

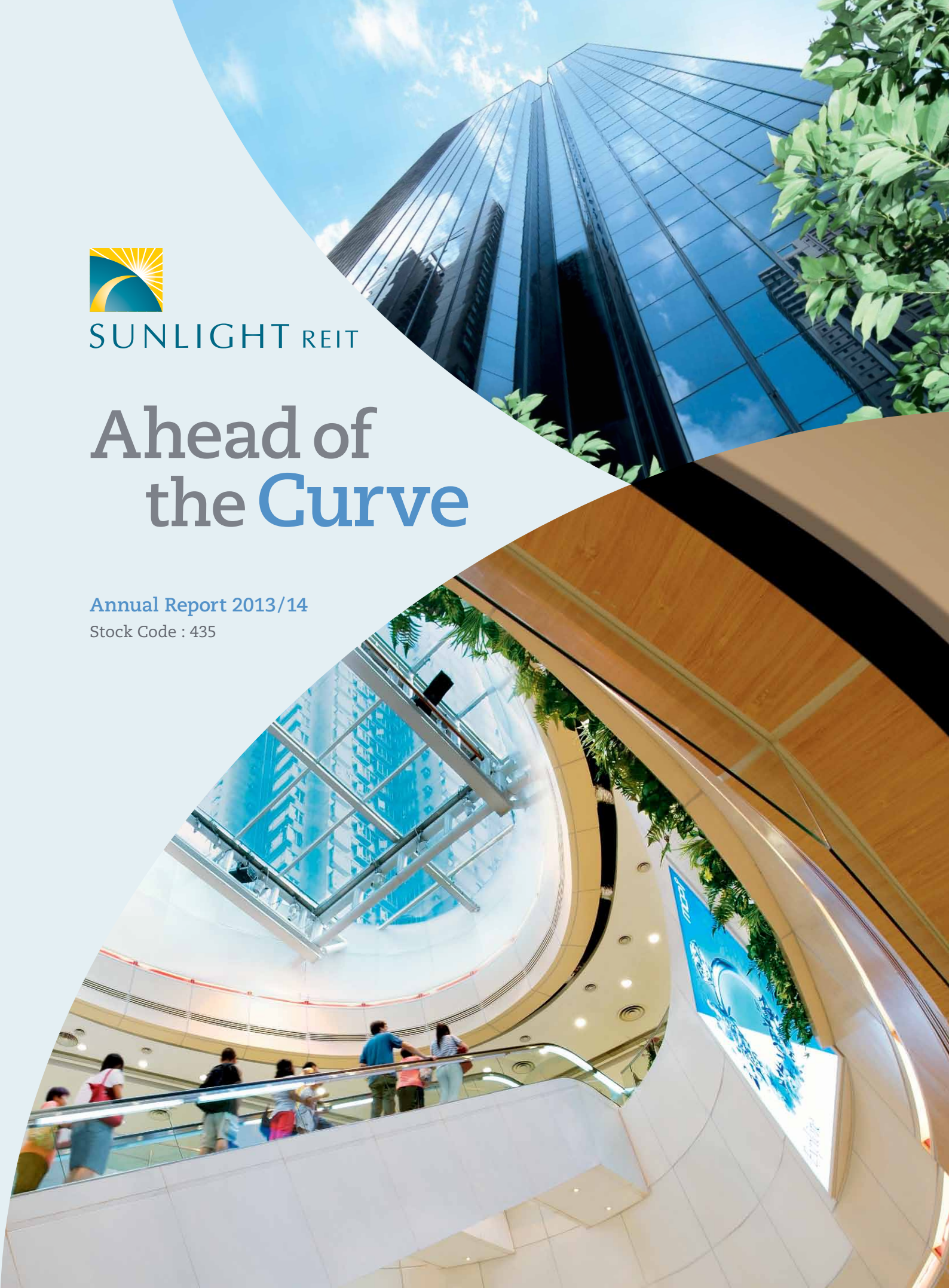


SUNLIGHT REIT

Ahead of the Curve

Annual Report 2013/14

Stock Code : 435



Performance Highlights

Appraised property value (HK\$' million)

15,391

30 June 2014	15,391
30 June 2013	14,409
30 June 2012	13,039

Net property income (HK\$' million)

535.1

FY2013/14	535.1
FY2012/13	490.6
FY2011/12	448.5

Net asset value per unit (HK\$)

7.06

30 June 2014	7.06
30 June 2013	6.52
30 June 2012	5.62

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

38.2

30 June 2014	38.2
30 June 2013	35.0
30 June 2012	32.1*

Turnover (HK\$' million)

688.9

FY2013/14	688.9
FY2012/13	630.2
FY2011/12	581.7

Distribution per unit (HK cents)

20.0

FY2013/14	9.6	10.4	20.0
FY2012/13	8.5	9.2	17.7
FY2011/12	8.3	8.7	17.0

■ Final
■ Interim

Gearing (%)

24.3

30 June 2014	24.3
30 June 2013	25.9
30 June 2012	28.8

Occupancy (%)

98.6

30 June 2014	98.6
30 June 2013	98.8
30 June 2012	99.0*

* 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.

Strong tenant base

**Solution : Strong tenant loyalty
secured by competitive rental
rates and excellent services**



Challenge :
Office market
in consolidation :
Slower take-up coincides
with several new office
projects scheduled for
completion in 2015



Well-balanced retail portfolio

Solution : Value-added enhancement works, diversified trade mix and quality retailers attract patronage from locals and tourists alike





Challenge :
Leaner growth in retail
sector : Decelerating
momentum in visitor
arrivals and retail sales



Strict budgetary control

Solution : Energy saving measures and efficient use of resources to contain overheads

Challenge :
Stubbornly high
operating costs :
Wage inflation
putting pressure on
cost-to-income ratio



Dedicated to creating value for unitholders

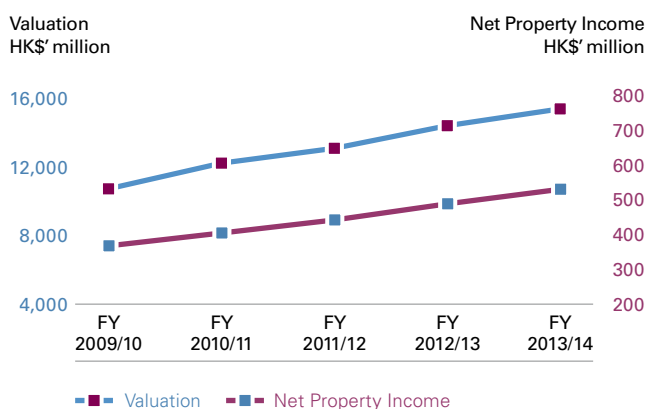
Solution : Maintain steady recurrent income stream and distribution, repurchase units and explore opportunities to restructure the portfolio



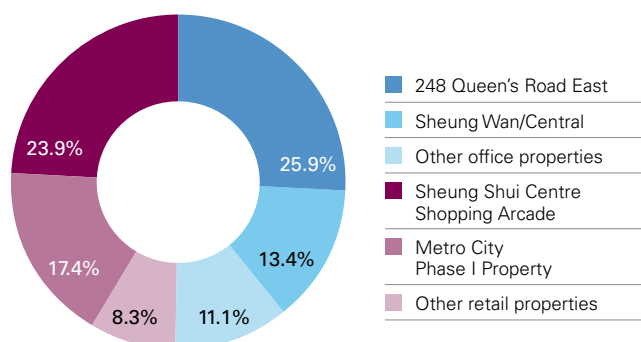
Challenge :
Wide discount to net
asset value : Lingering
investor scepticism
about the REIT sector



Valuation and Net Property Income : Five-Year Trend



Valuation Segmentation by Property and District



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\$3.27 on 30 June 2014, was approximately HK\$5,322 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 2014, Sunlight REIT’s portfolio was appraised at HK\$15,390.6 million, with office and retail properties accounting for 50.4% and 49.6% of total valuation respectively.

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 accordance with the Trust Deed and in the sole interest of unitholders. The Manager establishes asset management policies, devises and implements strategies for Sunlight REIT in relation to operation, investment, capital and risk management. It is also responsible for ensuring compliance with the Code on Real Estate Investment Trusts (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 brochure collection

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 and enhancement in value of the property portfolio. 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 property development risk. Its defensive qualities are further 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**").

Chairman's Statement



Mr. Au Siu Kee, Alexander
Chairman

“Moving forward, the Manager will continue to proactively manage and drive the performance of the existing properties of Sunlight REIT.”

Dear Unitholders,

On behalf of the Board of the Manager, I am pleased to present a respectable set of results of Sunlight REIT for the financial year ended 30 June 2014 (the “Year”), which shows that the Manager has continued to fulfill the guiding objectives of maintaining a steadily growing recurrent income stream and delivering solid cash distributions.

During the Year, the net property income of Sunlight REIT amounted to HK\$535.1 million, up 9.1% year-on-year, thanks to the portfolio's stable occupancies and decent rental reversions. The total distributable income saw a higher year-on-year growth of 11.7% to HK\$342.8 million, which was partly aided by interest savings derived from reduced fixed-rate hedging relating to term loan facilities.

The Board has declared a final distribution of HK 10.4 cents per unit, or HK\$169.3 million. Together with the interim distribution of HK 9.6 cents per unit, the total distribution per unit (“DPU”) for the Year would amount to HK 20.0 cents, representing a year-on-year increase of 13.0%. The implied payout ratio would be approximately 94.8%, compared with 93.1% for the year ended 30 June 2013.

Given that the prices of commercial properties remained firm, the appraised value of the portfolio of Sunlight REIT, at HK\$15,390.6 million at 30 June 2014, was 6.8% higher than a year ago. During the early part of the Year, the Manager bought back (and cancelled) 1,500,000 units at

an average price of approximately HK\$3.06 per unit. The net asset value of Sunlight REIT consequently increased by 9.1% to reach HK\$11,494.9 million at 30 June 2014, which was equivalent to HK\$7.06 per unit (30 June 2013: HK\$6.52 per unit).

Meanwhile, the Manager has taken further steps to strengthen the capital structure of Sunlight REIT, including entering into additional interest rate swap arrangements as well as obtaining an unsecured revolving credit facility. The US Federal Reserve Board has been paring its monthly bond purchases at a measured pace, signalling an end to its quantitative easing programme. This move may usher in tighter monetary conditions that can affect the availability and costs of funding. However, given a stronger capital structure, Sunlight REIT is braced for such a potential headwind.

In June 2014, Sunlight REIT entered into a conditional agreement with HLD and certain of its subsidiaries to acquire a Grade A office building in East Kowloon. However, the contemplated transaction did not proceed in the absence of support from a simple majority of votes cast by independent unitholders at an extraordinary general meeting held in August 2014. Moving forward, the Manager will continue to proactively manage and drive the performance of the existing properties of Sunlight REIT. It will also prudently explore and assess business opportunities as and when they arise, with a view to creating additional value for the benefit of unitholders.

The year ahead appears challenging. While the world economy is treading a precarious path of recovery, leaders in China are still grappling to achieve a balance between growth and reforms. The domestic economy of Hong Kong will inevitably be impacted by any hiccups in the external environment. As corporates and retailers have apparently become more prudent in their expansion, the uptrend in office and shop rentals has already taken a breather. That said, the Manager believes it can continue to sustain the performance of the portfolio by various operational and asset enhancement measures.

Finally, I would like to express my heartfelt gratitude to my fellow directors, management and staff, whose hard work and dedication throughout the Year have contributed to our success.

Au Siu Kee, Alexander

Chairman

16 September 2014

CEO's Report



Mr. Wu Shiu Kee, Keith
Chief Executive Officer

“The year ahead is conceivably full of challenges..... We are confident that our foresight would help Sunlight REIT in continuously generating a high-quality recurrent income stream, as the underlying potential of its portfolio is further unlocked.”

A proactive operational strategy that has served Sunlight REIT well over the years continued to steer the portfolio in a positive direction during the Year. Our team of dynamic and dedicated professionals are not contented with simply reacting to changing circumstances. We anticipate the future course of events and devise a game plan ahead of the curve. The achievement in the Year was the fruit of the incessant effort we put in leasing, asset enhancement, cost control and capital management in previous years, which had paved the way for Sunlight REIT to fully capitalise on the buoyancy of the commercial property market. Building on this success, we concluded some asset enhancement projects during the Year while launching a few fresh initiatives, ensuring that Sunlight REIT would be braced for potential challenges in the future.

During the Year, the Hong Kong economy was characterised by steady economic growth, benign inflation, high employment, low interest rates and firm asset prices. Such solid macroeconomic metrics, however, belied growing caution in the business community. Multinational corporations continued to adopt a prudent approach in terms of overhead management and space expansion, which caused the take-up of Grade A offices dropping to a four-year low of about 130,000 sq. ft. in 2013 (based on the statistics published by the Rating and Valuation Department). A sharp rise in the costs of relocation, together with continued narrowing of the rental gap between core and non-core districts, also reduced the incentive for companies to further decentralise. A bright spot in an otherwise uneventful year was the strong demand for new space underpinned by firms seeking to establish a foothold in Hong Kong, most of which originated from mainland China.

The retail property market was still robust due to the strength in consumer spending sustained by sizeable tourist arrivals. However, the growth momentum of retail sales has been tapering partly because of a high-base effect. The increase in total retail sales slowed from nearly 25% in 2011 to around 10% per annum over the last two years. For the first half of 2014, total retail sales were down 1.3% year-on-year. There has also been a shift in consumer preferences given the continuous rise in same-day mainland Chinese visitors, who tend to spend more on necessity items. On the contrary, sales of jewellery, watches and other luxury items have begun to show signs of weakness. Given minimal new supply, shopping malls offering a good trade mix continued to enjoy strong leasing demand, while owners of high-street shops in prime locations started to face pressure on vacancies and rents.

Against this mixed backdrop, the portfolio of Sunlight REIT continued to perform well. Net property income of the office portfolio registered an 8.1% growth from the preceding year to HK\$259.9 million. Buttressed by a high retention rate of 71.0% and an average reversionary gain of 23.4%, the average passing rent of the office properties reached HK\$27.5 per sq. ft. at 30 June 2014, representing a year-on-year increase of 9.1%.

CEO's Report

While it took slightly more time for lease negotiations and tenant acquisitions, the impact on the performance of the retail properties was limited, as exemplified by a 10.1% growth in net property income to HK\$275.2 million. The average reversionary gain of 28.8% was an admirable achievement – in spite of a lower rental reversion of 17.9% at Metro City Phase I Property (“**MCPI**”) partly due to its renovation programme, this was more than compensated for by the 36.2% and 31.7% achieved at Sheung Shui Centre Shopping Arcade (“**SSC**”) and Kwong Wah Plaza Property respectively. At 30 June 2014, the average passing rent of the retail portfolio was HK\$61.6 per sq. ft., 9.6% ahead of the level achieved twelve months earlier.

The formidable hurdle during the Year was a double-digit increase in operating costs. Chronic labour shortage and an upward revision to the statutory minimum wage level had inflated the expenses relating to cleaning and security services, while the costs incurred in asset enhancement works also escalated. Several eco-friendly initiatives aimed at managing the impact of our operations on the environment had provided us with valuable energy savings. These measures, coupled with better planning, allocation and use of resources, enabled us to maintain the cost-to-income ratio at a satisfactory level of 22.3%.

On the capital management front, we rounded off the task of coping with a changing funding environment by a carefully crafted new financing platform. Entering into direct bilateral credit facility agreements with individual lenders of the syndicated loan, we could manage the debt maturity profile of Sunlight REIT with greater flexibility. Such an arrangement would also expedite future syndication exercises with either existing or new credit providers. Moreover, the appreciation in property values has allowed us to establish a pool of unencumbered assets upon loan refinancing, creating additional room for maneuver going forward.

Meanwhile, asset enhancement initiatives have always been given precedence on our operational agenda. Alteration works at SSC involving the ceiling and lighting were completed during the Year, while space reconfiguration works aimed at enriching the trade mix were also conducted. With easier access, an enlivened ambience and a greater variety of shops have contributed to persistently strong leasing demand for this property. Meanwhile, the refurbishment works of MCPI were progressing well. The first stage of works costing approximately HK\$25 million to upgrade the façade and atrium and to remodel the entrance has largely been completed. The second stage which would entail revising and reshuffling the tenant mix should commence as soon as practicable. Furthermore, our key office property, namely 248 Queen's Road East (“**248 QRE**”), has also been slated for improvement works for its lobby and entrance after completion of a partial conversion of its air-conditioning system.

Outlook

While the US has opted to phase out its quantitative easing programme, the policymakers of other developed countries look set to maintain loose monetary conditions at this juncture. In any case, we do not expect a dramatic hike in US interest rates in the foreseeable future that may derail a global economic recovery. As for mainland China, its leaders are performing a subtle balancing act between structural reforms and cyclical growth, implying that the monetary, fiscal and reform policies they implement could reverberate across myriad business sectors. The resultant uncertainties could dampen leasing demand for commercial properties in the intermediate term. In the meantime, with 2.1 million sq. ft. of new Grade A offices coming on stream per annum between 2014 and 2018 according to Jones Lang LaSalle Limited's latest estimation, the competition for tenants may somewhat intensify.

Nevertheless, we are confident that the office portfolio of Sunlight REIT can enjoy a high retention rate, in light of prohibitive relocation costs and a lack of deep rental discount offered by new completions. The high retention rate at 248 QRE (of 75.9%) was a case in point of our proactive effort in developing customer relationships with existing occupiers. Looking ahead, the improvement works for this flagship property should prove timely in light of the completion of a luxury hotel and upmarket residences in its vicinity, which can together enhance the area's attractiveness as an office destination.

We remain guardedly optimistic about the prospects for the retail property market. For one thing, there should hardly be any new supply in a significant manner in the year ahead. While overall retail sales growth seems to have peaked, the spending spree of mainland Chinese visitors, particularly of same-day travellers, has stayed intact to a large extent. This can be witnessed by heavy pedestrian traffic in SSC and Kwong Wah Plaza Property, and the brisk business enjoyed by our tenants. However, we are aware that there has been a call for the Hong Kong government to curtail the influx of Chinese tourists, especially those who do not choose to stay overnight. We cannot rule out the potential adverse impact on tourist footfall and thus the rental performance of our relevant retail properties should there be such a revision to the government's current policy.

Meanwhile, the refurbishment programme at MCPI is expected to yield a reasonable return on investment, helping to bolster the future performance of Sunlight REIT's retail property portfolio. Together with the two adjoining phases owned by HLD, the Metro City shopping complex, endowed with good accessibility thanks to an extensive traffic network, will accommodate a cornucopia of shops and restaurants that are likely to contribute to an improvement in footfall and business.

Rising operating expenses is a reality that we have to deal with. While we are battling against the odds to control costs, there is little room to cut the wage bill further. Gratifyingly, the installation of a new air-conditioning system and an advanced building management system at 248 QRE has showcased how the implementation of green measures can bring double benefits of fulfilling our social responsibility and achieving cost savings. We are contemplating how such measures can be replicated in other properties, and will attempt to further streamline the property management functions across the portfolio to achieve better economies of scale.

We are less concerned about financial risks despite the apparent recovery of the US economy and the potential rise in US interest rates. Currently, almost two-thirds of Sunlight REIT's indebtedness has been hedged to fixed rates, giving it a buffer against interest rate volatility. Moreover, the financial resources available should not only be able to satisfy working capital requirement and distribution payment, but also be sufficient for us to pursue various value-added strategies, such as on-market buy-backs of units, asset enhancement and property acquisition. We may also consider offloading certain mature non-core assets in the portfolio and use the proceeds for other more attractive investments.

The year ahead is conceivably full of challenges. However, Sunlight REIT has weathered tough times over the years, with an impressive track record of income growth and stable distribution. We are confident that our foresight would help Sunlight REIT in continuously generating a high-quality recurrent income stream, as the underlying potential of its portfolio is further unlocked. We care about the tenants, as well as clients and customers of the office and retail properties. By ensuring that the properties remain preferred locations for people to work and to shop, we would be able to provide unitholders of Sunlight REIT with the benefit of sustainable returns in the long term.

Wu Shiu Kee, Keith

Chief Executive Officer

16 September 2014

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.

Java Road 108 Commercial Centre

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

Yue Fai Commercial Centre Property

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

On Loong Commercial Building Property

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

Everglory Centre

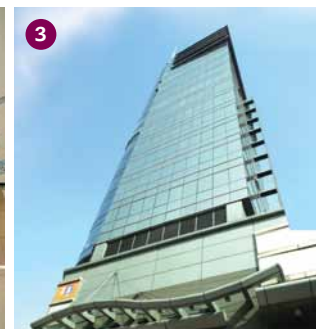
Location : Tsim Sha Tsui
 Year of completion : 1999
 Gross rentable area : 29,802 sq. ft.

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.

Beverly 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.

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	2014	2013
Office								
Grade A								
248 Queen's Road East	Wan Chai	1998	46	369,891	6,490	376,381	75	79
Grade B								
Bonham Trade Centre	Sheung Wan	1998	0	108,506	9,403	117,909	103	106
Righteous Centre	Mong Kok	1996	0	41,004	10,763	51,767	62	62
Winsome House Property	Central	1999	0	37,937	2,177	40,114	23	24
135 Bonham Strand Trade Centre Property	Sheung Wan	2000	0	60,844	3,071	63,915	75	74
235 Wing Lok Street Trade Centre	Sheung Wan	2000	0	47,481	4,804	52,285	72	72
Java Road 108 Commercial Centre	North Point	1998	0	35,694	2,229	37,923	39	40
Yue Fai Commercial Centre Property	Aberdeen	1997	0	41,272	1,479	42,751	108	106
On Loong Commercial Building Property	Wan Chai	1984	0	23,856	1,708	25,564	37	36
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	45	46
Wai Ching Commercial Building Property	Yau Ma Tei	1997	0	14,239	2,082	16,321	34	33
Sub-total/Average			46	830,437	50,446	880,883	703	708
Retail								
New Town								
Sheung Shui Centre Shopping Arcade	Sheung Shui	1993	297	0	122,339	122,339	115	116
Metro City Phase I Property	Tseung Kwan O	1996	452	0	188,889	188,889	110	112
Kwong Wah Plaza Property	Yuen Long	1998	0	39,101	25,741	64,842	36	37
Urban								
Royal Terrace Property	North Point	2002	49	0	9,565	9,565	7	7
Beverley Commercial Centre Property	Tsim Sha Tsui	1982	0	0	7,934	7,934	37	38
Supernova Stand Property	North Point	2001	0	0	4,226	4,226	2	2
Palatial Stand Property	Hung Hom	2001	0	3,566	5,059	8,625	5	4
Sub-total/Average			798	42,667	363,753	406,420	312	316
Total/Average			844	873,104	414,199	1,287,303	1,015	1,024

- Notes :
1. Size of the properties is measured in terms of GRA.
 2. Passing rent is calculated on the basis of average rent per sq. ft. for all occupied GRA on the relevant date.
 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 58 to 73 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 at 30 June (HK\$/sq. ft.)		Rental Reversion ³ (%)		Net Property Income (HK\$'000)		Capitalisation Rate at 30 June 2014 (%)		Appraised Value at 30 June 2014 ⁴ (HK\$'000)	
2014	2013	2014	2013	FY2013/14	FY2012/13	FY2013/14	FY2012/13	Office	Retail		
98.5	98.5	32.1	29.2	28.9	30.3	135,346	126,756	3.85	3.75	3,986,000	
97.4	99.7	24.1	21.9	25.8	25.5	28,617	26,784	3.85	4.20	867,200	
100.0	100.0	36.2	33.1	19.2	27.3	20,239	18,646	3.95	3.60	611,600	
97.2	100.0	38.0	36.2	13.3	20.7	16,349	15,207	3.85	4.00	490,300	
100.0	99.0	22.3	20.8	17.9	19.9	14,610	12,445	3.85	4.20	439,300	
98.9	98.9	16.9	15.4	17.5	13.5	8,994	7,865	3.85	4.25	269,800	
100.0	100.0	20.5	19.4	16.9	22.6	7,394	6,829	3.95	4.20	242,200	
99.4	98.8	18.8	17.6	16.5	15.4	7,631	7,279	4.10	4.10	236,300	
100.0	96.7	27.3	26.0	17.3	15.2	7,368	6,526	3.95	4.00	216,100	
100.0	100.0	19.7	18.3	21.2	24.4	6,184	5,590	3.85	4.15	186,000	
98.1	100.0	20.6	19.1	19.2	18.0	5,516	5,018	4.10	4.35	154,500	
100.0	97.2	10.7	9.5	23.5	23.3	1,621	1,414	3.85	4.20	58,700	
98.7	99.0	27.5	25.2	23.4	24.4	259,869	240,359			7,758,000	
97.4	98.5	102.9	89.6	36.2	29.9	131,034	118,745	N/A	4.40	3,670,800	
98.3	99.5	44.9	43.2	17.9	30.8	102,373	95,051	N/A	4.50	2,678,800	
99.3	100.0	43.8	38.3	31.7	31.2	28,484	24,883	3.85	3.80	906,100	
100.0	100.0	47.6	46.4	N/A	46.9	6,097	4,718	N/A	4.25	156,500	
94.5	100.0	51.8	48.6	18.2	29.0	4,436	3,921	N/A	4.30	125,500	
100.0	100.0	47.6	40.8	23.8	N/A	1,948	1,839	N/A	4.00	57,200	
100.0	58.7	13.2	13.2	26.4	20.6	824	875	N/A	4.35	37,700	
98.2	98.4	61.6	56.2	28.8	30.4 ⁵	275,196	250,032 ⁵			7,632,600	
98.6	98.8	38.2	35.0	26.0	27.2 ⁵	535,065	490,391 ⁵			15,390,600	

Business Review

Office Portfolio

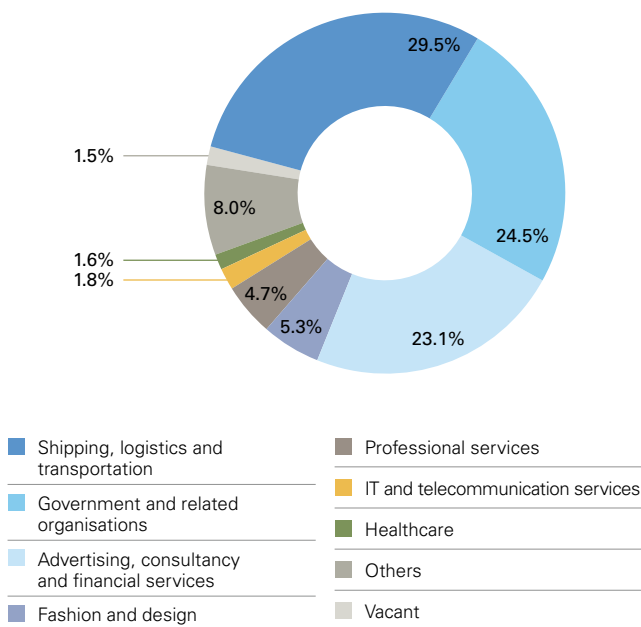
248 Queen's Road East

In spite of the decelerating momentum of office decentralisation, 248 QRE, which was the mainstay of Sunlight REIT's office portfolio, continued to perform satisfactorily. Thanks to rental reversion of 28.9% for the Year, it managed to achieve a 9.9% year-on-year increase in passing rent to HK\$32.1 per sq. ft.. At the end of the Year, the property was 98.5% let, unchanged from the occupancy recorded a year ago. At 75.9%, the tenant retention rate was comfortably higher than the 63.7% recorded in the previous year and 56.8% the year before, demonstrating an improving trend of tenants' loyalty.

An increase in office supply, particularly in Kowloon East, is expected for the year of 2015 and beyond, which may intensify the competition for tenants. However, we believe our tenant base is stable and secure. The prevailing rents at 248 QRE are competitive, considering that it is situated at Wan Chai south, where a new business hub has been created by a confluence of favourable demographic and economic trends aided by the government's urban renewal scheme. Furthermore, given the government's intention of pumping up residential supply in areas such as Wan Chai, new office supply resulting from site re-zoning for commercial usage would be limited, which should in turn provide good support to the rental prospects of the building.

A balanced and diversified tenant base has also helped to contain vacancies at a low level. At 30 June 2014, the number of leases at 248 QRE amounted to 75, compared with 79 a year earlier. The property is well-received amongst government and related organisations and non-financial multinational corporations, such as shipping, logistics and transportation companies, as well as advertising and consultancy firms.

Tenant Mix at 248 Queen's Road East*



* Tenant mix charts on pages 20 to 23 are expressed by percentage and in terms of GRA at 30 June 2014.



Artistic impression of the renovated lobby of 248 Queen's Road East

Moreover, improvement works at 248 QRE have enhanced its appeal to current and potential tenants. In particular, the revamping of the air conditioning system, notably including the recent installations of a water-cooled chiller and new thermal insulation for chilled water pipes, represents the Manager's commitment to creating a greener and a more cost effective environment for the building. Meanwhile, in addition to the introduction of two high quality retail tenants, the Manager is reconfiguring the entrance and the shop space. These improvements are expected to burnish the image of the building, as it blends in with the more vibrant surroundings.

Grade B Central/Sheung Wan Office Properties

The performance of Sunlight REIT's four Grade B offices in Central and Sheung Wan has proven to be resilient despite the relatively more subdued leasing environment. Such improved performance was mainly attributable to the continued gentrification of the Sheung Wan area, being home to a host of boutiques, trendy restaurants, bars, cafés, art galleries and studios, as well as a convenient office destination for small and medium-sized enterprises that do not require a central office location and look for value for money leasing alternatives.

As a result, our Grade B office portfolio managed to post satisfactory rental growth from the previous financial year. For instance, Bonham Trade Centre, the second largest office building held by Sunlight REIT, recorded a 10.0% year-on-year growth in passing rent to HK\$24.1 per sq. ft. at 30 June 2014.

Other Office Properties

These smaller buildings are filled by a wide array of service-related businesses, including health and beauty, education and professional services. Such businesses are more driven by domestic consumption and are mostly defensive in nature. As a result, the volatility in rentals and occupancies for these buildings is fairly low. They continued to provide small yet steady income and cash flow to Sunlight REIT.



Bonham Trade Centre at Sheung Wan



Winsome House Property at Central

Retail Portfolio

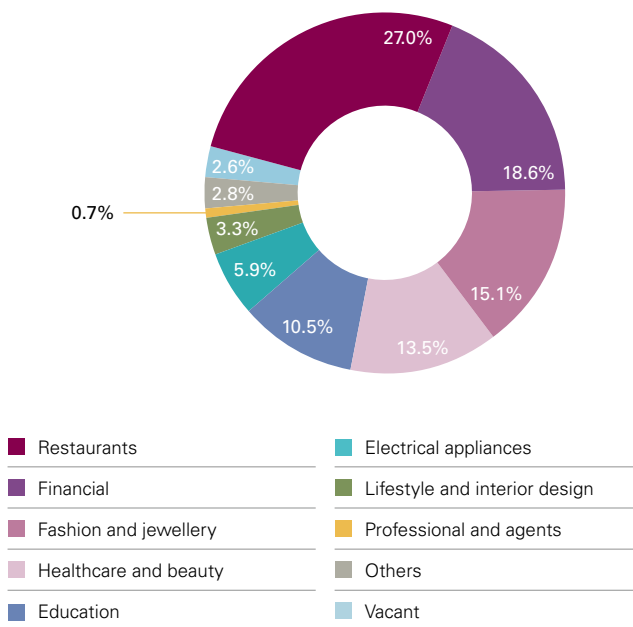
Sheung Shui Centre Shopping Arcade

Given growing consumer preference for staple goods over discretionary items, SSC has continued to capitalise on its strategic location with a focus on necessity shopping. Asset enhancement works involving ceiling renovation, lighting upgrade and repositioning of secondary corridors (to extend footfall to the perimeters of the shopping mall) have all proved beneficial and helped to raise the mall's overall rental and asset values. During the Year, the property enjoyed a strong rental reversion of 36.2%, leading to a 14.8% increase in passing rent to HK\$102.9 per sq. ft.. At 30 June 2014, the occupancy of SSC was 97.4%, compared with 98.5% recorded a year earlier.

The shops and restaurants of this property have thrived on the support of both local patrons and mainland Chinese visitors, given its close proximity to the border. Our leasing strategy is to ensure that there is a good mix of trades that cater to different groups of consumers. During the Year, we diversified the food and beverage trade spectrum and optimised the mix of electrical and telecommunication stores.

It is public knowledge that the government is looking into measures to refine the Individual Visit Scheme for Chinese residents of 49 Chinese cities as well as the multiple entry scheme offered to Shenzhen residents to handle the strong influx of mainland visitors, which might probably involve a curb on same-day travellers across the border. This may weigh on retailers reliant on the patronage of mainland Chinese customers and in turn impact on SSC. However, the Manager believes that the potential adverse impact of this policy can be mitigated by the resilience offered by the sustainable focus on consumer staples, the sales turnover of which remained encouraging during the Year.

Tenant Mix at Sheung Shui Centre Shopping Arcade



Sheung Shui Centre Shopping Arcade



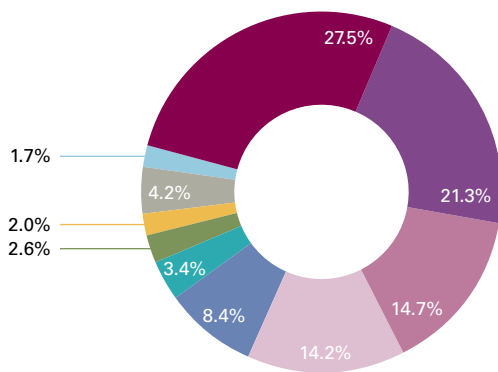
Metro City Phase I Property

Metro City Phase I Property

Despite being somewhat affected by the ongoing refurbishment, rental reversion at MCPI remained decent at 17.9%, as alteration works were carried out with minimal disruption to the business of our tenants. Occupancy of the property stood at 98.3% at 30 June 2014, compared with 99.5% recorded a year earlier. Passing rent was HK\$44.9 per sq. ft., compared with HK\$43.2 per sq. ft. achieved for the preceding year.

The Manager is pleased to announce that the first phase of renovation has been substantially finished subsequent to the end of FY2013/14, giving the shopping mall a refreshed look particularly at the façade, atrium and main entrance on the ground floor. The Manager would build on this renovated platform and undertake further enhancement initiatives in the next few years, with a view to transforming MCPI into a more dynamic and friendly community shopping destination. Relocation of certain service trade tenants to the lower floor is already happening, and we are optimistic about the shopper circulation and turnover going forward, particularly as details of the (phase one) renovation are fully unveiled.

Tenant Mix at Metro City Phase I Property

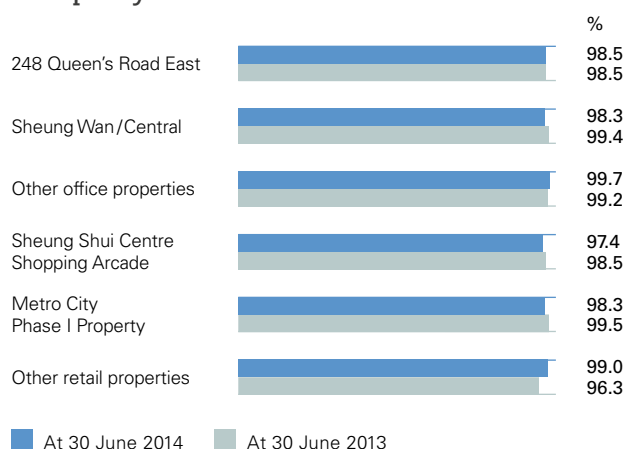


Restaurants	Lifestyle and interior design
Education	AV and books
Financial	Professional and agents
Healthcare and beauty	Others
Fashion and jewellery	Vacant

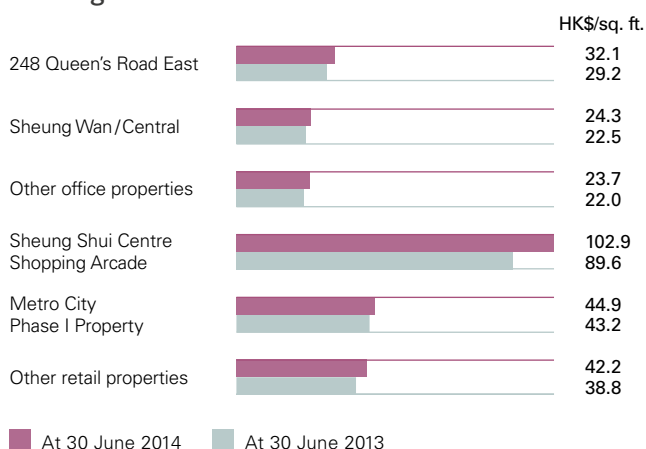
MCPI combines with two adjoining phases currently owned by HLD to form the Metro City shopping complex, which covers a floor area of over 1.4 million sq. ft., rendering it one of the biggest retail destinations in Hong Kong. Unlike SSC which rides on mainland tourist traffic, this regional mall can capitalise on a growing residential neighbourhood in Tseung Kwan O as well as a wider catchment area contributed by an extensive transportation network. We expect the upgrade of MCPI to attract quality retailers ahead, as the overall Metro City shopping complex is well placed to become a major shoppers' attraction.

Business Review

Occupancy



Passing Rent



Kwong Wah Plaza Property

The population of Yuen Long district has grown in recent years due to the completion of many residential projects. The retail component of Kwong Wah Plaza Property has benefitted from this trend, apart from the support of mainland Chinese visitors. Moreover, its office portion remains popular amongst finance-related and service trades desiring a strategic location in the northern part of Hong Kong. During the Year, it was virtually fully let, with a fine rental reversion of 31.7%. Passing rent at HK\$43.8 per sq. ft. represented a year-on-year improvement of 14.4%.

Other Retail Properties

Other retail properties held by Sunlight REIT consist of typical street or podium level shops in residential or office premises, which cater to the regular shopping requirements of residents and office workers in the vicinity. As in the past, they produced a steady and defensive recurrent income stream for the portfolio.

Operational Statistics

The overall portfolio of Sunlight REIT registered an average occupancy of 98.6% at 30 June 2014, largely unchanged from the 98.8% achieved a year ago. The occupancies of the office and retail components stood at 98.7% and 98.2% (30 June 2013: 99.0% and 98.4%) respectively. During the Year, a total of 496,195 sq. ft. were leased out, 27.3% of which was attributable to new lettings while the remainder was renewal. As the pace of office decentralisation moderated, there was no significant tenant movement, contributing to a retention rate of 71.0% (FY2012/13: 67.1%) for the office portfolio. The retention rate for the retail portfolio at 74.5% was also higher than the 69.8% recorded in the previous year.

Average passing rent of the office portfolio was HK\$27.5 per sq. ft., up 9.1% year-on-year, while that of the retail portfolio was HK\$61.6 per sq. ft., up 9.6% from a year ago. During the Year, decent rental reversions of 23.4% and 28.8% were secured by the office and retail portfolios respectively.

Rental Reversion and Retention Rate

	Rental Reversion		Retention Rate	
	FY2013/14 (%)	FY2012/13 (%)	FY2013/14 (%)	FY2012/13 (%)
248 Queen's Road East	28.9	30.3	75.9	63.7
Sheung Wan/Central	19.0	21.6	65.5	70.4
Other office properties	18.6	20.3	71.0	65.8
Sheung Shui Centre Shopping Arcade	36.2	29.9	58.5	79.5
Metro City Phase I Property	17.9	30.8	79.1	73.7
Other retail properties	29.5	31.0*	86.5	56.4*
Average	26.0	27.2*	72.0	68.0*

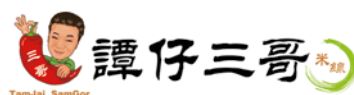
* These figures have been adjusted to eliminate the effect of the Glory Rise Property, the disposal of which was completed on 3 September 2012.

At 30 June 2014, the weighted average lease length in terms of GRA was 2.7 years for the entire portfolio. Leases expiring on or before 30 June 2015 account for 50.2% of office GRA and 35.5% of retail GRA. The average unit rent for the expiring office and retail leases are HK\$25.1 per sq. ft. and HK\$60.0 per sq. ft. respectively.

Tenancy Base

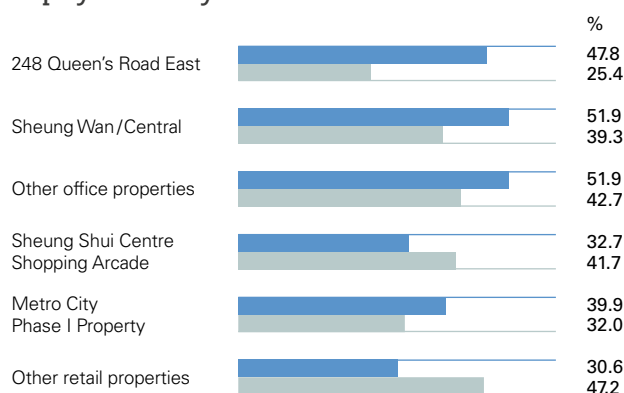
The portfolio had a total of 1,015 tenancies at 30 June 2014. The largest tenant accounted for 4.3% of total rental income and occupied 4.8% of total GRA, while the corresponding figures for the top ten tenants were 21.1% and 18.6% respectively. Details of the rental contribution of the top ten tenants at 30 June 2014 are set out in the table on page 26.

Selected new tenants in FY2013/14



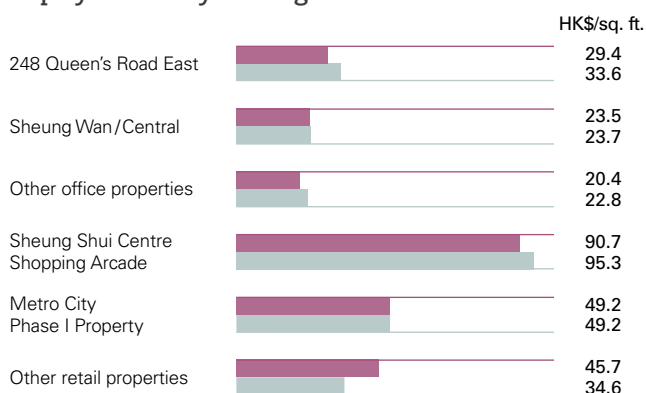
Business Review

Expiry Profile by GRA^{1,2}



■ For the Year ending 30 June 2015
 ■ For the Year ending 30 June 2016

Expiry Profile by Average Rent¹



■ For the Year ending 30 June 2015
 ■ For the Year ending 30 June 2016

Other Income

Sunlight REIT holds a total of 844 car parking spaces, which generated approximately HK\$29.5 million in income for the Year, representing an increase of 13.7% on a year-on-year basis. Income was also derived from outdoor advertising space and short-term licenses on certain properties, although the contribution was relatively insignificant.

Cost Control

Combating cost-push inflation has been a daunting task. During the Year, there was a noticeable 10.2% year-on-year increase in operating expenses, principally caused by a higher wage bill relating to cleaning and security contracts, which to a large extent offset the savings achieved by more efficient energy consumption. We were able to maintain the cost-to-income ratio at 22.3% for the Year, compared with 22.2% for FY2012/13.

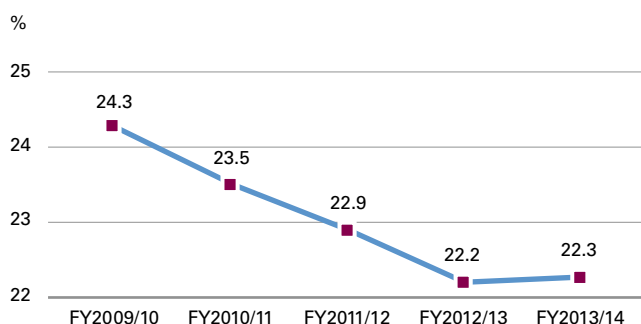
Top Ten Tenants by Rental Contribution¹

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	4.3
Anglo-Eastern Ship Management Limited	Shipping, logistic and transportation	61,576	4.8	3.2
A.S. Watson Group (HK) Limited	Healthcare and electrical appliances	18,482	1.4	2.5
Bank of Communications Co., Ltd.	Financial	8,782	0.7	2.2
The Bank of East Asia, Limited	Financial	8,997	0.7	1.9
Forever Sky (Asia) Limited	Restaurants	20,261	1.6	1.6
Bank of China (Hong Kong) Limited	Financial	7,849	0.6	1.5
The Dairy Farm Company Limited	Supermarket	10,587	0.8	1.4
Euromoney Institutional Investor (Jersey) Limited	Advertising, Consulting and Finance	21,735	1.7	1.3
Office of The Privacy Commissioner For Personal Data	Government and related organisations	19,329	1.5	1.2

Notes :

1. At 30 June 2014.
2. Expiring GRA as a percentage of total GRA.

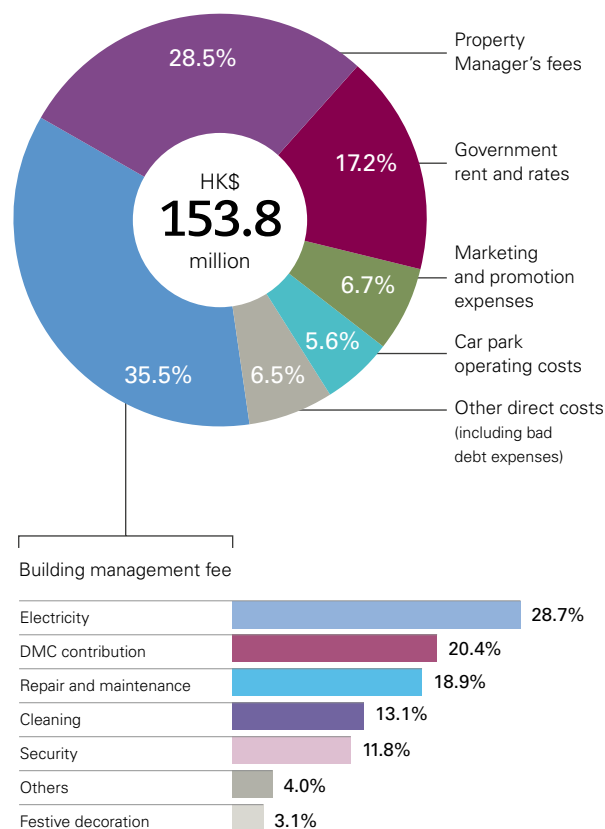
Cost-to-income : Five-Year Trend



Water-cooled air-conditioning system at 248 Queen's Road East

A breakdown of the total property operating expenses, together with components constituting building management expenses for the Year, is provided in the chart below for easy reference.

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	46,591	32.12
New Progress Construction Co. Ltd.	Repairs, maintenance and renovation works	12,618	8.70
Winston Air Conditioning & Engineering (Hong Kong) Company Limited	Repairs and maintenance	9,591	6.61
Hang Yick Properties Management Ltd. ^{Note}	Building management	9,313	6.42
Sang Fai Construction Engineering Co., Ltd.	Repairs, maintenance and renovation works	6,785	4.68
Total		84,898	58.53

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

Financial Review

Financial Highlights

(in HK\$' million, unless otherwise specified)	2014	2013	2012	2011	2010
For the year ended 30 June :					
Turnover	688.9	630.2	581.7	532.5	488.6
Property operating expenses	153.8	139.6	133.2	125.1	118.7
Net property income	535.1	490.6	448.5	407.4	369.9
Cost-to-income ratio (%)	22.3	22.2	22.9	23.5	24.3
Profit after taxation ¹	1,230.0	1,674.6	1,027.3	1,655.1	1,389.1
Total distributable income	342.8	307.0	298.4	264.5	186.5
DPU ² (HK cents)	20.00	17.70	17.00	17.60	14.39
Payout ratio (%)	94.8	93.1	91.3	90.5	100
At 30 June :					
Portfolio valuation	15,390.6	14,408.8	13,038.8	12,222.2	10,722.1
Total assets ¹	16,151.9	15,156.4	13,692.5	12,888.2	11,226.8
Total liabilities ¹	4,657.0	4,624.7	4,670.5	4,626.3	4,504.6
Net asset value ¹	11,494.9	10,531.7	9,022.0	8,261.9	6,722.2
Net asset value per unit ¹ (HK\$)	7.06	6.52	5.62	5.21	4.30
Gearing ratio ¹ (%)	24.3	25.9	28.8	30.6	35.3

Operating Results

Sunlight REIT recorded a 9.3% year-on-year increase in turnover for the Year to HK\$688.9 million. After deducting operating expenses of HK\$153.8 million, net property income was HK\$535.1 million, up 9.1% year-on-year. Meanwhile, finance costs decreased 10.6% from the preceding year to HK\$114.5 million, mainly attributable to savings in interest expenses as a result of reduced fixed rate hedging relating to the term loan facilities. Consequently, the interest coverage ratio³ for the Year improved to 4.68 times as compared with 4 times recorded in the previous year. After taking into account non-property operating expenses and the change in fair value of investment properties, Sunlight REIT reported a profit after taxation of HK\$1,230.0 million (FY2012/13: HK\$1,674.6 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 was enhanced by arrangement offered by the Sponsors in the form of distribution waivers (from the date of initial public offering to June 2011). Please refer to the offering circular of Sunlight REIT dated 8 December 2006 (the "Offering Circular") for more details.
3. Interest coverage ratio is calculated by dividing EBITDA by cash interest expense incurred on gross borrowings. EBITDA represents net earnings before change in fair value of investment properties, interest expenses, taxation, depreciation and amortisation.

Distribution

The total distributable income of Sunlight REIT for the Year was HK\$342.8 million, representing an increase of 11.7% from HK\$307.0 million recorded in the previous year. The Board has resolved to declare a final distribution of HK 10.4 cents per unit, or HK\$169.3 million. Together with the interim distribution of HK 9.6 cents per unit, or HK\$155.6 million, total distributions for the Year would amount to HK\$324.9 million, implying a payout ratio of 94.8%. The full year DPU of HK 20.0 cents was 13.0% ahead of the HK 17.7 cents paid in the preceding year, and represented a distribution yield of 6.1% based on the closing unit price of HK\$3.27 on the last trading day of the Year.

A comparison of annual DPU is illustrated in the chart entitled "Distribution at a Glance". The portion of the DPU attributable to operations, cash savings from Manager's fees paid in units and distribution waivers (as applicable) are shown separately. As the total distributable income is not distributed in its entirety, the effect of the payout ratio on DPU is also exhibited by way of the portion of distributable income retained.

Distribution Entitlement and Closure of Register of Unitholders

The ex-distribution date and record date for the final distribution are Monday, 29 September 2014 and Tuesday, 7 October 2014 respectively. The register of unitholders will be closed from Friday, 3 October 2014 to Tuesday, 7 October 2014, 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 of Sunlight REIT, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 30 September 2014. Payment of the final distribution will be made to unitholders on Friday, 17 October 2014.

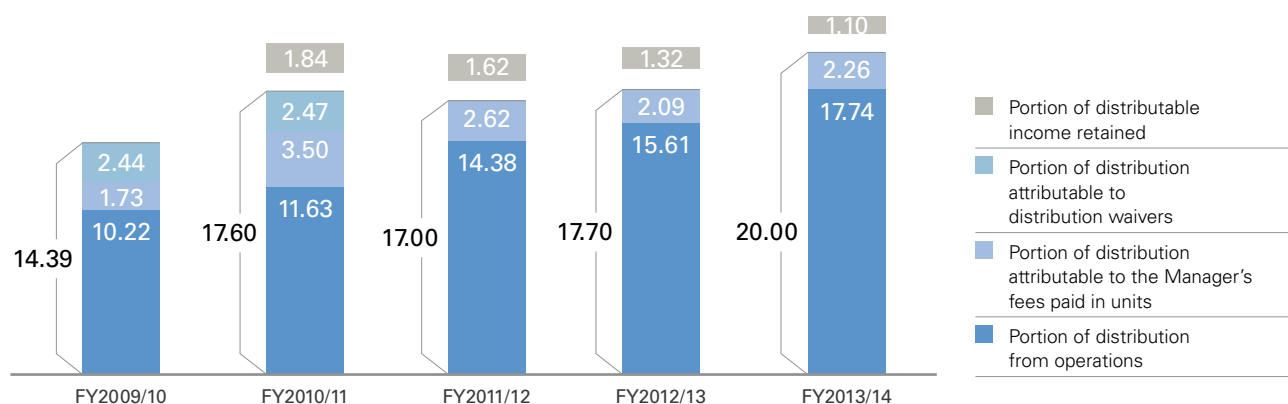
Financial Position

Sunlight REIT's portfolio was appraised at HK\$15,390.6 million at 30 June 2014, representing a 6.8% appreciation from the HK\$14,408.8 million recorded at the same time last year. At HK\$7,758.0 million, the appraised value of the office portfolio was up 5.9% year-on-year, while the appraised value of the retail properties showed a 7.8% increase to HK\$7,632.6 million. Meanwhile, the net assets of Sunlight REIT rose by 9.1% to HK\$11,494.9 million (30 June 2013: HK\$10,531.7 million). After taking into account the effect of payment of Manager's fees in units and the cancellation of units bought back during the Year, net asset value per unit rose 8.3% to HK\$7.06 (30 June 2013: HK\$6.52).

Given the higher property valuation, the gearing ratio of Sunlight REIT, defined as total borrowings as a percentage of gross assets, fell from 25.9% at 30 June 2013 to 24.3% at 30 June 2014. Gross liabilities (excluding net assets attributable to unitholders) as a percentage of gross assets was 28.8%. 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 2014.

Distribution at a Glance

HK cents



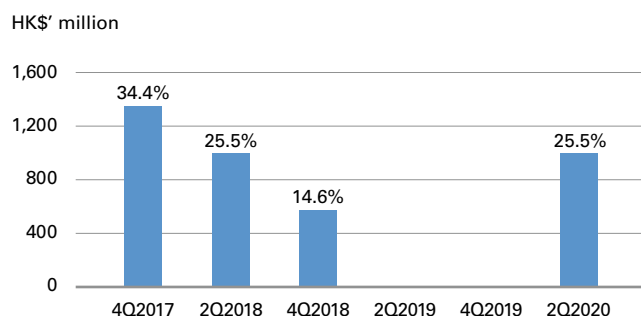
Financial Review

Capital Management

In September 2013, Sunlight REIT entered into bilateral credit facility agreements with certain banks and was granted an aggregate amount of HK\$1,925.0 million in term loan facilities. Together with the HK\$2,000.0 million term loan facilities granted in April 2013, these facilities had been applied toward an early refinancing of the entire HK\$3,925.0 million term loan facility due in 2014.

During the Year, Sunlight REIT was also granted an unsecured revolving credit facility of HK\$300.0 million. Consequently, Sunlight REIT had in place total loan facilities of HK\$4,225.0 million at 30 June 2014, comprising term loan facilities of HK\$3,925.0 million which were fully drawn and the above-mentioned revolving credit facility that remained undrawn. The term loan facilities, carrying a blended interest margin of 1.24% per annum over HIBOR (before interest rate swap arrangements) and a weighted loan maturity period of 4.3 years, are secured by a pool of securities (shared on a pari passu basis) including, among others, a mortgage over certain properties held by Sunlight REIT with an appraised value of HK\$13,096.8 million at 30 June 2014, assignment of proceeds under tenancies and a floating charge over the bank balances relating to these properties.

Debt Maturity Profile



* 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.

In order to mitigate financial market risks, Sunlight REIT has maintained certain interest rate swap arrangements. At 30 June 2014, approximately 66.2% (or HK\$2,600.0 million) of Sunlight REIT's indebtedness was hedged to fixed rates with a weighted tenure of 2.8 years. The terms of all the current interest rate swaps are summarised below :

Tenure	Notional amount (HK\$' million)	Weighted average interest rate* (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%
2 October 2013 – 29 September 2017	300	1.3100%
Total	2,600	1.7022%

It is the Manager's treasury management policy (being in compliance with relevant regulatory requirements) to place funds derived from operations as short term bank deposits or fixed income securities which must be of investment grade, with maturity profile compatible with projected funding requirements. At 30 June 2014, Sunlight REIT had total cash and bank balances of HK\$345.3 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.

Sustainability and Corporate Social Responsibility



"Sunlight Nursery" in the podium garden of 248 Queen's Road East

The notion of sustainability came to the fore about three decades ago, prompting governments, corporations and individuals around the world to undertake developments that can satisfy the needs of the present without compromising the well-being of future generations. Ever since the inception of Sunlight REIT, the Manager has been putting this principle into practice, balancing economic, environmental and social criteria and values when running Sunlight REIT. Taking our efforts to the next level, we formed the Corporate Social Responsibility Committee ("**CSRC**") in 2012. The CSRC, which is headed by the CEO, convened meetings regularly to coordinate the corporate social responsibility ("**CSR**") initiatives of Sunlight REIT. It is responsible for planning, executing and monitoring the progress of programmes aimed at promoting the principle of sustainability.

With Sunlight REIT essentially functioning as a landlord, we believe that the vision of sustainable development can be manifested in the care for the properties and people that are key to our daily operations. In our view, sustainability should be embodied in our business decision-making process, while best practices should be established in every aspect of our operations, such as

property management, corporate governance and human resources administration. Meanwhile, we have constantly promoted CSR awareness among our various stakeholders, including our tenants, shoppers, subcontractors, suppliers, sponsors, investors, as well as our employees. We have also sought to involve them in the implementation of our sustainability policies.

Environmental Protection

The property portfolio owned by Sunlight REIT has been managed in a way that can minimise any adverse impact on the environment. We have continued to put our emphasis on three areas: energy efficiency, waste treatment and green surroundings.

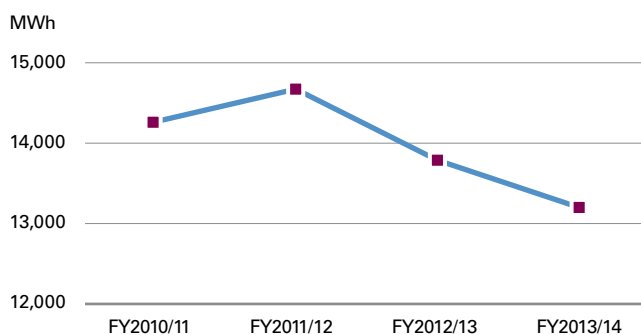
During the Year, the Manager replaced an air-cooled chiller at 248 QRE by a water-cooled chiller, which commenced operation in April 2014. Together with renewing the thermal insulation of chilled water pipes for the mechanical ventilation and air conditioning (MVAC) system, such a replacement has not only expanded the air-conditioning system capacity of the building, but also resulted in noticeable energy savings.

Sustainability and Corporate Social Responsibility

Moreover, a new building management system has been installed at 248 QRE. In the future, this flagship building's mechanical and electrical systems, such as lighting, ventilation, air-conditioning, etc. can be better controlled and monitored. While our tenants may enjoy a more comfortable work environment, our resources can be used more efficiently.

The above changes made to 248 QRE are so rewarding that other properties of Sunlight REIT are set to emulate them. For example, a similar building management system is planned to be installed for SSC by the end of 2014, while its air-conditioning system will also be improved by the installation of a new chiller plant.

Total Electricity Consumption*



* Cumulative measurements taken at eight of Sunlight REIT's wholly-owned properties, namely 248 Queen's Road East, Sheung Shui Centre Shopping Arcade, Metro City Phase I Property, Bonham Trade Centre, Righteous Centre, 235 Wing Lok Street Trade Centre, Java Road 108 Commercial Centre and Everglory Centre.

Meanwhile, we have continued to monitor and analyse the energy consumption patterns of our properties. As the chart on this page illustrates, the electricity consumption of eight properties solely managed by the Property Manager in the Year was 7.4% lower than a year ago, sustaining the downtrend over the last several years.

In addition, our waste separation and recycling programmes have been well executed, showing a growing awareness of environmental protection amongst our tenants and the shoppers of our retail properties. We have placed individual recycling containers at various locations of our office and retail properties to collect waste papers, plastic bottles, aluminium cans, fluorescent tubes and printer cartridges. The chart on page 33 shows that the quantities of solid waste recycled at our major properties have remained rather stable over the last several years.

We have also maintained a clean and safe environment for the tenants and other users of our properties. As an illustration, a brand new technology called Nano-Fotocide treatment has been adopted in the primary air-handling units on all the office floors of 248 QRE, which can effectively tackle the sick building syndrome and other building-related illnesses. During the Year, the "Excellent Class" Indoor Air Quality Certificate was again given to 248 QRE by the Environmental Protection Department, while six of our properties have continued to obtain certificates in the Quality Water Recognition Scheme for Buildings from the Water Supplies Department.

To promote the idea of green living, we have made good use of the "Sunlight Nursery" in the podium garden of 248 QRE. For instance, we have organised organic planting activities, upcycling of food waste into fertilisers and other recycling programmes. The Silver Green Management Award (Corporate) presented to Sunlight REIT in December 2013 was an endorsement of our efforts.



“Read-Cycling” at Metro City Phase I Property



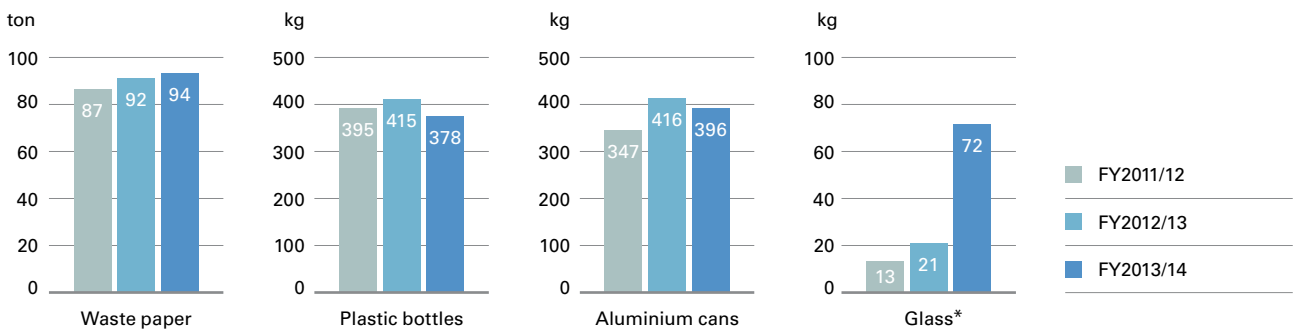
Visiting an elderly home near Metro City Phase I Property

Community Involvement

Last year the Manager was awarded the Caring Company Logo by The Hong Kong Council of Social Service, representing a clear recognition of our contribution to a caring community. We have always been mindful of the welfare of the communities in which Sunlight REIT operates, particularly in light of the large catchment areas

of its retail properties. Our staff members are encouraged to interact with the neighbourhoods where our properties are located so as to understand the needs of the people and community around us. During the Year, members of the Property Manager team spent about 220 hours on charitable work, while we also sponsored a number of community activities by providing their organisers with the venue for 56 days.

Total 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.

Sustainability and Corporate Social Responsibility

Sunlight REIT continued to sponsor the signature book recycling event, run by a non-government organisation called "Read-Cycling". In the past, only 248 QRE and MCPI were involved. During the Year, additional book collection points were established at Bonham Trade Centre and SSC. As a result, more people could participate and in turn more people could benefit from this programme.

In addition, we partnered with St. James' Settlement in March 2014 to visit the elderly in Wan Chai. It was the first time that we had invited the tenants of 248 QRE to join our team of volunteers and participate in this meaningful activity. The response was encouraging, as the function not only allowed us to engage them in our CSR initiative, it also helped to cement the landlord-tenant relationship.

We are also solicitous of the welfare of the tenants and shoppers in our retail properties. A high priority is placed on maintaining a safe and peaceful environment in our premises. With a view to enhancing the health and safety standards in our two major shopping malls, namely SSC and MCPI, we have placed cardiopulmonary resuscitation (CPR) devices in them in case of emergencies.

Operating Practices

Recognising that a high standard of corporate governance is in the best interests of all stakeholders, we have had a thorough compliance manual to ensure fair and ethical business practices. Our rigorous internal control system and strict code of conduct stress the importance of preventing bribery, fraud and money laundering.

In May 2014, we organised a seminar with the Independent Commission Against Corruption (ICAC) to address legal and ethical issues encountered by managerial staff at the workplace. Practical guidelines about how to uphold integrity have been offered, while our staff have been reminded of the importance of business ethics and their role in preventing corruption.

We also espouse greater transparency in our operations and financials, with timely disclosure of important information. A separate "Corporate Governance Report" can be found on pages 42 to 50.

Workplace Quality

We treasure our employees as a valuable asset that has underpinned the success of Sunlight REIT. As an equal opportunities employer, we pledge that recruitment and staff promotion are based on meritocracy, with no room for age, sex or racial discrimination. We offer competitive remuneration packages and are committed to investing heavily in training programmes.

In November 2013, we held the first off-site meeting for our middle and senior management teams in Macau. It helped to strengthen the team's morale and their sense of belonging. Moreover, with improved communication, the team can work together more efficiently and smoothly, and enjoy greater job satisfaction going forward.

Conclusion

The accolades we obtained during the Year, as summarised in the tables on page 35, clearly demonstrate our commitment to being a responsible corporate citizen. We recognise that the success of Sunlight REIT has been built on our ability to maintain its properties as attractive office and shopping destinations. While we drive the performance of Sunlight REIT, we will continue to pay full regard to the people and environment that we interact with in our day-to-day operations.

Awards and Recognition – Company

Company	Award	Description
The Manager	Caring Company Award	An indication that the local company or organisation recognises the concept of corporate social responsibility
The Property Manager	Excellence in Facility Management Award 2013	To recognise the outstanding performance and excellent contribution of organisations in delivering an exemplary record of facility management
The Property Manager	Power Smart Contest 2013 Certificate of Appreciation	Properties that successfully achieved an overall reduction of at least 2% in electricity consumption during the contest period (from June 2013 to August 2013) as compared with the same period in 2012

Awards and Recognition – Property

Property	Award	Description
248 Queen’s Road East	<ol style="list-style-type: none"> Indoor Air Quality Certificate (Excellence class) Certificate of Merit – 2013 Hong Kong Awards for Environmental Excellence (Property Management) “Class of Excellence” Wastewi\$e Label 	<ol style="list-style-type: none"> Publicly recognises buildings with efforts in achieving good indoor air quality (IAQ) Recognition to organisations that have achieved goals in reducing waste, conserving energy, improving indoor air quality (IAQ), improving environmental attributes of their products and encouraging participants to adopt environmental practices in different aspects A recognition scheme established to encourage Hong Kong businesses/organisations in adopting measures to reduce waste generated during operation/service provision or product manufacturing, and recognise the waste reduction efforts of those companies
<ol style="list-style-type: none"> Sheung Shui Centre Shopping Arcade Metro City Phase I Property Righteous Centre Everglory Centre 	GREEN ^{PLUS} Recognition Award 2013 (Certificate of Merit)	An award in recognition of their contributions to environmental protection and energy-saving practice
<ol style="list-style-type: none"> 248 Queen’s Road East Bonham Trade Centre Righteous Centre 235 Wing Lok Street Trade Centre Java Road 108 Commercial Centre Everglory Centre 	Quality Water Recognition Scheme	Certificates awarded to applicants who have properly maintained the plumbing systems inside their buildings for keeping the good quality of government supplied water throughout the inside service up to the consumers’ taps

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, AAIA, FCIB, FHKIB
Chairman and Non-executive Director

Mr. Au, aged 67, 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 The Hongkong and Shanghai Banking Corporation Limited, 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

BS, MS, FHKIoD
Chief Executive Officer and Executive Director

Mr. Wu, aged 50, 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 61, 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 HLD group of companies since 1987, including group re-organisation, privatisation proposals and corporate acquisitions.

Mr. Kwan Kai Cheong

BAcc, FCA (Aust.), FHKICPA, FHKIoD
Independent Non-executive Director

Mr. Kwan, aged 64, 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 United Photovoltaics Group Limited (formerly known as Goldpoly New Energy Holdings Limited), Hutchison Harbour Ring Limited, Win Hanverky Holdings Limited, Greenland Hong Kong Holdings Limited (formerly known as SPG Land (Holdings) Limited) and Dynagreen Environmental Protection Group Co., Limited (all being companies listed on the Main Board of the Stock 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

FHKIoD, FCCA, FCIS, FCS, CPA, ACIB, AHKIB, MHKSI
Independent Non-executive Director

Mr. Ma, aged 68, 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 United Photovoltaics Group Limited (formerly known as 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

BSc, MBA, MSc, PhD, ASA, MHKIoD, JP
Independent Non-executive Director

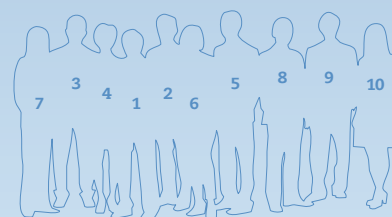
Dr. Tse, aged 57, is currently Associate Dean and Associate Professor of Finance, Faculty of Business and Economics of The University of Hong Kong.

