

The following is the text of a report, prepared for the purpose of incorporation in this Offering Circular received from the independent reporting accountants, KPMG, Certified Public Accountants, Hong Kong.



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8 December 2006

The Directors

Henderson Sunlight Asset Management Limited

The Hongkong and Shanghai Banking Corporation Limited

Deutsche Bank AG, Hong Kong Branch

Macquarie Securities Limited

Dear Sirs

Introduction

We set out below our report on the combined financial information including the combined income statements, combined statements of changes in equity and combined cash flow statements for each of the three years ended 30 June 2004, 30 June 2005 and 30 June 2006 (collectively the “Relevant Period”), and the combined balance sheets as at 30 June 2004, 30 June 2005 and 30 June 2006 and the notes thereto (the “Financial Information”), as set out in section A below relating to Sunlight Real Estate Investment Trust (“Sunlight REIT”) and the companies set out below which, upon completion of the proposed acquisition, have become controlled entities of Sunlight REIT for inclusion in the offering circular dated 8 December 2006 (the “Offering Circular”) to be issued in connection with the initial public offering of Sunlight REIT and the listing of the units in Sunlight REIT on The Stock Exchange of Hong Kong Limited pursuant to the Code on Real Estate Investment Trusts.

Sunlight REIT is a collective investment scheme constituted as a unit trust and authorised under section 104 of the Securities and Futures Ordinance. Sunlight REIT was established under a trust deed dated 26 May 2006 made between Henderson Sunlight Asset Management Limited (the “Manager”) and HSBC Institutional Trust Services (Asia) Limited (the “Trustee”). Sunlight REIT had not carried on any business since the date of its establishment until 2 December 2006 when it entered into sale and purchase agreements through 14 new special purpose vehicles (“SPVs”) to conditionally acquire from, amongst others, certain subsidiaries of Shau Kee Financial Enterprises Limited (“SKFE”), Henderson Land Development Company Limited (“HLD”), Henderson Investment Limited (“HIL”), Henderson Development Limited (“HD”) and Jetwin International Limited (“JIL”) the entire issued ordinary share capital (unless otherwise stated) of the following companies (“Property Companies”).

The particulars of the Property Companies acquired are set out below:

Name of company	Date of incorporation	Par value of the ordinary share capital	Place of incorporation	Principal activity	Name of property held and intended to be included in Sunlight REIT
Balwyn Assets Limited	14 Dec 1993	US\$2	British Virgin Islands ("BVI")	Investment holding	—
Caufield Assets Limited	14 Dec 1993	US\$2	BVI	Investment holding	—
Nicetex Development Limited^	16 Aug 1988	HK\$2 HK\$2 ⁺	Hong Kong	Property development and investment	Bonham Trade Centre
Onecote Assets Limited	21 Apr 2004	US\$1	BVI	Investment holding	—
Tinselle Investment Limited	6 Dec 1985	HK\$10,000,000 HK\$10,000 ⁺	Hong Kong	Property development and investment	135 Bonham Strand Trade Centre Property
Prosper City Enterprises Limited	20 Apr 2004	US\$1	BVI	Investment holding	—
Yu Loy Development Company Limited	11 Nov 1977	HK\$10,000,000 HK\$5,000 ⁺	Hong Kong	Property development and investment	A portion of Sun Fai Commercial Centre Property*
Alpha Skill Properties Limited	2 Jan 2004	US\$1	BVI	Investment holding	—
Grand Faith Development Limited	8 Dec 1992	HK\$10,000,000 HK\$2 ⁺	Hong Kong	Property development and investment	Winsome House Property
Meca Enterprises Limited	2 Jul 2004	US\$1	BVI	Investment holding	—
Jetwise Investment Limited	18 Nov 1986	HK\$10,000,000 HK\$10,000 ⁺	Hong Kong	Property development and investment	78.4% of 248 Queen's Road East
Russum Company Limited	27 Feb 1987	HK\$10,000,000 HK\$1,000 ⁺	Hong Kong	Property development and investment	4.5% of 248 Queen's Road East
Harzone Limited	16 Dec 1980	HK\$1,000	Hong Kong	Property development and investment	17.1% of 248 Queen's Road East

APPENDIX I**ACCOUNTANTS' REPORT**

Name of company	Date of incorporation	Par value of the ordinary share capital	Place of incorporation	Principal activity	Name of property held and intended to be included in Sunlight REIT
Global Team Development Limited	1 Jun 1993	HK\$100	Hong Kong	Property development and investment	66.7% of Java Road 108 Commercial Centre
Gallund Investment Limited	30 Dec 1977	HK\$2,000,000	Hong Kong	Property development and investment	33.3% of Java Road 108 Commercial Centre
Gain Fortune Development Limited	17 Dec 1991	HK\$3,000,000	Hong Kong	Property development and investment	Wai Ching Commercial Building Property
Newcorp Development Limited	17 Sep 1991	HK\$2	Hong Kong	Property development and investment	Beverley Commercial Centre Property
Seiren Investment Limited	17 Jan 1989	HK\$10,000	Hong Kong	Property development and investment	A portion of Kwong Wah Plaza Property*
United Glory Development Limited	18 Nov 1993	HK\$2	Hong Kong	Property development and investment	63.6% of Supernova Stand Property
Gentfair Development Limited	14 Oct 1988	HK\$10,000	Hong Kong	Property development and investment	36.4% of Supernova Stand Property
Multimark Investment Limited^	29 Sep 1987	HK\$2 HK\$2 ⁺	Hong Kong	Property development and investment	56.7% of Palatial Stand Property*
Country Max Development Limited	5 Sep 1995	HK\$10,000	Hong Kong	Property development and investment	20% of Palatial Stand Property
Pacific Joy Investment Limited	31 Dec 1992	HK\$52,000,000	Hong Kong	Property development and investment	Glory Rise Property
Glory Hero Development Limited	7 Aug 1987	HK\$3,000,000	Hong Kong	Property development and investment	Righteous Centre
Bestguard Investment Limited	19 Nov 1999	HK\$2	Hong Kong	Property development and investment	235 Wing Lok Street Trade Centre

Name of company	Date of incorporation	Par value of the ordinary share capital	Place of incorporation	Principal activity	Name of property held and intended to be included in Sunlight REIT
Lucky Million Development Limited	14 Jul 1992	HK\$2	Hong Kong	Property development and investment	Yue Fai Commercial Centre Property
Strong Bright Technology Limited	8 Oct 1992	HK\$10,000	Hong Kong	Property development and investment	Everglory Centre
Glory Good Development Limited	23 Jun 1993	HK\$1,000	Hong Kong	Property development and investment	On Loong Commercial Building Property
Smart Fortune Development Limited	17 Aug 1993	HK\$10,000	Hong Kong	Property development and investment	Royal Terrace Property

+ Non-voting deferred shares

* On 10 November 2006, Seiren Investment Limited and Yu Loy Development Company Limited conditionally agreed to acquire the remaining units of Kwong Wah Plaza Property and Sun Fai Commercial Centre Property respectively from Best Legend Development Limited, which is an indirect wholly-owned subsidiary of HLD. In addition, Multimark Investment Limited acquired the remaining 23.3% of Palatial Stand Property from Oasis Investment Company Limited, an independent third party on 12 April 2006. The remaining units and interest of these properties are hereafter collectively referred to as the "Remaining Property Interest".

^ According to the sale and purchase agreements for the acquisition of the Property Companies, all the ordinary shares and non-voting deferred shares in each of Nicetex Development Limited and Multimark Investment Limited will be included under Sunlight REIT.

Certain Property Companies currently also hold other properties and subsidiaries which are not intended to be acquired by Sunlight REIT ("Retained Properties and Subsidiaries"). These Property Companies conditionally divested such Retained Properties and Subsidiaries to other subsidiaries of SKFE, HLD, HD or JIL.

Details of the SPVs are as follows:

Name of company	Date of Incorporation	Par value of the ordinary share capital	Place of Incorporation
Barson Resources Limited	20 Mar 2006	US\$1	BVI
Bestar Resources Limited	22 Mar 2006	US\$1	BVI
Besteam Resources Limited	28 Mar 2006	US\$1	BVI
Champtech Investment Limited	12 Apr 2006	US\$1	BVI
Fulux Limited	12 Apr 2006	US\$1	BVI
Hanway International Limited	12 Apr 2006	US\$1	BVI
Kasing Investment Limited	12 Apr 2006	US\$1	BVI
Kennex Investment Limited	10 Apr 2006	US\$1	BVI
Lightway Limited	10 Apr 2006	US\$1	BVI
Mecon Resources Limited	12 Apr 2006	US\$1	BVI
Protim International Limited	16 Feb 2006	US\$1	BVI
Topmount International Limited	10 Apr 2006	US\$1	BVI
Wellview Enterprises Limited	10 Apr 2006	US\$1	BVI
Winhop Investment Limited	12 Apr 2006	US\$1	BVI

In addition, pursuant to the sale and purchase agreements entered into on 10 November 2006 (as supplemented by a supplemental agreement dated 2 December 2006), two indirect wholly-owned subsidiaries of SKFE, Bayman Limited and Crownwill Limited, both of which were incorporated in the BVI on 20 March 2006 with issued and fully paid share capital of US\$1 each, conditionally agreed to acquire Sheung Shui Centre Shopping Arcade and Metro City Phase I Property (the "Properties") respectively from the existing owners (the "Property Owners"). Sunlight REIT conditionally agreed to acquire the entire issued share capital of Bayman Limited and Crownwill Limited through two additional new SPVs, and the acquisitions will be completed immediately before the sale and purchase agreements of the Properties, with the effect that upon completion, these two SPVs will indirectly wholly-own the Properties.

Particulars of the Property Owners and the SPVs are as follows:

Name of property acquired	Name of Property Owners	The SPVs			
		Name of company	Date of incorporation	Par value of the ordinary share capital	Place of incorporation
Sheung Shui Centre Shopping Arcade	Evercot Enterprise Company, Limited/Shung King Development Company Limited	Kochi Enterprises Limited	28 Mar 2006	US\$1	BVI
Metro City Phase I Property	Shung King Development Company Limited/Camleigh Investment Limited/Join Fortune Development Limited	Kinpoint Limited	12 Apr 2006	US\$1	BVI

Sunlight REIT, the SPVs and the Property Companies are hereinafter collectively referred to as the “Group”.

Basis of preparation

The Financial Information has been prepared based on the audited financial statements or, where appropriate, unaudited management accounts of the companies comprising the Group and the accounting books and records of certain subsidiaries of SKFE, HLD, HD and JIL, which currently own and manage the Properties and the Remaining Property Interest to be acquired by Sunlight REIT (collectively the “Underlying Financial Statements”). As there were no separate sets of financial statements maintained for each of the Properties on a stand-alone basis, the Financial Information has been prepared according to the basis of presentation and assumptions set out in the note 1 to Section A below. Adjustments have also been made, for the purpose of this report, to exclude the assets, liabilities and operating results associated with the Retained Properties and Subsidiaries on the basis as referred to in note 1 to Section A below, and to restate the Underlying Financial Statements to conform with accounting policies as referred to in note 3 to Section A below.

No audited financial statements have been prepared for Sunlight REIT and the SPVs due to the short period after establishment or incorporation. For the purpose of this report, we have, however, reviewed all material transactions of Sunlight REIT and the SPVs since their establishment or incorporation and carried out such audit procedures as we considered necessary for inclusion of financial information relating to these companies in this report.

Respective responsibilities of directors and reporting accountants

The preparation of the Underlying Financial Statements is the responsibility of the respective directors of the companies comprising the Group and the respective directors of the seller companies of the Properties who approve their issue. The directors of the Manager are responsible for the preparation of the Financial Information which gives a true and fair view. In preparing the Financial Information which gives a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on the Financial Information.

