
IMPORTANT: INFORMATION ON DISTRIBUTION COMPONENTS

This summary is derived from, and should be read in conjunction with, the full text of this Offering Circular (including the qualifications and conditions set out herein). This section is only a general summary of the more detailed information contained elsewhere in this Offering Circular. Investors should note that:

- (a) approximately 73.6% of the forecast distribution per Unit for the period from the anticipated Listing Date to 30 June 2007 (FY2007); and
- (b) a good part of the distributions per Unit for the four years from 1 July 2007 to 30 June 2011, will come from a combination of the following distribution enhancement mechanisms:
 - (1) **interest rate swaps:** approximately 17.3% of the forecast distribution per Unit for FY2007 and part of the distributions for the four years ending 30 June 2011 are effectively funded by the proceeds of the Offering by the upfront payments for the swaps;
 - (2) **Adjustment Payments and DPU Guarantees:** if the actual aggregate rental income of the Properties in FY2007 (on a pro rata basis from the Listing Date) and each of the two years ending 30 June 2009 is less than the relevant amount of Assured Minimum Rental, the vendors or their affiliates will pay the difference (Adjustment Payments) to Sunlight REIT. These Adjustment Payments account for approximately 26.7% of the forecast distribution for FY 2007 and potentially part of the distributions for the two years ending 30 June 2009. In addition to the foregoing arrangement, the vendors have guaranteed the distributions per Unit for FY2007 and the two years ending 2009 (DPU Guarantees).

However, if any Force Majeure (e.g. pandemic, epidemic, riots etc.) occurs before 30 June 2009, the maximum amount payable as Adjustment Payments and under the DPU Guarantees payable to Sunlight REIT will not in general exceed HK\$300 million in total for the entire period from the Listing Date to 30 June 2009. Investors should therefore note the limitations on the above assurances.

- (3) **Distribution Waiver:** approximately 29.6% of the forecast distribution per Unit for FY2007 and part of the distributions for the four years ending 30 June 2011 will come from amounts equal to the distribution entitlements waived by certain subsidiaries of SKFE and HLD during such period. The number of the Units subject to the Distribution Waiver will decline for the two years ending 30 June 2011.

Investors should refer to the breakdown of distribution yield components for FY2007 set out on page (ii) of this Offering Circular.

- All these distribution enhancement mechanisms will cease after 30 June 2011 at the latest and the amount of distributions from Sunlight REIT will be based on the results of the operating activities of Sunlight REIT. As such, should there be any significant increase in cash finance costs or insufficient growth in rental income, or any major economic or property downturn, there may be a substantial drop in the net property income of Sunlight REIT and distributions to Unitholders may be materially adversely affected.

See the sections headed “Risk Factors” and “Material Agreements and Other Documents Relating to Sunlight REIT” in this Offering Circular.

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The following tables set forth certain distribution data and forecast distribution yields for the period from the anticipated Listing Date to 30 June 2007. Please see the sections headed “Risk Factors”, “Management Discussion and Analysis of Future Results of Operations” and “Profit Forecast” in this Offering Circular for more details.

	Forecast	
	For the period from the anticipated Listing Date to 30 June 2007	
	Based on the Minimum Offer Price of HK\$2.45	Based on the Maximum Offer Price of HK\$2.60
	HK\$	HK\$
Distributions per unit (HK\$)⁽¹⁾		
Excluding Adjustment Payments, excluding effective return of equity and before taking into account the effect of the Distribution Waiver ⁽²⁾⁽³⁾⁽⁵⁾	0.0292	0.0292
Including Adjustment Payments, excluding effective return of equity and before taking into account the effect of the Distribution Waiver ⁽²⁾⁽³⁾⁽⁵⁾	0.0603	0.0603
Including Adjustment Payments, including effective return of equity and before taking into account the effect of the Distribution Waiver ⁽²⁾⁽³⁾⁽⁵⁾	0.0818	0.0818
Including Adjustment Payments, including effective return of equity and after taking into account the effect of the Distribution Waiver⁽²⁾⁽³⁾⁽⁵⁾	0.1161	0.1162
	Forecast	
	For the period from the anticipated Listing Date to 30 June 2007	
	Based on the Minimum Offer Price of HK\$2.45	Based on the Maximum Offer Price of HK\$2.60
	%	%
Forecast annualised distribution yield⁽⁴⁾		
Excluding Adjustment Payments, excluding effective return of equity and before taking into account the effect of the Distribution Waiver ⁽²⁾⁽³⁾⁽⁵⁾	2.27	2.14
Including Adjustment Payments, excluding effective return of equity and before taking into account the effect of the Distribution Waiver ⁽²⁾⁽³⁾⁽⁵⁾	4.68	4.41
Including Adjustment Payments, including effective return of equity and before taking into account the effect of the Distribution Waiver ⁽²⁾⁽³⁾⁽⁵⁾	6.34	5.98
Including Adjustment Payments, including effective return of equity and after taking into account the effect of the Distribution Waiver⁽²⁾⁽³⁾⁽⁵⁾	9.01	8.49

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Notes:

- (1) The forecast DPU for the period from the anticipated Listing Date to 30 June 2007 is based on the number of Units assumed to be outstanding as at 30 June 2007, and includes the Units to be issued in lieu of Management Fees payable up to that date. The number of Units outstanding as at 30 June 2007 does not include the Units to be issued in lieu of Management Fees payable for the three months ending 30 June 2007, which will be issued after the record date for the final distribution for the year ending 30 June 2007. The accumulated number of Units projected to be issued to the Manager in relation to the period from the anticipated Listing Date to 30 June 2007 is 9.7 million Units and 9.2 million Units based on the Minimum Offer Price of HK\$2.45 and the Maximum Offer Price of HK\$2.60, respectively. Please see the section headed “Profit Forecast” in this Offering Circular, and particularly note (7) to the Profit Forecast, for more details.
- (2) Anticipated Adjustment Payments are based on the assumptions set out in the section headed “Profit Forecast” of this Offering Circular.
- (3) The effective return of equity includes amortisation of upfront swap payments of HK\$29.9 million, and amortisation of debt establishment fees of HK\$2.1 million for the period from the anticipated Listing Date to 30 June 2007.
- (4) Forecast annualised distribution yields are based on the stated Offer Price per Unit, excluding brokerage of 1%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.004%.
- (5) See Note (8) to the profit forecast in the section headed “Profit Forecast” of this Offering Circular.

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Investors should note that upfront swap payments will effectively be distributed to Unitholders over the period from the Listing Date to 30 June 2011 by way of a partial return of equity. The upfront swap payments and the debt establishment fees, totalling HK\$215.4 million, are funded by part of the proceeds of the Offering, and will effectively be distributed to Unitholders by way of a partial return of equity over the term of the interest rate swaps (from the Listing Date until 30 June 2011) as follows:

	For the period from the anticipated Listing Date to 30 June 2007	For the year ending 30 June 2008	For the year ending 30 June 2009	For the year ending 30 June 2010	For the year ending 30 June 2011
Amount of equity effectively returned to Unitholders ⁽¹⁾⁽²⁾ (HK\$ millions)	32.0	42.6	44.4	46.3	48.3

Notes:

- (1) Amortisation of upfront swap payments and debt establishment fees. The upfront swap payments will be amortised over the period between the Listing Date and 30 June 2011, which is the term of the interest rate swaps.
- (2) A further amount of HK\$1.9 million, representing amortisation of debt establishment fees, will be effectively distributed to Unitholders as a return of equity in respect of the period from 1 July 2011 to the fifth anniversary of the anticipated Listing Date, which is the maturity date of the term loan.

As a result, the Annual Distributable Income for the term of the interest rate swaps will be enhanced by such returns of equity. See the sections headed “Risk Factors” and “Management Discussion and Analysis of Future Results of Operations — Finance Costs and Interest Rate Swaps” in this Offering Circular.

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The interest rate swaps have a “step-up structure” such that the fixed rate of interest payable under the interest rate swaps increases from 3.00% for the period from the Listing Date to 30 June 2007 to 3.50% for the remaining duration of the interest rate swap agreements. This means that the cash finance costs of Sunlight REIT will increase to 3.50% starting from 1 July 2007 and remain fixed at 3.50% until the expiry of the interest rate swap agreements on 30 June 2011 (unless the parties agree to terminate or vary the arrangements), after which the yield enhancing effect of the interest rate swaps will cease. The projected cash finance costs over the term of the interest rate swaps are as follows:

	For the period from the anticipated Listing Date to 30 June 2007	For the year ending 30 June 2008	For the year ending 30 June 2009	For the year ending 30 June 2010	For the year ending 30 June 2011
Cash finance costs in relation to the term loan (HK\$ millions)	62.3	138.3	138.3	138.3	138.3
Cash finance costs in relation to the term loan of HK\$3,950 million	3.00% ⁽¹⁾	3.50%	3.50%	3.50%	3.50%

Note:

(1) Annualised cash finance costs as a percentage of the term loan.

- ***Adjustment Payments may enhance distributions for a limited period from the Listing Date to 30 June 2009.*** The Vendors of the Target Company Shares have agreed, severally in the proportions of the respective Appraised Values of the Properties (or parts thereof or interests therein) sold by those Vendors to the REIT Group Companies, to make Adjustment Payments equal to the amount by which the Consolidated Rental Income in any relevant period is less than the corresponding Assured Minimum Rental per annum specified below (pro rata in respect of the period from the Listing Date to 30 June 2007):

	For the year ending 30 June 2007	For the year ending 30 June 2008	For the year ending 30 June 2009
Assured Minimum Rental per annum (HK\$ millions)	405.4 ⁽¹⁾	429.4	454.9

Note:

(1) The Assured Minimum Rental for the period from the anticipated Listing Date to 30 June 2007 is HK\$213.2 million.

The Vendors of the Target Company Shares will not make further Adjustment Payments in respect of any period after 30 June 2009. Based on the assumptions set out in the section headed “Profit Forecast” of this Offering Circular, the Adjustment Payments expected to be received by Sunlight REIT for the period from the anticipated Listing Date to 30 June 2007 will be approximately HK\$46.4 million. If after 30 June 2009, the Consolidated Rental Income has not grown to equal or exceed the level of the Assured Minimum Rental for the year ending 30 June 2009, there may be a substantial drop in the net profit of Sunlight REIT.

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- *The Vendors of the Target Company Shares have guaranteed that the DPU of Sunlight REIT (after taking into account the Distribution Waiver) in respect of the period from the anticipated Listing Date until 30 June 2007 will not be less than HK\$0.1161 (being equal to the forecast DPU (after taking into account the Distribution Waiver) for that period and assuming the Minimum Offer Price is HK\$2.45).* They have also guaranteed, on the same basis, that the DPU of Sunlight REIT (after taking into account the Distribution Waiver) in respect of each of the years ending 30 June 2008 and 30 June 2009 will not be less than HK\$0.2208 (being equal to the forecast DPU for the period from the anticipated Listing Date until 30 June 2007 on an annualised basis). The Manager has agreed to certain restrictions on, inter alia, the issue of new Units and the disposal of interests in properties under the DPU Guarantees and adjustments to the guaranteed DPU in some circumstances.
- *In the event of Force Majeure, there will be a cap on the Adjustment Payments and the amounts payable under the DPU Guarantees.* In the event of Force Majeure (as defined in the section headed “Material Agreements and Other Documents Relating to Sunlight REIT — DPU Guarantees” in this Offering Circular), a cap of HK\$300 million applies to the aggregate amounts payable under the Adjustment Payments and the DPU Guarantees. The cap will be applied to the total sum of all payments made under the Adjustment Payments and the DPU Guarantees since the Listing Date. However, there will be no cap on the amounts payable under Adjustment Payments or the DPU Guarantees in respect of the period from the Listing Date to 30 June 2007, even if a Force Majeure event occurs before such payments are due.

The following worked examples on the operation of the cap have been included for the sole purpose of illustrating the potential impact of a hypothetical Force Majeure event on the amounts payable by the Vendors of the Target Company Shares under the Deeds of Adjustment Payments and the DPU Guarantees. Investors should note that the cap generally applies to any amounts payable after the occurrence of the event of Force Majeure, so any payments to be made in respect of a relevant period may be affected by the cap even if the event of Force Majeure occurs after the end of the relevant period. The assumptions used are hypothetical only and are not an indication of any forecasted or anticipated circumstances or events.

Eg.1 Assumptions:

- (a) Force Majeure takes place on 1 May 2007
- (b) Amounts payable under the Deeds of Adjustment Payments for the period from the Listing Date until 30 June 2007 - HK\$200 million
- (c) Amount payable under the DPU Guarantees for the period from the Listing Date until 30 June 2007 - HK\$110 million

Then:

- (a) Aggregate payments to Sunlight REIT for the period from the Listing Date until 30 June 2007 (subject to the specific terms and conditions of the Deeds of Adjustment Payments and the DPU Guarantees) - HK\$310 million
- (b) Since payment made for the period from the Listing Date until 30 June 2007 has exceeded the cap of HK\$300 million, no further payments will be made to Sunlight REIT for the years ending 30 June 2008 and 30 June 2009, even if the Consolidated Rental Income in each of the years falls below the Assured Minimum Rental for the respective years.

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Eg.2 Assumptions:

- (a) Force Majeure takes place on 1 May 2007
- (b) Amounts payable under the Deeds of Adjustment Payments for the period from the Listing Date until 30 June 2007 - HK\$150 million
- (c) Amounts payable under the DPU Guarantees for the period from the Listing Date until 30 June 2007 - HK\$70 million

Then:

- (a) Aggregate payments to Sunlight REIT for the period from the Listing Date until 30 June 2007 (subject to the specific terms and conditions of the Deeds of Adjustment Payments and the DPU Guarantees) - HK\$220 million
 - (b) Aggregate amounts available for payment to Sunlight REIT in respect of Adjustment Payments and DPU Guarantees for the years ending 30 June 2008 and 30 June 2009 will be capped at HK\$80 million.
- ***Distribution Waivers may enhance distributions for a limited period from the Listing Date to 30 June 2011.*** The SKFE Subscribers and the HLD Subscribers have agreed to waive (or make payments to Sunlight REIT in lieu of such waiver) certain proportions of their entitlements to receive distributions of Sunlight REIT in respect of the periods from the Listing Date until 30 June 2011 as set out below:

	For the period from the Listing Date to 30 June 2007	For the year ending 30 June 2008	For the year ending 30 June 2009	For the year ending 30 June 2010	For the year ending 30 June 2011
Proportion of initial distribution entitlements waived under the Distribution Waiver Agreements ⁽¹⁾	100%	100%	100%	60%	50%

Note:

- (1) The initial number of Base Distribution Waiver Units is 441,642,638 Units, representing approximately 29.7% of all the Units in issue upon Listing.

Distributions per Unit could be materially adversely affected as a result of the Distribution Waiver decreasing in its effect during the years ending 30 June 2010 and 30 June 2011 and ceasing to have effect thereafter.