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 AP Asia Absolute Return Fund Limited (formerly known as 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 36.

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 over 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 of HLD 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 member 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 member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. Hah Yick Yat, Kelvin

Corporate Services Manager

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

Mr. Hah has nearly 15 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

Deputy General Manager – Property Management

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

Assistant General Manager – Leasing

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 requires a sound and effective system of checks and balances, and places a strong emphasis 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 enacted or 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 (Chapter 571 of the Laws of Hong Kong) (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 (Chapter 29 of the Laws of Hong Kong) 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.

As required by the Compliance Manual, at least one-third (and with a minimum of three) of the Directors shall be INEDs. 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. 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, and each INED is required to provide to the Manager an annual written confirmation of his independence by reference to such factors. The Compliance Manual further stipulates that any further re-appointment of an INED who has served the Board for nine consecutive years shall be subject to a separate resolution to be approved by the shareholder(s) of the Manager. The Board shall provide to the shareholder(s) of the Manager the reasons as to why they believe such retiring INED continues to be independent and should be re-elected.

The Board has adopted a board diversity policy in August 2013 with a view to achieving diversity of expertise and experience at the Board level and promoting the effectiveness of the Board as a whole. The size, composition and structure of the Board is reviewed on a regular basis with due consideration on different aspects of diversity including but not limited to age,

cultural and educational background, gender, knowledge, length of service, professional experience and skills. 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. During the Year, no measurable objectives has been set in respect of board diversity.

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.

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. Board process is further facilitated by the use of telephone conferences in cases where urgent decisions are required before the next regular board meeting or where certain Director(s) is/are out of town.

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 44 and 45.

Subsequent to publication of the 2013/14 Interim Report of Sunlight REIT, the Manager was informed of the following changes in Director's information :

1. Mr. Kwan Kai Cheong has been appointed as an independent non-executive director of Dynagreen Environmental Protection Group Co., Limited, the shares of which are listed on the Stock Exchange since 19 June 2014. In addition, Mr. Kwan resigned as an independent non-executive director of Galaxy Resources Limited with effect from 30 June 2014; and

2. the company name of Ajia Partners Asia Absolute Return Fund Limited, in which Dr. Tse Kwok Sang holds directorship, has changed to AP Asia Absolute Return Fund Limited.

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

Management functions of the Manager are delegated to six departments, headed up respectively 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 among 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 provide property management, lease management and marketing services solely and exclusively for all the properties of Sunlight REIT located 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 36 to 41.

During the Year, the Directors participated in various continuous professional training seminars and/or programmes to develop and refresh their knowledge and skills. Training records were provided to the Manager for records on a yearly basis. 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 (7/7)	N/A
Mr. Wu Shiu Kee, Keith	Chief Executive Officer and Executive Director (7/7) ¹	N/A
Mr. Kwok Ping Ho	Non-executive Director (7/7)	N/A
Mr. Kwan Kai Cheong	Independent Non-executive Director ² (7/7)	Chairman (4/4)
Mr. Ma Kwong Wing	Independent Non-executive Director ² (7/7)	Member (4/4)
Dr. Tse Kwok Sang	Independent Non-executive Director ² (7/7)	Member (4/4)
Major responsibilities		
	<ul style="list-style-type: none"> – leads and guides the corporate strategy and direction of Sunlight REIT – oversees the day-to-day management and corporate governance of the Manager 	<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
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 interim 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 – upgrade of information technology and revamp of corporate website – update guidelines on connected party transactions – proposed acquisition of a property and related proposed issuance of new units – submission to the SFC in relation to the consultation paper on amendments to the REIT Code 	<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 – revision of policy on reporting of irregularity – code of conduct

N/A : Not applicable as the Director is not a member of the committee

Notes :

1. At the Board meeting held on 20 January 2014, Mr. Wu Shiu Kee, Keith was excused from participating in the discussion relating to the renewal of his service contract as CEO of the Manager.
2. At least one of the INEDs possess appropriate professional qualifications or accounting 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 – formation of the acquisition/disposal sub-committee 		<ul style="list-style-type: none"> – staff performance appraisal – staff budget and policy on staff benefits – board and committees evaluation questionnaire – performance of board and committee members – adoption of board diversity policy 		<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 	

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 securities 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 buy-back 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 inside 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 inside information should caution those Directors who are not that there may be unpublished inside 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 54 to 57 for information relating to holdings of Directors, the Manager and the substantial unitholders at 30 June 2014.

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 or 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 of Sunlight REIT and/or its affiliates.

To ensure that all conflicts of interests relating to Sunlight REIT can be managed and/or avoided, a number of measures 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;
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; and

6. confirmation from the principal valuer of Sunlight REIT that it has established stringent internal controls and guidelines to its staff with respect to confidentiality and conflict of interest obligations, and has also assured the Manager that the provision of tenancy agency services would neither affect its performance nor jeopardise its independence as principal valuer of Sunlight REIT.

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

Financial statements of Sunlight REIT are prepared 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 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 2014 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, 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.

Corporate Governance Report

Other Announcements

To keep unitholders abreast of the position of Sunlight REIT, public announcements of material information and developments with respect to Sunlight REIT are made by the Manager in a timely and transparent manner in accordance with the applicable regulatory requirements. Subsequent briefings with analysts and the press may also be convened by the Manager if necessary.

During the Year, announcements were issued in respect of the proposed acquisition of a Grade A office building in East Kowloon from a subsidiary of HLD and the proposed issuance of new units to a subsidiary of HLD (please refer to “Connected Party Transactions” on page 53 for further details). An announcement was also issued on 30 June 2014 on a voluntary basis in respect of the implications of the US Foreign Account Tax Compliance Act (FATCA) on Sunlight REIT.

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\$1,800,000 for audit and audit related services and HK\$663,000 for non-audit services respectively.

The responsibilities of the auditor with respect to financial reporting are set out in “Independent Auditor’s Report” on page 75.

Accountability and Communication

Investor Relations

The Manager is committed to providing an open and effective communication platform, ensuring that unitholders and the investment community at large are informed of the ongoing developments of Sunlight REIT. The Manager reinforces this platform by utilising a variety of interactive means to engage and 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 Manager and the Property Manager 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.

Promotional Expenses

Pursuant to the waiver granted by the SFC on 27 April 2009 from strict compliance with paragraph 9.13(b) of the REIT Code, certain expenses of advertising or promotional activities are allowed 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, and 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 held on 30 April 2012.

During the Year, the Promotional Expenses incurred were HK\$119,000. 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 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 121 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 2013 annual general meeting was held on 28 October 2013 (the "AGM") and attended by all 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 12,749,727 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.

Buy-back, Sale or Redemption of Units

Pursuant to the general mandate granted by unitholders at the AGM, the Manager bought back on behalf of Sunlight REIT a total of 1,500,000 units on the Stock Exchange in November 2013, for an aggregate consideration of approximately HK\$4.6 million (excluding buy-back expenses). The highest and the lowest price paid per unit for such buy-backs were HK\$3.08 and HK\$3.03 respectively. All bought back 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.

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 the 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.

Adequate measures have been established by the Board to provide effective internal controls, including a well-defined organisational structure with clear lines of responsibility and limits of authority, a reliable management reporting system, and proper budgetary and management accounting control policies.

The Internal Audit Department, led by the Internal Auditor, plays a major role in support of the Board to monitor the internal governance of Sunlight REIT. Key tasks of the department include unrestricted access to review and to conduct comprehensive audits of practices, procedures, expenditure and internal controls of all business and support units of Sunlight REIT on a regular basis, as well as special reviews of areas of concern identified by senior management or the Audit Committee. Results of all the audit and special reviews are discussed at the Audit Committee meetings.

Through the Audit Committee and Internal Audit Department, the Board has conducted an annual review on the effectiveness and robustness of the internal control

systems of Sunlight REIT for the Year which covered all material control areas including financial, operational and 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.

During the Year, the Audit Committee has reviewed the code of conduct and the policy on reporting of irregularities. Briefing sessions to the revised policy on reporting of irregularities have been conducted to encourage and guide all staff of the Manager and Property Manager to raise matters of concerns internally in good faith, with the pledge that such reporting will be treated fairly, and to the extent possible be protected from reprisal. Furthermore, the Manager has organised seminars jointly with the ICAC to address legal and ethical issues encountered by managerial staff at workplace.

For the Year, no material irregularity or deficiency in internal control has come to the attention of the Audit Committee, and the Board is satisfied that Sunlight REIT has maintained a sound and effective internal control system.

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

At 30 June 2014, based on information that is publicly available and within the knowledge of the Directors, Sunlight REIT has maintained a public float of not less than 25% of the outstanding units in issue as required by the SFC.

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 disclosed under the section headed “Connected Party Transactions with the Trustee Connected Persons” below) from which Sunlight REIT derived its income or 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 2014 (HK\$'000)
Henderson Sunlight Asset Management Limited	The Manager	Leasing	5,182	1,187
Henderson Sunlight Property Management Limited	Associated company of the Manager	Leasing	3,471	799
Henderson Real Estate Agency Limited	Associated company of the Manager	Joint effort arrangements	1,663	–
Galaxy Hotel Management Company Limited	Associated company of the Manager	Leasing	421	103
Citistore (Hong Kong) Limited	Associated company of the Manager	Licensing	24	–
Total			10,761	2,089

(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	1,173
Hang Yick Properties Management Limited	Associated company of the Manager	Property management and operations	9,313
Henderson Sunlight Property Management Limited	Associated company of the Manager	Property management and related services and marketing services	46,591
Megastrength Security Services Company Limited	Associated company of the Manager	Security services	2,256
Metro City Management Limited	Associated company of the Manager	Property management and operations	1,978
Sheung Shui Centre Management Limited	Associated company of the Manager	Property management and operations	2,191
Contender Limited	Associated company of the Manager	Facilities leasing	70
Jones Lang LaSalle Limited	Principal Valuer	Leasing agency fee	70
Total			63,642

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 2014 (HK\$'000)
Leasing Transactions :				
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Leasing ³	6,792	1,759
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Licensing ⁴	166	41
Hang Seng Bank Limited (“ Hang Seng ”)	Trustee Connected Persons	Leasing ⁵	7,781	1,890
Ordinary Banking and Financial Services⁶ :				
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Interest income received/ receivable on bank deposits	16	–
The Hongkong and Shanghai Banking Corporation Limited	Trustee Connected Persons	Interest expense, debts establishment fees, agency, security trustee and other charges on bank borrowings, interest expense on interest rate swaps and other bank charges	30,197	–
HSBC Broking Securities (Asia) Limited	Trustee Connected Persons	Brokerage commission	5	–
Hang Seng	Trustee Connected Persons	Interest income received/ receivable on bank deposits	62	–
Hang Seng	Trustee Connected Persons	Interest expense and debts establishment fees on bank borrowing and other bank charges	7,000	–
Corporate Finance Transactions⁷ :				
<p>During the Year, the Manager engaged The Hongkong and Shanghai Banking Corporation Limited as the financial adviser on a proposed acquisition of a Grade A office building in East Kowloon (please refer to “Proposed Property Acquisition and Proposed Unit Subscription” on page 53 for further details). An advisory fee is payable to The Hongkong and Shanghai Banking Corporation Limited in respect of such engagement.</p> <p>During the Year, no fee was paid to The Hongkong and Shanghai Banking Corporation Limited relating to the aforesaid service.</p>				

Notes :

1. HSBC Group means The Hongkong and Shanghai Banking Corporation Limited 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, SSC whereby both parties had agreed to renew for a 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, SSC.
5. A tenancy agreement was entered into for Shop No. 211, MCPI whereby both parties had agreed to renew for a 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.
7. The engagement of The Hongkong and Shanghai Banking Corporation Limited for its provision of corporate finance advice, which falls within the category of “corporate finance transactions” between Sunlight REIT and HSBC Group, is covered by a waiver granted by the SFC to Sunlight REIT on 30 November 2006 from strict compliance with the requirement under paragraphs 8.9 and 8.11 of the REIT Code to seek unitholders’ prior approval and to make announcements and circulars.

Proposed Property Acquisition and Proposed Unit Subscription

On 22 June 2014, Sunlight REIT announced that it entered into (i) a conditional sale and purchase agreement with HLD and certain of its subsidiaries for the proposed acquisition of a property holding company which holds the entire interest in a Grade A office building situated at No. 712 Prince Edward Road East, Kowloon (the “**Proposed Property Acquisition**”); and (ii) a conditional unit subscription agreement with a subsidiary of HLD, Richful Resources Limited (“**Richful**”), for the proposed issuance of 201,025,641 new units in Sunlight REIT (the “**Proposed Subscription Units**”) to Richful (collectively the “**Proposed Transactions**”). The Proposed Transactions, which were conditional upon the approval by the independent unitholders, constituted connected party transactions of Sunlight REIT under the REIT Code.

Subsequent to the end of the Year, the Proposed Transactions were not approved by the independent unitholders at the extraordinary general meeting held on 15 August 2014 (the “**EGM**”) and did not proceed.

Other Disclosures under the REIT Code

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\$77.6 million and HK\$4.0 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)(i), (ii) and (iv) to 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.

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 in the paragraphs headed “Connected Party Transactions – Income and Expenses” and “Connected Party Transactions with the Trustee Connected Persons” above and 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.

Confirmation by the Manager and the Trustee

Each of the Manager and the Trustee confirms that the engagement of The Hongkong and Shanghai Banking Corporation Limited as the financial adviser for the Proposed Transactions as described on page 52 has complied with the general conditions of the 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, except that the existence of such waiver was not disclosed in the circular of Sunlight REIT dated 25 July 2014 issued in relation to the Proposed Transactions due to an inadvertent omission, 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 the financial adviser for the Proposed Transactions.

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 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.

As mentioned under “Connected Party Transactions” on page 53, 201,025,641 Proposed Subscription Units were proposed to be issued to Richful. In addition, 5,128,205 new units (the “**Proposed Acquisition Fee Units**”) were proposed to be issued to the Manager as payment of acquisition fee in relation to the Proposed Property Acquisition. Interests of relevant parties pursuant to Part XV of the SFO at 30 June 2014 included deemed interests in such units proposed to be issued. However, as the approval of the Proposed Transactions was not obtained at the EGM, the relevant parties ceased to have deemed interests in those units with effect from 15 August 2014 – see the paragraph headed “Information on Updated Holdings after 30 June 2014” below.

Holdings of the Manager, its Directors or Chief Executive

At 30 June 2014 and 30 June 2013, 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 (the “**Register**”), were as follows :

Name	At 30 June 2014		At 30 June 2013		Change in % Interest
	Number of Units Interested (long position)	% of Interest in Units ¹	Number of Units Interested (long position)	% of Interest in Units ²	
The Manager ³	82,448,068	5.066	64,570,136	3.995	1.071
Au Siu Kee, Alexander ⁴	1,530,000	0.094	1,329,000	0.082	0.012
Wu Shiu Kee, Keith ⁵	600,000	0.037	250,000	0.015	0.022

Notes :

1. The percentages are arrived at by comparing the relevant number of interested units with the total number of units in issue of 1,627,580,493 at 30 June 2014 (which did not include the Proposed Subscription Units and the Proposed Acquisition Fee Units).
2. The percentages expressed are based on the total number of units in issue of 1,616,330,766 at 30 June 2013.
3. After the issuance of an aggregate of 12,749,727 new units to the Manager during the Year as payment of part of the Manager’s base fee and variable fee, the Manager beneficially owned 77,319,863 units at 30 June 2014 (30 June 2013: 64,570,136 units). The above table has taken into account the 5,128,205 Proposed Acquisition Fee Units in which the Manager had a deemed interest at 30 June 2014 under Part XV of the SFO.
4. At 30 June 2014, Mr. Au Siu Kee, Alexander, Chairman and Non-executive Director of the Manager, was interested in 1,530,000 units (30 June 2013: 1,329,000 units) under Part XV of the SFO. Of the 1,530,000 units, 201,000 units were beneficially held by Mr. Au, 1,229,000 units were jointly held with his spouse, and the remaining 100,000 units were beneficially held by his spouse individually.
5. At 30 June 2014, Mr. Wu Shiu Kee, Keith, Chief Executive Officer and Executive Director of the Manager, beneficially held 600,000 units (30 June 2013: 250,000 units).

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 2014 and 30 June 2013 as recorded in the Register.