Basis of opinion

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the Underlying Financial Statements included in the preparation of the Financial Information for the Relevant Period in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline “Prospectuses and the reporting accountant” issued by the HKICPA. We have not audited any financial statements of the companies now comprising the Group in respect of any period subsequent to 30 June 2006.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Information. It also includes an assessment of the significant estimates and judgements made by the directors of the Manager in the preparation of the Financial Information, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the Financial Information is free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of the Financial Information. We believe that our work provides a reasonable basis for our opinion.

Opinion

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information together with notes thereto, on the basis set out in note 1 to Section A below, gives a true and fair view of the state of affairs of the Group as at 30 June 2004, 30 June 2005 and 30 June 2006 and of the Group's combined results and cash flows for each of the three years ended 30 June 2004, 30 June 2005 and 30 June 2006.

A. FINANCIAL INFORMATION

Combined Income Statements

		For the year ended 30 June		
		2004	2005	2006
	Notes	HK\$'000	HK\$'000	HK\$'000
Turnover	6	243,816	248,360	251,419
Rental related income	7	65,443	69,073	66,516
Direct costs	8	(101,795)	(102,498)	(107,573)
Gross profit		207,464	214,935	210,362
Other income		330	929	588
Increase in fair value of investment properties	11	519,360	706,429	2,469,077
Write back of provision for diminution in value of completed properties for sale	12	59,800	21,081	18,342
Profit on sale of completed properties for sale		105	779	164
Administrative expenses		(1,800)	(1,867)	(714)
Other operating (expenses)/income		(964)	789	(1,320)
Interest expenses		(15,456)	(23,787)	(26,164)
Profit before taxation	9	768,839	919,288	2,670,335
Income tax	10	(125,688)	(128,727)	(455,249)
Profit for the year		643,151	790,561	2,215,086

The accompanying notes form part of the Financial Information.

Combined Balance Sheets

		As at 30 June		
	Notes	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000
Non-current assets				
Investment properties	11	3,726,360	4,432,860	6,902,000
Instalments receivable	13(a)	3,264	2,747	—
Deferred tax assets	14(a)	28,364	31,686	3,276
Other fixed assets		27	—	—
		3,758,015	4,467,293	6,905,276
Current assets				
Completed properties for sale	12	946,288	965,830	984,701
Instalments receivable	13(a)	368	266	—
Accounts receivable, deposits and prepayments	13(b)	19,520	17,080	20,874
Tax recoverable		2,791	1,758	—
Cash at bank		4	4	4
		968,971	984,938	1,005,579
Total assets		4,726,986	5,452,231	7,910,855
Current liabilities				
Tenants' deposits		(65,070)	(67,228)	(72,738)
Rent receipts in advance		(3,477)	(1,979)	(2,851)
Creditors and accrued expenses		(1,413)	(914)	(995)
Current taxation		(34,797)	(36,250)	(36,075)
		(104,757)	(106,371)	(112,659)
Non-current liabilities				
Amounts due to related companies		(1,917,219)	(1,829,060)	(1,760,687)
Deferred tax liabilities	14(a)	(194,904)	(303,092)	(704,449)
		(2,112,123)	(2,132,152)	(2,465,136)
Total liabilities		(2,216,880)	(2,238,523)	(2,577,795)
Net assets		2,510,106	3,213,708	5,333,060
Capital and reserves				
Invested capital — Property Companies	16	60,052	60,052	60,052
Amounts due to Properties' Owners	17	2,078,437	2,247,265	3,437,072
Retained profits		371,617	906,391	1,835,936
		2,510,106	3,213,708	5,333,060

The accompanying notes form part of the Financial Information.

Combined Statements of Changes in Equity

	Invested capital -			
	Property Companies	Amounts due to Properties' Owners	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 July 2003	60,052	1,817,500	79,718	1,957,270
Profit for the year	—	—	643,151	643,151
Profit attributable to Properties' Owners	—	346,252	(346,252)	—
Changes in Properties' Owners account	—	(85,315)	—	(85,315)
Dividends declared and approved	—	—	(5,000)	(5,000)
As at 30 June 2004	60,052	2,078,437	371,617	2,510,106
Profit for the year	—	—	790,561	790,561
Profit attributable to Properties' Owners	—	251,787	(251,787)	—
Changes in Properties' Owners account	—	(82,959)	—	(82,959)
Dividends declared and approved	—	—	(4,000)	(4,000)
As at 30 June 2005	60,052	2,247,265	906,391	3,213,708
Profit for the year	—	—	2,215,086	2,215,086
Profit attributable to Properties' Owners	—	1,285,541	(1,285,541)	—
Changes in Properties' Owners account	—	(95,734)	—	(95,734)
As at 30 June 2006	60,052	3,437,072	1,835,936	5,333,060

Profit attributable to Properties' Owners represented profit arising from leasing Sheung Shui Centre Shopping Arcade, Metro City Phase I Property, remaining units of Kwong Wah Plaza Property, remaining units of Sun Fai Commercial Centre Property and remaining 23.3% of Palatial Stand Property during the respective years. Changes in Properties' Owners account represented net amount of surplus cash distributed to and the operating funds provided by the owners of such properties.

The accompanying notes form part of the Financial Information.

Combined Cash Flow Statements

	For the year ended 30 June		
	2004	2005	2006
	HK\$'000	HK\$'000	HK\$'000
Operating activities			
Profit before taxation	768,839	919,288	2,670,335
Interest income	(304)	(275)	(354)
Provision/(write back of provision) for bad debts	712	(1,115)	1,030
Increase in fair value of investment properties	(519,360)	(706,429)	(2,469,077)
Write back of provision for diminution in value of completed properties for sale	(59,800)	(21,081)	(18,342)
Interest expenses	15,456	23,787	26,164
Depreciation	27	27	—
Operating profit before changes in working capital	205,570	214,202	209,756
Decrease in instalments receivable	283	619	3,343
Decrease/(increase) in completed properties for sale	156	1,539	(529)
Decrease/(increase) in accounts receivable, deposits and prepayments	3,861	3,555	(5,154)
Increase in tenants' deposits	1,404	2,158	5,510
(Decrease)/increase in rent receipts in advance	(5,628)	(1,498)	872
(Decrease)/increase in creditors and accrued expenses	(3,714)	(499)	81
Cash generated from operations	201,932	220,076	213,879
Tax paid			
Hong Kong Profits Tax paid	(18,726)	(21,375)	(23,899)
Net cash generated from operating activities	183,206	198,701	189,980

The accompanying notes form part of the Financial Information.

APPENDIX I**ACCOUNTANTS' REPORT**

	For the year ended 30 June		
	2004	2005	2006
	HK\$'000	HK\$'000	HK\$'000
Investing activities			
Additions to investment properties	—	(71)	(63)
Interest received	304	275	354
Net cash generated from investing activities	304	204	291
Financing activities			
Decrease in amounts due to Properties' Owners	(85,315)	(82,959)	(95,734)
Interest paid	(15,456)	(23,787)	(26,164)
Dividends paid	(5,000)	(4,000)	—
Net cash used in financing activities	(105,771)	(110,746)	(121,898)
	77,739	88,159	68,373
Net repayment to related companies	(77,740)	(88,159)	(68,373)
Net decrease in cash and cash equivalents	(1)	—	—
Balance at the beginning of the year			
— Cash and cash equivalents	5	4	4
— Amounts due to related companies	(1,994,959)	(1,917,219)	(1,829,060)
Balance at the end of the year			
— Cash and cash equivalents	4	4	4
— Amounts due to related companies	(1,917,219)	(1,829,060)	(1,760,687)

The accompanying notes form part of the Financial Information.

NOTES TO THE FINANCIAL INFORMATION**1. Basis of presentation and assumptions**

The combined income statements have been prepared based on the following basis and assumptions to include the income statements of the Property Companies and the operating results from leasing the Properties as if the Property Companies had acquired the Remaining Property Interest throughout the Relevant Period and the Group had acquired and held the Property Companies and the Properties throughout the Relevant Period but exclude those relating to the Retained Properties and Subsidiaries. The combined balance sheets as at 30 June 2004, 30 June 2005 and 30 June 2006 have been prepared based on the same basis and assumptions to present the balance sheets of the Group and the assets and liabilities of the Properties as if the Group held the Property Companies and the Properties as at those dates but exclude those of the Retained Properties and Subsidiaries:

(a) The Property Companies

Certain Property Companies currently also hold Retained Properties and Subsidiaries. Such Property Companies conditionally divested such Retained Properties and Subsidiaries to other subsidiaries of SKFE, HLD, HD or JIL. The Financial Information includes the financial statements of the Property Companies, and adjustments have been made, for the purpose of this report, to exclude the assets and liabilities and operating results of such Retained Properties and Subsidiaries.

(b) The Properties and Remaining Property Interest

No separate sets of financial statements were maintained for each of the Properties and the Remaining Property Interest, as they formed part of the business operations of certain subsidiaries of SKFE, HLD, HD and JIL which own and manage the Properties and the Remaining Property Interest. The Financial Information was prepared based on the accounting books and records of such subsidiaries of SKFE, HLD, HD and JIL and on the following basis and assumptions in order to include the results of operations and financial position of the Properties and the Remaining Property Interest as if they were operated on a stand-alone basis at the beginning of the earliest period presented.

Only account balances directly attributable to these Properties and Remaining Property Interest are included in the Financial Information. These account balances include investment properties, accounts receivable, completed properties for sale, tenants' deposits, rent receipts in advance, directly attributable deferred tax, rental income, car park income, rental related income, and directly attributable expenses. Income tax expenses for the Properties and the Remaining Property Interest are calculated based on the tax rate applicable to the Properties and the Remaining Property Interest as if they are a separate tax entity.

The treasury and cash disbursement functions of the Property Companies and the Properties are centrally administered by certain subsidiaries of SKFE, HLD, HIL, HD or JIL. As such, cash and cash equivalents and payables are dealt with in the current accounts with these subsidiaries. Interest expenses recharged by these subsidiaries are thus included in the Financial Information. Cash flows including receipt of rental income, settlement of expenses payable and the additions of assets are handled by such subsidiaries centrally and therefore shown as movements in the net current account balances with related companies in the Financial Information.

2. Statement of compliance and basis of preparation of the Financial Information

The Financial Information has 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 HKICPA, and accounting principles generally accepted in Hong Kong. The Financial Information also complies with the applicable disclosure provisions of the Code on Real Estate Investment Trusts.

The measurement basis used in the preparation of the Financial Information is the historical cost basis except that investment properties are stated at their fair value as explained in the accounting policies set out below.

The preparation of the Financial Information 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.

3. Principal accounting policies

Up to the date of issue of the Financial Information, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ended 30 June 2006 and which have not been adopted in the preparation of the Financial Information. The Manager anticipates that the application of these standards is unlikely to have a significant impact on the Group's results of operations and financial position.

	Effective for accounting periods beginning or after
HKFRS 6, Exploration for and evaluation of mineral resources	1 January 2006
HKFRS 7, Financial instruments: disclosures	1 January 2007
HK(IFRIC) 4, Determining whether an arrangement contains a lease	1 January 2006
HK(IFRIC) 5, Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds	1 January 2006
HK(IFRIC) 6, Liabilities arising from participating in a specific market — Waste electrical and electronic equipment	1 December 2005
HK(IFRIC) 7, Applying the restatement approach under HKAS 29, Financial reporting in hyperinflationary economies	1 March 2006
HK(IFRIC) 8, Scope of HKFRS 2	1 May 2006
HK(IFRIC) 9, Reassessment of embedded derivatives	1 June 2006
Amendment to HKAS 19, Employee benefits — Actuarial gains and losses, group plans and disclosures	1 January 2006
Amendment to HKAS 21, The effects of changes in foreign exchange rate — Net investment in a foreign operation	1 January 2006
Amendments to HKAS 39, Financial instruments: Recognition and measurement:	
— Cash flow hedge accounting of forecast intragroup transactions	1 January 2006
— The fair value option	1 January 2006
— Financial guarantee contracts	1 January 2006
Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:	
— HKAS 1, Presentation of financial statements	1 January 2006
— HKAS 27, Consolidated and separate financial statements	1 January 2006
— HKFRS 3, Business combinations	1 January 2006
Amendment to HKAS 1, Presentation of financial statements: capital disclosures	1 January 2007

A summary of the principal accounting policies adopted by the Group is set out below:

(a) *Investment properties*

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

Investment properties are stated in the combined balance sheets 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 3(j)(i).

(b) *Other fixed assets*

Other fixed assets are stated in the combined balance sheets at cost less accumulated depreciation and impairment losses.

Depreciation is calculated to write off the cost of items of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives of 5 years.

The carrying amount of other fixed assets are reviewed for indications of impairment at each balance sheet date. An impairment loss is recognised to the extent that the carrying amount of an asset, or the cash-generating unit to which it belongs, is more than its recoverable amount. The recoverable amount of an asset, or of the cash generating unit to which it belongs, is the greater of its net selling price 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 time value of money and the risks specific to the assets. An impairment loss is reversed if there has been a favourable change in estimates used to determine the recoverable amount.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(c) *Completed properties for sale*

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total land and development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price, based on prevailing market condition, less costs to be incurred in selling the property.

(d) *Trade and other receivables*

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Impairment losses for bad and doubtful debts are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted where the effect of discounting is material.

(e) *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.

(f) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and are subject to an insignificant risk of changes in value.

(g) *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 directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

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

determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

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 profits 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 profits will be available.

Current tax balances and deferred tax balances, and movements 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.

(h) *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.

(i) *Dividends*

Dividends are recognised as liabilities in the accounting period in which they are declared by the directors (for interim dividends) or approved by the shareholders (for final dividends) of the respective companies comprising the Group.

(j) *Revenue recognition*

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 accruals basis.

(iii) Sale of properties

Revenue arising from the sale of completed properties for sale is recognised upon the signing of the sale and purchase agreement or the issue of an occupation permit by the Government of the Hong Kong Special Administrative Region, whichever is the later.

(iv) Interest income

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

(k) *Borrowing costs*

Borrowing costs are expensed in profit or loss in the period in which they are incurred.

(l) *Segment reporting*

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

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

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets mainly include fixed assets and receivables and segment liabilities mainly include operating liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise corporate assets and expenses.

4. Accounting estimates and judgements

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

(i) *Investment properties*

As described in note 11, investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates. In relying on the valuation report, the management has exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

(ii) *Deferred tax assets*

At 30 June 2004, 30 June 2005 and 30 June 2006, the Group has recognised a deferred tax asset of HK\$1,297,000, HK\$12,609,000 and HK\$11,745,000 respectively in relation to the unused tax losses as set out in note 14. The realisability of the deferred tax asset mainly depends on whether there are sufficient future taxable profits or taxable temporary differences against which the unused tax losses will be utilised in the foreseeable future. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax asset may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

5. Segment information

	Office Properties			Retail Properties				Total	
	For the year ended 30 June			For the year ended 30 June				For the year ended 30 June	
	2004	2005	2006	2004	2005	2006	2004	2005	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover									
— rental income	93,173	91,967	95,734	129,035	134,951	135,489	222,208	226,918	231,223
— car park income	2,954	2,794	3,017	18,654	18,648	17,179	21,608	21,442	20,196
Total	96,127	94,761	98,751	147,689	153,599	152,668	243,816	248,360	251,419
Segment results									
Increase in fair value of investment properties	77,178	74,967	73,508	112,538	116,898	109,509	189,716	191,865	183,017
Write back of provision/(provision) for diminution in value of completed properties for sale	202,200	506,500	1,008,000	317,160	199,929	1,461,077	519,360	706,429	2,469,077
Income tax	59,800	22,359	18,491	—	(1,278)	(149)	59,800	21,081	18,342
	(51,275)	(74,663)	(181,740)	(74,413)	(54,064)	(273,509)	(125,688)	(128,727)	(455,249)
Unallocated operating expenses	287,903	529,163	918,259	355,285	261,485	1,296,928	643,188	790,648	2,215,187
Profit for the year							(37)	(87)	(101)
Segment assets	2,263,337	2,801,911	3,818,496	2,463,649	2,650,320	4,092,359	4,726,986	5,452,231	7,910,855
Segment liabilities	(1,911,435)	(1,925,040)	(2,023,596)	(305,445)	(313,483)	(554,199)	(2,216,880)	(2,238,523)	(2,577,795)
Capital expenditure	—	294	—	5	71	758	5	365	758
Depreciation	—	—	—	27	27	—	27	27	—
							643,151	790,561	2,215,086

6. Turnover

	For the year ended 30 June		
	2004	2005	2006
	HK\$'000	HK\$'000	HK\$'000
Rental income	222,208	226,918	231,223
Car park income	21,608	21,442	20,196
	243,816	248,360	251,419

7. Rental related income

	For the year ended 30 June		
	2004	2005	2006
	HK\$'000	HK\$'000	HK\$'000
Building management fees	33,387	34,702	33,952
Air-conditioning charges	20,207	20,897	20,109
Rates charges	7,963	9,506	9,723
Promotional levies	3,667	3,667	2,417
Compensation for early lease termination	85	175	114
Forfeited deposits	134	126	201
	65,443	69,073	66,516

8. Direct costs

	For the year ended 30 June		
	2004	2005	2006
	HK\$'000	HK\$'000	HK\$'000
Building management fees	48,829	50,067	51,428
Car park operating costs	7,627	7,442	6,249
Rental commission	18,433	15,924	16,993
Government rent and rates	12,234	13,382	14,392
Marketing expenses	7,574	8,616	8,211
Repairs and maintenance	3,944	4,603	7,493
Legal and professional fees	1,832	1,537	1,597
Stamp duty and registration fees	141	119	203
Depreciation	27	27	—
Property miscellaneous expenses	1,154	781	1,007
	101,795	102,498	107,573

9. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	For the year ended 30 June		
	2004	2005	2006
	HK\$'000	HK\$'000	HK\$'000
Auditors' remuneration	309	376	412
Directors' emoluments	—	—	—
Rental receivable from investment properties*	(247,596)	(251,886)	(246,055)
Less: outgoings	80,217	85,011	89,815
Net rental receivable from investment properties	(167,379)	(166,875)	(156,240)
Other rental income less outgoings	(40,112)	(48,087)	(54,122)
Cost of properties sold	161	1,833	166
* Included contingent rental income	(262)	(372)	(320)

10. Income tax

(a) Income tax in the combined income statements represents:

	For the year ended 30 June		
	2004	2005	2006
	HK\$'000	HK\$'000	HK\$'000
Current tax — Hong Kong Profits Tax			
Provision for the year	25,556	23,857	25,504
(Over)/under-provision in respect of prior years	(25)	4	(22)
	25,531	23,861	25,482
Deferred tax	100,157	104,866	429,767
	125,688	128,727	455,249

The provision for Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for the Relevant Period.

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

	For the year ended 30 June		
	2004	2005	2006
	HK\$'000	HK\$'000	HK\$'000
Profit before taxation	768,839	919,288	2,670,335
Notional tax on profit before taxation calculated at 17.5%	134,547	160,875	467,308
Tax effect of non-deductible expenses	171	171	18
Tax effect of non-taxable income	(4,847)	(10,329)	(9,219)
Tax effect of temporary differences not recognised	(707)	(2,472)	—
Tax effect of prior years' tax losses recognised in the current year	—	(11,726)	(407)
Tax effect of unrecognised tax losses utilised	(3,376)	(6,825)	(2,261)
(Over)/under-provision in respect of prior years	(25)	4	(22)
Others	(75)	(971)	(168)
Actual tax expense	125,688	128,727	455,249

11. Investment properties

	As at 30 June		
	2004	2005	2006
	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	3,207,000	3,726,360	4,432,860
Additions	—	71	63
Increase in fair value	519,360	706,429	2,469,077
At the end of the year	3,726,360	4,432,860	6,902,000

Notes:

- (i) All investment properties were revalued as at 30 June 2004, 30 June 2005 and 30 June 2006 on an open market value basis in their existing states by reference to comparable market transactions and where appropriate on the basis of capitalisation of the net income allowing for reversionary income potential. The valuations as at 30 June 2005 and 30 June 2006 were carried out by an independent firm of professional surveyors, DTZ Debenham Tie Leung Limited and those as at 30 June 2004 by Mr Augustine Wong, the professional valuer of a wholly-owned subsidiary of HLD who is a Fellow Member of The Hong Kong Institute of Surveyors with extensive experience in property valuation in Hong Kong.
- (ii) All investments properties were also revalued as at 30 September 2006 by an independent professional valuer appointed by the Trustee, Savills Valuation and Professional Services Limited ("Savills"), on an open market value basis by reference to sales evidence as available on the market and where appropriate on the basis of capitalisation of the net income allowing for reversionary income potential. The fair value of these investment properties as at 30 September 2006 is HK\$7,193,000,000.
- (iii) All land and properties held under operating leases that would otherwise meet the definition of investment property are classified as investment properties.
- (iv) The analysis of net book value of investment properties is as follows:

	As at 30 June		
	2004	2005	2006
	HK\$'000	HK\$'000	HK\$'000
In Hong Kong			
— long leases	1,380,900	1,761,000	4,224,000
— medium-term leases	2,345,460	2,671,860	2,678,000
	3,726,360	4,432,860	6,902,000

12. Completed properties for sale

	As at 30 June		
	2004	2005	2006
	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	886,644	946,288	965,830
Additions	5	294	695
Write back of provision for diminution in value of completed properties for sale	59,800	21,081	18,342
Sales for the year	(161)	(1,833)	(166)
At the end of the year	946,288	965,830	984,701

Notes:

- (i) As at 30 June 2004, 30 June 2005 and 30 June 2006, the completed properties for sale amounting to HK\$387,605,000, HK\$538,758,000 and HK\$102,231,000 respectively, were carried at net realisable value.
- (ii) The completed properties for sale will be transferred to investment properties upon completion of the acquisition by Sunlight REIT.
- (iii) The completed properties for sale were revalued as at 30 September 2006 by Savills on an open market value basis in their existing states by reference to comparable market transactions. The fair value of these completed properties for sale as at 30 September 2006 is HK\$1,897,000,000.

13. Financial assets**(a) Instalments receivable**

This represents the instalments receivable from the sale of properties after twelve months from the balance sheet date. The amount receivable within twelve months from the balance sheet date are included under current assets.

The aging analysis of instalments receivable within twelve months from the balance sheet date is as follows:

	As at 30 June		
	2004	2005	2006
	HK\$'000	HK\$'000	HK\$'000
Current and up to 1 month overdue	182	160	—
More than 1 month overdue and up to 3 months overdue	46	49	—
More than 3 months overdue and up to 6 months overdue	66	57	—
More than 6 months overdue	74	—	—
	368	266	—

(b) Accounts receivable, deposits and prepayments

	As at 30 June		
	2004	2005	2006
	HK\$'000	HK\$'000	HK\$'000
Rental receivable	16,668	14,993	15,834
Other receivables, deposits and prepayments	2,852	2,087	5,040
	19,520	17,080	20,874
Amount of deposits expected to be recovered after more than 1 year	2,017	2,018	4,989

The aging analysis of rental receivable within twelve months from the balance sheet date is as follows:

	As at 30 June		
	2004	2005	2006
	HK\$'000	HK\$'000	HK\$'000
Current and up to 1 month overdue	11,471	9,835	11,773
More than 1 month overdue and up to 3 months overdue	696	723	1,676
More than 3 months overdue and up to 6 months overdue	994	987	457
More than 6 months overdue	3,507	3,448	1,928
	16,668	14,993	15,834

The directors consider that the carrying amount of accounts receivable approximates its fair value.

14. Deferred taxation**(a) Deferred tax assets and liabilities recognised:**

The components of deferred tax (assets)/liabilities recognised in the combined balance sheets and the movements during the Relevant Period are as follows:

	Changes in accelerated tax depreciation	Revaluation of investment properties	Tax losses	Other	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2003	48,401	25,808	(7,868)	42	66,383
Charged/(credited) to profit or loss	8,421	85,166	6,571	(1)	100,157
At 30 June 2004	56,822	110,974	(1,297)	41	166,540
Charged/(credited) to profit or loss	5,290	110,890	(11,312)	(2)	104,866
At 30 June 2005	62,112	221,864	(12,609)	39	271,406
Charged/(credited) to profit or loss	8,516	420,426	864	(39)	429,767
At 30 June 2006	70,628	642,290	(11,745)	—	701,173

	As at 30 June		
	2004	2005	2006
	HK\$'000	HK\$'000	HK\$'000
Net deferred tax assets recognised on the combined balance sheets	(28,364)	(31,686)	(3,276)
Net deferred tax liabilities recognised on the combined balance sheets	194,904	303,092	704,449
	166,540	271,406	701,173

(b) Deferred tax assets not recognised

Deferred tax assets have not been recognised in respect of the following items:

	As at 30 June		
	2004	2005	2006
	HK\$'000	HK\$'000	HK\$'000
Deductible temporary differences associated with the changes in fair value of investment properties	165,580	118,784	66,104
Future benefits of tax losses			
— Assessed by the Inland Revenue Department ("IRD")	129,978	58,126	—
— Not yet assessed by the IRD	238,736	206,473	195,052
	534,294	383,383	261,156

The Group has not recognised deferred tax assets in respect of deductible temporary differences and unused tax losses as it is not probable that such temporary differences and tax losses can be utilised. The tax losses do not expire under current tax legislation.

15. Issued units

Sunlight REIT was established on 26 May 2006 and had not issued units as at the year end dates presented.

16. Invested capital — Property Companies

Prior to the acquisition of the Property Companies by Sunlight REIT, the funds invested in the Property Companies or the investment holding companies as at the respective year end date are represented by invested capital. The amount will be eliminated against Sunlight REIT's cost of acquisition of the Property Companies.

17. Amounts due to Properties' Owners

The amounts represented funds for financing the acquisition and operation of the Properties and the Remaining Property Interest by the existing Properties' Owners and is payable by Sunlight REIT should the Properties and the Remaining Property Interest be acquired as at those dates and will be settled by Sunlight REIT on acquisition of the Properties and the Remaining Property Interest.

18. Significant leasing arrangements

At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	As at 30 June		
	2004	2005	2006
	HK\$'000	HK\$'000	HK\$'000
Within 1 year	222,717	216,435	240,212
After 1 year but within 5 years	114,254	111,827	168,086
	336,971	328,262	408,298

The operating leases typically run for an initial period of one to six years, with an option to renew the lease after that date at which time all terms are renegotiated. Further details of the carrying value of the properties are contained in note 11.

19. Capital commitments

Capital commitments outstanding at the balance sheet date not provided in the Financial Information were as follows:

	As at 30 June		
	2004	2005	2006
	HK\$'000	HK\$'000	HK\$'000
Authorised but not contracted for	—	5,000	6,000

20. Financial risk management objectives and policies

Exposure to credit and interest rate risk arises in the normal course of the Group's business. The risks and the policies on how to mitigate these risks are set out below.

(a) *Credit risk*

The Group's credit risk is primarily attributable to rental receivable. The management of the companies comprising the Group maintained a defined credit policy and the exposures to these credit risks are monitored on an ongoing basis.

Monthly rents in respect of leasing properties are received in advance and sufficient rental deposits are held to cover potential exposure to credit risk. As such, the Group does not obtain collateral from its customers. An ageing analysis of the receivable is prepared on a regular basis and is closely monitored to minimise any credit risk associated with the receivable. Provisions have been made for estimated irrecoverable amounts.

The Group has no concentrations of credit risk in view of its large number of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the combined balance sheets.

(b) *Interest rate risk*

The Group has no significant interest-bearing assets. The Group is exposed to interest rate risk primarily through interest-bearing borrowings from related parties. The borrowings consist of variable rate debt obligations with no fixed maturities. Increase in interest rates would increase interest expenses relating to the outstanding variable rate borrowings and increase the cost of new debt. The Group did not use any derivative instruments to manage the interest rate risk during the Relevant Period.

B. RELATED PARTY TRANSACTIONS

The Property Companies, the Properties and the Remaining Property Interest are either held by SKFE, HLD, HD, HIL or JIL in various proportion for different companies. Transactions between the Group and SKFE group, HLD group, HD group, HIL group or JIL group (hereinafter together referred to as the “Sellers”) are considered to be related party transactions pursuant to the HKAS 24 “Related Party Disclosures”.

(a) During the Relevant Period, the Group had the following transactions with related parties:

	For the year ended 30 June		
	2004	2005	2006
	HK\$'000	HK\$'000	HK\$'000
Revenue			
<i>Rental income (Note (i))</i>			
Henderson Real Estate Agency Limited	—	—	462
Henderson Sunlight Asset Management Limited	—	—	798
Henderson Sunlight Property Management Limited	—	—	477
Jones Hugh Investment Limited	1,414	1,224	1,234
<i>Building management fees (Note (i))</i>			
Henderson Real Estate Agency Limited	—	—	7
Henderson Sunlight Asset Management Limited	—	—	99
Henderson Sunlight Property Management Limited	—	—	57
Jones Hugh Investment Limited	265	265	160
<i>Air-conditioning income (Note (i))</i>			
Henderson Sunlight Asset Management Limited	—	—	62
Henderson Sunlight Property Management Limited	—	—	35
Jones Hugh Investment Limited	197	198	93
<i>Rates charges (Note (i))</i>			
Henderson Real Estate Agency Limited	—	—	13
Henderson Sunlight Asset Management Limited	—	—	16
Henderson Sunlight Property Management Limited	—	—	9
Jones Hugh Investment Limited	20	46	23
Expenses			
<i>Building management fees (Note (i))</i>			
Goodwill Management Limited	37,395	38,675	39,511
Hang Yick Properties Management Limited	5,495	5,519	5,790
Metro City Management Limited	118	105	68
Sheung Shui Centre Management Limited	59	55	56

	For the year ended 30 June		
	2004	2005	2006
	HK\$'000	HK\$'000	HK\$'000
<i>Rental commission (Note (i))</i>			
Henderson Property Agency Limited	544	559	610
Henderson Real Estate Agency Limited	17,809	14,882	14,330
<i>Professional charges (Note (i))</i>			
Fivechit (Consultants) Limited	240	240	240
Henderson Real Estate Agency Limited	11	9	5
<i>Marketing expenses (Note (i))</i>			
Jones Hugh Investment Limited	1	—	—
Megastrength Security Services Company Limited	36	54	45
<i>Repairs and maintenance (Note (i))</i>			
Goodwill Management Limited	9	—	19
Jensome Technology Limited	—	—	80
Megastrength Security Services Company Limited	—	—	50
<i>Security guard service charges (Note (i))</i>			
Megastrength Security Services Company Limited	338	256	215
<i>Sales commission (Note (i))</i>			
Henderson Real Estate Agency Limited	—	13	—
<i>Interest expenses (Note (ii))</i>			
Greatzi Limited	5,063	5,334	7,995
Henderson Finance Company Limited	5,192	13,344	10,306
Henderson Real Estate Agency Limited	3,297	3,315	4,645
Henderson Real Estate Finance Limited	1,904	1,793	3,216

Notes:

- (i) These transactions were carried out on normal commercial terms and in the ordinary course of business.
- (ii) The interest expenses are calculated on the balance of loans outstanding from time to time by reference to best lending rate as quoted by HSBC.

- (b) Balances with related parties at the respective dates, as disclosed in the combined balance sheets, are as follows:

		As at 30 June		
		2004	2005	2006
		HK\$'000	HK\$'000	HK\$'000
(i)	Unsecured interest bearing loans from:			
	Greatzi Limited	102,860	105,526	110,791
	Henderson Finance Company Limited	130,955	125,184	122,351
	Henderson Real Estate Finance Limited	65,314	63,594	60,914
	Henderson Real Estate Agency Limited	94,212	90,442	87,295
		393,341	384,746	381,351
(ii)	Unsecured non-interest bearing loans from:			
	Financial Enterprise Property Finance Limited	—	—	737,861
	Furnline Limited	4,362	4,146	—
	Henderson Development Limited	449,680	—	—
	Henderson Investment Limited	36,738	35,408	33,987
	Henderson Land Development Company Limited	573,998	558,810	541,676
	Henderson Real Estate Finance Limited	2,027	—	—
	Leerdam Company Limited	—	373,060	—
	Perfect Bright Properties Inc.	4,362	4,146	—
	Waterfall Holdings Limited	452,711	58,423	65,812
	Sunton Investment Limited	—	410,321	—
		1,523,878	1,444,314	1,379,336

(c) Identity of related parties:

Name of parties	Relationship
Fivechit (Consultants) Limited	wholly-owned subsidiary of HLD group
Financial Enterprise Property Finance Limited	wholly-owned subsidiary of SKFE group
Furnline Limited	wholly-owned subsidiary of JIL group (<i>Note (i)</i>)
Goodwill Management Limited	wholly-owned subsidiary of HLD group
Greatzi Limited	wholly-owned subsidiary of JIL group (<i>Note (i)</i>)
Hang Yick Properties Management Limited	wholly-owned subsidiary of HLD group
Henderson Finance Company Limited	wholly-owned subsidiary of HD group
Henderson Property Agency Limited	wholly-owned subsidiary of HLD group
Henderson Real Estate Agency Limited	wholly-owned subsidiary of HLD group
Henderson Real Estate Finance Limited	wholly-owned subsidiary of HLD group
Henderson Sunlight Asset Management Limited	The Manager
Henderson Sunlight Property Management Limited	The Property Manager of Sunlight REIT
Jensome Technology Limited	wholly-owned subsidiary of HLD group
Jones Hugh Investment Limited	wholly-owned subsidiary of HD group
Leerdam Company Limited	wholly-owned subsidiary of SKFE group
Megastrength Security Services Company Limited	wholly-owned subsidiary of HIL group
Metro City Management Limited	wholly-owned subsidiary of HLD group
Perfect Bright Properties Inc.	wholly-owned subsidiary of JIL group (<i>Note (i)</i>)
Sheung Shui Centre Management Limited	wholly-owned subsidiary of HLD group
Sunton Investment Limited	wholly-owned subsidiary of SKFE group
Waterfall Holdings Limited	wholly-owned subsidiary of JIL group (<i>Note (i)</i>)

Note:

- (i) JIL is directly owned by a family trust of Dr. Lee Shau Kee.

- (d) The amounts due to the related parties will be assigned to Sunlight REIT upon acquisition of the Property Companies. Interest payable on these amounts will cease accordingly. The management and the leases services for the Property Companies and/or the Properties provided by the subsidiaries of HD group, HLD group and HIL group to which management fees or other services fees were paid will be replaced by a property management agreement with Henderson Sunlight Property Management Limited.

C. SUBSEQUENT EVENTS

Subsequent to 30 June 2006, the Group

- (i) entered into conditional sale and purchase agreements with the Sellers for the acquisition of the Properties and the equity interest in the Property Companies together with an assignment of the amounts due to the related parties by the Property Companies;
- (ii) obtained bank loan facility comprising term loan of HK\$3,950 million, revolving loan of HK\$100 million and hedging instrument of HK\$195.2 million, part of which will be drawn for funding the acquisition of the Properties and the Property Companies.

However, the above arrangements are conditional upon the grant of permission to list the units in Sunlight REIT on the Main Board of The Stock Exchange of Hong Kong Limited on or before the date of completion and upon the divestment of the Retained Properties and Subsidiaries by the Property Companies.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements for any of the companies comprising the Group have been prepared in respect of any period subsequent to 30 June 2006.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong