summary of Valuation

A summary of our opinion of the market value of each property, subject to the existing tenancies, as at 30 June 2013, are as follows :

Property name	Approximate Gross Rentable Area (sq. ft.)	No. of Parking Lots (excluding motor and bicycle spaces)	Market Value as at 30 June 2013 (HK\$'million)	Adopted Capitalisation Rate			Estimated Net Property Yield (%)
				Retail (%)	Office (%)	Car Park (%)	
1. 248 Queen's Road East Property	376,381	46	3,773.9	3.75	3.85	4.50	3.50
2. Bonham Trade Centre Property	117,909	N/A	793.2	4.20	3.85	N/A	3.90
3. Righteous Centre Property	51,767	N/A	582.5	3.60	3.95	N/A	3.70
4. Winsome House Property	40,114	N/A	476.4	4.00	3.85	N/A	3.70
5. 135 Bonham Strand Trade Centre Property	63,915	N/A	410.0	4.20	3.85	N/A	3.90
6. 235 Wing Lok Street Trade Centre Property	52,285	N/A	249.0	4.25	3.85	N/A	3.90
7. Java Road 108 Commercial Centre Property	37,923	N/A	229.5	4.20	3.95	N/A	3.80
8. Yue Fai Commercial Centre Property	42,751	N/A	230.8	4.10	4.10	N/A	3.90
9. On Loong Commercial Building Property	25,564	N/A	206.5	4.00	3.95	N/A	3.70
10. Everglory Centre Property	29,802	N/A	176.0	4.15	3.85	N/A	3.70
11. Sun Fai Commercial Centre Property	26,151	N/A	148.7	4.35	4.10	N/A	4.00
12. Wai Ching Commercial Building Property	16,321	N/A	52.1	4.20	3.85	N/A	3.50
13. Sheung Shui Centre Property	122,339	297	3,318.1	4.40	N/A	6.00	4.20
14. Metro City Phase I Property	188,889	452	2,570.8	4.50	N/A	5.50	4.40
15. Kwong Wah Plaza Property	64,842	N/A	825.5	3.80	3.85	N/A	3.60
16. Royal Terrace Property	9,565	49	151.9	4.25	N/A	5.00	4.40
17. Beverley Commercial Centre Property	7,934	N/A	122.0	4.30	N/A	N/A	3.80
18. Supernova Stand Property	4,226	N/A	54.8	4.00	N/A	N/A	3.80
19. Palatial Stand Property	8,625	N/A	37.1	4.35	N/A	N/A	2.20
Total	1,287,303	844	14,408.8				3.90

Valuation

We are of the opinion that the market value of the unencumbered leasehold interest of the Portfolio, subject to the existing tenancies, as at 30 June 2013, was in the sum of **HK\$14,408,800,000 (HONG KONG DOLLARS FOURTEEN BILLION FOUR HUNDRED EIGHT MILLION AND EIGHT HUNDRED THOUSAND)**.

The notional apportionment of the Retail Properties and Office Properties was as follows :

	Market Value (HK\$)	Estimated Net Property Yield (%)
Retail Properties	7,080,200,000	4.20
Office Properties	7,328,600,000	3.70
Total	14,408,800,000	3.90

We enclose herewith our summary valuation report.

Conversion Factor

Conversion factors used in this report are : 1 square metre = 10.764 square feet
1 metre = 3.2808 feet

Yours faithfully
For and on behalf of
Jones Lang LaSalle Limited

C K Lau MRICS, MHKIS, RPS (GP)
International Director
Licence No.: E-131615

Valuation Report

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 2013

HK\$10,840,000 exclusive of rates, management fees and air-conditioning charges

Monthly Car Parking Income as at 30 June 2013

HK\$253,900 exclusive of operating expenses, rates, Government rents and management fees

Monthly Licence Income as at 30 June 2013

HK\$2,400 exclusive of rates and management fees

Market Value in existing state as at 30 June 2013

HK\$3,773,900,000

Estimated Net Property Yield

3.5%

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 2013

HK\$2,570,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2013

HK\$793,200,000

Estimated Net Property Yield

3.9%

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 2013

HK\$1,710,000 exclusive of rates, management fees and air-conditioning charges

Monthly Licence Income as at 30 June 2013

HK\$94,500 exclusive of rates and management fees

Market Value in existing state as at 30 June 2013

HK\$582,500,000

Estimated Net Property Yield

3.7%

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 2013

HK\$1,450,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2013

HK\$476,400,000

Estimated Net Property Yield

3.7%

Valuation Report

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 2013

HK\$1,320,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2013

HK\$410,000,000

Estimated Net Property Yield

3.9%

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 2013

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

Market Value in existing state as at 30 June 2013

HK\$249,000,000

Estimated Net Property Yield

3.9%

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. The total annual Government rent payable for the lots is HK\$188,912.

Monthly Rental Income as at 30 June 2013

HK\$735,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2013

HK\$229,500,000

Estimated Net Property Yield

3.8%

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 a part of HK\$7.28.

Monthly Rental Income as at 30 June 2013

HK\$742,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2013

HK\$230,800,000

Estimated Net Property Yield

3.9%

Valuation Report

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 2013

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

Market Value in existing state as at 30 June 2013

HK\$206,500,000

Estimated Net Property Yield

3.7%

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 Regrant 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 2013

HK\$547,000 exclusive of rates, management fees and air-conditioning charges

Monthly Licence Income as at 30 June 2013

HK\$1,200 exclusive of rates and management fees

Market Value in existing state as at 30 June 2013

HK\$176,000,000

Estimated Net Property Yield

3.7%

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 2013

HK\$500,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2013

HK\$148,700,000

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 2013

HK\$150,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2013

HK\$52,100,000

Estimated Net Property Yield

3.5%

Valuation Report

Sheung Shui Centre 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 2013

HK\$10,800,000 exclusive of rates, management fees and air-conditioning charges but inclusive of turnover rent

Monthly Car Parking Income as at 30 June 2013

HK\$752,200 exclusive of operating expenses, rates, Government rents and management fees

Monthly Licence Income as at 30 June 2013

HK\$143,000 exclusive of rates and management fees

Market Value in existing state as at 30 June 2013

HK\$3,318,100,000

Estimated Net Property Yield

4.2%

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 2013

HK\$8,240,000 exclusive of rates, management fees and air-conditioning charges but inclusive of turnover rent

Monthly Car Parking Income as at 30 June 2013

HK\$1,020,800 exclusive of operating expenses, rates, Government rents and management fees

Monthly Licence Income as at 30 June 2013

HK\$122,400 exclusive of rates and management fees

Market Value in existing state as at 30 June 2013

HK\$2,570,800,000

Estimated Net Property Yield

4.4%

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 2013

HK\$2,480,000 exclusive of rates, management fees and air-conditioning charges

Monthly Licence Income as at 30 June 2013

HK\$8,400 exclusive of rates and management fees

Market Value in existing state as at 30 June 2013

HK\$825,500,000

Estimated Net Property Yield

3.6%

Royal Terrace Property

Various Shops on Ground Floor, Signage Space and Island, Car Parking 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 car parking 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 car parking 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. The total annual Government rent payable for the lots is part of HK\$934,976.

Monthly Rental Income as at 30 June 2013

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

Monthly Car Parking Income as at 30 June 2013

HK\$108,400 exclusive of operating expenses, rates, Government rents and management fees

Market Value in existing state as at 30 June 2013

HK\$151,900,000

Estimated Net Property Yield

4.4%

Valuation Report

Beverley Commercial Centre Property

Various Shop Units on Ground Floor, Beverley 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 2013

HK\$390,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2013

HK\$122,000,000

Estimated Net Property Yield

3.8%

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 a part of HK\$338.

Monthly Rental Income as at 30 June 2013

HK\$173,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2013

HK\$54,800,000

Estimated Net Property Yield

3.8%

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 2013

HK\$66,800 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2013

HK\$37,100,000

Estimated Net Property Yield

2.2%

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

Trustee's Report

To the Unitholders of Sunlight Real Estate Investment Trust

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

We hereby confirm that, in our opinion, the Manager of Sunlight Real Estate Investment Trust has, in all material respects, managed Sunlight Real Estate Investment Trust in accordance with the provisions of the Trust Deed dated 26 May 2006 (as amended) for the year ended 30 June 2013.

HSBC Institutional Trust Services (Asia) Limited

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

Hong Kong, 5 September 2013

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 74 to 112, which comprise the consolidated balance sheet as at 30 June 2013, 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 determines 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.

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 2013 and of its 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

5 September 2013

Consolidated Income Statement

For the year ended 30 June 2013
(Expressed in Hong Kong dollars)

	Note	2013 \$'000	2012 \$'000
Turnover	4 & 5	630,201	581,685
Property operating expenses	4 & 6	(139,604)	(133,157)
Net property income		490,597	448,528
Other income	7	3,171	3,317
Gain on disposal of investment properties	11(b)	2,088	–
Administrative expenses		(82,881)	(79,753)
Net increase in fair value of investment properties	11	1,440,704	808,342
Profit from operations		1,853,679	1,180,434
Finance costs on interest bearing liabilities	8(a)	(128,050)	(110,131)
Profit before taxation and transactions with unitholders	8	1,725,629	1,070,303
Income tax	9(a)	(51,008)	(43,053)
Profit after taxation and before transactions with unitholders		1,674,621	1,027,250

The notes on pages 81 to 112 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2013
(Expressed in Hong Kong dollars)

	2013 \$'000	2012 \$'000
Profit after taxation and before transactions with unitholders	1,674,621	1,027,250
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss :		
– Changes in fair value of cash flow hedges recognised during the year	80,054	(53,459)
Total comprehensive income for the year	1,754,675	973,791

The notes on pages 81 to 112 form part of these consolidated financial statements.

Consolidated Balance Sheet

At 30 June 2013

(Expressed in Hong Kong dollars)

	Note	2013 \$'000	2012 \$'000
Non-current assets			
Fixed assets	11		
– Investment properties		14,408,800	13,038,800
– Other fixed assets		102	78
		14,408,902	13,038,878
Deferred tax assets	9(c)	3,875	4,743
Derivative financial instruments	13	25,471	–
Reimbursement rights	12	203,413	203,413
		14,641,661	13,247,034
Current assets			
Trade and other receivables	14	27,501	26,057
Cash and bank balances	15	329,126	260,880
Tax recoverable		158,096	158,506
		514,723	445,443
Total assets		15,156,384	13,692,477
Current liabilities			
Tenants' deposits	16	(159,982)	(144,598)
Rent receipts in advance		(5,183)	(4,360)
Trade and other payables	17	(215,441)	(211,490)
Derivative financial instruments	13	(27,912)	(47,410)
Tax payable		(41,774)	(25,444)
		(450,292)	(433,302)
Net current assets		64,431	12,141
Total assets less current liabilities		14,706,092	13,259,175

Consolidated Balance Sheet (continued)

At 30 June 2013

(Expressed in Hong Kong dollars)

		2013 \$'000	2012 \$'000
Non-current liabilities, excluding net assets attributable to unitholders			
Secured bank borrowings	18	(3,874,760)	(3,915,850)
Deferred tax liabilities	9(c)	(269,409)	(256,096)
Derivative financial instruments	13	(30,188)	(65,273)
		(4,174,357)	(4,237,219)
Total liabilities, excluding net assets attributable to unitholders			
		(4,624,649)	(4,670,521)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS			
		10,531,735	9,021,956
Number of units in issue			
	19	1,616,330,766	1,605,583,924
Net asset value attributable to unitholders per unit			
		\$6.52	\$5.62

The consolidated financial statements on pages 74 to 112 were approved and authorised for issue by Henderson Sunlight Asset Management Limited, as the manager of Sunlight Real Estate Investment Trust (the “**Manager**”), on 5 September 2013 and were signed on its behalf by :

Au Siu Kee, Alexander
Chairman

Wu Shiu Kee, Keith
Executive Director

The notes on pages 81 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 2013
(Expressed in Hong Kong dollars)

	Note	2013 \$'000	2012 \$'000
At the beginning of the year		9,021,956	8,261,928
Profit after taxation and before transactions with unitholders		1,674,621	1,027,250
Other comprehensive income		80,054	(53,459)
Total comprehensive income for the year		1,754,675	973,791
Distribution paid to unitholders		(276,677)	(257,024)
Issuance of units to the Manager during the year	19	38,599	52,173
Units repurchased	19	(6,789)	(8,873)
Units repurchase expenses	19	(29)	(39)
At the end of the year		10,531,735	9,021,956

The notes on pages 81 to 112 form part of these consolidated financial statements.

Distribution Statement

For the year ended 30 June 2013
(Expressed in Hong Kong dollars)

	Note	2013 \$'000	2012 \$'000
Profit after taxation and before transactions with unitholders		1,674,621	1,027,250
Adjustments :			
– Gain on disposal of investment properties	11(b)	(2,088)	–
– Net increase in fair value of investment properties	11	(1,440,704)	(808,342)
– Manager’s fees paid or payable in the form of units		36,203	45,928
– Non-cash finance costs on interest bearing liabilities		24,809	13,822
– Deferred tax	9(a)	14,181	19,773
		(1,367,599)	(728,819)
Total distributable income (note (i))		307,022	298,431
Interim distribution, paid (notes (ii) and (iv))		136,991	132,748
Final distribution, to be paid to unitholders (notes (iii) and (iv))		148,703	139,686
Total distributions for the year (note (i))		285,694	272,434
Payout ratio (note (iii))		93.1%	91.3%
Distribution per unit :			
Interim distribution per unit, paid		8.50 cents	8.30 cents
Final distribution per unit, to be paid to unitholders		9.20 cents	8.70 cents
		17.70 cents	17.00 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.
- (ii) The interim distribution of \$136,991,000 for the six months ended 31 December 2012 (31 December 2011 : \$132,748,000) is calculated by multiplying the interim distribution per unit of 8.50 cents by 1,611,664,307 units in issue at 31 December 2012 (31 December 2011 : 8.30 cents by 1,599,374,927 units in issue at 31 December 2011).
- (iii) The final distribution of \$148,703,000 for the year ended 30 June 2013 (2012 : \$139,686,000) is calculated by multiplying the final distribution per unit of 9.20 cents by 1,616,330,766 units in issue at 30 June 2013 (2012 : 8.70 cents by 1,605,583,924 units in issue at 30 June 2012).

Together with the interim distribution, the total distribution for the year ended 30 June 2013 represent a payout ratio of 93.1% (2012 : 91.3%) of Sunlight REIT’s total distributable income for the year.
- (iv) The 2013 interim distribution was paid to unitholders on 28 March 2013. The 2013 final distribution is expected to be paid on 30 October 2013 to unitholders whose names appear on the register of unitholders on 27 September 2013.
- (v) The final distribution proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

The notes on pages 81 to 112 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 30 June 2013
(Expressed in Hong Kong dollars)

	Note	2013 \$'000	2012 \$'000
Operating activities			
Profit before taxation and transactions with unitholders		1,725,629	1,070,303
Adjustments :			
– Manager's fees paid or payable in the form of units		36,203	45,928
– Net increase in fair value of investment properties	11	(1,440,704)	(808,342)
– Finance costs on interest bearing liabilities	8(a)	128,050	110,131
– Gain on disposal of investment properties	11(b)	(2,088)	–
– Depreciation	11	27	16
– Interest income	7	(3,167)	(3,312)
Operating cash flow before changes in working capital		443,950	414,724
(Increase)/decrease in trade and other receivables		(1,479)	405
Increase in tenants' deposits		15,384	9,274
Increase/(decrease) in rent receipts in advance		823	(924)
Increase/(decrease) in trade and other payables		6,165	(5,406)
Cash generated from operations		464,843	418,073
Tax paid			
– Hong Kong Profits Tax paid		(20,087)	(5,658)
Net cash generated from operating activities		444,756	412,415
Investing activities			
Interest received		3,202	3,369
Net proceeds from disposal of investment properties		77,388	–
Expenditure on investment properties		(4,596)	(8,258)
Payment for the purchase of other fixed assets		(51)	(50)
Decrease/(increase) in pledged deposits with original maturity over three months		35,251	(32,481)
Net cash generated from/(used in) investing activities		111,194	(37,420)
Financing activities			
Distribution paid to unitholders		(276,677)	(257,024)
Payment for repurchases of units		(6,818)	(8,912)
Other borrowing costs paid		(40,900)	(46,088)
Proceeds from new bank borrowings		2,000,000	3,950,000
Repayment of bank borrowings		(2,025,000)	(3,950,000)
Interest paid		(103,058)	(95,868)
Net cash used in financing activities		(452,453)	(407,892)
Net increase/(decrease) in cash and cash equivalents		103,497	(32,897)
Cash and cash equivalents at the beginning of the year	15	99,366	132,263
Cash and cash equivalents at the end of the year	15	202,863	99,366

The notes on pages 81 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 in Hong Kong with the objective of producing stable and sustainable distributions to unitholders and to achieve long term growth in the net asset value per unit. It has its principal place of business at 30th Floor, 248 Queen’s Road East, Wan Chai, Hong Kong.

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”) and 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 significant 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 2013 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)).

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.

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

2 Significant accounting policies (continued)

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

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 26.

(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)).

2 Significant accounting policies (continued)

(f) Hedging

Cash flow hedges

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(ii)) 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(p)(i).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(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

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.

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

2 Significant accounting policies (continued)

(h) Other fixed assets (continued)

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 using the effective interest method, 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 asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), 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.

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 receivables 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) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(n) 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.

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

2 Significant accounting policies (continued)

(n) Income tax (continued)

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

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from 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 sale 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.

2 Significant accounting policies (continued)

(o) Provisions and contingent liabilities

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

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

(p) 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.

(q) Borrowing costs

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

(r) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person :
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group.
- (b) An entity is related to the Group if any of the following conditions applies :
 - (i) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (ii) The entity is controlled or jointly controlled by a person identified in (a).
 - (iii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity.

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

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

2 Significant accounting policies (continued)

(s) 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 several amendments to HKFRSs that are first effective for the current accounting period of the Group. These included the amendments to HKAS 12, *Income taxes – Deferred tax: recovery of underlying assets*, which the Group has already adopted in prior years. In respect of the other developments, the amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*, require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these consolidated financial statements has been modified accordingly.

Except as described above, none of the other developments are relevant to the Group's consolidated financial statements and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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.

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 cash and bank balances, 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.

4 Segment reporting *(continued)*

Segment results, assets and liabilities *(continued)*

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, gain/(loss) on disposal 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 :

	2013			2012		
	Office properties \$'000	Retail properties \$'000	Total \$'000	Office properties \$'000	Retail properties \$'000	Total \$'000
Turnover						
– rental income	248,330	257,870	506,200	226,992	238,746	465,738
– car park income	3,104	22,874	25,978	2,966	20,049	23,015
– rental related income	51,387	46,636	98,023	48,960	43,972	92,932
	302,821	327,380	630,201	278,918	302,767	581,685
Property operating expenses	(62,462)	(77,142)	(139,604)	(60,414)	(72,743)	(133,157)
Net property income	240,359	250,238	490,597	218,504	230,024	448,528
Administrative expenses	(38,189)	(36,988)	(75,177)	(34,964)	(33,469)	(68,433)
Segment results	202,170	213,250	415,420	183,540	196,555	380,095
Net increase in fair value of investment properties	643,233	797,471	1,440,704	412,738	395,604	808,342
Gain on disposal of investment properties	–	2,088	2,088	–	–	–
Finance costs on interest bearing liabilities			(128,050)			(110,131)
Income tax			(51,008)			(43,053)
Interest income			3,167			3,312
Unallocated net expenses			(7,700)			(11,315)
Profit after taxation and before transactions with unitholders			1,674,621			1,027,250
Depreciation	14	13	27	7	9	16

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

4 Segment reporting (continued)

Segment results, assets and liabilities (continued)

	2013			2012		
	Office properties \$'000	Retail properties \$'000	Total \$'000	Office properties \$'000	Retail properties \$'000	Total \$'000
Segment assets	7,473,234	7,161,633	14,634,867	6,827,381	6,440,597	13,267,978
Derivative financial instruments			25,471			–
Cash and bank balances			329,126			260,880
Tax recoverable			158,096			158,506
Deferred tax assets			3,875			4,743
Unallocated assets			4,949			370
Total assets			15,156,384			13,692,477
Segment liabilities	(113,321)	(104,419)	(217,740)	(102,820)	(95,046)	(197,866)
Derivative financial instruments			(58,100)			(112,683)
Secured bank borrowings			(3,874,760)			(3,915,850)
Tax payable			(41,774)			(25,444)
Deferred tax liabilities			(269,409)			(256,096)
Unallocated liabilities			(162,866)			(162,582)
Total liabilities, excluding net assets attributable to unitholders			(4,624,649)			(4,670,521)
Capital expenditure incurred during the year	3,095	1,552	4,647	7,792	516	8,308

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 :

	2013 \$'000	2012 \$'000
Rental income (note)	506,200	465,738
Car park income	25,978	23,015
Rental related income	98,023	92,932
	630,201	581,685

Note : Included additional rents based on business turnover of tenants amounting to \$1,740,000 (2012 : \$2,086,000).

6 Property operating expenses

	2013 \$'000	2012 \$'000
Building management fee	51,278	50,296
Property Manager's fees	40,421	36,231
Government rent and rates	21,582	19,267
Marketing and promotion expenses	9,032	9,920
Car park operating costs (note)	8,098	7,896
Bad debts expenses	150	6
Other direct costs	9,043	9,541
	139,604	133,157

Note : Included Property Manager's fees of \$2,410,000 (2012 : \$2,124,000).

7 Other income

	2013 \$'000	2012 \$'000
Bank interest income	3,167	3,312
Others	4	5
	3,171	3,317

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

8 Profit before taxation and transactions with unitholders

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

	2013 \$'000	2012 \$'000
(a) Finance costs on interest bearing liabilities		
Interest on secured bank borrowings	103,090	96,185
Other borrowing costs	24,960	13,946
	128,050	110,131

Other borrowing costs represent various financing charges and the amortisation of the debts establishment fees for the secured bank borrowings (note 18).

	2013 \$'000	2012 \$'000
(b) Other items		
Manager's fees	72,783	65,611
Property Manager's fees (note (i))	42,831	38,355
Trustee's remuneration and charges	3,781	3,491
Auditor's remuneration		
– Audit services	1,730	1,660
– Other services (note (ii))	445	611
Valuation fees	573	675
Other legal and professional fees	2,540	6,109
Commission to property agents	2,054	2,257
Bank charges	469	641

Notes :

- (i) Included rental commission of \$12,237,000 (2012 : \$10,215,000).
- (ii) An amount of \$360,000 non-audit service fee payable to the auditor in relation to the establishment of a medium term note programme during the year ended 30 June 2013 had been recognised as a prepayment at 30 June 2013.
- (iii) 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 :

	2013 \$'000	2012 \$'000
Current tax – Provision for Hong Kong Profits Tax		
Provision for the year	36,975	23,450
Over-provision in respect of prior years	(148)	(170)
	36,827	23,280
Deferred tax		
Origination and reversal of temporary differences	14,181	19,773
	51,008	43,053

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

During the year ended 30 June 2012, 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 (“SKFE”), Henderson Land Development Company Limited (“HLD”), Henderson Investment Limited, Henderson Development Limited (“HD”) and Jetwin International Limited) (collectively referred to as the “Vendors”) pursuant to the relevant deeds of tax covenant dated 21 December 2006.

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

	2013 \$'000	2012 \$'000
Profit before taxation and transactions with unitholders	1,725,629	1,070,303
Notional tax on profit before taxation and transactions with unitholders, calculated at the Hong Kong Profits Tax rate of 16.5%	284,729	176,600
Tax effect of non-deductible expenses	3,643	4,624
Tax effect of non-taxable income	(238,265)	(133,921)
Tax effect of current year’s tax losses not recognised	1,335	16
Tax effect of prior years’ tax losses and other temporary differences recognised/derecognised	8	(2,022)
Tax effect of prior years’ tax losses utilised in the current year	(294)	(2,074)
Over-provision in respect of prior years	(148)	(170)
Actual tax expense	51,008	43,053

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

9 Income tax (continued)

(c) Deferred tax assets and liabilities recognised :

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

Deferred tax arising from :	Depreciation allowances in excess of related depreciation \$'000	Reclassification of assets to investment properties \$'000	Tax losses \$'000	Total \$'000
At 1 July 2011	95,140	159,709	(22,750)	232,099
Charged to profit or loss	9,780	–	9,993	19,773
Credited to reimbursement rights	(519)	–	–	(519)
At 30 June 2012	104,401	159,709	(12,757)	251,353
At 1 July 2012	104,401	159,709	(12,757)	251,353
Charged to profit or loss	11,136	–	3,045	14,181
At 30 June 2013	115,537	159,709	(9,712)	265,534

Represented by :	2013 \$'000	2012 \$'000
Net deferred tax assets recognised in the consolidated balance sheet	(3,875)	(4,743)
Net deferred tax liabilities recognised in the consolidated balance sheet	269,409	256,096
	265,534	251,353

(d) Deferred tax assets not recognised :

In accordance with the accounting policy set out in note 2(n), the Group has not recognised deferred tax assets in respect of unused tax losses of certain subsidiaries of \$145,339,000 (2012 : \$139,033,000) 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 2013 amounted to \$1.04 (2012 : \$0.64). 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 \$1,674,621,000 (2012 : \$1,027,250,000) and the weighted average of 1,610,555,216 units in issue during the year (2012 : 1,596,874,817 units).

Diluted earnings per unit before transactions with unitholders for the year ended 30 June 2013 and 2012 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
Cost or valuation :			
At 1 July 2011	68	12,222,200	12,222,268
Additions	50	8,258	8,308
Net increase in fair value	–	808,342	808,342
At 30 June 2012	118	13,038,800	13,038,918
Representing :			
Cost	118	–	118
Valuation – 2012	–	13,038,800	13,038,800
	118	13,038,800	13,038,918
At 1 July 2012	118	13,038,800	13,038,918
Additions	51	4,596	4,647
Disposals (note (b))	–	(75,300)	(75,300)
Net increase in fair value	–	1,440,704	1,440,704
At 30 June 2013	169	14,408,800	14,408,969
Representing :			
Cost	169	–	169
Valuation – 2013	–	14,408,800	14,408,800
	169	14,408,800	14,408,969
Accumulated depreciation :			
At 1 July 2011	24	–	24
Charge for the year	16	–	16
At 30 June 2012	40	–	40
At 1 July 2012	40	–	40
Charge for the year	27	–	27
At 30 June 2013	67	–	67
Net book value :			
At 30 June 2013	102	14,408,800	14,408,902
At 30 June 2012	78	13,038,800	13,038,878

- (a) The investment properties were revalued at 30 June 2013 by Jones Lang LaSalle Limited (“JLL”), 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. The independent valuation of investment properties at 30 June 2012 was performed by Knight Frank Petty Limited (“Knight Frank”).

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

11 Fixed assets (continued)

- (b) On 3 September 2012, the Group completed the disposal of its entire interest in the investment properties, Glory Rise Property, located at No. 128 Chun Yeung Street, North Point, Hong Kong for a total consideration of \$78,500,000, resulting in a gain on disposal of \$2,088,000 (net of related transactions costs) credited to the consolidated income statement during the year ended 30 June 2013.
- (c) The analysis of the fair value of investment properties is as follows :

	2013 \$'000	2012 \$'000
In Hong Kong		
– long leases	6,576,000	6,074,500
– medium-term leases	7,832,800	6,964,300
	14,408,800	13,038,800

- (d) The Group's investment properties have been mortgaged to secure banking facilities granted to the Group (note 18).

12 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.

13 Derivative financial instruments

	2013		2012	
	Assets \$'000	Liabilities \$'000	Assets \$'000	Liabilities \$'000
Interest rate swaps – cash flow hedges				
Current portion	–	(27,912)	–	(47,410)
Non-current portion	25,471	(30,188)	–	(65,273)
	25,471	(58,100)	–	(112,683)

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 30 June 2013, the Group had interest rate swaps in place with an aggregate notional amount of \$2,300,000,000 (2012 : \$3,300,000,000). The interest rate swaps will mature on 30 June 2016, 29 June 2018 and 28 September 2018 (2012 : 28 June 2013, 30 June 2016 and 28 September 2018) respectively and have fixed swap interest rates ranging from 0.815% per annum to 2.17% per annum (2012 : 1.598% 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.

14 Trade and other receivables

	2013 \$'000	2012 \$'000
Rental receivables	11,991	17,072
Deposits and prepayments	12,676	6,010
Other receivables	2,383	2,345
Amounts due from related companies	451	630
	27,501	26,057

\$4,769,000 (2012 : \$4,856,000) 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.

At the balance sheet date, the ageing analysis of rental receivables, based on the date of revenue recognition and net of allowance for doubtful debts, is as follows :

	2013 \$'000	2012 \$'000
Current	8,410	12,444
Less than 1 month overdue	2,858	3,346
More than 1 month and up to 3 months overdue	385	1,093
More than 3 months and up to 6 months overdue	192	176
More than 6 months overdue	146	13
	11,991	17,072

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

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

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

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

15 Cash and bank balances

	2013 \$'000	2012 \$'000
Pledged bank balances and deposits with original maturity within three months (note 18)	199,798	98,078
Cash at bank and in hand	3,065	1,288
Cash and cash equivalents	202,863	99,366
Pledged deposits with original maturity over three months (note 18)	126,263	161,514
	329,126	260,880

16 Tenants' deposits

The tenants' deposits include \$103,612,000 (2012 : \$95,560,000) 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.

17 Trade and other payables

	2013 \$'000	2012 \$'000
Creditors and accrued charges	26,879	28,029
Manager's fees payable (note 25(b)(iii))	20,603	18,139
Amounts due to related companies	167,959	165,322
	215,441	211,490

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 balances of tax reserve certificates were classified as tax recoverable under current assets at the year end. The amounts are unsecured, interest-free and have no fixed terms of repayment except for the amount due to the Trustee of \$1,070,000 (2012 : \$959,000) which is due within 30 days.

18 Secured bank borrowings

The secured bank borrowings were repayable as follows :

	2013 \$'000	2012 \$'000
After 1 year but within 2 years	1,915,604	–
After 2 years but within 5 years	985,025	3,915,850
After 5 years	974,131	–
	3,874,760	3,915,850

At 30 June 2013, the Group has four (2012 : two) facilities in the aggregate amount of \$4,025,000,000 (2012 : \$4,050,000,000) before transaction costs, comprising \$3,925,000,000 (2012 : \$3,950,000,000) term loan facilities and a \$100,000,000 (2012 : \$100,000,000) revolving credit facility. Bank borrowings under these facilities bear floating interest rates ranging from Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 1% per annum to HIBOR plus 1.55% per annum (2012 : HIBOR plus 1% per annum). The Group also entered into the interest rate swaps and details are set out in note 13.

Bank borrowings under the term loan facilities 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 \$14,408,800,000 at 30 June 2013 (2012 : \$13,038,800,000) (note 11);
- floating charge over bank balances of \$28,446,000 (2012 : \$24,179,000) and \$297,615,000 (2012 : \$235,413,000) 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 2.32% per annum (2012 : 2.62% 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)

19 Units in issue

	Number of units	
	2013	2012
At the beginning of the year	1,605,583,924	1,586,491,664
Issuance of units during the year	12,846,842	22,692,260
Units repurchased	(2,100,000)	(3,600,000)
At the end of the year	1,616,330,766	1,605,583,924

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

	Average issue price per unit determined based on the Trust Deed \$	Aggregate amount of units issued \$'000	Number of units issued
Payment of the Manager's fees for the year			
2013			
1 April 2012 to 30 June 2012	2.5391	11,513	4,534,191
Adjustment of Manager's fees for the financial year 2011/12	3.0842	1,185	384,067
1 July 2012 to 30 September 2012	3.1134	8,288	2,662,125
1 October 2012 to 31 December 2012	3.2940	8,756	2,658,162
1 January 2013 to 31 March 2013	3.3959	8,857	2,608,297
		38,599	12,846,842
2012			
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
1 October 2011 to 31 December 2011	2.1766	11,086	5,093,214
1 January 2012 to 31 March 2012	2.3877	11,259	4,715,783
		52,173	22,692,260

19 Units in issue (continued)

Pursuant to the general mandate granted to the Manager by unitholders, the Group repurchased a total of 2,100,000 units (2012 : 3,600,000 units) on the SEHK during the year ended 30 June 2013 at an aggregate consideration of \$6,789,000 (2012 : \$8,873,000). Details of the repurchases were as follows :

	Number of units repurchased	Price per unit		Aggregate consideration \$'000
		Highest \$	Lowest \$	
2013				
Month of repurchase				
October 2012	1,500,000	3.17	3.14	4,732
March 2013	82,000	3.38	3.38	277
June 2013	518,000	3.45	3.40	1,780
Total	2,100,000			6,789
Total repurchase expenses				29
				6,818
2012				
Month of repurchase				
June 2012	3,600,000	2.50	2.41	8,873
Total	3,600,000			8,873
Total repurchase expenses				39
				8,912

All repurchased units were cancelled during the year.

20 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.

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

20 Financial risk management and fair values (continued)

(a) Credit risk (continued)

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.

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 :

	2013				Total \$'000	Carrying amount \$'000
	Contractual undiscounted cash outflow					
	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	61,721	1,966,103	1,105,352	1,038,523	4,171,699	3,874,760
Derivative financial instruments (net settled)	31,549	31,555	43,191	889	107,184	32,629
Tenants' deposits	56,370	69,314	34,298	–	159,982	159,982
Creditors and accrued charges	26,879	–	–	–	26,879	26,879
Manager's fees payable in the form of cash	10,302	–	–	–	10,302	10,302
Amounts due to related companies	167,959	–	–	–	167,959	167,959
	354,780	2,066,972	1,182,841	1,039,412	4,644,005	4,272,511

20 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

	2012				Total \$'000	Carrying amount \$'000
	Contractual undiscounted cash outflow					
	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	55,427	55,427	3,962,452	–	4,073,306	3,915,850
Derivative financial instruments (net settled)	47,940	28,995	61,582	4,456	142,973	112,683
Tenants' deposits	49,038	91,353	4,207	–	144,598	144,598
Creditors and accrued charges	28,029	–	–	–	28,029	28,029
Manager's fees payable in the form of cash	5,442	–	–	–	5,442	5,442
Amounts due to related companies	165,322	–	–	–	165,322	165,322
	351,198	175,775	4,028,241	4,456	4,559,670	4,371,924

(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.

Sensitivity analysis

At 30 June 2013, if interest rates had been 100 basis points (2012 : 100 basis points) higher with all other variable held constant, the net assets attributable to unitholders would have been approximately \$78.2 million (2012 : \$84.7 million) higher 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 (2012 : 10 basis points) lower with all other variable held constant, the net assets attributable to unitholders would have been approximately \$8.0 million (2012 : \$8.7 million) lower as a result of a decrease in the fair values of the cash flow hedges.

20 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

Sensitivity analysis (continued)

At 30 June 2013, if interest rates had been 100 basis points (2012 : 100 basis points) higher with all other variable held constant, the Group's profit after taxation and before transactions with unitholders and net assets attributable to unitholders would have been approximately \$13.6 million (2012 : \$5.4 million) lower as a result of higher interest expenses on floating rate borrowings. On the other hand, if interest rates had been 10 basis points (2012 : 10 basis points) lower with all other variable held constant, the Group's profit after taxation and before transactions with unitholders and net assets attributable to unitholders would have been approximately \$1.4 million (2012 : \$0.5 million) higher as a result of lower interest expenses on floating rate borrowings.

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 re-measure those financial instruments held by the Group which expose the Group to interest rate risk at the balance sheet date. The 100 basis points increase and 10 basis points decrease in interest rates represent the Manager's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date.

(d) Fair values

(i) *Financial instruments carried at fair value*

HKFRS 7, *Financial Instruments: Disclosures*, requires disclosures relating to fair value measurements of financial instruments across three levels of a "fair value hierarchy". The fair value of each financial instrument is 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 2013 and 2012, the Group's only financial instruments carried at fair values are the interest rate swaps (see note 13), 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.

(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 2013 and 2012 due to their short maturities.

20 Financial risk management and fair values (continued)

(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.

21 Capital management

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

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

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 2013, Sunlight REIT's aggregate borrowings represent 25.9% (2012 : 28.8%) of its total gross asset value.

22 Capital commitments

Capital commitments outstanding at 30 June 2013 not provided for in the consolidated financial statements are as follows :

	2013 \$'000	2012 \$'000
Contracted for	6,987	2,083
Authorised but not contracted for	49,799	21,901
	56,786	23,984

23 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 (2012 : \$4,685,000).

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

24 Significant leasing arrangements

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

	2013 \$'000	2012 \$'000
Within 1 year	526,542	530,610
After 1 year but within 5 years	445,363	399,481
	971,905	930,091

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.

25 Connected party transactions and material related party transactions

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, 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 year :

(a) Nature of relationship with connected/related parties

Connected/related party	Relationship with the Group
SKFE and other members of its group (collectively referred to as " SKFE Group ")	Significant holders of Sunlight REIT and their associates
HLD and other members of its group (collectively referred to as " HLD Group ")	Connected persons of SKFE Group, the Manager and the Property Manager
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
JLL and other members of its group (collectively referred to as " JLL Group ")	The Principal Valuer of Sunlight REIT

JLL, which replaced Knight Frank, has been appointed as the Principal Valuer of Sunlight REIT with effect from 1 September 2012.

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

(b) Transactions with connected/related parties

	2013 \$'000	2012 \$'000
Rental and rental related income received/receivable from (note (i)) :		
– HLD Group	8,764	8,155
– HSBC Group	14,533	13,430
Property management expenses paid/payable to (note (i)) :		
– HLD Group	(15,713)	(14,768)
Facilities leasing expenses paid/payable to (note (i)) :		
– HLD Group	(66)	(66)
Manager's fees (note (ii))	(72,783)	(65,611)
Property Manager's fees (note (iii))	(42,831)	(38,355)
Trustee's remuneration and charges (note (iv))	(3,784)	(3,491)
Interest expenses, debts establishment fees and agency charge on bank borrowings, brokerage commission and bank charges paid/payable to (notes (i) and (v)) :		
– HSBC Group	(14,667)	(24,849)
Interest paid/payable under the interest rate swaps (note (v)) :		
– HSBC Group	(26,387)	(26,597)
Interest income on bank deposits received/receivable from (note (i)) :		
– HSBC Group	25	21
Valuation fees and other charges paid/payable to (note (i)) :		
– JLL Group	(548)	–
– Knight Frank and other members of its group (collectively referred to as " Knight Frank Group ")	(25)	(928)
Promotion income received/receivable from (note (i)) :		
– HLD Group	1,475	1,181
Additional consideration paid to (note (vi)) :		
– HLD Group and SKFE Group	(178)	–

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

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

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

Notes :

- (i) These transactions were carried out on normal commercial terms and in the ordinary course of business.
- (ii) The Manager's fees are calculated as the aggregate of a base fee of 0.4% per annum of the value of all the properties of 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 10 May 2012, the Manager made an election for the base fee and the variable fee for the financial year ended 30 June 2013 to be paid 50% in the form of cash and 50% in the form of units. While on 14 May 2013, the Manager made an election for the base fee and the variable fee for the financial year ending 30 June 2014 to be paid 50% in the form of cash and 50% in the form of units.

During the year, a divestment fee of 0.5% of the valuation (for the purpose of such sale) of the Glory Rise Property was paid to the Manager in cash upon the disposal of the property.

- (iii) Under the property management agreement entered into between the Manager and the Property Manager dated 29 November 2006 (as amended) (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 13 and 18.
- (vi) On 2 December 2006, the Group acquired certain companies from the Vendors by entering into several sale and purchase agreements. Pursuant to these agreements, the Group agreed to pay additional consideration for the purchase of shares in the relevant companies, in an amount equivalent to the tax loss benefits of such companies that are utilised by the Group to offset tax liabilities which would otherwise arise.

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

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

	2013 \$'000	2012 \$'000
Net amount due to :		
– SKFE Group	(78,379)	(78,379)
– HLD Group	(50,447)	(44,914)
– HD	(54,999)	(54,999)
– HSBC Group (note)	(472,565)	(1,003,530)
– JLL Group	(365)	–
– Knight Frank Group	–	(425)
Note :		
Deposits and cash placed with HSBC Group	31,420	25,396
Secured bank borrowings and interest payable to HSBC Group	(499,232)	(1,024,297)
Others	(4,753)	(4,629)
	(472,565)	(1,003,530)

26 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 30 June 2013, the Group has recognised deferred tax assets in relation to the unused tax losses amounting to approximately \$58,864,000 (2012 : \$77,315,000). 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.

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

27 Non-adjusting post balance sheet events

- (a) After the balance sheet date, the Board of Directors of the Manager proposed a final distribution. Further details are disclosed in the "Distribution statement" of the consolidated financial statements.
- (b) On 2 September 2013, Sunlight REIT entered into several bilateral credit facility agreements with certain banks and was granted an aggregate amount of \$1,925.0 million in term loan facilities. The new term loan facilities, repayable in four to five years from the date of drawdown, will be applied toward refinancing the remaining portion of the term loan facility due in 2014.

28 Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

29 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 30 June 2013

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 30 June 2013 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 10, <i>Consolidated financial statements</i>	1 January 2013
HKFRS 13, <i>Fair value measurement</i>	1 January 2013
<i>Annual Improvements to HKFRSs 2009-2011 Cycle</i>	1 January 2013
Amendments to HKFRS 7, <i>Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities</i>	1 January 2013
Amendments to HKAS 32, <i>Financial instruments: Presentation – Offsetting financial assets and financial liabilities</i>	1 January 2014
HKFRS 9, <i>Financial instruments</i>	1 January 2015

The Manager is in the process of making an assessment of what the impact of these amendments and new standards 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 consolidated financial statements except for the following :

HKFRS 13, *Fair value measurement*

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. HKFRS 13 is effective as from 1 January 2013, but retrospective adoption is not required. The Group estimates that the adoption of HKFRS 13 will not have any significant impact on the fair value measurements of its assets and liabilities, but additional disclosures may need to be made in the 2013/14 annual financial statements.

30 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 Sunlight REIT	a subsidiary	Principal activity
Sunlight REIT Holding Limited	Cayman Islands	1 share of US\$1	100	–	Investment 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
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

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

30 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 Sunlight REIT	a subsidiary	Principal activity
Nicetex Development Limited	Hong Kong	2 ordinary shares of \$1 each and 2 non-voting deferred shares of \$1 each	–	100	Property investment
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 MTN 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	2013	2012	2011	2010	2009
At 30 June :						
Net asset value (\$ million)		10,532	9,022	8,262	6,722	5,448
Net asset value per unit		6.52	5.62	5.21	4.30	3.52
Market capitalisation (\$ million)		5,124	4,191	3,950	3,097	2,351
For the year ended 30 June :						
Highest traded unit price		3.92	2.61	2.64	2.06	1.96
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		2.61	1.91	1.98	1.49	0.91
Highest discount of the traded unit price to net asset value per unit (%)		60.0	66.0	62.0	65.3	74.1
Closing unit price		3.17	2.61	2.49	1.98	1.52
Distribution per unit (cents)	2	17.70	17.00	17.60	14.39	24.56
Distribution yield per unit (%)	3	5.6	6.5	7.1	7.3	16.2

Notes :

1. The highest traded unit price is lower than the net asset value per unit at the end of the year. Accordingly, premium of the traded unit price to net asset value per unit had not been recorded.
2. The distribution per unit of Sunlight REIT in the previous years were enhanced by arrangements offered by certain subsidiaries of HLD and SKFE in the form of (i) adjustment payments (from the date of Initial Public Offering (“**IPO**”) to June 2009) and (ii) distribution waivers (from the date of IPO to June 2011). Please refer to the Offering Circular for more details.
3. Distribution yield per unit is calculated by dividing the distribution per unit by the closing unit price of the respective year.

Notice of Annual General Meeting

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 The Ballroom, 18th Floor, The Mira Hong Kong, 118 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong on Monday, 28 October 2013 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 2013;
- (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 “**Stock Exchange**”), 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 Stock Exchange 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 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)
CHUNG Siu Wah
Company Secretary

Hong Kong, 24 September 2013

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 form of proxy, 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 return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof, or the poll concerned, should you so wish. 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 accepted to the exclusion of the votes of 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 Annual General Meeting, the register of Unitholders of Sunlight REIT will be closed from Thursday, 24 October 2013 to Monday, 28 October 2013, 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 Wednesday, 23 October 2013.
- (e) The votes at the meeting will be taken by way of poll.

Financial Calendar

For FY2012/13

Interim Results Announcement	18 February 2013
Issuance of Interim Report	27 February 2013
Closure of Register for entitlement of interim distribution	5 March 2013 to 7 March 2013, both days inclusive
Interim distribution paid at HK 8.5 cents per unit	28 March 2013
Final Results Announcement	5 September 2013
Issuance of Annual Report	24 September 2013
Closure of Register for entitlement of final distribution	25 September 2013 to 27 September 2013, both days inclusive
for entitlement to attend and vote at Annual General Meeting	24 October 2013 to 28 October 2013, both days inclusive
Annual General Meeting	28 October 2013
Final distribution payable at HK 9.2 cents per unit	30 October 2013

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

Jones Lang LaSalle Limited

Legal Adviser

Woo, Kwan, Lee & Lo

Principal Bankers

Bank of China (Hong Kong) Limited

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

Overseas-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

Sunlight Real Estate Investment Trust

Managed by Henderson Sunlight Asset Management Limited

www.sunlightreit.com