Holdings of Substantial Unitholders

At 30 June 2014 and 30 June 2013, the interests and short position in units of the following substantial unitholders, as recorded in the Register, were as follows :

Name	At 30 June 2014		At 30 June 2013		Change in % Interest
	Number of Units Interested (long position)	% of Interest in Units ¹	Number of Units Interested (long position)	% of Interest in Units ²	
Lee Shau Kee ³	801,458,734	49.24	582,555,161	36.04	13.20
Lee Financial (Cayman) Limited ³	374,072,708	22.98	374,072,708	23.14	-0.16
Leesons (Cayman) Limited ³	374,072,708	22.98	374,072,708	23.14	-0.16
Leeworld (Cayman) Limited ³	374,072,708	22.98	374,072,708	23.14	-0.16
SKFE ³	374,072,708	22.98	374,072,708	23.14	-0.16
Uplite Limited ³	224,443,625	13.79	224,443,625	13.89	-0.10
Wintrade Limited ³	149,629,083	9.19	149,629,083	9.26	-0.07
Henderson Development Limited ³	427,386,026	26.26	195,635,611	12.10	14.16
HLD ³	427,386,026	26.26	195,635,611	12.10	14.16
Hopkins (Cayman) Limited ³	427,386,026	26.26	195,635,611	12.10	14.16
Riddick (Cayman) Limited ³	427,386,026	26.26	195,635,611	12.10	14.16
Rimmer (Cayman) Limited ³	427,386,026	26.26	195,635,611	12.10	14.16
Richful ³	268,404,613	16.49	–	–	16.49
Silchester International Investors LLP ⁴	257,791,150	15.84	257,791,150	15.95	-0.11
Silchester International Investors International Value Equity Trust ⁴	113,294,922	6.96	128,314,922	7.94	-0.98

Notes :

1. The percentages are arrived at by comparing the relevant number of interested units with the total number of units in issue of 1,627,580,493 at 30 June 2014 (which did not include the Proposed Subscription Units and the Proposed Acquisition Fee Units).
2. The percentages expressed are based on the total number of units in issue of 1,616,330,766 at 30 June 2013.
3. At 30 June 2014, 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 2014, 76,533,345 units were owned by Cobase Limited, 67,378,972 units were owned by Richful and 77,319,863 units were owned by the Manager. In addition, under Part XV of the SFO, at 30 June 2014, Richful was taken to be interested in the 201,025,641 Proposed Subscription Units and the Manager was taken to be interested in the 5,128,205 Proposed Acquisition Fee Units. Cobase Limited and Richful 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. At 30 June 2014, each of HD, HLD, Hopkins, Riddick and Rimmer was taken to be interested in a total of 427,386,026 units under Part XV of the SFO.

Disclosure of Interests

At 30 June 2014, under Part XV of the SFO, by virtue of being the beneficial owner of the entire issued share capital of the trustees of the above unit trusts and discretionary trusts, Dr. Lee Shau Kee was taken to be interested in 801,458,734 units.

At 30 June 2014, the units mentioned under this note were beneficially held or interested in by connected persons of Sunlight REIT.

4. At 30 June 2014, in accordance with the notices 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, and Silchester International Investors International Value Equity Trust (“**Silchester Trust**”) beneficially owned 113,294,922 units. The Manager has subsequently been notified informally that at 30 June 2014, (i) Silchester LLP was interested in 250,899,150 units (representing approximately 15.42% of the total number of units in issue); and (ii) the beneficial interest owned by Silchester Trust had decreased to 113,196,922 units (representing approximately 6.95% of the total number of units in issue), and such interest has been included as part of the interests (reported above) of Silchester LLP.

Information on Updated Holdings after 30 June 2014

Subsequent to 30 June 2014, the following relevant parties ceased to have deemed interests in the Proposed Subscription Units and/or the Proposed Acquisition Fee Units with effect from 15 August 2014, as at which their interests in units pursuant to Part XV of the SFO as recorded in the Register were as follows :

Name	At 15 August 2014	
	Number of Units Interested (long position)	% of Interest in Units ^{Note}
The Manager	77,319,863	4.75
Lee Shau Kee	595,304,888	36.58
Henderson Development Limited	221,232,180	13.59
HLD	221,232,180	13.59
Hopkins (Cayman) Limited	221,232,180	13.59
Riddick (Cayman) Limited	221,232,180	13.59
Rimmer (Cayman) Limited	221,232,180	13.59
Richful Resources Limited	67,378,972	4.14

Note : The percentage expressed is based on the total number of units in issue of 1,627,580,493 at 15 August 2014.

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 2014 were as follows :

Name of Connected Persons	Number of Units Held	% of Unit Holding ¹
Chan Wing Cheng ²	130,000	0.0080
Lee King Yue ³	50,000	0.0031
Lee Pui Ling, Angelina ⁴	2,307	0.0001
Mao Kenneth Ruys ⁵	500,000	0.0307
Lo Yuk Fong, Phyllis ⁶	100,000	0.0061
Persons related to the Trustee ⁷	18,704,000	1.1492

Notes :

1. The percentage expressed is based on the total number of units in issue of 1,627,580,493 at 30 June 2014.
2. Mr. Chan Wing Cheng was a connected person by virtue of being a director of a company controlled by the family trust of Dr. Lee Chau Kee. Mr. Chan held 100,000 units at 30 June 2013.
3. Mr. Lee King Yue was a connected person by virtue of being a director of HLD and certain of its subsidiaries. Mr. Lee held 50,000 units at 30 June 2013.
4. Mrs. Lee Pui Ling, Angelina was a connected person by virtue of being a director of HLD and one of its subsidiaries. Mrs. Lee held 2,307 units at 30 June 2013.
5. Mr. Mao Kenneth Ruys was a connected person by virtue of being a director of a company controlled by the family trust of Dr. Lee Chau Kee. Mr. Mao was interested in 500,000 units at 30 June 2013.
6. Ms. Lo Yuk Fong, Phyllis was a connected person by virtue of being a senior executive of the Manager. Ms. Lo was interested in 10,000 units at 30 June 2013.
7. The Manager has been informed that such units at 30 June 2014 were beneficially held by certain controlling entities, holding companies, subsidiaries or associated companies of the Trustee (as defined in the REIT Code). At 30 June 2013, certain directors, senior executives, officers of the Trustee and their associates (as defined in the REIT Code) were beneficially interested in 120,000 units.

Valuation Report



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ISO 9001 : 2008
Certificate No.: CC 568

25 July 2014

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

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

Dear Sirs

SUNLIGHT REIT – YEAR END VALUATION AS AT 30 JUNE 2014

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 2014 for the Annual Report in compliance with the relevant requirements set out in the Code on Real Estate Investment Trusts (“**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 2014 (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. We also confirm we are independent of Sunlight REIT, the Trustee, and the Manager.

Basis of Valuation

All work is carried out 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**"), the "International Valuation Standards" published by the International Valuation Standards Council ("**IVSC**") and the "RICS Valuation – Professional Standards" published by the Royal Institution of Chartered Surveyors ("**RICS**") subject to variation to meet local established law. Unless otherwise stated, our valuations are undertaken as External Valuers as defined in the relevant Valuation Standards.

Our valuation is made on the basis of Market Value as defined by IVSC and adopted by HKIS and RICS, 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 presented in the report would represent 100% interest of the Portfolio and not the share holdings of the company holding the Portfolio interest hereof.

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 a 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 27 May 2014 and 12 June 2014.

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 is 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 there is 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 tenancy schedule of the Portfolio as at 31 March 2014, 30 April 2014, 31 May 2014 and 30 June 2014;
2. Copy of other retail incomes and car park incomes of the Portfolio from June 2013 to May 2014;
3. Copy of expense report of the Portfolio from July 2013 to May 2014; 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. We have also been advised by the Manager that no material facts have been omitted/withheld from 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 has been erected, and is 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 2014, is 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 2014 (HK\$ million)	Adopted Capitalisation Rate			Estimated Net Property Yield (%)
				Retail (%)	Office (%)	Car Park (%)	
1 248 Queen's Road East Property	376,381	46	3,986.0	3.75	3.85	4.50	3.70
2 Bonham Trade Centre Property	117,909	N/A	867.2	4.20	3.85	N/A	3.80
3 Righteous Centre Property	51,767	N/A	611.6	3.60	3.95	N/A	3.90
4 Winsome House Property	40,114	N/A	490.3	4.00	3.85	N/A	3.60
5 135 Bonham Strand Trade Centre Property	63,915	N/A	439.3	4.20	3.85	N/A	3.90
6 235 Wing Lok Street Trade Centre Property	52,285	N/A	269.8	4.25	3.85	N/A	3.90
7 Java Road 108 Commercial Centre Property	37,923	N/A	242.2	4.20	3.95	N/A	3.90
8 Yue Fai Commercial Centre Property	42,751	N/A	236.3	4.10	4.10	N/A	4.10
9 On Loong Commercial Building Property	25,564	N/A	216.1	4.00	3.95	N/A	3.90
10 Everglory Centre Property	29,802	N/A	186.0	4.15	3.85	N/A	3.80
11 Sun Fai Commercial Centre Property	26,151	N/A	154.5	4.35	4.10	N/A	4.10
12 Wai Ching Commercial Building Property	16,321	N/A	58.7	4.20	3.85	N/A	3.60
13 Sheung Shui Centre Property	122,339	297	3,670.8	4.40	N/A	6.00	4.40
14 Metro City Phase I Property	188,889	452	2,678.8	4.50	N/A	5.50	4.30
15 Kwong Wah Plaza Property	64,842	N/A	906.1	3.80	3.85	N/A	3.70
16 Royal Terrace Property	9,565	49	156.5	4.25	N/A	5.00	4.40
17 Beverley Commercial Centre Property	7,934	N/A	125.5	4.30	N/A	N/A	3.70
18 Supernova Stand Property	4,226	N/A	57.2	4.00	N/A	N/A	4.20
19 Palatial Stand Property	8,625	N/A	37.7	4.35	N/A	N/A	3.60
Total	1,287,303	844	15,390.6				4.00

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 2014, was in the sum of **HK\$15,390,600,000 (HONG KONG DOLLARS FIFTEEN BILLION THREE HUNDRED NINETY MILLION AND SIX HUNDRED THOUSAND)**.

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

	Market Value (HK\$)	Estimated Net Property Yield (%)
Retail Properties	7,632,600,000	4.30
Office Properties	7,758,000,000	3.80
Total	15,390,600,000	4.00

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

Lau Chun-kong MRICS, FHKIS, RPS (GP)
International Director
Licence No.: E-131615

Valuation Report

Summary Valuation Report^{Note}

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 2014

HK\$11,910,000 exclusive of rates, management fees and air-conditioning charges

Monthly Car Parking Income as at 30 June 2014

HK\$297,600 exclusive of operating expenses, rates, Government rents and management fees

Monthly Licence Income as at 30 June 2014

HK\$7,500 exclusive of rates and management fees

Market Value in existing state as at 30 June 2014

HK\$3,986,000,000

Estimated Net Property Yield

3.7%

Bonham Trade Centre Property

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

Description

The building is a 28-storey commercial building erected on a trapezoid site having a registered site area of approximately 720.27 sq. m. (7,753 sq. ft.). The building was completed in 1998. The property comprises all units within the building having a total gross rentable area of approximately 10,954.01 sq. m. (117,909 sq. ft.). It also comprises a yard on Ground Floor of the building with an area of approximately 16.50 sq. m. (178 sq. ft.).

Land Tenure

Inland Lot No. 15 is held under a Government Lease for a term of 999 years commencing from 26 December 1860. The annual Government rent payable for the subject section of the lot is HK\$11.9.

Marine Lot Nos. 142 and 144 are held under their respective Government Leases each for a term of 981 years commencing from 26 December 1860. The total annual Government rent payable for the lots is HK\$124.8.

Monthly Rental Income as at 30 June 2014

HK\$2,760,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2014

HK\$867,200,000

Estimated Net Property Yield

3.8%

Note : A full version of the valuation report in English language is available for public inspection at the registered office of the Manager.

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 2014

HK\$1,880,000 exclusive of rates, management fees and air-conditioning charges

Monthly Licence Income as at 30 June 2014

HK\$102,000 exclusive of rates and management fees

Market Value in existing state as at 30 June 2014

HK\$611,600,000

Estimated Net Property Yield

3.9%

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 2014

HK\$1,480,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2014

HK\$490,300,000

Estimated Net Property Yield

3.6%

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 2014

HK\$1,420,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2014

HK\$439,300,000

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 2014

HK\$870,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2014

HK\$269,800,000

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 2014

HK\$780,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2014

HK\$242,200,000

Estimated Net Property Yield

3.9%

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 2014

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

Market Value in existing state as at 30 June 2014

HK\$236,300,000

Estimated Net Property Yield

4.1%

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 2014

HK\$700,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2014

HK\$216,100,000

Estimated Net Property Yield

3.9%

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 2014

HK\$590,000 exclusive of rates, management fees and air-conditioning charges

Monthly Licence Income as at 30 June 2014

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

Market Value in existing state as at 30 June 2014

HK\$186,000,000

Estimated Net Property Yield

3.8%

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 2014

HK\$528,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2014

HK\$154,500,000

Estimated Net Property Yield

4.1%

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 2014

HK\$175,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2014

HK\$58,700,000

Estimated Net Property Yield

3.6%

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 2014

HK\$12,260,000 exclusive of rates, management fees and air-conditioning charges but inclusive of turnover rent

Monthly Car Parking Income as at 30 June 2014

HK\$858,600 exclusive of operating expenses, rates, Government rents and management fees

Monthly Licence Income as at 30 June 2014

HK\$184,300 exclusive of rates and management fees

Market Value in existing state as at 30 June 2014

HK\$3,670,800,000

Estimated Net Property Yield

4.4%

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 2014

HK\$8,340,000 exclusive of rates, management fees and air-conditioning charges but inclusive of turnover rent

Monthly Car Parking Income as at 30 June 2014

HK\$1,164,900 exclusive of operating expenses, rates, Government rents and management fees

Monthly Licence Income as at 30 June 2014

HK\$79,400 exclusive of rates and management fees

Market Value in existing state as at 30 June 2014

HK\$2,678,800,000

Estimated Net Property Yield

4.3%

Kwong Wah Plaza Property

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

Description

The 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 2014

HK\$2,820,000 exclusive of rates, management fees and air-conditioning charges

Monthly Licence Income as at 30 June 2014

HK\$5,500 exclusive of rates and management fees

Market Value in existing state as at 30 June 2014

HK\$906,100,000

Estimated Net Property Yield

3.7%

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 2014

HK\$460,000 exclusive of rates, management fees and air-conditioning charges but inclusive of turnover rent

Monthly Car Parking Income as at 30 June 2014

HK\$120,000 exclusive of operating expenses, rates, Government rents and management fees

Market Value in existing state as at 30 June 2014

HK\$156,500,000

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 2014

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

Market Value in existing state as at 30 June 2014

HK\$125,500,000

Estimated Net Property Yield

3.7%

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 2014

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

Market Value in existing state as at 30 June 2014

HK\$57,200,000

Estimated Net Property Yield

4.2%

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 2014

HK\$113,000 exclusive of rates, management fees and air-conditioning charges

Market Value in existing state as at 30 June 2014

HK\$37,700,000

Estimated Net Property Yield

3.6%

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 2014.

HSBC Institutional Trust Services (Asia) Limited

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

Hong Kong, 16 September 2014

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 76 to 116, which comprise the consolidated balance sheet as at 30 June 2014, 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 2014 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

16 September 2014

Consolidated Income Statement

For the year ended 30 June 2014
(Expressed in Hong Kong dollars)

	Note	2014 \$'000	2013 \$'000
Turnover	4 & 5	688,905	630,201
Property operating expenses	4 & 6	(153,840)	(139,604)
Net property income		535,065	490,597
Other income	7	3,678	3,171
Gain on disposal of investment properties	11(b)	–	2,088
Administrative expenses		(94,836)	(82,881)
Net increase in fair value of investment properties	11	961,041	1,440,704
Profit from operations		1,404,948	1,853,679
Finance costs on interest bearing liabilities	8(a)	(114,510)	(128,050)
Profit before taxation and transactions with unitholders	8	1,290,438	1,725,629
Income tax	9(a)	(60,391)	(51,008)
Profit after taxation and before transactions with unitholders		1,230,047	1,674,621

The notes on pages 83 to 116 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2014
(Expressed in Hong Kong dollars)

	2014 \$'000	2013 \$'000
Profit after taxation and before transactions with unitholders	1,230,047	1,674,621
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	3,658	80,054
Total comprehensive income for the year	1,233,705	1,754,675

The notes on pages 83 to 116 form part of these consolidated financial statements.

Consolidated Balance Sheet

At 30 June 2014

(Expressed in Hong Kong dollars)

	Note	2014 \$'000	2013 \$'000
Non-current assets			
Fixed assets	11		
– Investment properties		15,390,600	14,408,800
– Other fixed assets		79	102
		15,390,679	14,408,902
Deferred tax assets	9(c)	566	3,875
Derivative financial instruments	13	19,989	25,471
Prepayments	14	17,735	3,159
Reimbursement rights	12	203,413	203,413
		15,632,382	14,644,820
Current assets			
Trade and other receivables	14	24,031	24,342
Cash and bank balances	15	345,254	329,126
Tax recoverable		150,198	158,096
		519,483	511,564
Total assets		16,151,865	15,156,384
Current liabilities			
Tenants' deposits	16	(178,638)	(159,982)
Rent receipts in advance		(9,459)	(5,183)
Trade and other payables	17	(215,784)	(215,441)
Derivative financial instruments	13	(33,188)	(27,912)
Tax payable		(50,406)	(41,774)
		(487,475)	(450,292)
Net current assets		32,008	61,272
Total assets less current liabilities		15,664,390	14,706,092

Consolidated Balance Sheet (continued)

At 30 June 2014

(Expressed in Hong Kong dollars)

	Note	2014 \$'000	2013 \$'000
Non-current liabilities, excluding net assets attributable to unitholders			
Secured bank borrowings	18	(3,872,268)	(3,874,760)
Deferred tax liabilities	9(c)	(281,470)	(269,409)
Derivative financial instruments	13	(15,772)	(30,188)
		(4,169,510)	(4,174,357)
Total liabilities, excluding net assets attributable to unitholders			
		(4,656,985)	(4,624,649)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS			
		11,494,880	10,531,735
Number of units in issue			
	19	1,627,580,493	1,616,330,766
Net asset value attributable to unitholders per unit			
		\$7.06	\$6.52

The consolidated financial statements on pages 76 to 116 were approved and authorised for issue by Henderson Sunlight Asset Management Limited, as the manager of Sunlight Real Estate Investment Trust (the "**Manager**"), on 16 September 2014 and were signed on its behalf by :

Au Siu Kee, Alexander

Chairman

Wu Shiu Kee, Keith

Executive Director

The notes on pages 83 to 116 form part of these consolidated financial statements.

Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the year ended 30 June 2014
(Expressed in Hong Kong dollars)

	Note	2014 \$'000	2013 \$'000
At the beginning of the year		10,531,735	9,021,956
Profit after taxation and before transactions with unitholders		1,230,047	1,674,621
Other comprehensive income		3,658	80,054
Total comprehensive income for the year		1,233,705	1,754,675
Distribution paid to unitholders		(304,319)	(276,677)
Issuance of units to the Manager during the year	19	38,364	38,599
Units bought back	19	(4,585)	(6,789)
Units buy-back expenses	19	(20)	(29)
At the end of the year		11,494,880	10,531,735

The notes on pages 83 to 116 form part of these consolidated financial statements.

Distribution Statement

For the year ended 30 June 2014
(Expressed in Hong Kong dollars)

	Note	2014 \$'000	2013 \$'000
Profit after taxation and before transactions with unitholders		1,230,047	1,674,621
Adjustments: (note (i))			
– Gain on disposal of investment properties	11(b)	–	(2,088)
– Net increase in fair value of investment properties	11	(961,041)	(1,440,704)
– Manager’s fees paid or payable in the form of units		38,807	36,203
– Non-cash finance costs on interest bearing liabilities		19,632	24,809
– Deferred tax	9(a)	15,370	14,181
		(887,232)	(1,367,599)
Total distributable income (note (i))		342,815	307,022
Interim distribution, paid (notes (ii) and (iv))		155,616	136,991
Final distribution, to be paid to unitholders (notes (iii) and (iv))		169,268	148,703
Total distributions for the year (note (i))		324,884	285,694
Payout ratio (note (iii))		94.8%	93.1%
Distribution per unit :			
Interim distribution per unit, paid		9.6 cents	8.5 cents
Final distribution per unit, to be paid to unitholders		10.4 cents	9.2 cents
		20.0 cents	17.7 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.

Distributable income means the amount calculated by the Manager as representing the consolidated profit after taxation and before transactions with unitholders of Sunlight REIT for the relevant financial period, as adjusted to eliminate the effects of certain adjustments (as defined in the Trust Deed) recorded in the consolidated income statement for the relevant financial period. The adjustments for the year included an adjustment to eliminate non-cash finance costs on interest bearing liabilities of \$19,632,000, or 1.21 cents per unit (2013: \$24,809,000 or 1.53 cents per unit).

- (ii) The interim distribution of \$155,616,000 for the six months ended 31 December 2013 (31 December 2012 : \$136,991,000) is calculated by multiplying the interim distribution per unit of 9.6 cents by 1,620,998,045 units in issue at 31 December 2013 (31 December 2012 : 8.5 cents by 1,611,664,307 units in issue at 31 December 2012).
- (iii) The final distribution of \$169,268,000 for the year ended 30 June 2014 (2013 : \$148,703,000) is calculated by multiplying the final distribution per unit of 10.4 cents by 1,627,580,493 units in issue at 30 June 2014 (2013 : 9.2 cents by 1,616,330,766 units in issue at 30 June 2013).

Together with the interim distribution, the total distributions for the year ended 30 June 2014 represent a payout ratio of 94.8% (2013: 93.1%) of Sunlight REIT’s total distributable income for the year.

- (iv) The 2014 interim distribution was paid to unitholders on 27 March 2014. The 2014 final distribution is expected to be paid on 17 October 2014 to unitholders whose names appear on the register of unitholders on 7 October 2014.
- (v) The final distribution proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

* Certain figures in these notes to distribution statement have been rounded to the nearest thousand.

The notes on pages 83 to 116 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 30 June 2014
(Expressed in Hong Kong dollars)

	Note	2014 \$'000	2013 \$'000
Operating activities			
Profit before taxation and transactions with unitholders		1,290,438	1,725,629
Adjustments :			
– Manager’s fees paid or payable in the form of units		38,807	36,203
– Net increase in fair value of investment properties	11	(961,041)	(1,440,704)
– Finance costs on interest bearing liabilities	8(a)	114,510	128,050
– Gain on disposal of investment properties	11(b)	–	(2,088)
– Depreciation	11	30	27
– Interest income	7	(3,677)	(3,167)
Operating cash flow before changes in working capital		479,067	443,950
Decrease/(increase) in trade and other receivables		408	(1,479)
Increase in tenants’ deposits		18,656	15,384
Increase in rent receipts in advance		4,276	823
Increase in trade and other payables		364	6,165
Cash generated from operations		502,771	464,843
Tax paid			
– Hong Kong Profits Tax paid		(28,491)	(20,087)
Net cash generated from operating activities		474,280	444,756
Investing activities			
Interest received		3,580	3,202
Net proceeds from disposal of investment properties		–	77,388
Expenditure on investment properties		(35,335)	(4,596)
Payment for purchase of other fixed assets		(7)	(51)
(Increase)/decrease in pledged deposits with original maturity over three months		(73,308)	35,251
Increase in bank deposits with original maturity over three months		(22,417)	–
Net cash (used in)/generated from investing activities		(127,487)	111,194
Financing activities			
Distribution paid to unitholders		(304,319)	(276,677)
Payment for buy-back of units		(4,605)	(6,818)
Other borrowing costs paid		(22,125)	(40,900)
Proceeds from new bank borrowings		1,925,000	2,000,000
Repayment of bank borrowings		(1,925,000)	(2,025,000)
Interest paid		(95,341)	(103,058)
Net cash used in financing activities		(426,390)	(452,453)
Net (decrease)/increase in cash and cash equivalents		(79,597)	103,497
Cash and cash equivalents at the beginning of the year	15	202,863	99,366
Cash and cash equivalents at the end of the year	15	123,266	202,863

The notes on pages 83 to 116 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 providing unitholders with regular and stable cash distributions with the potential for sustainable long term growth of such distributions and enhancement in value of the property portfolio. It has its principal place of business at 30th Floor, 248 Queen’s Road East, Wan Chai, Hong Kong.

2 Significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix C of the REIT Code. These consolidated financial statements also comply with the relevant disclosure requirements of the Rules Governing the Listing of Securities on the SEHK as if those requirements were applicable to Sunlight REIT. 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 2014 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. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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, transactions and cash flows 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 of disposal 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 rental 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 rental 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.

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.

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 a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following development is relevant to the Group's financial statements :

- HKFRS 13, *Fair value measurement*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impact of the adoption of the new HKFRS is discussed below :

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. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 11 and 20. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

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 :

	2014			2013		
	Office properties \$'000	Retail properties \$'000	Total \$'000	Office properties \$'000	Retail properties \$'000	Total \$'000
Turnover						
– rental income	269,853	282,539	552,392	248,330	257,870	506,200
– car park income	3,576	25,970	29,546	3,104	22,874	25,978
– rental related income	55,272	51,695	106,967	51,387	46,636	98,023
	328,701	360,204	688,905	302,821	327,380	630,201
Property operating expenses	(68,832)	(85,008)	(153,840)	(62,462)	(77,142)	(139,604)
Net property income	259,869	275,196	535,065	240,359	250,238	490,597
Administrative expenses	(40,994)	(39,941)	(80,935)	(38,189)	(36,988)	(75,177)
Segment results	218,875	235,255	454,130	202,170	213,250	415,420
Net increase in fair value of investment properties	420,839	540,202	961,041	643,233	797,471	1,440,704
Gain on disposal of investment properties	–	–	–	–	2,088	2,088
Finance costs on interest bearing liabilities			(114,510)			(128,050)
Income tax			(60,391)			(51,008)
Interest income			3,677			3,167
Unallocated net expenses			(13,900)			(7,700)
Profit after taxation and before transactions with unitholders			1,230,047			1,674,621
Depreciation	14	16	30	14	13	27

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

4 Segment reporting (continued)

Segment results, assets and liabilities (continued)

	2014			2013		
	Office properties \$'000	Retail properties \$'000	Total \$'000	Office properties \$'000	Retail properties \$'000	Total \$'000
Segment assets	7,903,624	7,728,453	15,632,077	7,473,234	7,161,633	14,634,867
Derivative financial instruments			19,989			25,471
Cash and bank balances			345,254			329,126
Tax recoverable			150,198			158,096
Deferred tax assets			566			3,875
Unallocated assets			3,781			4,949
Total assets			16,151,865			15,156,384
Segment liabilities	(126,308)	(119,129)	(245,437)	(113,321)	(104,419)	(217,740)
Derivative financial instruments			(48,960)			(58,100)
Secured bank borrowings			(3,872,268)			(3,874,760)
Tax payable			(50,406)			(41,774)
Deferred tax liabilities			(281,470)			(269,409)
Unallocated liabilities			(158,444)			(162,866)
Total liabilities, excluding net assets attributable to unitholders			(4,656,985)			(4,624,649)
Capital expenditure incurred during the year	10,178	25,164	35,342	3,095	1,552	4,647

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 :

	2014 \$'000	2013 \$'000
Rental income (note)	552,392	506,200
Car park income	29,546	25,978
Rental related income	106,967	98,023
	688,905	630,201

Note : Included additional rents based on business turnover of tenants amounting to \$1,350,000 (2013 : \$1,740,000).

6 Property operating expenses

	2014 \$'000	2013 \$'000
Building management fee	54,568	51,278
Property Manager's fees	43,903	40,421
Government rent and rates	26,487	21,582
Marketing and promotion expenses	10,242	9,032
Car park operating costs (note)	8,682	8,098
Bad debts expenses	150	150
Other direct costs	9,808	9,043
	153,840	139,604

Note : Included Property Manager's fees of \$2,688,000 (2013 : \$2,410,000).

7 Other income

	2014 \$'000	2013 \$'000
Bank interest income	3,677	3,167
Others	1	4
	3,678	3,171

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 :

	2014 \$'000	2013 \$'000
(a) Finance costs on interest bearing liabilities		
Interest on secured bank borrowings	94,669	103,090
Other borrowing costs	19,841	24,960
	114,510	128,050

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

	2014 \$'000	2013 \$'000
(b) Other items		
Manager's fees	77,614	72,783
Property Manager's fees (note (i))	46,591	42,831
Trustee's remuneration and charges	3,963	3,781
Auditor's remuneration		
– Audit services	1,800	1,730
– Other services (note (ii))	1,023	445
Valuation fees	547	573
Other legal and professional fees	8,444	2,540
Commission to property agents	2,522	2,054
Bank charges	461	469

Notes :

- (i) Included rental commission of \$13,295,000 (2013 : \$12,237,000).
- (ii) An amount of \$360,000 non-audit service fee paid 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. No notes were issued since the establishment of the programme. The amount was recognised as expense in profit or loss during the year ended 30 June 2014 as no notes are expected to be issued under the programme in the foreseeable future.
- (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 :

	2014 \$'000	2013 \$'000
Current tax – Provision for Hong Kong Profits Tax		
Provision for the year	45,190	36,975
Over-provision in respect of prior years	(169)	(148)
	45,021	36,827
Deferred tax		
Origination and reversal of temporary differences	15,370	14,181
	60,391	51,008

Provision for Hong Kong Profits Tax has been made at 16.5% on the estimated assessable profits for the current and prior years, taking into account a one-off reduction of 75% of the tax payable for the year of assessment 2013/14 subject to a ceiling of \$10,000 allowed by the Government of Hong Kong Special Administrative Region for each business.

During the year ended 30 June 2014, the Inland Revenue Department (“IRD”) raised additional profits tax assessments on certain subsidiaries of the Group for the year of assessment 2007/08 in an aggregate amount of \$1,021,000 as the IRD disallowed the deductions of the management and property management fees and in some cases certain rental commission incurred by these subsidiaries. Notices of objection were filed with the IRD and tax reserve certificates have been purchased. Based on the opinion of the Group’s legal and tax advisers, the Manager is of the view that there are strong grounds to object the additional profits tax assessments raised.

(b) Reconciliation between tax expense and accounting profit at applicable tax rate :

	2014 \$'000	2013 \$'000
Profit before taxation and transactions with unitholders	1,290,438	1,725,629
Notional tax on profit before taxation and transactions with unitholders, calculated at the Hong Kong Profits Tax rate of 16.5%	212,922	284,729
Tax effect of non-deductible expenses	5,500	3,643
Tax effect of non-taxable income	(159,178)	(238,265)
Tax effect of current year’s tax losses not recognised	21	1,335
Tax effect of prior years’ tax losses and other temporary differences recognised/derecognised	2,621	8
Tax effect of prior years’ tax losses utilised in the current year	(1,326)	(294)
Over-provision in respect of prior years	(169)	(148)
Actual tax expense	60,391	51,008

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 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
At 1 July 2013	115,537	159,709	(9,712)	265,534
Charged to profit or loss	15,079	–	291	15,370
At 30 June 2014	130,616	159,709	(9,421)	280,904

Represented by :	2014 \$'000	2013 \$'000
Net deferred tax assets recognised in the consolidated balance sheet	(566)	(3,875)
Net deferred tax liabilities recognised in the consolidated balance sheet	281,470	269,409
	280,904	265,534

(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 \$135,019,000 (2013 : \$145,339,000) 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 2014 amounted to \$0.76 (2013 : \$1.04). 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 \$1,230,047,000 (2013 : \$1,674,621,000) and the weighted average of 1,620,013,212 units in issue during the year (2013 : 1,610,555,216 units).

Diluted earnings per unit before transactions with unitholders for the year ended 30 June 2014 and 2013 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 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
At 1 July 2013	169	14,408,800	14,408,969
Additions	7	20,759	20,766
Net increase in fair value	–	961,041	961,041
At 30 June 2014	176	15,390,600	15,390,776
Representing :			
Cost	176	–	176
Valuation – 2014	–	15,390,600	15,390,600
	176	15,390,600	15,390,776
Accumulated depreciation :			
At 1 July 2012	40	–	40
Charge for the year	27	–	27
At 30 June 2013	67	–	67
At 1 July 2013	67	–	67
Charge for the year	30	–	30
At 30 June 2014	97	–	97
Net book value :			
At 30 June 2014	79	15,390,600	15,390,679
At 30 June 2013	102	14,408,800	14,408,902

11 Fixed assets (continued)

(a) Fair value measurement of investment properties

Fair value hierarchy

HKFRS 13, *Fair value measurement*, requires the fair value of investment properties measured at the balance sheet date on a recurring basis to be categorised into the three-level fair value hierarchy as defined in HKFRS 13. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows :

- Level 1 valuations : Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations : Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations : Fair value measured using significant unobservable inputs

The Group's investment properties measured at fair value are not categorised as Level 1 and Level 2 valuations.

During the year ended 30 June 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the balance sheet date in which they occur.

Valuation process

The Group's investment properties were revalued at 30 June 2014 and 2013 by Jones Lang LaSalle Limited, an independent firm of professional surveyors who have among their staff Members of The Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis.

The Manager has reviewed the valuation results performed by the independent surveyors for financial reporting purposes by verifying all major inputs and assumptions, and assessing the reasonableness of property valuation. Such valuation was performed at each interim and annual reporting date and was reviewed and approved by senior management.

Valuation methodologies

The fair values of the Group's investment properties at 30 June 2014 and 2013 were arrived at using the income capitalisation approach cross-referenced to the direct comparison approach. The income capitalisation approach is based on the capitalisation of the current passing rental income and potential reversionary income over the remaining tenure of the property from the date of valuation at appropriate investment yields to arrive at the capital value. The direct comparison approach is based on comparing the properties to be valued directly with other comparable properties which recently changed hands.

11 Fixed assets (continued)

(a) Fair value measurement of investment properties (continued)

Level 3 valuation methodologies

The following table presents the significant unobservable inputs :

	30 June 2014		
	Market unit rent	Capitalisation rate	Occupancy rate
In Hong Kong			
– Office	\$10.7 to \$36.4	3.85% to 4.10%	97.1% to 100%
– Retail	\$16.7 to \$145.0	3.60% to 4.50%	92.9 % to 100%

The fair value measurement of investment property is positively correlated to the market unit rent and the occupancy rate and negatively correlated to the capitalisation rate.

All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

- (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 :

	2014 \$'000	2013 \$'000
In Hong Kong		
– long leases	6,960,900	6,576,000
– medium-term leases	8,429,700	7,832,800
	15,390,600	14,408,800

- (d) Certain investment properties of the Group have been mortgaged to secure banking facilities granted to the Group (see note 18).

Notes to the Consolidated Financial Statements (continued)

(Expressed in Hong Kong dollars)

12 Reimbursement rights

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

13 Derivative financial instruments

	2014		2013	
	Assets \$'000	Liabilities \$'000	Assets \$'000	Liabilities \$'000
Interest rate swaps – cash flow hedges				
Current portion	–	(33,188)	–	(27,912)
Non-current portion	19,989	(15,772)	25,471	(30,188)
	19,989	(48,960)	25,471	(58,100)

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 2014, the Group had interest rate swaps in place with an aggregate notional amount of \$2,600,000,000 (2013 : \$2,300,000,000). The interest rate swaps will mature on 30 June 2016, 29 September 2017, 29 June 2018 and 28 September 2018 (2013 : 30 June 2016, 29 June 2018 and 28 September 2018) respectively and have fixed swap interest rates ranging from 0.815% per annum to 2.17% per annum (2013 : 0.815% per annum to 2.17% 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

	2014 \$'000	2013 \$'000
Rental receivables	12,812	11,991
Deposits and prepayments	25,974	12,676
Other receivables	2,345	2,383
Amounts due from related companies	635	451
	41,766	27,501
Represented by :		
Current portion	24,031	24,342
Non-current portion	17,735	3,159
	41,766	27,501

The balance under non-current portion represents progress payments for the improvement works carried out on certain investment properties of the Group which were in progress at the balance sheet dates.

\$4,757,000 (2013 : \$4,769,000) 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 :

	2014 \$'000	2013 \$'000
Current	9,386	8,410
Less than 1 month overdue	2,632	2,858
More than 1 month and up to 3 months overdue	341	385
More than 3 months and up to 6 months overdue	199	192
More than 6 months overdue	254	146
	12,812	11,991

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

	2014 \$'000	2013 \$'000
Pledged bank balances and deposits with original maturity within three months (note 18)	88,172	199,798
Deposits with original maturity within three months	30,033	–
Cash at bank and in hand	5,061	3,065
Cash and cash equivalents	123,266	202,863
Pledged deposits with original maturity over three months (note 18)	199,571	126,263
Deposits with original maturity over three months	22,417	–
	345,254	329,126

16 Tenants' deposits

The tenants' deposits include \$106,091,000 (2013 : \$103,612,000) 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

	2014 \$'000	2013 \$'000
Creditors and accrued charges	36,287	26,879
Manager's fees payable (note 25(b)(iii))	21,489	20,603
Amounts due to related companies	158,008	167,959
	215,784	215,441

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 \$1,079,000 (2013 : \$1,070,000) which is due within 30 days.

18 Secured bank borrowings

The secured bank borrowings were repayable as follows :

	2014 \$'000	2013 \$'000
After 1 year but within 2 years	–	1,915,604
After 2 years but within 5 years	2,894,437	985,025
After 5 years	977,831	974,131
	3,872,268	3,874,760

Bank borrowings bear floating interest rates ranging from Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 1.05% per annum to HIBOR plus 1.55% per annum (2013 : HIBOR plus 1.00% per annum to HIBOR plus 1.55% per annum). The Group also entered into the interest rate swaps and details are set out in note 13.

Bank borrowings 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 \$13,096,800,000 at 30 June 2014 (2013 : \$14,408,800,000) (note 11);
- floating charge over bank balances of \$16,996,000 (2013 : \$28,446,000) and \$270,747,000 (2013 : \$297,615,000) in bank accounts maintained respectively with The Hongkong and Shanghai Banking Corporation Limited and certain 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 mortgaged 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 secured bank borrowings at the balance sheet date was 2.44% per annum (2013 : 2.32% per annum). The carrying amounts of the secured 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	
	2014	2013
At the beginning of the year	1,616,330,766	1,605,583,924
Issuance of units during the year	12,749,727	12,846,842
Units bought back	(1,500,000)	(2,100,000)
At the end of the year	1,627,580,493	1,616,330,766

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

Payment of the Manager's fees for the year	Average issue price per unit determined based on the Trust Deed	Aggregate amount of units issued	Number of units issued
	\$	\$'000	
2014			
1 April 2013 to 30 June 2013	3.1849	9,050	2,841,331
Adjustment of Manager's fees for the financial year 2012/13	3.0185	1,252	414,783
1 July 2013 to 30 September 2013	3.1346	9,125	2,911,165
1 October 2013 to 31 December 2013	2.9816	9,403	3,153,825
1 January 2014 to 31 March 2014	2.7807	9,534	3,428,623
		38,364	12,749,727
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

19 Units in issue (continued)

Pursuant to the general mandate granted to the Manager by unitholders, the Group bought back a total of 1,500,000 units (2013 : 2,100,000 units) on the SEHK during the year ended 30 June 2014 at an aggregate consideration of \$4,585,000 (2013 : \$6,789,000). Details of the buy-backs were as follows :

	Number of units bought back	Price per unit		Aggregate consideration \$'000
		Highest \$	Lowest \$	
2014				
Month of buy-back				
November 2013	1,500,000	3.08	3.03	4,585
Total buy-back expenses				20
				4,605
2013				
Month of buy-back				
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	<u>2,100,000</u>			6,789
Total buy-back expenses				29
				<u>6,818</u>

All bought back units were cancelled during the year.

20 Financial risk management and fair values of financial instruments

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 of financial instruments (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 :

	2014				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	61,446	61,614	3,057,062	1,019,187	4,199,309	3,872,268
Derivative financial instruments (net settled)	34,396	34,420	16,026	–	84,842	28,971
Tenants' deposits	72,547	59,920	46,171	–	178,638	178,638
Creditors and accrued charges	36,287	–	–	–	36,287	36,287
Manager's fees payable in the form of cash	10,744	–	–	–	10,744	10,744
Amounts due to related companies	158,008	–	–	–	158,008	158,008
	373,428	155,954	3,119,259	1,019,187	4,667,828	4,284,916

20 Financial risk management and fair values of financial instruments (continued)

(b) Liquidity risk (continued)

	2013					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	Total \$'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

(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 2014, if interest rates had been 100 basis points (2013 : 100 basis points) higher with all other variable held constant, the net assets attributable to unitholders would have been approximately \$70.4 million (2013 : \$78.2 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 (2013 : 10 basis points) lower with all other variable held constant, the net assets attributable to unitholders would have been approximately \$7.2 million (2013 : \$8.0 million) lower as a result of a decrease in the fair values of the cash flow hedges.

20 Financial risk management and fair values of financial instruments (continued)

(c) Interest rate risk (continued)

Sensitivity analysis (continued)

At 30 June 2014, if interest rates had been 100 basis points (2013 : 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 \$11.1 million (2013 : \$13.6 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 (2013 : 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 \$1.1 million (2013 : \$1.4 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 assets and liabilities measured at fair value*

Fair value hierarchy

HKFRS 13, *Fair value measurement*, requires the fair value of financial instruments measured at the balance sheet date on a recurring basis to be categorised into the three-level fair value hierarchy as defined in HKFRS 13. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows :

- Level 1 valuations : Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations : Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations : Fair value measured using significant unobservable inputs

At 30 June 2014 and 2013, the Group's only financial instruments carried at fair value are the interest rate swaps (see note 13), which fall under Level 2 of the fair value hierarchy described above.

During the years ended 30 June 2014 and 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the balance sheet date in which they occurred.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(ii) *Fair values of financial assets and liabilities carried at other than fair value*

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values at 30 June 2014 and 2013.

20 Financial risk management and fair values of financial instruments (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 2014, Sunlight REIT's aggregate borrowings represent 24.3% (2013 : 25.9%) of its total gross asset value.

22 Capital commitments

Capital commitments outstanding at 30 June 2014 not provided for in the consolidated financial statements are as follows :

	2014 \$'000	2013 \$'000
Contracted for	28,338	6,987
Authorised but not contracted for	12,560	49,799
	40,898	56,786

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 (2013 : \$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 :

	2014 \$'000	2013 \$'000
Within 1 year	605,797	526,542
After 1 year but within 5 years	499,143	445,363
	1,104,940	971,905

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), *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
The Hongkong and Shanghai Banking Corporation Limited 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 Petty Limited ("**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

	2014 \$'000	2013 \$'000
Rental and rental related income received/receivable from (note (i)) :		
– HLD Group	9,098	8,764
– HSBC Group	14,738	14,533
Property management expenses paid/payable to (note (i)) :		
– HLD Group	(16,911)	(15,713)
Facilities leasing expenses paid/payable to (note (i)) :		
– HLD Group	(70)	(66)
Manager's fees (note (ii))	(77,614)	(72,783)
Property Manager's fees (note (iii))	(46,591)	(42,831)
Trustee's remuneration and charges (note (iv))	(3,966)	(3,784)
Interest expenses, debts establishment fees, agency, security trustee and other charges on bank borrowings, brokerage commission and other bank charges paid/payable to (notes (i) and (v)) :		
– HSBC Group	(22,631)	(14,667)
Interest paid/payable under the interest rate swaps (note (v)) :		
– HSBC Group	(14,571)	(26,387)
Interest income on bank deposits received/receivable from (note (i)) :		
– HSBC Group	77	25
Valuation fees and other charges paid/payable to (note (i)) :		
– JLL Group	(617)	(548)
– Knight Frank and other members of its group	–	(25)
Promotion income received/receivable from (note (i)) :		
– HLD Group	1,663	1,475
Additional consideration paid to (note (vi)) :		
– HLD Group and SKFE Group	(174)	(178)

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

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

Notes :

- (i) In the opinion of the Manager, 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 14 May 2013, the Manager made an election for the base fee and the variable fee for the financial year ended 30 June 2014 to be paid 50% in the form of cash and 50% in the form of units. While on 24 June 2014 and 9 July 2014, the Manager has elected to keep the split unchanged for the financial year ending 30 June 2015.

- (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 :

	2014 \$'000	2013 \$'000
Net amount due to :		
– SKFE Group	(78,379)	(78,379)
– HLD Group	(41,220)	(50,447)
– HD	(54,999)	(54,999)
– HSBC Group (note)	(1,037,647)	(472,565)
– JLL Group	(393)	(365)
Note :		
Deposits and cash placed with HSBC Group	17,221	31,420
Secured bank borrowings and interest payable to HSBC Group	(1,050,078)	(499,232)
Others	(4,790)	(4,753)
	(1,037,647)	(472,565)

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 2014, the Group has recognised deferred tax assets in relation to the unused tax losses amounting to approximately \$57,098,000 (2013 : \$58,864,000). 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 20 June 2014, the Group entered into a conditional agreement with HLD and certain of its subsidiaries in relation to a proposed acquisition of an office building in East Kowloon, Hong Kong. However, the contemplated transaction did not proceed as the corresponding resolution was not passed at the extraordinary general meeting held on 15 August 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 2014

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 30 June 2014 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
Amendments to HKAS 32, <i>Offsetting financial assets and financial liabilities</i>	1 January 2014
Amendments to HKAS 39, <i>Novation of derivatives and continuation of hedge accounting</i>	1 January 2014
HKFRS 15, <i>Revenue from contracts with customers</i>	1 January 2017
HKFRS 9, <i>Financial instruments</i>	1 January 2018

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.

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	–	100	Property investment
Bestguard Investment Limited	Hong Kong	2 ordinary shares	–	100	Property investment
Country Max Development Limited	Hong Kong	10,000 ordinary shares	–	100	Property investment
Gain Fortune Development Limited	Hong Kong	3,000,000 ordinary shares	–	100	Property investment
Gallund Investment Limited	Hong Kong	20,000 ordinary shares	–	100	Property investment
Gentfair Development Limited	Hong Kong	10,000 ordinary shares	–	100	Property investment
Global Team Development Limited	Hong Kong	100 ordinary shares	–	100	Property investment
Glory Good Development Limited	Hong Kong	1,000 ordinary shares	–	100	Property investment
Glory Hero Development Limited	Hong Kong	3,000,000 ordinary shares	–	100	Property investment
Grand Faith Development Limited	Hong Kong	10,000,000 ordinary shares and 2 non-voting deferred shares	–	100	Property investment
Harzone Limited	Hong Kong	1,000 ordinary shares	–	100	Property investment
Jetwise Investment Limited	Hong Kong	10,000,000 ordinary shares and 10,000 non-voting deferred shares	–	100	Property investment
Lucky Million Development Limited	Hong Kong	2 ordinary shares	–	100	Property investment
Multimark Investment Limited	Hong Kong	2 ordinary shares and 2 non-voting deferred shares	–	100	Property investment
Newcorp Development Limited	Hong Kong	2 ordinary shares	–	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 and 2 non-voting deferred shares	–	100	Property investment
Pacific Joy Investment Limited	Hong Kong	52,000,000 ordinary shares	–	100	Property investment
Russum Company Limited	Hong Kong	10,000,000 ordinary shares and 1,000 non-voting deferred shares	–	100	Property investment
Seiren Investment Limited	Hong Kong	10,000 ordinary shares	–	100	Property investment
Smart Fortune Development Limited	Hong Kong	10,000 ordinary shares	–	100	Property investment
Smartwise Services Limited	British Virgin Islands/ Hong Kong	1 share	–	100	Holding of domain name
Strong Bright Technology Limited	Hong Kong	10,000 ordinary shares	–	100	Property investment
Sunlight Crownwill Limited	British Virgin Islands/ Hong Kong	1 share	–	100	Property investment
Sunlight REIT Finance Limited	British Virgin Islands/ Hong Kong	1 share	–	100	Provision of finance functions
Sunlight REIT MTN Limited	British Virgin Islands/ Hong Kong	1 share	–	100	Provision of finance functions
Sunlight REIT Treasury Limited	British Virgin Islands/ Hong Kong	1 share	–	100	Provision of treasury functions
Tinselle Investment Limited	Hong Kong	10,000,000 ordinary shares and 10,000 non-voting deferred shares	–	100	Property investment
United Glory Development Limited	Hong Kong	2 ordinary shares	–	100	Property investment
Yu Loy Development Company Limited	Hong Kong	1,000,000 ordinary shares and 500 non-voting deferred shares	–	100	Property investment

Performance Table

(Expressed in Hong Kong dollars, unless otherwise specified)

	Note	2014	2013	2012	2011	2010
At 30 June :						
Net asset value (\$ million)		11,495	10,532	9,022	8,262	6,722
Net asset value per unit		7.06	6.52	5.62	5.21	4.30
Market capitalisation (\$ million)		5,322	5,124	4,191	3,950	3,097
For the year ended 30 June :						
Highest traded unit price		3.37	3.92	2.61	2.64	2.06
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		2.71	2.61	1.91	1.98	1.49
Highest discount of the traded unit price to net asset value per unit (%)		61.6	60.0	66.0	62.0	65.3
Closing unit price		3.27	3.17	2.61	2.49	1.98
Distribution per unit (cents)	2	20.00	17.70	17.00	17.60	14.39
Payout ratio (%)		94.8	93.1	91.3	90.5	100.0
Distribution yield per unit (%)	3	6.1	5.6	6.5	7.1	7.3

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 for prior years was enhanced by arrangement offered by certain subsidiaries of HLD and SKFE in the form of distribution waivers (from the date of initial public offering 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 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, 3 November 2014 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 2014;
- (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 buy back 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 Buy-backs, 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 bought back or agreed to be bought back on the Stock Exchange by the Manager on behalf of Sunlight REIT pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10 per cent. of the aggregate number of Units in issue as at the date of the passing of this resolution, and such approval shall be limited accordingly; and
- (c) for the purpose of this resolution, “Relevant Period” means the period from the date of the passing of this resolution until the earliest of :
 - (i) the conclusion of the next annual general meeting of Unitholders of Sunlight REIT following the passing of this resolution;
 - (ii) the expiration of the period within which the meeting referred to in (i) above is required to be held under the Trust Deed; and
 - (iii) the revocation or variation of the authority conferred by this resolution by an ordinary resolution of the Unitholders at 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, 30 September 2014

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 needs 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 Level 22, Hopewell Centre, 183 Queen's Road East, 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 at 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 acceptable to the exclusion of the votes of the other joint Unitholders and for this purpose seniority shall be determined by the order in which the names stand in the register of Unitholders.
- (d) For the purpose of determining entitlements to vote at the Annual General Meeting, the register of Unitholders of Sunlight REIT will be closed from Thursday, 30 October 2014 to Monday, 3 November 2014, both days inclusive, during which period no transfer of Units will be effected. In order to qualify to attend and vote at 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, 29 October 2014.
- (e) The votes at the meeting will be taken by way of poll.

Financial Calendar

For FY2013/14

Interim Results Announcement	13 February 2014
Issuance of Interim Report	25 February 2014
Ex-distribution date for interim distribution	28 February 2014
Closure of Register for entitlement of interim distribution	4 March 2014 to 6 March 2014, both days inclusive
Interim distribution paid at HK 9.6 cents per unit	27 March 2014
Final Results Announcement	16 September 2014
Ex-distribution date for final distribution	29 September 2014
Issuance of Annual Report	30 September 2014
Closure of Register for entitlement of final distribution	3 October 2014 to 7 October 2014, both days inclusive
Final distribution payable at HK10.4 cents per unit	17 October 2014
Closure of Register for entitlement to attend and vote at Annual General Meeting	30 October 2014 to 3 November 2014, both days inclusive
Annual General Meeting	3 November 2014

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

Level 22, Hopewell Centre,

183 Queen's Road East,

Hong Kong

Investor Relations

Leung Kwok Hoe, Kevin

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www.sunlightreit.com

Sunlight Real Estate Investment Trust
Managed by Henderson Sunlight Asset Management Limited

www.sunlightreit.com

