
SELECTED FINANCIAL INFORMATION

Summary Historical Financial Information

The following table sets forth summary financial information on a combined historical basis for the Predecessor Operations. The Predecessor Operations comprise the real estate activities of the Target Companies and the owners of the Target Properties in so far as they relate to the Properties. The Target Companies and Target Properties were owned by the Vendors and indirectly owned by SKFE, HLD and other parties, being principally parties related to Dr. Lee Shau Kee. No historical information for Sunlight REIT is presented because it has not undertaken any corporate activity since its formation.

The combined profit and loss data and the combined cash flow data for each of the years ended 30 June 2004, 2005 and 2006, and the combined assets and liabilities data as at 30 June 2004, 2005 and 2006 have been derived from the Predecessor Operations' audited combined financial information and related notes thereto which have been included in Appendix I to this Offering Circular. These audited combined financial information and the related notes thereto have been prepared in accordance with Hong Kong GAAP and have been audited by KPMG, the independent reporting accountants.

The historical combined financial information for the Predecessor Operations included below and set forth in Appendix I to this Offering Circular is not necessarily indicative of Sunlight REIT's future performance. You should read the following summary financial information together with the sections headed "The Properties and Business", "Management Discussion and Analysis of Financial Condition and Results of Operations", "Management Discussion and Analysis of Future Results of Operations" and the historical financial statements for the Predecessor Operations and related notes thereto set forth in Appendix I to this Offering Circular.

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COMBINED INCOME STATEMENTS

		For the year ended 30 June		
		2004	2005	2006
	Notes	HK\$'000	HK\$'000	HK\$'000
Turnover		243,816	248,360	251,419
Rental related income		65,443	69,073	66,516
Direct costs:				
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)
Total direct costs		(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	(1)	519,360	706,429	2,469,077
Write back of provision for diminution in value of completed properties for sale	(2)	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		768,839	919,288	2,670,335
Income tax		(125,688)	(128,727)	(455,249)
Profit for the year		643,151	790,561	2,215,086

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Notes:

1. 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.
2. Write back of provision for diminution in value of completed properties for sale represents the change of the estimated net realisable value of the stock of properties at each period end as compared to the previous period. Net realisable value is determined by reference to sale proceeds received less selling expenses, or by management estimates based on prevailing market conditions.

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COMBINED BALANCE SHEETS

		As at 30 June		
		2004	2005	2006
	Notes	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Investment properties	(1)	3,726,360	4,432,860	6,902,000 ⁽³⁾⁽⁵⁾
Instalments receivable		3,264	2,747	—
Deferred tax assets		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	(2)	946,288	965,830	984,701 ⁽³⁾⁽⁴⁾
Instalments receivable		368	266	—
Accounts receivable, deposits and prepayments		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		(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		60,052	60,052	60,052
Amounts due to Properties' Owners		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

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Notes:

1. 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.
2. Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property. The cost of completed properties for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties to the present location and condition.
3. The following table sets forth the carrying value of each Property as at 30 June 2006:

	As at 30 June 2006
	HK\$'000
Investment properties	
248 Queen's Road East	2,284,000
Sheung Shui Centre Shopping Arcade	2,076,000
Metro City Phase I Property	1,702,000
Righteous Centre	327,000
235 Wing Lok Street Trade Centre	164,000
On Loong Commercial Building Property	104,000
Everglory Centre	119,000
Yue Fai Commercial Centre Property	126,000
	<u>6,902,000</u>
Completed properties for sale	
Bonham Trade Centre	247,583
135 Bonham Strand Trade Centre Property	125,031
Winsome House Property	134,963
Kwong Wah Plaza Property	142,766
Java Road 108 Commercial Centre	98,333
Sun Fai Commercial Centre Property	49,681
Wai Ching Commercial Building Property	27,000
Beverley Commercial Centre Property	57,000
Supernova Stand Property	16,318
Palatial Stand Property	18,231
Glory Rise Property	28,847
Royal Terrace Property	38,948
	<u>984,701</u>

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4. Properties which were initially developed for sale had been classified as “completed properties for sale”. Such properties will be transferred to “investment properties” upon completion of acquisition by Sunlight REIT, which is intended to be a collective investment scheme with dedicated investments in real estate that generate recurrent rental income and is restricted from active trading of real estate.

5. The Manager is aware of the appointment of DTZ as the Vendor’s valuer and is aware of the value of the investment properties as appraised by DTZ. DTZ’s valuation of the investment properties is adopted for the purpose of the preparation of the Predecessor Operations’ financial statements for the year ended 30 June 2006. The appraised value from Savills as at 30 September 2006, as disclosed in Appendix V, is used to value the properties for acquisition by Sunlight REIT because Savills is the independent property valuer of Sunlight REIT appointed for compliance with the REIT Code, which requires appointment of an independent property valuer to avoid potential conflict of interests, and to provide a valuation of the properties as at date which shall not be more than three months before the date on which the Offering Circular is issued. The valuations by DTZ and Savills could be different because their valuations represent different opinions of two qualified professional valuers and they refer to valuations of different dates. In fact, the total valuation for the eight investment properties of DTZ is 4% less than that of Savills. Such difference in valuation represents the discrepancy of opinion in valuation and also the change in valuation of these properties over the period from 30 June 2006 and 30 September 2006.

COMBINED CASH FLOW STATEMENTS

	For the year ended 30 June		
	2004	2005	2006
	HK\$'000	HK\$'000	HK\$'000
Net cash generated from operating activities	183,206	198,701	189,980
Net cash generated from investing activities	304	204	291
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)