
DISTRIBUTION POLICY

Distribution Policy

The Manager's policy is to distribute to Unitholders as dividends an amount equal to 100% of Sunlight REIT's Annual Distributable Income for each financial year. Pursuant to the Trust Deed, 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 Sunlight REIT's Annual Distributable Income for each financial year. It is possible that Annual Distributable Income accruing to Unitholders may exceed total cash available to Sunlight REIT as a result of funding items such as capital expenditure. Accordingly, distributions may need to be funded by cash generated from the sale of assets and/or borrowings (made in accordance with the REIT Code).

For these purposes, and under the terms of the Trust Deed, "Annual Distributable Income" means the amount calculated by the Manager as representing the consolidated audited net profit after tax of Sunlight REIT and each company wholly-owned (disregarding, for this purpose only, any part of the issued share capital which carries (a) no right to vote; and (b) no right to receive distribution of profits) by the Trustee on trust for and on behalf of Sunlight REIT for the relevant financial year adjusted to eliminate the effects of certain Adjustments (as defined below) which have been recorded in the income statement for the relevant financial year. After eliminating these Adjustments, Annual Distributable Income may be different from the net profit recorded for the relevant financial year.

"Adjustments" means adjustments which are charged or credited to the income statement for the relevant financial year, including:

- (i) the effects of property revaluation gains, including reversals of impairment provisions;
- (ii) impairment loss of goodwill; and recognition of or adjustment to negative goodwill except for those relating to the Adjustment Payments;
- (iii) differences between cash and accounting finance costs, including fair value changes on financial instruments;
- (iv) realised gains on the disposal of properties;
- (v) deferred tax charges/credits in respect of property valuation movements, fair value changes on financial instruments and commercial building allowances/capital allowances claimed;
- (vi) the portion of the remuneration of the Manager that is paid or payable in the form of Units;
- (vii) costs of any public offering of Units that are expensed through the income statement but are funded by proceeds from the issuance of such Units;
- (viii) other material non-cash gains as recorded in the income statement; and
- (ix) the effects of any amount paid to the Manager, the Trustee or Sunlight REIT pursuant to the DPU Guarantees or the Deeds of Distribution Waiver or otherwise for the express purpose of distribution to Unitholders which, for the avoidance of doubt, does not include any Adjustment Payments.

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In addition, the Manager also has the discretion to distribute any additional amounts (including capital). In determining whether to distribute any additional amounts (including capital), the Manager will consider a range of factors including but not limited to Sunlight REIT's funding requirements, its financial position, compliance with relevant laws, regulations and covenants (including existing limitations on borrowings as prescribed in the REIT Code), other capital management considerations, the overall stability of distributions and prevailing industry practice. In particular, the Manager will consider exercising such discretion to distribute any amounts equivalent to any property revaluation losses having regards to the foregoing. If so required by the REIT Code (as is currently the case), any (a) revaluation surplus credited to income, or (b) gains on disposal of real estate, shall not form part of net income for distribution to Unitholders unless the Manager shall have obtained the Trustee's prior consent.

Sunlight REIT's initial distribution policy is that two distributions will be made each year in respect of the six month periods ending 31 December and 30 June, except with respect to the financial year ending on 30 June 2007, where one distribution will be made in respect of the period from the Listing Date to 30 June 2007. Distributions will be paid within four calendar months of the end of the relevant six month period. The Directors anticipate that interim and final distributions will be paid by the end of April and October in each year, respectively. Sunlight REIT's first distribution after the Listing Date will be for the period from the Listing Date to 30 June 2007 and will be paid by 31 October 2007.

The Manager will notify Unitholders through the annual and semi-annual reports of Sunlight REIT and the results announcements of Sunlight REIT for each relevant period the extent to which each distribution is composed of, and the types of, income and capital.

Distributions to Unitholders will be declared and paid in Hong Kong dollars. If new Units are issued after declaration of a distribution but on or before the Record Date for such distribution, the total amount to be distributed by Sunlight REIT will be proportionally increased such that holders of Units on the Record Date will all receive the DPU as declared, save where there is any consolidation or sub-division of Units in which case appropriate adjustments will be made accordingly. The Manager may adopt such rules as it considers appropriate from time to time for the reinvestment by Unitholders at their discretion of any distributions to be made by Sunlight REIT in return for new Units but no Unitholder shall be obliged to receive Units in lieu of a cash distribution. Under current Hong Kong tax law, distributions may be made free of withholdings or deductions on account of Hong Kong tax. It is understood that, under the Inland Revenue Department's current practice, no tax should be payable in Hong Kong in respect of distributions made by Sunlight REIT. However, the taxation implications of investing in Units will depend on each Unitholder's individual circumstances. Unitholders should obtain their own taxation advice before investing in Units. For a summary of some of the relevant taxation implications for Unitholders, see the section headed "Other Information — Taxation" in this Offering Circular.

Sunlight REIT's ability to make distributions is dependent on (amongst other things) Sunlight REIT having available sufficient cash to make the payments required. See the section headed "Risk Factors — Risks Relating to Sunlight REIT's Organisation and Operations — Sunlight REIT will operate principally through the Property Companies and its ability to make distributions to Unitholders is dependent on the financial performance and position of the Property Companies" in this Offering Circular. Under the current REIT Code, each special purpose vehicle holding real estate for Sunlight REIT shall distribute to Sunlight REIT all of its income for each financial year as permitted by the laws and regulations of the relevant jurisdictions.

For information on the forecast distributions for the period from the anticipated Listing Date to 30 June 2007, see the section headed "Statement of Distributions" in this Offering Circular.