

Unless otherwise defined herein, terms used in this appendix shall have the same meanings as defined in section headed “Definitions” in this Offering Circular.

For illustrative purposes only, set out below are the unaudited pro forma balance sheets of Sunlight REIT as at 26 May 2006, the date of establishment of Sunlight REIT, to show the effect of the issuance of the Units in the Offering, the initial drawdown of approximately HK\$3,950 million in borrowings from the Facility, and the acquisition of the Target Company Shares and the Finance Company Share as if they had taken place on the same day.

The pro forma balance sheets have been prepared for illustrative purposes only and because of their nature, they may not give a true picture of the financial position of Sunlight REIT following the above transactions. Pursuant to the international underwriting agreement between the Joint Global Coordinators (on behalf of the Underwriters), SKFE, HLD and the Manager, the Offer Price is not expected to be more than HK\$2.60 (the “Maximum Offer Price”), and is not less than HK\$2.45 (the “Minimum Offer Price”). Accordingly, two unaudited pro forma balance sheets have been prepared based on the Maximum and the Minimum Offer Price.

APPENDIX II
UNAUDITED PRO FORMA BALANCE SHEETS

The following unaudited pro forma balance sheets of Sunlight REIT are based on the unaudited consolidated balance sheet of Sunlight REIT and as adjusted as described below:

A. UNAUDITED PRO FORMA BALANCE SHEET OF SUNLIGHT REIT (BASED ON MAXIMUM OFFER PRICE OF HK\$2.60)

	Pro forma adjustments				Pro forma balance of Sunlight REIT
	Sunlight REIT as at 26 May 2006	Acquisition of Target Companies	Other adjustments	Notes	
	(Note 1)	(Note 2)			
	HK\$'000	HK\$'000	HK\$'000		
	(Unaudited)	(Audited)	(Unaudited)		(Unaudited)
Non-current assets					
Investment properties	—	6,902,000	984,701 1,203,299	5(i) 5(ii)	9,090,000
Interest rate swaps	—	—	195,200	4(i)	195,200
Reimbursement right	—	—	207,741	5(vii)	207,741
Deferred tax assets	—	3,276			3,276
	—	6,905,276			9,496,217
Current assets					
Completed properties for sale	—	984,701	(984,701)	5(i)	—
Accounts receivable, deposits and prepayments	—	20,874			20,874
Cash and cash equivalents	—	4	3,694,400 (195,200) 3,929,800 (7,363,845)	3(i)&(ii) 4(i) 4(ii) 5(iv)	65,159
	—	1,005,579			86,033
Total assets	—	7,910,855			9,582,250
Current liabilities					
Tenants' deposits	—	(72,738)			(72,738)
Rent receipts in advance	—	(2,851)			(2,851)
Creditors and accrued expenses	—	(995)	(11,745)	5(vi)	(12,740)
Secured revolving bank loans	—	—	—	4(ii)	—
Current taxation	—	(36,075)			(36,075)
	—	(112,659)			(124,404)

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UNAUDITED PRO FORMA BALANCE SHEETS

	Pro forma adjustments				Pro forma balance of Sunlight REIT
	Sunlight REIT as at 26 May 2006	Acquisition of Target Companies	Other adjustments	Notes	
	(Note 1)	(Note 2)			
	HK\$'000	HK\$'000	HK\$'000		HK\$'000
	(Unaudited)	(Audited)	(Unaudited)		(Unaudited)
Non-current liabilities					
Amounts due to related companies	—	(1,760,687)	1,760,687	5(iv)	—
Secured term loan	—	—	(3,929,800)	4(ii)	(3,929,800)
Deferred tax liabilities	—	(704,449)	(714,268)	5(iii)	(1,418,717)
	—	(2,465,136)			(5,348,517)
Total liabilities	—	(2,577,795)			(5,472,921)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	—	5,333,060		6	4,109,329
REPRESENTED BY:					
Proceeds from issuance of Units	—	—	3,866,300	3(i)	3,866,300
Cost of issuance of Units	—	—	(171,900)	3(ii)	(171,900)
Invested capital — Target Companies	—	60,052	(60,052)	5(v)	—
Amounts due to Properties' Owners	—	3,437,072	(3,437,072)	5(iv)	—
Retained profits	—	1,835,936	(1,835,936)	5(v)	—
Excess of fair values of the acquirees' identifiable net assets over cost of business combination	—	—	414,929	5(viii)	414,929
	—	5,333,060			4,109,329

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UNAUDITED PRO FORMA BALANCE SHEETS
B. UNAUDITED PRO FORMA BALANCE SHEET OF SUNLIGHT REIT (BASED ON MINIMUM OFFER PRICE OF HK\$2.45)

	Pro forma adjustments				Pro forma balance of Sunlight REIT
	Sunlight REIT as at 26 May 2006	Acquisition of Target Companies	Other adjustments	Notes	
	(Note 1)	(Note 2)			
	HK\$'000	HK\$'000	HK\$'000		HK\$'000
	(Unaudited)	(Audited)	(Unaudited)		(Unaudited)
Non-current assets					
Investment properties	—	6,902,000	984,701 1,203,299	5(i) 5(ii)	9,090,000
Interest rate swaps	—	—	195,200	4(i)	195,200
Reimbursement right	—	—	207,741	5(vii)	207,741
Deferred tax assets	—	3,276			3,276
	—	6,905,276			9,496,217
Current assets					
Completed properties for sale	—	984,701	(984,701)	5(i)	—
Accounts receivable, deposits and prepayments	—	20,874			20,874
Cash and cash equivalents	—	4	3,476,000 (195,200) 3,929,800 (7,145,445)	3(i)&(ii) 4(i) 4(ii) 5(iv)	65,159
	—	1,005,579			86,033
Total assets	—	7,910,855			9,582,250
Current liabilities					
Tenants' deposits	—	(72,738)			(72,738)
Rent receipts in advance	—	(2,851)			(2,851)
Creditors and accrued expenses	—	(995)	(11,745)	5(vi)	(12,740)
Secured revolving bank loans	—	—	—	4(ii)	—
Current taxation	—	(36,075)			(36,075)
	—	(112,659)			(124,404)

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UNAUDITED PRO FORMA BALANCE SHEETS

	Pro forma adjustments				Notes	Pro forma balance of Sunlight REIT
	Sunlight REIT as at 26 May 2006	Acquisition of Target Companies	Other adjustments			
	(Note 1)	(Note 2)				
	HK\$'000	HK\$'000	HK\$'000			HK\$'000
	(Unaudited)	(Audited)	(Unaudited)			(Unaudited)
Non-current liabilities						
Amounts due to related companies	—	(1,760,687)	1,760,687	5(iv)		—
Secured term loan	—	—	(3,929,800)	4(ii)		(3,929,800)
Deferred tax liabilities	—	(704,449)	(714,268)	5(iii)		(1,418,717)
	—	(2,465,136)				(5,348,517)
Total liabilities	—	(2,577,795)				(5,472,921)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	—	5,333,060		6		4,109,329
REPRESENTED BY:						
Proceeds from issuance of Units	—	—	3,643,200	3(i)		3,643,200
Cost of issuance of Units	—	—	(167,200)	3(ii)		(167,200)
Invested capital — Target Companies	—	60,052	(60,052)	5(v)		—
Amounts due to Properties' Owners	—	3,437,072	(3,437,072)	5(iv)		—
Retained profits	—	1,835,936	(1,835,936)	5(v)		—
Excess of fair values of the acquirees' identifiable net assets over cost of business combination	—	—	633,329	5(viii)		633,329
	—	5,333,060				4,109,329

Notes to the unaudited pro forma balance sheets:

1. The balances are extracted from the unaudited consolidated balance sheet of Sunlight REIT as at 26 May 2006, the date of establishment of Sunlight REIT.
2. The balances are extracted from the audited combined balance sheet of the Predecessor Operations as at 30 June 2006 as set out in Appendix I to this Offering Circular.

The identifiable assets and liabilities assumed in the acquisition of Target Companies will be measured initially at their fair values at the acquisition date. The Directors of the Manager consider the net book values of the identifiable assets and liabilities of the Target Companies as at 30 June 2006 approximate their fair values as at the acquisition date except that (a) the values of the Properties are adjusted based on the fair market valuation made by the Independent Property Valuer, Savills Valuation and Professional Services Limited ("Savills") on 30 September 2006 (see note 5(ii) below), (b) deferred tax liabilities are recognised in respect of temporary differences between the fair values of the identifiable assets and liabilities acquired and their tax bases (see note 5(iii) below) and (c) reimbursement right is recognised pursuant to the tax indemnity provided by the Vendors (see note 5(vii) below).

The identifiable assets and liabilities of Domain Name Company have not been included in the unaudited pro forma balance sheets as they are relatively immaterial.

3.
 - (i) This represents the proceeds from the issuance of 1,487,013,000 Units based on Maximum and Minimum Offer Price of HK\$2.60 and HK\$2.45 respectively.
 - (ii) This represents the payment of issuance costs, comprising expenses related to the Offering, which include underwriting commission payable to the Underwriters (based on the Offering size), legal fees, printing costs, accountants' fees, listing costs, advertisement and marketing related expenses.
4.
 - (i) The Finance Company was incorporated on 4 January 2006 and has not commenced any business since its incorporation, except for entering into interest rate swap agreements with The Hongkong and Shanghai Banking Corporation Limited and the novation of interest rate swap agreements to it by an indirect wholly-owned subsidiary of HLD. The interest rate swaps are accounted for on the balance sheet based on their fair values and these are the only assets of the Finance Company upon acquisition by Sunlight REIT.
 - (ii) The Finance Company has entered into bank facilities in the aggregate principal amount of HK\$4,050 million, comprising a HK\$3,950 million term loan facility and a HK\$100 million revolving credit facility with certain banks, of which the initial drawdown amounts to approximately HK\$3,950 million. The bank loans are recognised at fair value less attributable transaction costs of HK\$20 million.
5. Pursuant to the sale and purchase agreements in respect of the acquisition of the Target Companies, the purchase consideration for each Target Company is based on the Acquisition Value (based on the Minimum Offer Price) of the Property owned by that Target Company, after adjustment for the assets and liabilities of that Target Company on Completion and a specific percentage of the Adjustment Sum. Any deferred tax liabilities of the Target Companies will not be taken into account in the computation of the purchase consideration. Any deferred tax assets of the Target Companies will not be taken into account in the computation of the purchase consideration payable on Completion, but will be paid for by Sunlight REIT on a future date after Completion when, and to the extent, the tax loss benefit is utilised by Sunlight REIT or the REIT Group companies to offset tax liabilities which would otherwise arise.

The following adjustments reflect the acquisition of the Target Companies:

- (i) Transfer of the completed properties for sale to investment properties upon completion of the acquisition of the Target Companies by Sunlight REIT.
- (ii) Revaluation of the properties held by the Target Companies by reference to the fair market valuation made by Savills as at 30 September 2006 as set out in Appendix V to this Offering Circular.
- (iii) Recognition of deferred taxation in respect of temporary differences between the fair values of the assets and liabilities acquired and their tax bases in the business combination.
- (iv) Payment for the acquisition of the Target Companies and settlement of the current accounts with related companies and amounts due to existing properties' owners.

- (v) Elimination of pre-acquisition reserves including invested capital of the Target Companies and retained profits.
- (vi) Recognition of payables to the Vendors in respect of the unused tax losses brought forward from 30 June 2006.
- (vii) For each Target Company, a separate Deed of Tax Covenant will be entered into by the relevant Vendor and the relevant guarantor(s) in favour of the relevant Purchaser Company on Completion, covenanting to pay to the Purchaser Company in respect of:
 - (a) any liability to taxation (other than those provided in (b) and (c) below) resulting from or by reference to income, profits, transactions and events earned, accrued, effected or occurred on or before Completion;
 - (b) any liability to taxation in respect of clawback of commercial building allowances and capital allowances granted up to Completion, resulting from any sale of the relevant Property or any part thereof by the Property Company; and
 - (c) any liability to taxation resulting from or by reference to the re-classification upon Completion of the relevant Property in the books of the relevant Property Companies which owns the Property from a trading stock to an investment asset, up to a maximum amount calculated at the market value of the relevant Property as at the time of re-classification.

The adjustment represents the reimbursement right pursuant to the tax indemnity provided by the Vendors to the extent of the deferred tax liabilities recognised in the Target/Property Companies.

- (viii) The amount represents the recognition of the excess of the net identifiable assets, liabilities and contingent liabilities of the Target Companies acquired over the costs of acquisition at the Completion Date in accordance with Hong Kong Financial Reporting Standard 3, *Business Combination*.

Since the fair values of the assets and liabilities of the Target Companies as at the Completion Date may be different from their fair values used in the preparation of the unaudited pro forma balance sheets presented above, the actual excess of the net identifiable assets and liabilities of the Target Companies over the costs of acquisition, or goodwill arising from the Acquisition, if any, may be different from the estimated amount shown in this Appendix.

6. 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, and Sunlight REIT is required to distribute to unitholders not less than 90% of its Annual Distributable Income for each financial period. 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 (which are represented by the net proceeds from the issuance of Units and the excess of fair values of the acquirees' identifiable net assets over cost of business combination) are therefore classified as financial liabilities in accordance with Hong Kong Accounting Standard 32: *Financial Instruments: Disclosure and Presentation*. It is shown on the balance sheet as net assets attributable to Unitholders.

Letter from the Accountants in Relation to Unaudited Pro Forma Balance Sheets

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



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

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

We report on the unaudited pro forma balance sheets (the “Pro Forma Financial Information”) of Sunlight Real Estate Investment Trust (“Sunlight REIT”) and its controlled entities as set out on pages II-1 to II-7 of the offering circular dated 8 December 2006 (the “Offering Circular”) issued in connection with the placing and public offer of the units of Sunlight REIT, which has been prepared by the directors of Henderson Sunlight Asset Management Limited (the “Manager”) solely for illustrative purposes to provide information about how the issuance of the units of Sunlight REIT, the initial drawdown in borrowings and the acquisition of the target companies might have affected the balance sheet of Sunlight REIT and its controlled entities (the “Group”) as at 26 May 2006, the date of establishment of Sunlight REIT. The basis of preparation of the unaudited Pro Forma Financial Information is set out on page II-1 of the Offering Circular.

Responsibilities

It is the responsibility solely of the directors of the Manager to prepare the unaudited Pro Forma Financial Information in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as if the Listing Rules are applicable to Sunlight REIT and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

It is our responsibility to form an opinion, as required by Paragraph 4.29(7) of the Listing Rules as if the Listing Rules are applicable to Sunlight REIT, on the unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited Pro Forma Financial Information with the directors of the Manager. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Manager on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules as if the Listing Rules are applicable to Sunlight REIT.

The unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Manager, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 26 May 2006 or at any future date.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of Sunlight REIT’s units, the application of those net proceeds, or whether such use will actually take place as described under the section headed “Use of Proceeds” in the Offering Circular.

Opinion

In our opinion:

- a) the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Manager on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules as if the Listing Rules are applicable to Sunlight REIT.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong