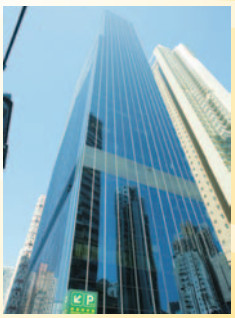
SUNLIGHT REIT
陽光房地產基金









Sunlight Real Estate Investment Trust

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

Placing and Public Offering

Managed by Henderson Sunlight Asset Management Limited

Joint Global Coordinators, Joint Bookrunners and Joint Listing Agents

HSBC

Deutsche Bank

MACQUARIE

IMPORTANT

If you are in any doubt about the contents of this Offering Circular, you should consult your stockbroker, bank manager, solicitor, professional accountant or other independent professional adviser.



SUNLIGHT REIT

Sunlight Real Estate Investment Trust

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

Managed by Henderson Sunlight Asset Management Limited

PLACING AND PUBLIC OFFERING

Number of Units under the Offering	**:**	**1,045,370,362 (subject to adjustment and the Over-allotment Option)**
Number of Units under the Hong Kong Public Offering	**:**	**104,538,000 (subject to adjustment and reallocation)**
Number of Units under the International Offering	**:**	**940,832,362 (subject to adjustment, reallocation and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$2.60 per Unit payable in full on application in Hong Kong dollars, plus brokerage of 1%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.004%, subject to refund**
Stock Code	**:**	**435**

Joint Global Coordinators, Joint Bookrunners and Joint Listing Agents



The Hongkong and Shanghai Banking Corporation Limited



Deutsche Bank AG, Hong Kong Branch



Macquarie Securities Limited

The Securities and Futures Commission of Hong Kong, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators, SKFE, HLD and the Manager on the Price Determination Date. The Price Determination Date is expected to be on or about Wednesday, 13 December 2006. The Offer Price will not be more than HK$2.60 and is currently expected to be not less than HK$2.45. Applicants for Hong Kong Public Offering Units and the Reserved Units are required to pay, on application, the Maximum Offer Price of HK$2.60 for each Hong Kong Public Offering Unit or Reserved Unit together with brokerage of 1%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.004%, subject to refund if the Offer Price should be lower than the Maximum Offer Price.

The Joint Global Coordinators (with the consent of SKFE, HLD and the Manager) may reduce the indicative Offer Price range below that stated in this Offering Circular (which is HK$2.45 to HK$2.60 per Unit) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering. In such a case, notices of the reduction in the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering. If applications for Hong Kong Public Offering Units and/or Reserved Units have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering (as the case may be), then even if the indicative Offer Price range is so reduced, such applications cannot be subsequently withdrawn. Further details are set forth in the sections headed "Structure of the Offering" and "How to apply for Hong Kong Public Offering Units and Reserved Units" in this Offering Circular.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applications for the subscription of, the Hong Kong Public Offering Units, are subject to termination by the Joint Global Coordinators if certain grounds arise prior to 8:00 a.m. on the day that trading in the Units commences on the Hong Kong Stock Exchange. Such grounds are set forth in the section headed "Underwriting" in this Offering Circular. It is important that you refer to that section for further details.

8 December 2006

KEY INVESTMENT INFORMATION AND HIGHLIGHTS OF SUNLIGHT REIT

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.

IMPORTANT: INFORMATION ON DISTRIBUTION COMPONENTS

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**

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.

IMPORTANT: INFORMATION ON DISTRIBUTION COMPONENTS

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.

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.

- ***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.

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.

Despatch of **BLUE** Application Forms . . . . . on or before Friday, 8 December 2006

Hong Kong Public Offering and Preferential Offering commences and WHITE and YELLOW Application Forms available from . . . . . 9:00 a.m. on Friday, 8 December 2006

Application lists open[2] . . . . . 11:45 a.m. on Wednesday, 13 December 2006

Latest time to lodge **WHITE**, **YELLOW** and **BLUE** Application Forms . . . . . 12:00 noon on Wednesday, 13 December 2006

Latest time to give electronic application instructions to HKSCC[3] . . . . . 12:00 noon on Wednesday, 13 December 2006

Application lists close . . . . . 12:00 noon on Wednesday, 13 December 2006

Expected Price Determination Date[4] . . . . . Wednesday, 13 December 2006

Announcement of the Offer Price, the level of indications of interest in the International Offering, the results of applications in the Hong Kong Public Offering and the Preferential Offering, the basis of allocations of the Hong Kong Public Offering Units and the final number of Hong Kong Public Offering Units comprised in the Hong Kong Public Offering Pool A and Pool B, respectively, to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) on or before . . . . . Wednesday, 20 December 2006

Despatch of Unit certificates in respect of wholly or partially successful applications on[5] . . . . . Wednesday, 20 December 2006

Despatch of refund cheques in respect of wholly or partially unsuccessful applications on or before[5][6] . . . . . Wednesday, 20 December 2006

Dealings in Units on the Hong Kong Stock Exchange to commence on . . . . . Thursday, 21 December 2006

First distribution period . . . . . Listing Date to 30 June 2007

First distribution payment date . . . . . On or before 31 October 2007

Notes:

1. All times refer to Hong Kong local time. Details of the structure of the Offering, including the conditions of the Hong Kong Public Offering and the Preferential Offering, are set out in the sections headed "Structure of the Offering" and "Further Terms and Conditions of the Hong Kong Public Offering and the Preferential Offering" in this Offering Circular.

2. If there is a "black" rainstorm warning signal or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 8:00 a.m. and 12:00 noon on Wednesday, 13 December 2006, the application lists will not open on that day. See the sections headed "How to apply for Hong Kong Public Offering Units and Reserved Units — How to apply for Hong Kong Public Offering Units — When to apply for Hong Kong Public Offering Units — Effect of bad weather on the opening of the application lists" and "How to apply for Hong Kong Public Offering Units and Reserved Units — How to apply for Reserved Units — Effect of bad weather on the opening of the application lists" in this Offering Circular for further information.

3. Applicants who apply for Hong Kong Public Offering Units by giving electronic application instructions to HKSCC should refer to the section headed "How to apply for Hong Kong Public Offering Units and Reserved Units — How to apply for Hong Kong Public Offering Units — How to make applications — Applying by giving electronic application instructions to HKSCC via CCASS" in this Offering Circular.

4. The Price Determination Date for the purposes of the Offering is expected to be on or about Wednesday, 13 December 2006. Notwithstanding that the Offer Price may be fixed at below the Maximum Offer Price, applicants who apply for Hong Kong Public Offering Units and/or Reserved Units must pay on application the Maximum Offer Price of HK$2.60 per Unit together with brokerage of 1%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.004%. Such applicants will be refunded the surplus application monies, if any, in accordance with the section headed "Further Terms and Conditions of the Hong Kong Public Offering and the Preferential Offering — Refund of money — additional information" in this Offering Circular.

5. Applicants who apply for 1,000,000 or more Hong Kong Public Offering Units or Reserved Units by using Application Forms and who have indicated in their Application Forms their wish to collect refund cheques or, in the case of applicants using **WHITE** and **BLUE** Application Forms only, to collect Unit certificates in person may do so from the Unit Registrar, from 9:00 a.m. to 1:00 p.m. on Wednesday, 20 December 2006 (or any other dates notified by the Manager in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as the date of despatch and availability of Unit certificates and refund cheques). Applicants being individuals who opt for personal collection cannot authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by personal authorised representatives each bearing a letter of authorisation from his corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Unit Registrar. Uncollected Unit certificates and refund cheques will be dispatched by ordinary post to the addresses specified in the relevant Application Forms at the applicants' own risk. Details of the arrangements are set out in the sections headed "How to apply for Hong Kong Public Offering Units and Reserved Units" and "Further Terms and Conditions of the Hong Kong Public Offering and the Preferential Offering" in this Offering Circular.

6. Refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the Maximum Offer Price.

Unit certificates are expected to be issued by Wednesday, 20 December 2006, but will only become valid at 8:00 a.m. on the Listing Date (which is expected to be Thursday, 21 December 2006), provided that (i) the Offering has become unconditional in all respects; and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangement and Expenses — Grounds for Termination by the Underwriters" in this Offering Circular has not been exercised.

This Offering Circular is being distributed in electronic format on CD-ROM to the Qualifying HLD Shareholders whose addresses on the register of members of HLD were, at the close of business on 7 December 2006, in Hong Kong only in their capacity as such. The contents of this Offering Circular in electronic format on the CD-ROM are identical in all respects with the contents of this Offering Circular in printed form. The CD-ROM may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose. Neither the CD-ROM nor any of its contents is, in this context, an offer of securities for sale in any jurisdiction outside Hong Kong. Neither the CD-ROM nor any of its contents may be taken or transmitted into any jurisdiction outside Hong Kong, or distributed or redistributed, directly or indirectly, in any jurisdiction outside Hong Kong or to any resident thereof. By accepting the CD-ROM, such Qualifying HLD Shareholders are deemed to agree to be bound by the foregoing instructions. Such Qualifying HLD Shareholders may obtain a printed copy of this Offering Circular from any of the following locations during normal business hours (unless otherwise indicated):

(i) the offices of the Unit Registrar at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong;

(ii) any of the designated branches of the receiving bankers at the times set out in the section headed "How to Apply for Hong Kong Public Offering Units and Reserved Units — 2. Where to collect the WHITE and YELLOW Application Forms" in this Offering Circular; and

(iii) the designated offices of each of the Joint Global Coordinators and the Co-managers set out in the section headed "How to Apply for Hong Kong Public Offering Units and Reserved Units — 2. Where to collect the WHITE and YELLOW Application Forms" in this Offering Circular.

CONTENTS

Page

KEY INVESTMENT INFORMATION AND HIGHLIGHTS OF SUNLIGHT REIT

IMPORTANT: INFORMATION ON DISTRIBUTION COMPONENTS i
EXPECTED TIMETABLE viii
CONTENTS xi
OFFERING CIRCULAR SUMMARY 1
THE OFFERING 39
INFORMATION ABOUT THIS OFFERING CIRCULAR AND THE OFFERING 43
PARTIES INVOLVED IN THE OFFERING 47
RISK FACTORS 51
USE OF PROCEEDS 84
OWNERSHIP OF THE UNITS 85
DISTRIBUTION POLICY 86

OVERVIEW OF HONG KONG COMMERCIAL PROPERTY MARKETS 88

STRATEGY 102

THE PROPERTIES AND BUSINESS 109

FINANCIAL INFORMATION AND FORECASTS

SELECTED FINANCIAL INFORMATION 222
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS 228
MANAGEMENT DISCUSSION AND ANALYSIS OF FUTURE RESULTS OF OPERATIONS 247
PROFIT FORECAST 261
STATEMENT OF DISTRIBUTIONS 279
PRO FORMA BALANCE SHEETS 282

STRUCTURE, MANAGEMENT AND AGREEMENTS

STRUCTURE AND ORGANISATION OF SUNLIGHT REIT 285
THE MANAGER 287
THE PROPERTY MANAGER 308
OVERVIEW OF SKFE 314
OVERVIEW OF HLD 315
CORPORATE GOVERNANCE 318
THE TRUST DEED 325
MATERIAL AGREEMENTS AND OTHER DOCUMENTS RELATING TO SUNLIGHT REIT 341
CONNECTED PARTY TRANSACTIONS 411
MODIFICATIONS, WAIVERS AND LICENSING CONDITIONS 427

CONTENTS

Page

OTHER INFORMATION

TAXATION 430

UNDERWRITING 432

STRUCTURE OF THE OFFERING 438

EXPERTS 449

HOW TO APPLY FOR HONG KONG PUBLIC OFFERING UNITS AND RESERVED UNITS 450

FURTHER TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING AND THE PREFERENTIAL OFFERING 467

DEFINITIONS 484

APPENDICES

APPENDIX I ACCOUNTANTS' REPORT I-1

APPENDIX II UNAUDITED PRO FORMA BALANCE SHEETS II-1

APPENDIX III PROFIT FORECAST III-1

APPENDIX IV LETTER FROM THE INDEPENDENT PROPERTY VALUER IN RELATION TO RENTAL INCOME IV-1

APPENDIX V INDEPENDENT PROPERTY VALUER'S VALUATION REPORT V-1

APPENDIX VI LETTER FROM THE MARKET CONSULTANT IN RELATION TO ITS HONG KONG GRADE A AND GRADE B OFFICE AND RETAIL PROPERTY MARKETS ANALYSIS REPORT VI-1

APPENDIX VII LETTER FROM THE PROPERTY CONSULTANTS IN RELATION TO THEIR BUILDING SURVEY REPORTS VII-1

APPENDIX VIII GENERAL INFORMATION VIII-1

OFFERING CIRCULAR SUMMARY

The following summary is derived from, and should be read in conjunction with, the full text of this Offering Circular. This section is only a general summary of the more detailed information contained elsewhere in this Offering Circular. You should read carefully the entire Offering Circular to understand Sunlight REIT's business, statement of distributions, the Trust Deed, the rights attached to the Units, tax and other considerations that are important to your decision to invest in the Units. As an investment in the Units involves risks, you should pay particular attention to the section headed "Risk Factors" in this Offering Circular.

In making your investment decision, you should rely only on the information contained in this Offering Circular. Sunlight REIT has not authorised anyone to provide you with information that is different from that contained in this Offering Circular.

Statements contained in the following summary that are not historical facts may be forward-looking statements. Such statements are based on certain assumptions. While the Manager considers such assumptions to be reasonable, there are certain risks and uncertainties, which may cause actual results to differ materially from those projected. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Joint Global Coordinators, the Manager, Sunlight REIT, the Trustee or any other person or that these results will be achieved or are likely to be achieved. Capitalised terms not defined in this summary are defined in the section headed "Definitions" in this Offering Circular.

A REIT as an investment vehicle

A REIT is a collective investment scheme constituted as a unit trust that invests primarily in income-producing real estate assets and uses the income to provide stable returns to Unitholders. Purchasing a unit in a REIT allows investors to share the benefits and risks of owning the real estate assets held by the REIT. An investment in the units of a REIT in Hong Kong is governed primarily by the REIT Code and offers the following benefits:

- certainty as to business focus, as a REIT does not have the discretion to diversify outside of the real estate sector or to own significant non-real estate assets;

- a distribution which is required by the REIT Code to be at least 90% of the REIT's audited net income after tax for each financial year subject to certain adjustments (and, in the case of Sunlight REIT a further requirement under the Trust Deed to distribute at least 90% and a policy to distribute an amount equal to 100% of Annual Distributable Income for each financial year, which may be different from the net profit recorded for the relevant financial year after eliminating the effects of the Adjustments);

- significantly enhanced liquidity in comparison to direct investments in real estate;

- a manager licensed and regulated on an ongoing basis by the SFC; and

- a statutory and regulatory corporate governance framework and an internal corporate governance framework overseen by an independent trustee.

Overview of Sunlight REIT

Upon Completion, Sunlight REIT will offer investors the opportunity to invest in a diversified portfolio comprising 20 office and retail properties in Hong Kong. The office properties comprise Grade A and Grade B offices primarily located in core business areas[(1)] and decentralised business areas[(2)], with the retail properties mainly based in regional transportation hubs, New Towns and other urban areas with high population density throughout Hong Kong.

The key objectives of the Manager are to provide Unitholders with regular and stable cash distributions with the potential for sustainable long-term growth of such distributions and enhancement in value of the property portfolio. The Manager aims to accomplish these objectives by optimising the performance and enhancing the overall quality of a large portfolio of assets in Hong Kong through various business and investment strategies:

- **Active operational management and asset enhancement strategy:** Active operational management and asset enhancement initiatives to improve the long-term value of the portfolio

- **Investment and acquisition growth strategy:** Drive acquisition growth by identifying, evaluating and acquiring investment properties which have the potential to contribute to sustainable growth in distributions by Sunlight REIT and long-term enhancement in value of the portfolio

- **Capital management strategy:** Efficient capital management framework to support the Manager's operational and acquisition growth strategies

- **Business management strategy:** Ensure a quality work force, sound corporate governance practices, systems and infrastructure to support the Manager's fund management and asset management activities

The portfolio will initially comprise properties which are used for office and retail purposes in Hong Kong.

As part of its investment and acquisition growth strategy, the Manager will actively seek to identify, evaluate and selectively acquire income-producing investment properties under a disciplined and objective investment methodology aimed at evaluating opportunities which have the potential to provide attractive total returns to Unitholders through:

- Accretion in distribution yield;

- Sustainable growth in distributions; and/or

- Long-term enhancement in value of the portfolio.

---

(1) Core business areas include Central, Admiralty, Wanchai, Causeway Bay, Sheung Wan and Tsimshatsui.

(2) Decentralised business areas include North Point/Quarry Bay, Mongkok/Yau Ma Tei, Cheung Sha Wan, Kowloon Bay and Kwun Tong.

In evaluating acquisition opportunities, the Manager will consider a number of factors including:

- Competitive advantages of the properties including location, occupancy and tenant characteristics, access to infrastructure including major roads, public transportation and amenities and services, demographic developments and relevant government initiatives;

- Ability to add medium to long-term value through employing its active operational management and asset enhancement strategy; and

- Quality of the building and facilities specifications.

All properties to be acquired will be subject to assessment to identify, amongst other things, repairs, maintenance and capital expenditure requirements in the short to medium-term.

The Manager intends to invest in office and retail properties in Hong Kong. The Manager will follow a long-term approach to its property portfolio investment but will aim to deliver value to Unitholders over the near term through the implementation of its operational management and asset enhancement strategy.

The Manager has no current plans for Sunlight REIT to acquire any properties within the 12 month period from the Listing Date, but may do so if opportunities arise which meet its investment criteria.

As at 30 September 2006, the Properties had an aggregate Gross Rentable Area of approximately 1,294,389 sq.ft. For the three months ended 30 September 2006, the average occupancy rates of the office and retail Properties were 89.9% and 87.9% respectively.

The Properties also enjoy a diverse tenant base with 934 tenancies as at 30 September 2006 representing tenants from a wide range of business segments. The 10 largest tenants (in terms of Rental Income) across the portfolio contributed approximately 17.3% of the total Rental Income from the Properties for the month ended 30 September 2006, two of which being The Hongkong and Shanghai Banking Corporation Limited and Hang Seng Bank Limited are connected persons of Sunlight REIT because of their relationship with the Trustee. During the same period, no single tenant accounted for more than 2.9% of the total Rental Income from the Properties.

The Manager is an indirect wholly-owned subsidiary of HLD. Key senior executives of the Manager are highly experienced professionals who have extensive experience in the real estate industries in Hong Kong and elsewhere in Asia.

The Property Manager is an indirect wholly-owned subsidiary of HLD. It was formed to manage the properties owned or to be owned by Sunlight REIT. HLD is one of the largest developers in Hong Kong for residential, commercial and industrial properties.

Uplite Limited and Wintrade Limited (indirect wholly-owned subsidiaries of SKFE) and Cobase Limited and Richful Resources Limited (indirect wholly-owned subsidiaries of HLD), will subscribe for Units concurrently with, but separate from, the Offering and will hold approximately 15.1%, 10.1%, 2.7% and 1.8% respectively of the Units following the completion of the Offering (or approximately

9.1%, 10.1%, 1.7% and 1.8% respectively if the Over-allotment Option is exercised in full). SKFE and HLD have agreed to a six-month lock-up period (subject to certain exceptions, as described in the section headed "Underwriting — Underwriting Arrangement and Expenses — Undertakings" in this Offering Circular) and have informed the Manager that they currently intend to be long-term investors in Sunlight REIT beyond the expiry of the lock-up period.

Key investment highlights of Sunlight REIT

Sunlight REIT's diversified portfolio comprises quality office and retail properties strategically located throughout Hong Kong Island, Kowloon and the New Territories. Sunlight REIT seeks to offer Unitholders regular and stable distributions, with opportunities for growth through value-added asset management and a disciplined acquisition strategy supported by the experienced management teams of the Manager and the Property Manager.

The Manager believes that Sunlight REIT offers Unitholders an attractive investment proposition by virtue of:

Strategically located office Properties in core business areas and decentralised business areas as well as retail Properties in areas of dense and rising population

- The office Properties are primarily located in core business areas[(1)] and decentralised business areas[(2)]. Seven of the twelve office Properties are located in core business areas, including sizeable office buildings in Wanchai and Sheung Wan. The other office Properties are primarily located in decentralised business areas, including Mongkok, Kowloon and North Point where there is the potential for significant growth in rental rates.

- The retail Properties are primarily located in high population growth areas at regional transportation hubs and New Towns including Tseung Kwan O and Sheung Shui, as well as urban areas with high population density. Many of the retail Properties benefit from a large retail customer base from nearby residential developments. The portfolio also includes a variety of shops at street level in both urban and suburban areas.

Diversified office and retail properties

- The Property portfolio is diversified across the retail and office property segments in Hong Kong, including Grade A and Grade B offices in core business areas and decentralised business areas, as well as regional shopping centres and quality shops at street level.

- The Property portfolio is geographically diversified throughout Hong Kong Island, Kowloon and the New Territories. The office Properties are primarily located in core business areas and decentralised business areas, and the retail Properties are primarily located in regional transportation hubs and New Towns as well as urban and suburban areas with high population density.

---

(1) Core business areas include Central, Admiralty, Wanchai, Causeway Bay, Sheung Wan and Tsimshatsui.

(2) Decentralised business areas include North Point/Quarry Bay, Mongkok/Yau Ma Tei, Cheung Sha Wan, Kowloon Bay and Kwun Tong.

- In addition, the Property portfolio has a highly diversified tenant base across its retail and office properties, which spans a wide range of end user business segments and exhibits low tenant concentration. For the month ended 30 September 2006, no single tenant accounted for more than 2.9% of the total Rental Income from the Properties.

High occupancy rates and reversion in rental rates

- The portfolio has exhibited high occupancy rates across the Properties. For the three months ended 30 September 2006, the average occupancy rates of the office and retail premises were approximately 89.9% and 87.9% respectively. This provides Sunlight REIT with stable cash flows as well as considerable bargaining power when negotiating leases with tenants.

- The Manager believes that with 28.1% and 29.7% of leases as at 30 September 2006 (by Gross Rentable Area) coming due for renewal during the period from 30 September 2006 to 30 June 2007 and the year ending 30 June 2008 respectively, the portfolio is well-positioned to benefit from any upward reversion in rental rates. The property market in Hong Kong has experienced a strong rebound in rental rates since the SARS-related downturn in 2003[(1)], supported by robust macro-economic conditions. The growth in rental rates is expected to be further supported by the strong demand and limited supply environment for office and retail space in Hong Kong. For further details on the office and retail property markets in Hong Kong, see the section headed "Overview of Hong Kong Commercial Property Markets" and "Appendix VI — Letter from the Market Consultant in relation to its Hong Kong Grade A and Grade B office and retail property markets analysis report" in this Offering Circular.

Well-positioned to capitalise on opportunities to improve rental rates, tenancy mix and value of the portfolio

- The Manager believes the combination of strong demand for and limited supply of high grade office space will lead to rising rental rates for office properties in both core business areas and, as a result of "spill-over" demand, in decentralised business areas.

- The retail Properties are expected to benefit from growing demand due to their strategic locations, particularly in light of the current buoyant retail environment, the Government's planned population growth and its committed infrastructure investments in such areas.

- Many of the office and retail Properties are located in areas identified by the Government for redevelopment, upgrade or infrastructure investments[(2)]. The Manager aims to take advantage of the likely increase in demand for office and retail space in these areas, and the expected improvement in rental rates, tenancy mix and long-term property value.

---

(1) According to the Rating and Valuation Department HKSAR, the overall Hong Kong retail, Grade A and Grade B office rental rates have increased by approximately 19%, 84% and 57% respectively between the third quarter of 2003 and third quarter of 2006.

(2) Some examples of such Government initiatives include the Sheung Shui to Lok Ma Chau Spur Line which connects the existing Kowloon-Canton Railway (KCR) East Rail Sheung Shui Station to a new boundary crossing at Lok Ma Chau/Huanggang (expected to be completed in 2007), a composite commercial/residential development situated at Tai Yuen Street in Wanchai (expected to be completed in phases from 2006), and the Government's planned population growth in the New Towns of Tseung Kwan O, Sheung Shui and Yuen Long.

Active management approach

- The Manager and the Property Manager will work closely together to develop and implement an active asset enhancement and operational management strategy for the portfolio. They will actively manage, market and lease the Properties, with a strong emphasis on cost control and optimisation of Gross Rentable Area efficiency.

- The Manager will adopt a disciplined investment methodology aimed at identifying and evaluating opportunities which have the potential to provide attractive total returns to Unitholders through (i) accretion in distribution yield, (ii) sustainable growth in distributions and/or (iii) enhancement in long-term value of the portfolio.

- The Manager has put in place an efficient capital management framework to support its operational and investment strategies with the goal of maximising value for Unitholders while keeping some flexibility to implement its strategy.

- In addition, the Manager will implement measures designed to ensure a quality work force and sound corporate governance practices, systems and infrastructure to support its fund management and asset management activities.

Experienced management teams of the Manager and the Property Manager with extensive expertise in managing property portfolios

- The Manager's ability to deliver regular and stable distributions is supported by the wealth of experience of the management teams of the Manager and the Property Manager, who are well-placed to drive long-term sustainable growth in such distribution and in the long-term portfolio value.

- The management team of the Manager has extensive experience in portfolio and asset management, leasing, property management and property investments in Hong Kong.

- The management team of the Property Manager has extensive experience in property leasing and property management in Hong Kong and an in-depth knowledge of the existing Properties and tenants.

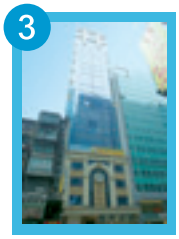
- The Manager's investment strategy is supported by being positioned to source opportunities for acquisition growth by leveraging its, or Sunlight REIT's, relationship with SKFE and HLD as well as its own connections and networks.

Large and diversified portfolio provides operational efficiencies and a balanced and stable income stream

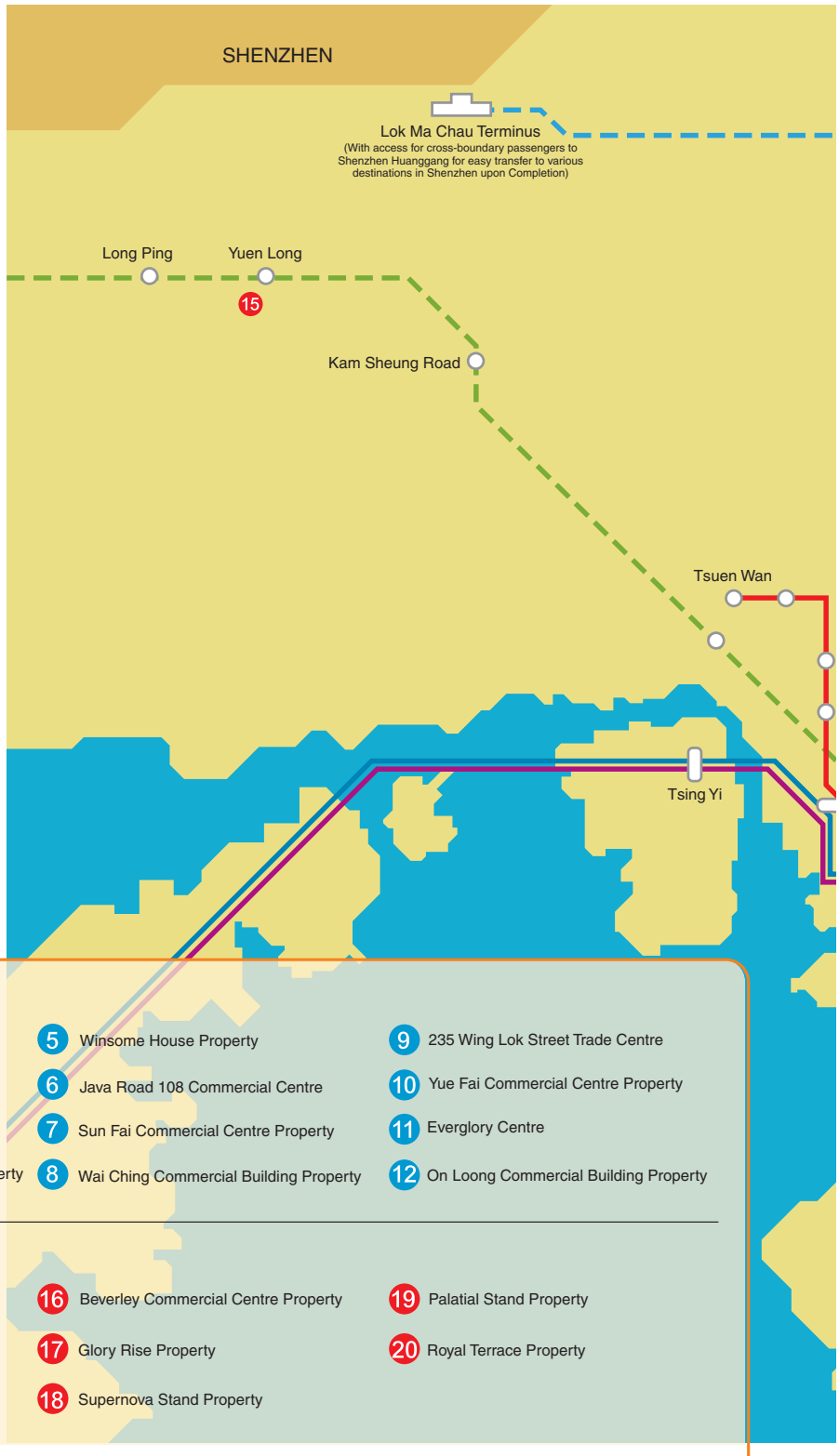
- The Properties have an aggregate Gross Rentable Area of approximately 1,294,389 sq.ft. as at 30 September 2006. The large and diversified office and retail portfolios provide operational efficiencies and a balanced and stable income stream.









OFFICE

1. 248 Queen's Road East
2. Bonham Trade Centre
3. Righteous Centre
4. 135 Bonham Strand Trade Centre Property
5. Winsome House Property
6. Java Road 108 Commercial Centre
7. Sun Fai Commercial Centre Property
8. Wai Ching Commercial Building Property
9. 235 Wing Lok Street Trade Centre
10. Yue Fai Commercial Centre Property
11. Everglory Centre
12. On Loong Commercial Building Property

RETAIL

13. Metro City Phase I Property
14. Sheung Shui Centre Shopping Arcade
15. Kwong Wah Plaza Property
16. Beverley Commercial Centre Property
17. Glory Rise Property
18. Supernova Stand Property
19. Palatial Stand Property
20. Royal Terrace Property

Note:

Properties 13 and 14 are connected to the MTR and KCR stations respectively by covered footbridges. Other properties are located at a short distance from the MTR / KCR stations shown, with the exception of Property 10 in Aberdeen, which is situated within a short walking distance of a bus terminus. For further details, please refer to the section headed "The Properties and Business" in this Offering Circular and the report of the Market Consultant in Appendix VI to this Offering Circular.





* Source: Highways Department, The Government of the Hong Kong Special Administrative Region

Overview of the Hong Kong Commercial Property Markets

The improving Hong Kong economy over the last few years has seen Hong Kong emerging from the 1997/8 Asian financial crisis and 2003 SARS period, regaining its economic strength and vitality. Nominal GDP in 2005 surpassed its previous peak in 1997 for the first time in eight years. Strong economic growth in 2004 and 2005 has seen the average rental levels of Grade A and Grade B offices rebound by approximately 84% and 57% respectively from the third quarter of 2003 to the third quarter of 2006 (according to the Rating and Valuation Department HKSAR).

The Market Consultant estimates the average new office supply for 2005 to 2010 in Hong Kong to be approximately 1.7 million sq.ft. per annum, which is approximately 50% below the 1995 to 2004 historical average of approximately 3.4 million sq.ft. per annum. With significant increases in rents, limited supply and choice of Grade A office space, particularly in core business areas, the Market Consultant estimates that the trend of decentralisation or 'spill-over' in demand for more economical Grade B office space in the core business areas and high quality office space in decentralised business areas will continue. The recent rental growth trend in both Grade A and Grade B offices is expected by the Market Consultant to extend into 2006 to 2007 and it is estimated by the Market Consultant that Grade B office rental growth rate is likely to grow at a faster pace than Grade A office rental growth rate as the rental gap is expected to narrow.

The Government's continued efforts to enhance tourism and retail infrastructure coupled with strong domestic economic fundamentals have contributed significantly to the Hong Kong retail market. Since the third quarter of 2003, according to the Rating and Valuation Department HKSAR, average retail rents have rebounded by approximately 19% to the third quarter of 2006. Expectations of buoyant sales on the back of strong domestic consumption and increased tourism flow particularly from China have prompted many existing retailers to undertake expansion plans. The Market Consultant estimates the average new retail supply for 2005 to 2010 in Hong Kong to be approximately 1.1 million sq.ft. per annum, which is approximately 32% below the 1995 to 2004 historical average of approximately 1.6 million sq.ft. per annum. In general, demand for retail space is expected to remain strong and with moderate new retail supply, the industry-wide retail rental growth for 2006 and 2007 is expected to continue the ascending trend evidenced in 2004 and 2005 albeit at a more moderate but sustainable rate.

The Portfolio

The following table sets forth certain information as at 30 September 2006 with respect to each of the Properties and by classifying them into two categories — office and retail. The categorisation of each Property has been determined by reference to the nature of the source of the majority of the income generated by that Property.

Property	Appraised Value[2]	Approximate percentage attributable to total Appraised Value of all Properties	Acquisition Value[3] (based on the Minimum Offer Price of HK$2.45)		Acquisition Value[3] (based on the Maximum Offer Price of HK$2.60)		Gross Rentable Area		No. of car park spaces	Year of Completion of Construction	Average occupancy rate[12]	Number of leases as at 30 September 2006
							Office[4]	Retail[4]				
	HK$ million	%	HK$ million	Discount %	HK$ million	Discount %	sq.ft.	sq.ft.				
Office[1]												
248 Queen's Road East	2,341	25.75	1,817.2	22.4	1,873.4	20.0	369,891	6,490	46[8]	1998	95.6	77
Bonham Trade Centre	422	4.64	327.6	22.4	337.7	20.0	108,506	9,403	—	1998	89.9	114
Righteous Centre	329	3.62	255.4	22.4	263.3	20.0	41,004	10,763	—	1996	90.7	52
135 Bonham Strand Trade Centre Property	230	2.53	178.5	22.4	184.1	20.0	60,844	3,071	—	2000	87.3	71
Winsome House Property	254	2.79	197.2	22.4	203.3	20.0	37,937	2,177	—	1999	78.3	20
Java Road 108 Commercial Centre	147	1.62	114.1	22.4	117.6	20.0	35,694	2,229	—	1998	85.7	27
Sun Fai Commercial Centre Property	100	1.10	77.6	22.4	80.0	20.0	23,817	2,334	—	1998	90.5	37
Wai Ching Commercial Building Property	26	0.29	20.2	22.4	20.8	20.0	14,239	2,082	—	1997	60.4	21
235 Wing Lok Street Trade Centre	168	1.85	130.4	22.4	134.4	20.0	47,481	4,804	—	2000	77.7	53
Yue Fai Commercial Centre Property	124	1.36	96.3	22.4	99.2	20.0	41,272	1,479	—	1997	77.2	87
Everglory Centre	123	1.35	95.5	22.4	98.4	20.0	25,896	3,906	—	1999	95.0	30
On Loong Commercial Building Property	107	1.18	83.1	22.4	85.6	20.0	23,856	1,708	—	1984	95.0	35
Sub total/average	4,371	48.08	3,393.0	22.4	3,498.0	20.0	830,437[5]	50,446[5]	46		89.9[13]	624
Retail[1]												
Metro City Phase I Property	1,811	19.92	1,405.8	22.4	1,449.3	20.0	—	188,889	452[9]	1996	81.1	100
Sheung Shui Centre Shopping Arcade	2,190	24.09	1,700.0	22.4	1,752.6	20.0	—	122,339	297[10]	1993	93.2	125
Kwong Wah Plaza Property	458	5.04	355.5	22.4	366.5	20.0	39,101	25,741	—	1998	99.1	36
Beverley Commercial Centre Property	56	0.62	43.5	22.4	44.8	20.0	—	7,934	—	1982	75.4	32
Glory Rise Property	65	0.72	50.5	22.4	52.0	20.0	—	7,086	—	2003	60.0	4
Supernova Stand Property	46	0.51	35.7	22.4	36.8	20.0	—	4,226	—	2001	88.4	1
Palatial Stand Property	20	0.22	15.5	22.4	16.0	20.0	3,566	5,059	—	2001	100.0	5
Royal Terrace Property	73	0.80	56.7	22.4	58.4	20.0	—	9,565	49[11]	2002	100.0	7
Sub total/average	4,719	51.92	3,663.1	22.4	3,776.5	20.0	42,667[6]	370,839[6]	798		87.9[13]	310
Total	9,090	100.0	7,056.1	22.4	7,274.5	20.0	873,104[7]	421,285[7]	844		89.3[13]	934[14]

Notes:

(1) The table presents information by categorising each Property as either office or retail. The categorisations were determined by the nature of the source of the majority of the income generated by the relevant Property. Consequently, for any Property that has mixed office and retail usage but which was categorised as office, a portion of its net property income and Gross Rentable Area will actually be referable to retail usage, and vice versa for any mixed use Property which was categorised as retail.

(2) The Appraised Value represents the value of each Property as determined by the Independent Property Valuer as at 30 September 2006.

(3) The Acquisition Value represents the agreed acquisition value for each Property for the purpose of computing the purchase consideration for the relevant Target Company or Target Property under the relevant Sale and Purchase Agreement.

(4) These represent the Gross Rentable Area actually used for office and retail purposes within each Property (excluding car-parking spaces) and where applicable, differ from the overall classification of each Property as office and retail.

(5) The aggregate Gross Rentable Area of all the 12 Properties in the office category above (including any retail component in those Properties) is 880,883 sq.ft.

(6) The aggregate Gross Rentable Area of all the eight Properties in the retail category above (including any office component in those Properties) is 413,506 sq.ft.

(7) The total Gross Rentable Area for all the 20 Properties is 1,294,389 sq.ft. (excluding car-parking spaces).

(8) Includes 38 car-parking spaces and eight lorry-parking spaces.

(9) In addition to the 452 car-parking spaces, it has 20 motor cycle-parking spaces and 14 bicycle-parking spaces.

(10) Includes 269 car-parking spaces (of which 160 car-parking spaces are for parking private motor vehicles belonging to the residents of Sheung Shui Centre and 109 car-parking spaces are for parking private motor vehicles belonging to members of the public) and 28 lorry-parking spaces. In addition, it has six loading and unloading spaces and 226 bicycle-parking spaces.

(11) In addition to the 49 car-parking spaces, it has 10 motorcycle-parking spaces.

(12) Average occupancy rate for the three months ended 30 September 2006 is derived by dividing the sum of the occupancy rates at the end of each month during the three-month period for the relevant Property by the number of months in the period. The occupancy rates in respect of the relevant Property means the Gross Rentable Area in sq.ft. occupied under lease or licence by tenants or licensees as a percentage of total Gross Rentable Area of such relevant Property as at the end of the relevant month. For this purpose, "occupied" means that, in respect of an area, a lease or licence existed under an agreement in writing entered into at any time on or before 31 October 2006, which lease or licence was in effect or deemed to be in effect as at the end of the relevant month. For the purpose of calculating the average occupancy rate for the Properties with car parks, the occupancy of the car parks is not taken into account as some of the car parks are licensed on an hourly basis.

(13) Calculated as a weighted average by total area of the above individual property average occupancy rates.

(14) No car-parking spaces are included in the number of leases since car-parking spaces are occupied on a licence basis.

Net Property Income

The Properties generated net property income of HK$207 million for the year ended 30 June 2004, HK$215 million for the year ended 30 June 2005 and HK$210 million for the year ended 30 June 2006. The following table sets forth the contribution of each Property to these net property income figures and the average occupancy rate for each Property in these periods:

Property	For the year ended 30 June 2004			For the year ended 30 June 2005			For the year ended 30 June 2006		
	Net property income	Percentage of total net property income	Average occupancy rate[(1)]	Net property income	Percentage of total net property income	Average occupancy rate[(1)]	Net property income	Percentage of total net property income	Average occupancy rate[(1)]
	HK$'000	%	%	HK$'000	%	%	HK$'000	%	%
Office									
248 Queen's Road East	45,448	21.9	89.1	43,370	20.2	88.6	37,363	17.8	87.3
Bonham Trade Centre	7,220	3.5	86.4	9,556	4.5	91.3	11,359	5.4	94.6
Righteous Centre	8,027	3.9	93.0	6,811	3.2	94.1	7,721	3.7	93.8
135 Bonham Strand Trade Centre Property	5,174	2.5	94.3	5,653	2.6	95.9	6,269	3.0	92.9
Winsome House Property	4,797	2.3	96.4	5,177	2.4	96.9	5,514	2.6	91.5
Java Road 108 Commercial Centre	3,286	1.6	94.1	4,024	1.9	93.2	4,224	2.0	92.5
Sun Fai Commercial Centre Property	2,507	1.2	94.3	2,801	1.3	97.1	3,337	1.6	96.4
Wai Ching Commercial Building Property	342	0.1	78.3	199	0.1	70.0	287	0.1	64.1
235 Wing Lok Street Trade Centre	2,675	1.3	87.9	2,947	1.4	92.7	3,192	1.5	86.9
Yue Fai Commercial Centre Property	3,073	1.5	95.5	3,536	1.6	95.7	3,598	1.7	86.4
Everglory Centre	2,907	1.4	98.8	2,812	1.3	97.7	3,278	1.6	97.9
On Loong Commercial Building Property	2,648	1.3	96.1	2,685	1.2	99.1	2,819	1.3	93.2
Sub total	**88,104**	**42.5**	**90.6[(2)]**	**89,571**	**41.7**	**91.5[(2)]**	**88,961**	**42.3**	**89.8[(2)]**
Retail									
Metro City Phase I Property	45,415	21.9	93.2	44,089	20.5	95.6	39,506	18.8	85.0
Sheung Shui Centre Shopping Arcade	57,160	27.5	97.3	60,599	28.2	98.3	58,764	27.9	96.9
Kwong Wah Plaza Property	11,466	5.5	96.3	13,723	6.4	97.7	14,391	6.8	97.4
Beverley Commercial Centre Property	312	0.2	41.7	1,512	0.7	92.8	1,370	0.7	82.8
Glory Rise Property	1,263	0.6	43.5	1,569	0.7	64.6	2,167	1.0	71.1
Supernova Stand Property	1,602	0.8	88.4	1,623	0.8	88.4	1,883	0.9	88.4
Palatial Stand Property	237	0.1	51.1	240	0.1	61.5	508	0.3	90.1
Royal Terrace Property	1,905	0.9	73.3	2,009	0.9	84.1	2,812	1.3	93.6
Sub total	**119,360**	**57.5**	**91.7[(2)]**	**125,364**	**58.3**	**95.1[(2)]**	**121,401**	**57.7**	**90.5[(2)]**
Total	**207,464**	**100**	**91.0[(2)]**	**214,935**	**100.0**	**92.6[(2)]**	**210,362**	**100.0**	**90.0[(2)]**

Notes:

(1) Average occupancy rate for the period is derived by dividing the sum of the occupancy rates at the end of each month during the period for the relevant Property by the number of months in the period. For the purpose of calculating the average occupancy rate for the Properties with car parks, the occupancy of the car parks is not taken into account as some of the car parks are licensed on an hourly basis.

(2) Calculated as a weighted average by total area of the above individual property average occupancy rates.

Tenant Profile

The major tenants of the Properties comprise entities in a range of business sectors, including community, social and personal services, trading/manufacturing, financial/professional and business services, logistics/transport services and other firms in Hong Kong. None of the 10 largest tenants (in terms of Rental Income) are connected persons of Sunlight REIT, except Hang Seng Bank Limited and The Hongkong and Shanghai Banking Corporation Limited. The following table sets out information on the 10 largest tenants of the Properties in terms of Rental Income as at 30 September 2006 and for the month ended 30 September 2006:

Tenant	Trade Mix	Expiry Date	Gross Rentable Area	Percentage of Total Gross Rentable Area	Percentage of Rental Income[1]
			sq.ft.	%	%
Bank of Communications Co., Ltd.	Financial/professional and business services	10 March 2008[2] 21 May 2008[2]	3,935 3,612	0.6	2.9
Forever Sky (Asia) Limited	Restaurant	13 March 2010	20,261	1.6	2.3
A.S. Watson Group (HK) Limited	Other retail/wholesale	19 September 2009[3] 9 November 2006[3] 12 January 2008[3]	3,292 2,939 9,430	1.2	2.0
The Dairy Farm Company Limited	Food retail/supermarkets	30 November 2006[4] 30 November 2006[4] 14 October 2007[4] 20 January 2008[4] 6 August 2009[4]	2,619 1,130 1,171 3,737 604	0.7	1.9
Cosmos Inc. Limited	Restaurant	30 April 2009[5] 6 January 2007[5]	24,857 —	1.9	1.7
Hang Seng Bank Limited	Financial/professional and business services	16 February 2009	7,628	0.6	1.6
Anglo-Eastern Ship Management Ltd	Logistics/transport services	31 August 2008[6] 31 August 2008[6] 31 August 2008[6]	10,589 22,490 —	2.5	1.3
PCCW Teleservices (Hong Kong) Limited	IT/telecommunication services	31 July 2008[7] 31 July 2008[7] 31 October 2008[7] 31 July 2008[7] 31 July 2008[7] 31 July 2008[7]	11,146 11,245 6,431 — — —	2.2	1.3
The Bank of East Asia Limited	Financial/professional and business services	30 April 2009	3,863	0.3	1.2
The Hongkong and Shanghai Banking Corporation Limited	Financial/professional and business services	3 November 2008[8] 3 November 2008[8]	1,360 3,266	0.4	1.1
		Sub-total	155,605	12.0	17.3
Other tenants			998,997	77.2[9]	82.7
Vacant Space			139,787	10.8	—
		Total	1,294,389	100.0	100.0

Notes:

(1) Calculated on the basis of each tenant's percentage contribution to Rental Income of the Properties for the month ended 30 September 2006.

(2) Tenant holds two separate leases expiring on two different dates.

(3) Tenant holds three separate leases expiring on three different dates. As at the Latest Practicable Date, the lease which expired on 9 November 2006 was renewed for a further term of three years commencing from 10 November 2006.

(4) Tenant holds five separate leases expiring on four different dates. As at the Latest Practicable Date, negotiations for renewal of the two leases expiring on 30 November 2006 at a higher rent were in progress, although there is no certainty as to whether renewal can ultimately be agreed upon, and if so, on what terms.

(5) Tenant holds one lease and one licence for lightbox expiring on different dates.

(6) Tenant holds two separate leases and one licence for installation of split type air-conditioning condenser units expiring on the same date.

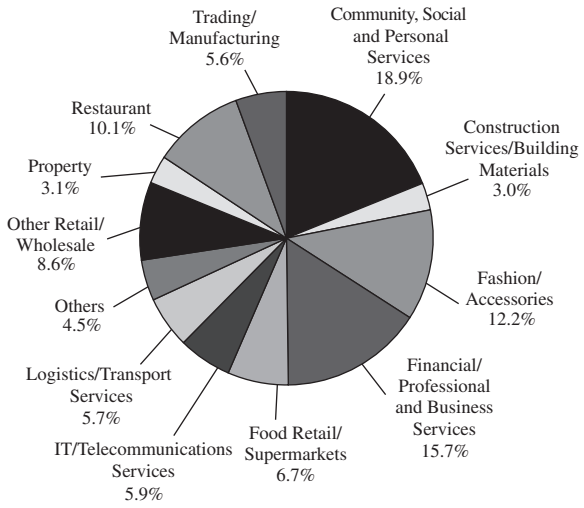
(7) Tenant holds three separate leases (expiring on two different dates) and three separate licenses for installation of split type air-conditioning condenser units and generators expiring on the same date.

(8) Tenant holds two separate leases expiring on the same date.

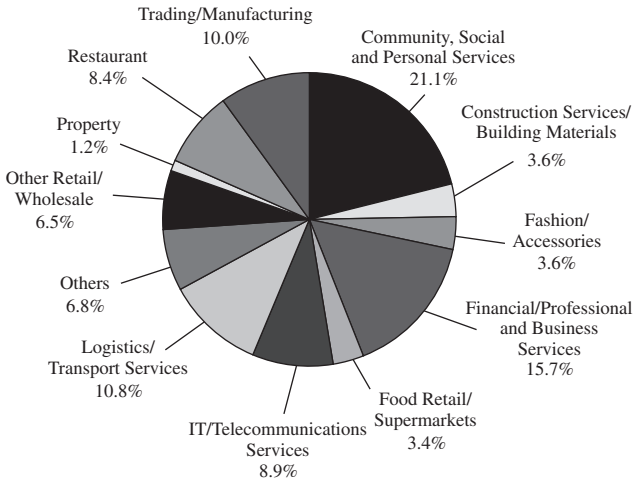
(9) With respect to the leases of other tenants, 27.6% of the total Gross Rentable Area is due to expire in the period from 30 September 2006 to 30 June 2007, 28.0% is due to expire in the year ending 30 June 2008, 21.6% is due to expire in the year ending 30 June 2009 and beyond.

The following charts provide an overview of Sunlight REIT's portfolio of the Properties.

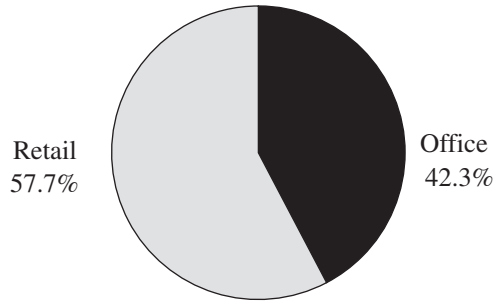
Rental Income by Tenants' Trades[(1)]
(For the month ended 30 September 2006)



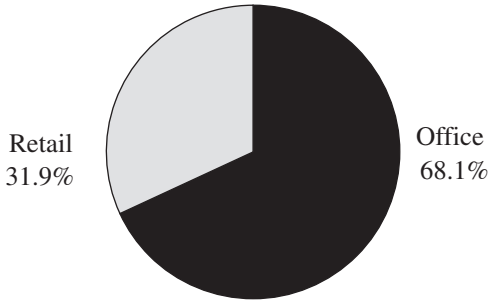
Gross Rentable Area by Tenants' Trades[(1)]
(As at 30 September 2006)



Net Property Income by Property Category[(2)(3)]
(For the year ended 30 June 2006)



Gross Rentable Area by Property Category[(2)]
(As at 30 September 2006)



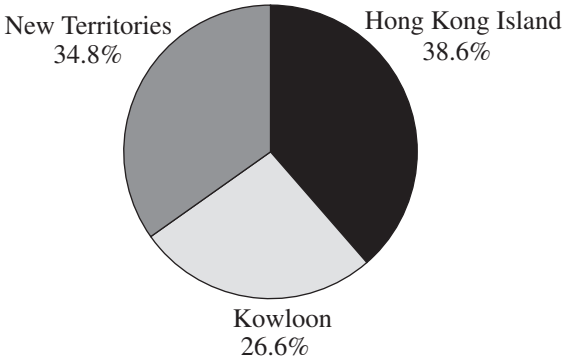
Notes:

1. Tenants' trades have been classified into categories by the Manager.

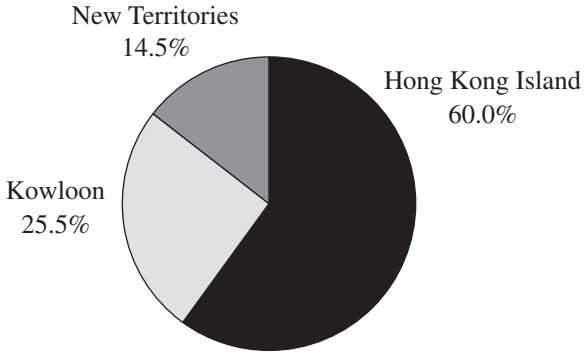
2. The charts present information by categorising each Property as either office or retail. The categorisations were determined by the nature of the source of the majority of the income generated by the relevant Property. Consequently, for any Property that has mixed office and retail usage but which was categorised as office, a portion of its net property income and Gross Rentable Area will actually be referable to retail usage, and vice versa for any mixed use Property which was categorised as retail.

3. Net property income by property category is presented for the year ended 30 June 2006 on a basis consistent with the figures included in the section headed "The Properties and Business" in this Offering Circular.

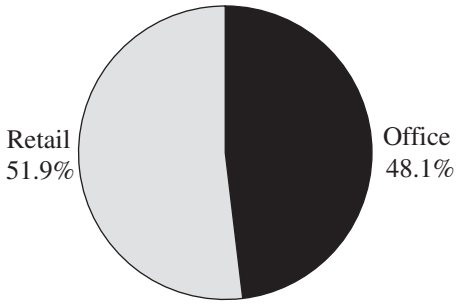
Net Property Income by Location[1]
(For the year ended 30 June 2006)



Gross Rentable Area by Location
(As at 30 September 2006)



Appraised Value by Property Category[2]
(As at 30 September 2006)



Notes:

1. Net property income by location is presented for the year ended 30 June 2006 on a basis consistent with the figures included in the section headed "The Properties and Business" in this Offering Circular.

2. The charts present information by categorising each Property as either office or retail. The categorisations were determined by the nature of the source of the majority of the income generated by the relevant Property. Consequently, for any Property that has mixed office and retail usage but which was categorised as office, a portion of its net property income and Gross Rentable Area will actually be referable to retail usage, and vice versa for any mixed use Property which was categorised as retail.

Please refer to the section headed "The Properties and Business" in this Offering Circular for the details of the Properties in Sunlight REIT's property portfolio upon Completion.

Summary of Risk Factors

There are certain risks involved in investing in Sunlight REIT. These risks can be categorised into (i) Risks Relating to Sunlight REIT's Organisation and Operations; (ii) Risks Relating to the Properties; (iii) Risks Relating to Investing in the Property Market; and (iv) Risks Relating to an Investment in the Units. For further information on these risks, please see the section headed "Risk Factors" in this Offering Circular.

Risks Relating to Sunlight REIT's Organisation and Operations

- The level of Annual Distributable Income available to Unitholders will be enhanced by the interest rate swap arrangements for a limited period. There is no assurance that Sunlight REIT will be able to service the potentially higher cash finance costs after the terms of such swaps or to make any distributions to Unitholders.

- Yield enhancement mechanisms, which will have the effect of increasing distributions per Unit, have been put in place for a limited period. When such mechanisms come to an end, distributions per Unit and/or the price of Units may be adversely affected.

- Distributions to Unitholders of Sunlight REIT may include certain amounts which are effectively return of equity, in addition to its reported net profit after tax.

- Adjustment Payments which effectively top-up the rental income from the Properties have a yield enhancing effect owing to the discrepancy between the Assured Minimum Rental and the current Consolidated Rental Income. This discrepancy means that any growth in Rental Income may be offset by a reduction in Adjustment Payments. Further, as no Adjustment Payments are payable after 30 June 2009, there may be a substantial drop in Annual Distributable Income and distributions to Unitholders.

- The Distribution Waiver will have a yield enhancing effect for a limited period. The number of Units in respect of which distributions have been waived will decrease from the year ending 30 June 2010 and the Distribution Waiver will cease to have effect for periods after 30 June 2011, which could materially adversely affect distributions per Unit.

- Sunlight REIT, the Manager and the Property Manager, which are each relatively newly established entities, do not have significant operating histories for prospective investors to rely on in making an investment decision.

- 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.

- Sunlight REIT will depend on external sources of funding which are outside of its control to finance capital expenditure and growth.

- The amount that Sunlight REIT may borrow is limited.

- Sunlight REIT may face risks associated with debt financing.

- The Manager may not be able to achieve its objectives as outlined in the section headed "Strategy" in this Offering Circular and the Manager's stated strategy may change.

- The fair value of the investment properties increased by 55.7% during the year ended 30 June 2006. The fair value of Sunlight REIT's Properties may decline or be subject to a high degree of volatility in the future due to cyclical changes and volatility in the Hong Kong real estate industry.

- Decreases in property values as a result of the annual revaluation of Sunlight REIT's properties could result in decreases in the annual consolidated net profit of Sunlight REIT for that year and may also trigger certain events of default which may lead to adverse consequences under the Facility Agreements.

- Sunlight REIT depends on certain key personnel of the Manager and the Property Manager, and the loss of any key personnel may adversely affect its business, financial performance and financial condition.

- The Manager's operations are subject to regulation and its licensing conditions.

- There are potential conflicts of interest between Sunlight REIT, the Manager, SKFE and HLD.

- Sunlight REIT's success depends on the ability of the Manager and the Property Manager to operate the Properties in an effective and efficient manner. Failure to do so may have a material adverse effect on the value of the portfolio and Sunlight REIT's financial performance and condition.

- Sunlight REIT and the Manager will be dependent on HLD and its affiliates in relation to certain operational aspects, including IT infrastructure.

- The payment of the Manager's fees in Units may adversely affect the amount of working capital available to the Manager.

- Many of the Property Companies are not newly-incorporated companies and may have outstanding liabilities, including tax liabilities which remain uncertain.

- Sunlight REIT is exposed to the risk that SKFE, HLD, HIL, HD, the other Vendors of the Target Company Shares, the HLD Subscribers or the SKFE Subscribers will not perform their obligations under the DPU Guarantees, the Deeds of Adjustment Payments or the Deeds of Distribution Waiver or that such obligations may be challenged under applicable insolvency or fraudulent transfer laws.

- Sunlight REIT is exposed to the risk that the Swap Counterparty will not perform its obligations under interest rate swap arrangements.

- Sunlight REIT relies on three of the Properties for a substantial portion of its net property income (constituting approximately 64.5% of net property income of the portfolio for the year ended 30 June 2006).

- The Manager and the Property Manager may not be able to renew leases on terms which are acceptable to it and the failure of tenants to renew leases may have an adverse impact on occupancy rates and the abilities of Sunlight REIT to pay distributions to Unitholders.

- The failure of tenants to meet their lease commitments may have a material adverse effect on the income and value of Sunlight REIT's portfolio of properties.

- Sunlight REIT faces significant competition.

- The properties of Sunlight REIT may be disrupted by the redevelopment or renovation of those properties or neighbouring properties.

- Insufficient cash flows or distributable income of the REIT Group Companies or Sunlight REIT may adversely affect Sunlight REIT's ability to pay or maintain distributions to Unitholders.

- The value of Sunlight REIT's property portfolio is affected by local, regional and international economic conditions.

Risks Relating to the Properties

- Some of the Properties are parts of a building or development in which Sunlight REIT holds less than 100% of the undivided shares in that building or development, which gives the Manager more limited control and rights over these properties.

- The Properties are all located in Hong Kong, which exposes Sunlight REIT to cyclical economic and real estate market conditions in Hong Kong.

- The appraisals of the Properties are based on certain assumptions and the price at which it is able to sell a property may be different from the Appraised Value or initial Acquisition Value of such property.

- Income from, and expenditures in relation to, the Properties may not be as expected, which may adversely affect the financial condition of Sunlight REIT.

- The due diligence exercise on buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies.

- Non-compliance with the terms of the Government Grant may allow the Government to terminate and re-enter the property.

- Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow.

- Most of the Properties' leases are for periods of between two and three years or less, which exposes the portfolio to significant rates of lease expiry each year.

- Any recurrence of severe acute respiratory syndrome, or SARS, or an outbreak of avian influenza A (H5N1) virus or another widespread public health crisis could adversely affect Sunlight REIT's business, financial condition and results of operations.

Risks Relating to Investing in the Property Market

- There are general risks attached to investments in the property market.
- Sunlight REIT may be adversely affected by the illiquidity of property investments.
- Sunlight REIT may not be able to procure appropriate insurance cover.
- The properties of Sunlight REIT or part thereof may be acquired compulsorily.
- Sunlight REIT could incur significant costs or liability related to environmental matters.
- The valuation analysis may not be representative of an investment in Sunlight REIT.

Risks Relating to an Investment in the Units

- The Units have never been publicly traded and the Offering may not result in an active or liquid market for the Units.
- The REIT Code has a limited history and the application and interpretation of its provisions may be uncertain.
- An investment in the Units may present taxation risks for prospective investors.
- Unitholders will be effectively subordinated to all existing and future claims of creditors of the REIT Group Companies.
- Unitholders have no right to require the redemption of their Units.
- The price of the Units may decline after the Offering.
- The forward-looking information in this Offering Circular may prove inaccurate.
- Rental yield on real estate to be held by Sunlight REIT is not equivalent to yield on the Units.
- The number of Units available for future sale could adversely affect the market price of the Units.
- Unitholders' interests will be diluted because all of the Manager's Base Fee and Variable Fee referable to the Properties will be paid in Units at least until 30 June 2011.
- The NAV of the Units will be diluted if further issues are priced below the NAV.

- The Takeovers Code does not apply to Unit acquisitions and there may be limited information in relation to the interests held by significant holders and other connected persons of Sunlight REIT.

- Certain rights in relation to Units in which a person has an interest or is deemed to have an interest may be suspended under the provisions of the Trust Deed.

- Accounting standards in Hong Kong are subject to change.

- The Units may be delisted from the Hong Kong Stock Exchange.

Acquisition Arrangements

On 10 November 2006 and 2 December 2006, the Purchaser Companies entered into the Sale and Purchase Agreements with the relevant Vendors pursuant to which the Purchaser Companies have conditionally agreed to acquire the Target Company Shares, the Target Properties, the Finance Company Share and the Domain Name Company Share from the relevant Vendors.

The purchase consideration for each Target Company (other than that in relation to Metro City Phase I Property and Sheung Shui Centre Shopping Arcade) is based on the Acquisition Value (based on the Minimum Offer Price) of the Property owned by that Target Company directly or indirectly, after adjustment (on bases agreed between the relevant Purchaser Companies and Vendors) for the assets and liabilities of that Target Company (and its subsidiary or subsidiaries, where applicable) on Completion and a specified percentage of the Adjustment Sum. Any deferred tax liabilities of the Target Companies (and their subsidiaries, where applicable) will not be taken into account in the computation of the purchase consideration, but indemnities will be given under the Deeds of Tax Covenant in favour of the relevant REIT Group Companies in respect of any tax liability arising from re-classification upon Completion of the relevant Property from a trading stock to an investment property. Any deferred tax assets of the Target Companies (and their subsidiaries, where applicable) will not be taken into account in the computation of the purchase consideration payable on Completion, but will be paid for by the REIT Group Companies 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. In addition, the Existing Borrowings will be assigned to the Finance Company on Completion principally on a dollar for dollar basis.

The purchase consideration for Metro City Phase I Property and Sheung Shui Centre Shopping Arcade is each based on the Acquisition Value (based on the Minimum Offer Price) of the Property and a specified percentage of the Adjustment Sum.

The Acquisition Value and the applicable portion of the Adjustment Sum of each of the Properties is set out below.

		Acquisition Value	
Property	**Formula**	**Based on the Minimum Offer Price**	**Based on the Maximum Offer Price**
		HK$ million	**HK$ million**
Office			
248 Queen's Road East (with Car Park)	HK$1,817.2 million plus 25.75% of the Adjustment Sum	1,817.2	1,873.4
Bonham Trade Centre	HK$327.6 million plus 4.64% of the Adjustment Sum	327.6	337.7
Righteous Centre	HK$255.4 million plus 3.62% of the Adjustment Sum	255.4	263.3
135 Bonham Strand Trade Centre Property	HK$178.5 million plus 2.53% of the Adjustment Sum	178.5	184.1
Winsome House Property	HK$197.2 million plus 2.79% of the Adjustment Sum	197.2	203.3
Java Road 108 Commercial Centre	HK$114.1 million plus 1.62% of the Adjustment Sum	114.1	117.6
Sun Fai Commercial Centre Property	HK$77.6 million plus 1.10% of the Adjustment Sum	77.6	80.0
Wai Ching Commercial Building Property	HK$20.2 million plus 0.29% of the Adjustment Sum	20.2	20.8
235 Wing Lok Street Trade Centre	HK$130.4 million plus 1.85% of the Adjustment Sum	130.4	134.4
Yue Fai Commercial Centre Property	HK$96.3 million plus 1.36% of the Adjustment Sum	96.3	99.2
Everglory Centre	HK$95.5 million plus 1.35% of the Adjustment Sum	95.5	98.4
On Loong Commercial Building Property	HK$83.1 million plus 1.18% of the Adjustment Sum	83.1	85.6
Retail			
Metro City Phase I Property (with Car Park)	HK$1,405.8 million plus 19.92% of the Adjustment Sum	1,405.8	1,449.3
Sheung Shui Centre Shopping Arcade (with Car Park)	HK$1,700.0 million plus 24.09% of the Adjustment Sum	1,700.0	1,752.6
Kwong Wah Plaza Property	HK$355.5 million plus 5.04% of the Adjustment Sum	355.5	366.5
Beverley Commercial Centre Property	HK$43.5 million plus 0.62% of the Adjustment Sum	43.5	44.8

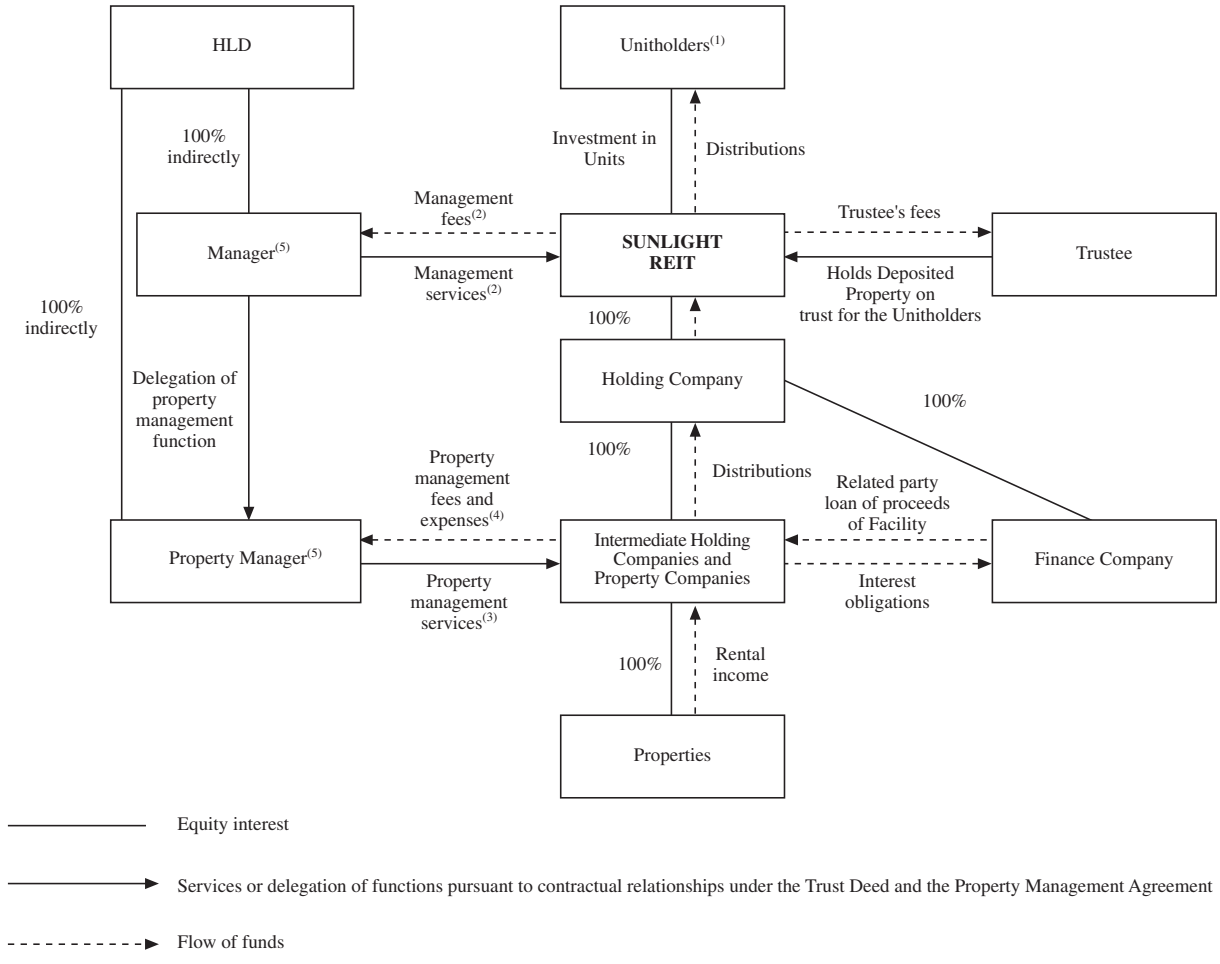
Property	Formula	Acquisition Value: Based on the Minimum Offer Price	Acquisition Value: Based on the Maximum Offer Price
		HK$ million	HK$ million
Retail (continued)			
Glory Rise Property	HK$50.5 million plus 0.72% of the Adjustment Sum	50.5	52.0
Supernova Stand Property	HK$35.7 million plus 0.51% of the Adjustment Sum	35.7	36.8
Palatial Stand Property	HK$15.5 million plus 0.22% of the Adjustment Sum	15.5	16.0
Royal Terrace Property (with Car Park)	HK$56.7 million plus 0.80% of the Adjustment Sum	56.7	58.4
Total		7,056.1	7,274.5

Pursuant to the Finance Company Sale and Purchase Agreement, Sunlight REIT will purchase the Finance Company Share from Corpson (a wholly-owned subsidiary of SKFE). The Finance Company has entered into the term loan agreement and the revolving credit facility agreement (as detailed below under the section headed "The Loan Facility"). In addition, it has also entered into interest rate swap agreements and an agreement in relation to the Novation (as detailed below under the section headed "Interest Rate Swaps"). The consideration for the sale of the Finance Company Share shall be an amount equal to the NTA of the Finance Company on the date of Completion (taking no account of the interest rate swap agreements or the Novation) and the Loans owed by the Finance Company will also be assigned to the Holding Company on Completion on a dollar for dollar basis. The Finance Company will be used as the financing vehicle for Sunlight REIT. It is envisaged that the primary functions of the Finance Company will include (i) entering into external borrowing arrangements with third party financial institutions, which funds may then be on-lent to the individual Property Companies in the form of related-party loans, and (ii) engaging in interest rate swaps and other arrangements with third-party counterparties in respect of Sunlight REIT's external borrowing arrangements.

For further information regarding the Acquisition Arrangements, please see the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — Description of the Agreements to acquire the Target Company Shares, the Target Properties, the Finance Company Share and the Domain Name Company Share" in this Offering Circular.

Overview of Sunlight REIT Structure

Sunlight REIT will acquire direct or indirect beneficial ownership of all of the Properties through the Sale and Purchase Agreements on the Listing Date. For details of the Sale and Purchase Agreements, see the section headed "Material Agreements and Other Documents Relating to Sunlight REIT" in this Offering Circular. The following diagram depicts the ownership structure of Sunlight REIT and the primary structural and contractual relationships between, amongst others, Sunlight REIT, the Unitholders, the Manager, the Trustee and the Property Manager, upon completion of the Offering.



Notes:

(1) The subsidiaries of SKFE together will hold 25.2% or 19.2% of all the Units; the subsidiaries of HLD together will hold 4.5% or 3.5% of all the Units and other Unitholders will hold 70.3% or 77.3% of all the Units (in each case assuming the Over-allotment Option is not exercised and is exercised in full, respectively).

(2) The Manager will provide management services to Sunlight REIT and the Property Companies. Under the Trust Deed, the Manager will in return receive the Base Fee and the Variable Fee from Sunlight REIT and the Divestment Fee and Acquisition Fee where disposals and/or acquisitions respectively are subsequently made. See the section headed "The Manager — Fees, Costs and Expenses of the Manager" in this Offering Circular for further details.

(3) The Property Manager will provide property management services to each Property Company pursuant to the Property Management Agreement.

(4) Property management fees and expenses will be payable by each Property Company to the Property Manager.

(5) The Manager and the Property Manager are both indirect wholly-owned subsidiaries of HLD.

The Manager

The Manager, Henderson Sunlight Asset Management Limited, was incorporated in Hong Kong on 18 August 2005. The Manager is an indirect wholly-owned subsidiary of HLD. The Manager has a paid-up share capital of HK$38,800,000 and its registered office is located at 30th Floor, 248 Queen's Road East, Wanchai, Hong Kong. The Manager is a fellow subsidiary of the Property Manager, which is also an indirect wholly-owned subsidiary of HLD. The Manager is licensed by the SFC to conduct the regulated activity of asset management, as required by the REIT Code. The Manager is responsible for Sunlight REIT's investment and financing strategies, asset enhancement, acquisition and disposal policies and overall management of the Properties. See the section headed "The Manager" in this Offering Circular for further details about the Manager.

Objectives and Strategies

The key objectives of the Manager are to provide Unitholders with regular and stable cash distributions with the potential for sustainable long-term growth of such distributions and enhancement in value of the portfolio. The Manager intends to accomplish these objectives by optimising the performance and enhancing the overall quality of a large portfolio of primarily office and retail real estate assets in Hong Kong through various business and investment strategies:

- **Active operational management and asset enhancement strategy**: Active operational management and asset enhancement initiatives to improve the long-term value of the portfolio;

- **Investment and acquisition growth strategy**: Drive acquisition growth by identifying, evaluating and acquiring investment properties which have the potential to contribute to the sustainable growth in distributions by Sunlight REIT and the long-term enhancement in the value of the portfolio;

- **Capital management strategy**: Efficient capital management framework to support the Manager's operational and acquisition growth strategies; and

- **Business management strategy**: Ensure a quality work force, sound corporate governance practices, systems and infrastructure to support the Manager's fund management and asset management activities.

For further details, see the section headed "Strategy" in this Offering Circular.

Corporate Governance

Detailed corporate governance policies and procedures have been established to promote the operation of Sunlight REIT in a transparent manner and with built-in checks and balances. The Trustee and the Manager are independent of each other, with their respective roles in relation to Sunlight REIT set out in both the REIT Code and the Trust Deed. The Manager is required by the REIT Code to act in the best interests of the Unitholders, to whom the Trustee also owes fiduciary duties.

The Board currently comprises six members, consisting of the Chief Executive Officer, two non-executive Directors (including the Chairman) and three independent non-executive Directors.

Policies and procedures have been established for, amongst other things, monitoring and supervising dealings in Units by Directors and the Manager. For further details, see the section headed "Corporate Governance" in this Offering Circular.

The Trustee

The trustee of Sunlight REIT is HSBC Institutional Trust Services (Asia) Limited. The Trustee is a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited. The Trustee is a company incorporated in Hong Kong and registered as a trust company under section 77 of the Trustee Ordinance. The Trustee is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code. As at the Latest Practicable Date, the Trustee had a paid-up share capital of HK$50,000,000.

For details of the Trustee's obligations under the Trust Deed and the REIT Code, see the section headed "The Trust Deed" in this Offering Circular.

The Property Manager

The Property Manager, Henderson Sunlight Property Management Limited, was incorporated in Hong Kong on 30 September 2005, with its registered office at Rooms 3101-3, 31st Floor, 248 Queen's Road East, Wanchai, Hong Kong and is an indirect wholly-owned subsidiary of HLD. Under the Property Management Agreement, the Manager has appointed the Property Manager to operate, maintain, manage and market the Properties, subject to the overall management and supervision of the Manager for the benefit of the Property Companies. The Property Manager has undertaken to provide the services to each Property Company. Under the Property Management Agreement, the Property Manager shall provide services to each Property Company on matters such as lease renewal, tenants' renting of additional space and tenancy related matters, rental collection and arrears management, evaluating government rates assessment, premises hand-over/taking over, tenants' fitting out, customer relationship management, contract management, maintenance management, administrative management, building safety, financial/cost management and marketing.

For further information on the Property Manager, see the section headed "The Property Manager" in this Offering Circular.

Summary Historical Financial Information

The following tables 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 the 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 on 26 May 2006.

The combined profit and loss data and the combined cash flow data for each of the financial 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" and "Management Discussion and Analysis of Future Results of Operations" in this Offering Circular and the historical financial statements for the Predecessor Operations and related notes thereto set forth in Appendix I to this Offering Circular.

Combined Income Statements

	For the year ended 30 June		
	2004	**2005**	**2006**
	HK$'000	**HK$'000**	**HK$'000**
Turnover	243,816	248,360	251,419
Rental related income	65,443	69,073	66,516
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	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
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

Combined Balance Sheets

	As at 30 June		
	2004	2005	2006
	HK$'000	HK$'000	HK$'000
Non-current assets			
Investment properties	3,726,360	4,432,860	6,902,000
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	946,288	965,830	984,701
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

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)

Summary Profit Forecast

Statements contained in the Summary Profit Forecast set out below that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set forth in the section headed "Profit Forecast — Bases and Assumptions" in this Offering Circular and are subject to certain risks and uncertainties which could cause actual results to differ materially from those projected. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction by the Vendors, Sunlight REIT, the Manager, the Trustee, the Underwriters or any other person involved in the Offering that the underlying assumptions will materialise, nor that these results will be achieved or are likely to be achieved.

The following table sets forth the historical profit and loss data of the Predecessor Operations for the year ended 30 June 2006, and Sunlight REIT's forecast consolidated profit and loss data and distribution for the period from the anticipated Listing Date to 30 June 2007.

	Historical	Forecast
	For the year ended 30 June 2006	For the period from the anticipated Listing Date to 30 June 2007[2]
	HK$'000	HK$'000
Rental income	231,223	166,876
Car park income	20,196	10,340
Total turnover	251,419	177,216
Rental related income	66,516	39,395
Property management fee	—	(5,006)
Government rent and rates	(14,392)	(9,110)
Car park operating costs	(6,249)	(3,416)
Other direct costs	(86,932)	(47,606)
Total direct costs	(107,573)	(65,138)
Total net property income	210,362	151,473
Other income	588	175
Adjustment Payments[3]	—	46,361
Write back of provision for diminution in value of completed properties for sale	18,342	—
Profit on sale of completed properties for sale	164	—
Manager's fee	—	(23,799)
Trustee's fee	—	(1,516)
Administrative expenses	(714)	—
Trust-related expenses	—	(6,910)
Other operating expenses	(1,320)	—
Increase in fair value of investment properties[1]	2,469,077	—
Interest expenses	(26,164)	(94,458)
Profit before tax and transactions with Unitholders	2,670,335	71,326
Current tax	(25,482)	(5,164)
Deferred tax	(429,767)	(3,327)
Net profit, before transactions with Unitholders[4]	2,215,086	62,835
Net profit, before transactions with Unitholders[4]		62,835
Adjustments[5]		59,171
Annual Distributable Income		122,006

	Forecast	
	For the period from the anticipated Listing Date to 30 June 2007[2]	
	Min	Max
Offer Price (HK$)[6]	2.45	2.60
Number of units in issue (million)[7]	1,492	1,492
Number of units in issue excluding Base Distribution Waiver Units (million) [7][8]	1,050	1,050
Distributions per unit excluding Base Distribution Waiver Units (HK$)[8]	**0.1161**	**0.1162**
Forecast annualised distribution yield[9]	**9.01%**	**8.49%**
Forecast annualised distribution yield[9]		
Excluding Adjustment Payments, excluding effective return of equity and before taking into account the effect of the Distribution Waiver[3][7][10]	2.27%	2.14%
Including Adjustment Payments, excluding effective return of equity and before taking into account the effect of the Distribution Waiver[3][7][10]	4.68%	4.41%
Including Adjustment Payments, including effective return of equity and before taking into account the effect of the Distribution Waiver[3][7][10]	6.34%	5.98%
Including Adjustment Payments, including effective return of equity and after taking into account the effect of the Distribution Waiver[3][7][10]	**9.01%**	**8.49%**

Notes:

(1) Since the extent of any changes in the valuation of the Properties in the future will be established by reference to the market valuation at the end of each financial year, the Manager has not made any assumption as to property valuation movements in arriving at the forecast net profit of Sunlight REIT for the period from the anticipated Listing Date to 30 June 2007. Should the valuation of the Properties as at 30 June 2007 drop below/rise above the market values of the Properties as at Completion, the resulting gain or loss less the effect of the related goodwill (if any) would be credited/charged to the income statement. Any resulting property valuation gain would be adjusted for and excluded in the calculation of Annual Distributable Income.

(2) In preparing the profit forecast for the period from the anticipated Listing Date to 30 June 2007, the Manager has excluded any excess of the fair value of identifiable assets and liabilities of the Target Companies and Finance Company as at Completion over the cost of the acquisition of these companies before taking into account the effect of any purchase price adjustment for the assets/liabilities of the Target Companies and Finance Company on Completion and before taking into account any Adjustment Payments (refer to note (3) below) since the amounts of such excess will be determined in part by reference to the market value of the Properties as at Completion and the Manager has not made any assumption as to property valuation movements in any future date as mentioned in note (1) above.

(3) Pursuant to the Deeds of Adjustment Payments, the Vendors of the Target Company Shares have agreed to make Adjustment Payments to Sunlight REIT, further details of which are described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — Deeds of Adjustment Payments". The Manager forecasts that Sunlight REIT will receive Adjustment Payments amounting to HK$46.4 million for the period from the anticipated Listing Date to 30 June 2007. The Adjustment Payments are subject to a cap in the event of Force Majeure in respect of payments relating to the years ending 30 June 2008 and 30 June 2009.

Pursuant to the Deeds of Adjustment Payments, the Adjustment Payments are made effectively as adjustments to the consideration payable by Sunlight REIT and the REIT Group Companies to the Vendors of the Target Company Shares for the acquisition. Accordingly, under HKFRS, the recognition of such Adjustment Payments will result in an adjustment to goodwill arising on acquisition.

If the acquisition of the Target Companies gives rise to an excess of fair value of identifiable assets and liabilities acquired over the cost of acquisition of businesses, i.e. negative goodwill, such amount will be credited to Sunlight REIT's consolidated income statement upon acquisition under HKFRS. Accordingly, any subsequent adjustment to negative goodwill to reflect the Adjustment Payments will be recognised as income in the period in which the Adjustment Payments are received (assuming, as is the case under the profit forecast, that the acquisition of the Target Companies gives rise to negative goodwill).

(4) The net profit for the year ended 30 June 2006, excluding the increase in fair value of investment properties and the related tax effect for that period, was HK$166,435,000.

(5) Refers to the following adjustments:

	Forecast
	For the period from the anticipated Listing Date to 30 June 2007
	HK$'000
Manager's fee paid in units	23,799
Amortisation of upfront fee in relation to the interest rate swaps	29,914
Amortisation of debt establishment fees:	
— in relation to the term loan	2,036
— in relation to the revolving credit facility	95
Deferred taxation in respect of property valuation movements and commercial building allowances/capital allowances claimed	3,327
Total Adjustments	59,171

Certain of the adjustments detailed above (namely, the Manager's fee paid in Units and the amortisation of upfront fee in relation to the interest rate swaps), as well as the Adjustment Payments described in note 3 above and the Distribution Waiver described in note 8 below, are yield enhancement arrangements of Sunlight REIT which are designed to enhance Annual Distributable Income and DPU for a limited period to a level which is higher than that which would exist based solely on the results of the operating activities of Sunlight REIT. The arrangement for payment of the Manager's fee in Units is described in more detail in the sections headed "Profit Forecast — Non-Property Operating Expenses — Manager's Base Fee" and "Profit Forecast — Non-Property Operating Expenses — Manager's Variable Fee".

(6) Assuming an Offer Price range of HK$2.45 and HK$2.60 per Unit, being the Minimum Offer Price and Maximum Offer Price, respectively.

(7) Number of units in issue is the number of Units assumed to be outstanding as at 30 June 2007. 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 30 June 2007 and assumes the Manager distributes 100% of Annual Distributable Income. The Units outstanding as at 30 June 2007 do 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 distribution for the period from the Listing Date to 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.

(8) The SKFE Subscribers and the HLD Subscribers have agreed, under the Deeds of Distribution Waiver, to waive certain proportions of their entitlements to receive distributions of Sunlight REIT in respect of the period from the Listing Date until 30 June 2011, further details of which are described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — Deeds of Distribution Waiver" in this Offering Circular.

For the purposes of the profit forecast, it is assumed that as at the relevant Record Date in relation to the distribution in respect of the Profit Forecast Period, the number of Units held by each of the SKFE Subscribers and the HLD Subscribers will be no less than the number of Base Distribution Waiver Units applicable to it. Accordingly, in the profit forecast it has been assumed that no Distribution Waiver Payments will be payable.

(9) The forecast annualised distribution yields for the period from the anticipated Listing Date to 30 June 2007 are provided for illustrative purposes only and may differ from the annualised distribution yield after taxation set out in this table based on the number of Units outstanding for the period/year. Forecast annualised distribution yields have been calculated with reference to the Minimum Offer Price and Maximum Offer Price only.

(10) 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.

No forecast of profits or DPU whatsoever is made in respect of any period ending after 30 June 2007. Except as provided under the DPU Guarantees, none of Sunlight REIT, the Manager, the Trustee, SKFE, HLD nor any of the Underwriters guarantees the performance of Sunlight REIT, the repayment of capital or the payment of any dividends, or any particular return on the Units.

The forecast and projected yields stated in the table above are calculated based on the maximum and minimum subscription prices of the Offer Price range. Such yields will vary accordingly for investors who purchase Units in the secondary market at a price that differs from the maximum and minimum subscription prices of the Offer Price range.

Investors should note that distribution yield for the Profit Forecast Period includes the impact of yield enhancement mechanisms as described in footnotes (3), (5) and (8). Please see the section headed "Important: Information on Distribution Components" in this Offering Circular.

Certain Fees and Charges

The following is a summary of certain fees and charges payable by the Unitholders in connection with the subscription of the Units:

	Payable by the Unitholders directly	Amount Payable[(1)]
(a)	Brokerage	1% of Maximum Offer Price
(b)	Hong Kong Stock Exchange trading fee	0.005% of Maximum Offer Price
(c)	SFC transaction levy	0.004% of Maximum Offer Price

Note:

(1) Subject to refund, if and to the extent the Offer Price is lower than the Maximum Offer Price.

The following is a summary of certain fees payable by Sunlight REIT in connection with the establishment and ongoing management of Sunlight REIT:

	Payable by Sunlight REIT	Amount Payable
(a)	Manager's fees	• **Base Fee** Currently 0.4% per annum of Property Values (maximum 0.4% per annum of Property Values) • **Variable Fee** 3.0% per annum of NPI (before deduction therefrom of the Variable Fee) • **Acquisition Fee** Up to 1.0% of the acquisition price of property acquired (but no acquisition fee is payable for the acquisition of the Properties pursuant to the Acquisition Arrangements)(1) • **Divestment Fee** Up to 0.5% of the sale price of property divested(1)
		See the section headed "The Manager — Fees, Costs and Expenses of the Manager" in this Offering Circular.

	Payable by Sunlight REIT	Amount Payable
(b)	Trustee's fee	• Not more than 0.03% per annum of value of Deposited Property, subject to increase to a maximum of 0.06% per annum of value of Deposited Property and a minimum of HK$50,000 per month ("Trustee's Annual Fee"). • Sunlight REIT will also pay to the Trustee a one-off inception fee of not more than HK$200,000. • Additional fees on a time cost basis as agreed with the Manager ("Trustee's Additional Fees") are payable for services of an exceptional nature or otherwise outside the scope of the Trustee's normal duties in the ordinary and normal course of business of Sunlight REIT, including but not limited to the acquisition of or divestment or disposal of real estate by Sunlight REIT, provided that, unless otherwise approved by the Unitholders by way of an Ordinary Resolution: (i) the aggregate amount of Trustee's Additional Fees that may be charged by the Trustee in relation to each transaction to be entered into by Sunlight REIT shall not exceed 0.05% of: (a) the acquisition price (in the case of an acquisition of real estate); or (b) the sale price (in the case of a sale or disposal of real estate); and (ii) the aggregate amount of Trustee's Additional Fees that are not related to any acquisition or sale or disposal referred to in (i) above that may be charged by the Trustee for each financial year shall not exceed an amount equal to 20% of the Trustee's Annual Fee for that financial year. See the section headed "The Trust Deed — Trustee's Fees" in this Offering Circular.

	Payable by Sunlight REIT	Amount Payable
(c)	Property management fee and certain costs and expenses (payable to the Property Manager by each property holding company)	• 3.0% per annum of Gross Property Revenue. • Employment costs, secondment costs (if any) and remuneration relating to (i) the employees of the Property Manager; and (ii) persons who are engaged by or (if any) under secondment to the Property Manager, solely and exclusively in the management of any one single property will be reimbursed, subject to budgeting and (in some cases) review and/or approval by the Manager. • Costs and expenses incurred by the Property Manager under contracts with third party service providers for the provision of various services, including without limitation, cleaning, maintenance, security, utilities, car park management, design services, administrative and technical services, legal services, coach and other vehicle leasing and other ancillary services for the relevant property will be reimbursed, subject to budgeting and (in some cases) review and/or approval by the Manager. • Costs and expenses incurred or to be incurred by the Property Manager in the operation, maintenance, management and marketing of the properties will be reimbursed, subject to budgeting and (in some cases) review and/or approval by the Manager.
(d)	Marketing services fee (payable to the Property Manager by each Property Company)	• one month's base rent for securing a tenancy of three years or more; • one half-month's base rent for securing a tenancy of less than three years; • one half-month's base rent for securing a renewal of tenancy irrespective of duration of the renewal term; and • 10% of the total licence fee for securing a licence for a duration of less than 12 months.

	Payable by Sunlight REIT	Amount Payable
(e)	Others	Sunlight REIT and the Manager will also need to pay certain other ongoing fees and expenses for the daily operations of Sunlight REIT, such as annual listing fees, financial report printing fees, auditors' fees, legal advisers' fees, fees of its appointed independent property valuer and fees of other professional advisers. See the section headed "The Manager — Fees, Costs and Expenses of the Manager" in this Offering Circular.

Note:

(1) Any payment to third party agents or brokers in connection with the acquisition or divestment of any real estate by Sunlight REIT will be paid by the Manager to such persons out of the Acquisition Fee or the Divestment Fee received by the Manager, and not additionally out of the assets of Sunlight REIT or the assets of any of the REIT Group Companies. For details, see the section headed "The Manager — Fees, Costs and Expenses of the Manager" in this Offering Circular.

Sunlight REIT	Sunlight Real Estate Investment Trust is a collective investment scheme constituted as a unit trust by the Trust Deed and authorised under section 104 of the SFO.
The Manager	Henderson Sunlight Asset Management Limited.
The Trustee	HSBC Institutional Trust Services (Asia) Limited.
The Hong Kong Public Offering	An initial offer of 104,538,000 Units to the public in Hong Kong, subject to adjustment and reallocation.
The International Offering	An initial offer of 940,832,362 Units to institutional, professional and other investors.
The Preferential Offering	An initial offer of 63,049,362 Units to Qualifying HLD Shareholders out of the Units being offered under the International Offering.
The Offering	A total offering of 1,045,370,362 Units and consisting of the Hong Kong Public Offering, the International Offering and the Preferential Offering (as part of the International Offering), subject to adjustment and the exercise of the Over-allotment Option.
Reallocation of Units	The Units to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated between these offerings. See the section headed "Structure of the Offering" in this Offering Circular.
Structure	The Units are being offered and sold outside the United States in reliance on Regulation S under the US Securities Act. The Units have not been and will not be registered under the US Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.
Offer Price Range	The Offer Price of the Units (which will be denominated in Hong Kong dollars) will not be more than HK$2.60 and is currently expected to be not less than HK$2.45.
Charges Payable by Investors	In addition to the Maximum Offer Price, investors applying for Units must pay brokerage of 1%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.004%, subject to refund if the Offer Price is lower than the Maximum Offer Price.

Over-allotment Option	The Joint Global Coordinators are expected to be granted the Over-allotment Option by SKFE and HLD, exercisable in full or in part, on one occasion on or after the Listing Date but before the expiry of 30 days after the last day for lodging Application Forms under the Hong Kong Public Offering, to purchase from SKFE and HLD (or any of their respective wholly-owned subsidiaries which holds Units) in the proportions of approximately 84.7% and approximately 15.3% respectively up to an aggregate of 104,538,000 Units. The exercise of the Over-allotment Option will not increase the total number of Units in issue following the Offering. The total number of Units subject to the Over-allotment Option will represent approximately 10% of the total number of Units under the Offering.
Use of Proceeds	See the section headed "Use of Proceeds" in this Offering Circular for details of how the proceeds from the Offering will be applied.
Subscription by SKFE and HLD	Separate from the Offering, each of SKFE and HLD has entered into a subscription agreement with the Manager pursuant to which they have agreed to subscribe for 374,072,708 Units and 67,569,930 Units respectively at the Offer Price through their respective wholly-owned subsidiaries, conditional upon the Underwriting Agreements becoming unconditional and not having been terminated pursuant to their terms on or prior to the Listing Date.
Lock-ups	Each of SKFE and HLD has entered into certain lock-up arrangements with the Underwriters in relation to Units to be acquired under the SKFE Subscription Agreement and the HLD Subscription Agreement respectively for a period of six months from and including the Listing Date, subject to certain exceptions. See the section headed "Underwriting" in this Offering Circular.
Market Capitalisation	HK$3,643.2 million, based on the Minimum Offer Price to HK$3,866.2 million, based on the Maximum Offer Price.
NAV per Unit upon Completion of the Offering	HK$2.76, based on the Minimum Offer Price and HK$2.76, based on the Maximum Offer Price.
Adjusted NAV per Unit upon Completion of the Offering	HK$3.58, based on the Minimum Offer Price and HK$3.58, based on the Maximum Offer Price.

Listing and Trading

Prior to the Offering, there has been no market for the Units.

Preliminary approval has been granted by the Hong Kong Stock Exchange for the listing of, and permission to deal in, all the Units on the Main Board of the Hong Kong Stock Exchange. Dealings in Units on the Hong Kong Stock Exchange are expected to commence on Thursday, 21 December 2006. If the Hong Kong Stock Exchange grants formal approval for the listing of, and permission to deal in, the Units on the Main Board of the Hong Kong Stock Exchange and Sunlight REIT complies with the stock admission requirements of HKSCC, the Units will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS, with effect from the date of commencement of dealings in the Units on the Hong Kong Stock Exchange or any other date that HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Hong Kong Stock Exchange business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Units to be admitted into CCASS.

Stabilisation

In connection with the Offering, the Stabilising Manager may over-allocate or effect transactions with a view to supporting the market price of the Units at a level higher than that which might otherwise prevail for a period of 30 days after the last date for lodging Application Forms under the Hong Kong Public Offering.

No Redemption Right for Unitholders

Unitholders have no right to request that the Manager or Sunlight REIT redeem their Units at any time. Listing of the Units on the Hong Kong Stock Exchange does not guarantee a liquid market for the Units.

Profit Forecast (for the period from the anticipated Listing Date to 30 June 2007)

The Manager forecasts that, in the absence of unforeseen circumstances and on the basis and assumptions set out in the section headed "Profit Forecast" in this Offering Circular, the net profit after tax of Sunlight REIT for the period from the anticipated Listing Date to 30 June 2007 will be not less than HK$62.8 million. For further details, including the principal assumptions on which the forecast is based, see the section headed "Profit Forecast" in this Offering Circular.

Distributions	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 as more fully described in the section headed "Distribution Policy" in this Offering Circular. Pursuant to the Trust Deed, Sunlight REIT is in any event required to distribute at least 90% of its Annual Distributable Income for each financial period. Distributions will be declared in Hong Kong dollars. See the section headed "Risk Factors" in this Offering Circular for a discussion of factors that may adversely affect the ability of Sunlight REIT to make distributions to Unitholders.
Statement of Distributions	Sunlight REIT intends to achieve distributions per Unit (after taking into account the Distribution Waiver) of not less than HK$0.1161 based on the Minimum Offer Price and HK$0.1162 based on the Maximum Offer Price in respect of the period from the anticipated Listing Date to 30 June 2007, representing an annualised distribution yield of 9.01% based on the Minimum Offer Price and 8.49% based on the Maximum Offer Price (excluding other transaction costs). See the section headed "Profit Forecast" in this Offering Circular for a detailed calculation of the distribution yield based on the Minimum Offer Price and Maximum Offer Price.
Adjustment Payments, Distribution Waivers and DPU Guarantees	See the sections headed "Material Agreements and Other Documents Relating to Sunlight REIT — Deeds of Adjustment Payments", "— Deeds of Distribution Waiver" and "— DPU Guarantees" in this Offering Circular.
Tax Considerations	See the section headed "Taxation" in this Offering Circular for further information on certain tax consequences of the purchase, ownership and disposition of the Units.
Governing Law	The Trust Deed, pursuant to which Sunlight REIT is constituted, is governed by Hong Kong law.
Termination of Sunlight REIT	Sunlight REIT may be terminated by the Trustee or the Manager in the circumstances set out in the Trust Deed. See the section headed "The Trust Deed" in this Offering Circular for further information.
Risk Factors	**Prospective investors should carefully consider the risks connected with an investment in the Units. Certain of these risks are discussed in the section headed "Risk Factors" in this Offering Circular.**

Manager's Responsibility for the Contents of this Offering Circular

The Manager and the Directors (whose names appear in the section headed "Parties Involved in the Offering" in this Offering Circular) collectively and individually accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no material facts the omission of which would make any statement in this Offering Circular misleading.

SFC Authorisation

Sunlight REIT has been authorised by the SFC under section 104 of the SFO. The SFC does not take any responsibility for the financial soundness of Sunlight REIT or for the correctness of any statements made or opinions expressed in this Offering Circular and other documents relating to Sunlight REIT. Authorisation by the SFC does not imply an official recommendation.

Underwriting

This Offering Circular is published solely in connection with the Hong Kong Public Offering and the Preferential Offering, which forms part of the Offering. For applicants under the Hong Kong Public Offering, this Offering Circular and the **WHITE** and **YELLOW** Application Forms contain the terms and conditions of the Hong Kong Public Offering. For applicants under the Preferential Offering, this Offering Circular and the **BLUE** Application Form set out the terms and conditions of the Preferential Offering. The Offering is managed by the Joint Global Coordinators. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters. Pursuant to the International Underwriting Agreement, the Preferential Offering is expected to be underwritten by the International Underwriters. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this Offering Circular.

Distribution and Selling Restrictions

The Hong Kong Public Offering Units and the Reserved Units are offered solely on the basis of the information contained and representations made in this Offering Circular and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Hong Kong Public Offering and the Preferential Offering or to make any representation not contained in this Offering Circular, and any information or representation not contained herein must not be relied upon as having been authorised by the Manager, the Joint Global Coordinators, any of their respective directors, agents, employees or advisers or any other parties involved in the Offering.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Units or the possession, circulation or distribution of this Offering Circular or any other offering or publicity material relating to Sunlight REIT or the Units in any country or jurisdiction other than Hong Kong. The Units may not be offered or sold, directly or indirectly, and neither this Offering Circular nor

any other offering material, circular, form of application or advertisement in connection with the Offering of the Units may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Each person acquiring Units will be required to confirm, or by the acquisition of Units will be deemed to have confirmed, that he is aware of the restrictions on offers of Units described in this Offering Circular.

Applicants for Units are recommended to consult their professional advisers if they are in any doubt as to the regulatory implications of subscribing for, purchasing, holding, disposing of or otherwise dealing in Units.

Application for Listing on the Hong Kong Stock Exchange

Prior to the Offering, there has been no market for the Units. Preliminary approval has been granted by the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Units on the Main Board of the Hong Kong Stock Exchange (including the Units which may be sold pursuant to the Over-allotment Option). Dealings in the Units on the Main Board of the Hong Kong Stock Exchange are expected to commence on Thursday, 21 December 2006.

Eligibility for Admission into CCASS

Subject to the granting of formal approval for the listing of, and permission to deal in, the Units on the Hong Kong Stock Exchange and compliance with the stock admission requirements of HKSCC, the Units will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Units on the Hong Kong Stock Exchange or any other date that HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Hong Kong Stock Exchange business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Units to be admitted into CCASS.

Stamp Duty

No Hong Kong stamp duty is payable in connection with the initial issue of Units to successful applicants under the Hong Kong Public Offering or the Preferential Offering. Subsequent dealings in Units will be subject to Hong Kong stamp duty.

Professional Tax Advice Recommended

Persons who are unsure about the taxation implications of the subscription, purchase, holding, disposal of, dealing in, or the exercise of any rights in relation to the Units should consult a professional adviser.

None of Sunlight REIT, the Trustee, the Manager, the Directors, the Underwriters nor any other person involved in the Offering accepts any responsibility for any tax effects on or liabilities resulting from the subscription for, purchase, holding, disposal of, dealing in or the exercise of any rights in relation to the Units.

Offer Price

The Maximum Offer Price is HK$2.60 and the Offer Price is expected to be determined by agreement between SKFE, HLD, the Manager and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date. Further details are set out in the section headed "Structure of the Offering" in this Offering Circular.

All applicants are required to pay the Maximum Offer Price of HK$2.60 per Unit (plus brokerage of 1%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.004%), subject to an appropriate refund if the Offer Price is less than the Maximum Offer Price. See the sub-section headed "Procedures for Application for Hong Kong Public Offering Units and Reserved Units" immediately below.

Procedures for Application for Hong Kong Public Offering Units and Reserved Units

The procedures for applying for the Hong Kong Public Offering Units and Reserved Units are set out in the sections headed "How to apply for Hong Kong Public Offering Units and Reserved Units" and "Further Terms and Conditions of the Hong Kong Public Offering and the Preferential Offering" in this Offering Circular and in the relevant Application Forms.

Conditions of the Hong Kong Public Offering and the Preferential Offering

Details of the conditions of the Hong Kong Public Offering and the Preferential Offering are set out in the section headed "Structure of the Offering — Conditions of the Hong Kong Public Offering and the Preferential Offering" in this Offering Circular.

Structure of the Offering

Details of the structure of the Offering, including its conditions, are set out in the section headed "Structure of the Offering" in this Offering Circular.

Rounding

For the purpose of consistency, where applicable and not otherwise stated, percentage figures in this Offering Circular have been rounded to up to one or two decimal place(s) (as applicable) and certain financial figures have been rounded to the nearest thousand or million, or up to one decimal place, as applicable. Such figures and calculations derived from such figures are therefore subject to rounding adjustments.

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding adjustments.

PARTIES INVOLVED IN THE OFFERING

Sunlight REIT	As constituted by the Trust Deed in Hong Kong
SKFE	Shau Kee Financial Enterprises Limited c/o 72nd - 76th Floors, Two International Finance Centre 8 Finance Street Central Hong Kong
HLD	Henderson Land Development Company Limited 72nd - 76th Floors, Two International Finance Centre 8 Finance Street Central Hong Kong
Manager	Henderson Sunlight Asset Management Limited 30th Floor, 248 Queen's Road East Wanchai Hong Kong
Directors	
Chairman and Non-executive Director	Mr. Kan Fook Yee
Chief Executive Officer and Executive Director	Mr. Wu Shiu Kee, Keith
Non-executive Director	Mr. Kwok Ping Ho
Independent Non-executive Directors	Mr. Kwan Kai Cheong Mr. Ma Kwong Wing Dr. Tse Kwok Sang
Trustee	HSBC Institutional Trust Services (Asia) Limited 1 Queen's Road Central Hong Kong
Unit Registrar	Tricor Investor Services Limited Level 28 Three Pacific Place 1 Queen's Road East Hong Kong

Joint Global Coordinators, Joint Bookrunners and Joint Listing Agents	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong Deutsche Bank AG, Hong Kong Branch 55th Floor, Cheung Kong Center 2 Queen's Road Central Hong Kong Macquarie Securities Limited 19th Floor, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Tax Consultant	KPMG Tax Limited 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Auditors and Reporting Accountants	KPMG 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Legal Advisers to the Manager	*As to Hong Kong law* Woo, Kwan, Lee & Lo 27th Floor, Jardine House 1 Connaught Place Central Hong Kong
Legal Advisers to the Joint Global Coordinators	*As to Hong Kong law* Norton Rose 38th Floor, Jardine House 1 Connaught Place Central Hong Kong
Legal Advisers to the Trustee	*As to Hong Kong law* Baker & McKenzie 14th Floor, Hutchison House 10 Harcourt Road Central Hong Kong

Legal Advisers to the Vendors	*As to Hong Kong law* Lo & Lo 35th Floor, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
Independent Property Valuer	Savills Valuation and Professional Services Limited 23rd Floor, Two Exchange Square Central Hong Kong
Joint Building Surveyors	DTZ Debenham Tie Leung Project Services Ltd. 16th Floor, 1063 King's Road Quarry Bay Hong Kong Savills Project Consultancy Limited 805-13 Cityplaza One 1111 King's Road Taikoo Shing Hong Kong
Market Consultant	DTZ Debenham Tie Leung Limited 10th Floor, Jardine House Central Hong Kong
Principal Bankers	Bank of China (Hong Kong) Limited BNP Paribas, Hong Kong Branch Calyon, Hong Kong Branch DBS Bank Ltd. Hang Seng Bank Limited The Hongkong and Shanghai Banking Corporation Limited Oversea-Chinese Banking Corporation Limited Standard Chartered Bank (Hong Kong) Limited Sumitomo Mitsui Banking Corporation Limited

Receiving Bankers

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Bank of China (Hong Kong) Limited
1 Garden Road
Central
Hong Kong

The Bank of East Asia, Limited
10 Des Voeux Road Central
Central
Hong Kong

Hang Seng Bank Limited
83 Des Voeux Road Central
Central
Hong Kong

An investment in the Units involves significant risks. Prospective investors should consider carefully, together with all other information contained in this Offering Circular, the risk factors described below before deciding to invest in the Units.

As an investment in a collective investment scheme is meant to produce returns over the long-term, investors should not expect to obtain short-term gains.

Investors should be aware that the price of units in a collective investment scheme, and the income from them, may rise or fall and may not fully reflect the underlying net assets attributable to them. Investors should note that they may not get back their original investment and that they may not receive any distributions.

Before deciding to invest in the Units, prospective investors should carefully consider all of the risk factors set out below and the other information set out in this Offering Circular. Prospective investors should seek professional advice from their relevant advisers regarding their prospective investment in the context of their particular circumstances.

Risks Relating to Sunlight REIT's Organisation and Operations

The level of Annual Distributable Income available to Unitholders will be enhanced by the interest rate swap arrangements for a limited period. There is no assurance that Sunlight REIT will be able to service the potentially higher cash finance costs after the terms of such swaps or to make any distributions to Unitholders.

The interest rate swap agreements have been entered into for the purpose of hedging the exposure of Sunlight REIT to floating rates of interest under the Facility Agreement and will also have the effect of enhancing the yield of Sunlight REIT for a limited period. The risks relating to the yield-enhancing effect of these and other arrangements are described in the next risk factor.

The interest rate swaps have been entered into with the Swap Counterparty prior to the Listing Date by (i) the Finance Company, and (ii) an indirect wholly-owned subsidiary of HLD. Completion of the acquisition of the Finance Company by Sunlight REIT will take place on the Listing Date. Immediately following Completion, the interest rate swap entered into by the indirect wholly-owned subsidiary of HLD will be transferred to the Finance Company by way of the Novation. The total consideration for the purchase of the interest rate swap agreements is HK$195.2 million (the swap upfront fee), which is payable in full by the Finance Company to the Swap Counterparty on the Listing Date. None of the amounts payable under such agreements are required to be paid prior to the Listing Date. The swap upfront fee is therefore effectively funded from the proceeds of the Offering.

Pursuant to the interest rate swap arrangements and for the duration of the swap, the Swap Counterparty will pay to the Finance Company on a regular basis an amount equal to the interest payable to the lending banks under the Facility Agreements (based on a floating rate of interest), and the Finance Company will pay to the Swap Counterparty a fixed rate of interest. Such payments can be set off against each other and a net payment will be made between the parties as appropriate. The Finance Company may be liable to make net payments to the Swap Counterparty in the event that the fixed interest rate is greater than the floating rate of interest. If, after the expiry of the swap arrangements, the Manager does not enter into further interest rate swap arrangements on behalf of Sunlight REIT, Sunlight REIT may be exposed to fluctuations in the interest rates of its outstanding borrowings.

The fixed interest rate payable by the Finance Company to the Swap Counterparty is substantially lower than the rate which the Manager believes would generally be available on prevailing market terms for a hedging arrangement which did not include a yield enhancement element. By entering into the swaps, Sunlight REIT effectively reduces its interest payments for the duration of the swap, which enhances the yield of the REIT. The fixed rate interest payments payable by the Finance Company under the interest rate swaps will increase 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 by a set amount between the period from the Listing Date to 30 June 2007 and the year ending 30 June 2008, and any increase in net property income in the latter period may be offset by the higher cash finance costs. Thereafter, the fixed rate of interest will remain flat 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 interest rate swaps will have an average fixed interest rate over the life of the swaps of 3.44%. For the period between 1 July 2011 and the expiry of the term loan on the fifth anniversary of the Listing Date, the interest payable under the term loan will be at the variable rate of HIBOR for the relevant period plus 0.45% unless the Manager enters into interest rate swap agreement(s) in respect of that period. Thereafter, the Manager may agree further borrowings with lenders, the cash finance costs of which may be materially greater than the cash finance costs during the period from the Listing Date until 30 June 2011 when the interest rate swaps are in effect. Any such increase in cash finance costs may have a material adverse effect on the Annual Distributable Income of Sunlight REIT such that distributions to Unitholders after the expiry of the interest rate swap agreements could be substantially less than those when the interest rate swap agreements are in effect.

The aggregate of (a) the swap upfront fee and (b) the cash finance costs payable by the Finance Company to the Swap Counterparty during the life of the swaps, will be amortised throughout the term of the interest rate swap; and the upfront fee payable in respect of the term loan will be amortised throughout the five-year term of the term loan. The above amortised amount will be charged to the income statement of Sunlight REIT using the effective interest method.

The table below sets out the "effective interest" to be charged to the income statement of Sunlight REIT, such amount of "effective interest" as a percentage of the term loan of HK$3,950 million, the cash finance costs and the amount effectively distributed to Unitholders as a return of equity, for the Profit Forecast Period and for financial years 2008 to 2011.

	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
Accounting finance cost in relation to the term loan charged as part of "Interest Expenses" in the income statement	94.3	180.7	182.5	184.4	186.4
Accounting finance cost in relation to the term loan as a percentage of the term loan of HK$3,950 million	4.54%[(1)]	4.58%	4.62%	4.67%	4.72%
Cash finance costs in relation to the term loan (HK$ millions)	62.3	138.3	138.3	138.3	138.3
Amount of equity effectively returned to Unitholders[(2)(3)] (HK$ millions)	32.0	42.6	44.4	46.3	48.3

Notes:

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

(2) Amortisation of upfront swap payments and debt establishment fees in relation to the term loan and revolving credit facility.

(3) 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.

Yield enhancement mechanisms, which will have the effect of increasing distributions per Unit, have been put in place for a limited period. When such mechanisms come to an end, distributions per Unit and/or the price of Units may be adversely affected.

A number of arrangements have been put in place by Sunlight REIT which will have the effect of increasing Annual Distributable Income and distributions per Unit to a level higher than that which would otherwise exist based solely on the results of the operating activities of Sunlight REIT. These arrangements include: (i) the entry by the Finance Company into interest rate swap arrangements with the Swap Counterparty under which the fixed interest rate payable by the Finance Company to the Swap Counterparty is substantially lower than the rate which the Manager believes would generally be available on prevailing market terms for a hedging arrangement which did not include a yield enhancement element (described in the risk factor above); (ii) the payment of the Manager's fees in Units rather than cash; (iii)

the payment by the Vendors of the Target Company Shares of Adjustment Payments to Sunlight REIT by reference to the amount by which the Consolidated Rental Income actually received in respect of the Properties in any relevant period is less than the corresponding Assured Minimum Rental per annum and which will have the effect of topping up the Rental Income in respect of the Properties; and (iv) the waiver by wholly-owned subsidiaries of SKFE and HLD of certain proportions of their entitlements to distributions of Sunlight REIT in respect of Units held by them. Such yield enhancement arrangements are designed to enhance Annual Distributable Income and distributions per Unit to levels which are higher than that which would exist based solely on the results of the operating activities of Sunlight REIT. Therefore, any increases in net property income may not be reflected by a similar increase (or any increase) in distributions per Unit.

A more detailed description of the yield enhancement mechanisms is set out in the sections headed "Management Discussion and Analysis of Future Results of Operations" and "Profit Forecast" in this Offering Circular and in particular in the sub-sections of that section headed "Profit Forecast for the period from the anticipated Listing Date to 30 June 2007" (particularly the make-up of the Annual Distributable Income and notes 3, 5 and 7 to the table showing how the total distributable income and annualised distribution yield is made up).

The yield enhancement mechanisms will only have effect for a limited period of time. The interest rate swaps will have a yield-enhancing effect for the period from the Listing Date to 30 June 2011. The Manager will receive fees in Units for the period from the Listing Date to 30 June 2011. The effect of the rental top-up, by means of the Adjustment Payments, will expire on 30 June 2009. The Distribution Waiver will decrease commencing from the year ending 30 June 2010, will decrease further in the year ending 30 June 2011 and will cease to have effect for periods after 30 June 2011. When the yield enhancement mechanisms cease to have effect, Annual Distributable Income and DPU may be materially adversely affected.

The forecast DPU set out in the section headed "Statement of Distributions" in this Offering Circular is based on the forecast total distributable income for the period from the Listing Date to 30 June 2007 after taking into account the effect of the Distribution Waiver, which includes additional income support from the yield enhancement arrangements. For the period from the Listing Date to 30 June 2007 and based on the assumptions set out in the profit forecast, certain of the yield enhancement arrangements (namely, the reduced interest expenses resulting from the interest rate swaps, the reduced cash payments from the payment of the Manager's fees in Units, and the additional amounts received as Adjustment Payments) are expected to result in Annual Distributable Income (either through additional income or effectively reducing expenses or cash payments) amounting to approximately HK$100.1 million and are expected to represent 82.0% of the Annual Distributable Income for that period. Annual Distributable Income over the same period excluding the yield enhancement arrangements (based on the assumptions set out in the profit forecast) is expected to amount to approximately HK$21.9 million.

Distributions to Unitholders of Sunlight REIT may include certain amounts which are effectively return of equity, in addition to its reported net profit after tax.

Unlike companies incorporated in Hong Kong, which require a court sanction to make distributions by way of capital reduction, it is possible for Sunlight REIT effectively to make distributions out of capital without court sanction. Distributions to Unitholders of Sunlight REIT may include return of equity in addition to its reported net profit after tax. The upfront swap payments and the debt establishment fee, totalling HK$215.4 million, are funded by part of the proceeds of the Offering, and will be distributed to the Unitholders effectively by way of a partial return of equity over the term of the interest rate swaps as follows:

	For the period from the anticipated Listing Date to 30 June 2007	For the year ending 30 June			
		2008	2009	2010	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 the 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.

No amount will be payable under the DPU Guarantees if the actual DPU is equal to or greater than the forecast DPU, even if the actual DPU includes distributions out of capital. Please refer to the section headed "Management Discussion and Analysis of Future Results of Operations — Change in Nature of Existing Costs — Finance Costs and Interest Rate Swaps" in this Offering Circular.

Adjustment Payments which effectively top-up the rental income from the Properties have a yield enhancing effect owing to the discrepancy between the Assured Minimum Rental and the current Consolidated Rental Income. This discrepancy means that any growth in Rental Income may be offset by a reduction in Adjustment Payments. Further, as no Adjustment Payments are payable after 30 June 2009, there may be a substantial drop in Annual Distributable Income and distributions to Unitholders.

Adjustment Payments which effectively top-up the Rental Income from the Properties will be payable by the Vendors of the Target Company Shares to the extent that the Consolidated Rental Income in respect of all of the Properties is less than the following amounts of Assured Minimum Rental per annum (pro rata in respect of the period from the Listing Date to 30 June 2007):

Period	Assured Minimum Rental per annum
	HK$ million
Year ending 30 Jun 2007	405.4
Year ending 30 Jun 2008	429.4
Year ending 30 Jun 2009	454.9

Pursuant to the Deeds of Adjustment Payments, the Adjustment Payments are made effectively as adjustments to the consideration payable by Sunlight REIT and the REIT Group Companies to the Vendors of the Target Company Shares.

The Assured Minimum Rental per annum for the year ending 30 June 2007 is based on the Independent Property Valuer's estimation of the prevailing average market rental for the Properties as at 30 September 2006 of HK$26.10 per square foot of Gross Rentable Area per month. This is equivalent to HK$405.4 million per annum for the entire portfolio, assuming that the Properties are fully occupied (such amount being referred to below as the "Benchmark Prevailing Rental"). Based on the rent roll as at 30 September 2006, the actual average rental for the Properties (on a weighted average basis by Gross Rentable Area) was HK$18.38 per leased square foot of Gross Rentable Area per month, equivalent to HK$252.2 million per annum for the entire portfolio, based on the average actual occupancy rates of the Properties of 88.3% as at 30 September 2006. Accordingly, there is currently a disparity between the current Consolidated Rental Income (as at 30 September 2006) and the Assured Minimum Rental per annum for the period from the Listing Date to 30 June 2007.

The Adjustment Payments (to the extent they are payable) will have the effect of enhancing the yield of Sunlight REIT. The Adjustment Payments are payable only for a limited period, in respect of the period from the Listing Date to 30 June 2007 and each of the two financial years ending on 30 June 2009. Therefore, the yield enhancing effect will cease after 30 June 2009. No Adjustment Payments will be payable for any period after 30 June 2009, even if the Consolidated Rental Income from the Properties is less than the Assured Minimum Rental for the year ending 30 June 2009.

The Assured Minimum Rental per annum for the year ending 30 June 2007 is equal to the Benchmark Prevailing Rental. The Assured Minimum Rental for the years ending 30 June 2008 and 30 June 2009 is calculated by reference to the Benchmark Prevailing Rental plus a growth projection of 5.9% per annum which is the weighted average (by Gross Area and properties classified as Grade A office, Grade B office or retail) of the long-term average rental growth rates for the Properties as determined by the Market Consultant. The long-term average growth rates of 6.2%, 6.0% and 5.6% for Hong Kong Grade A office, Grade B office and retail property respectively are based on the appropriate 20-year average annual growth of the Rating and Valuation Department HKSAR's rental indices between 1986 and 2005. See "Appendix VI — Letter from the Market Consultant in relation to its Hong Kong Grade A and Grade B office and retail property market analysis report". All Assured Minimum Rentals are based on an assumed occupancy rate of 100%.

There is no assurance that any growth in rentals from the Properties will occur or that any growth that does occur will be sufficient to ensure that by the year ending 30 June 2010, the Consolidated Rental Income will equal or exceed the Assured Minimum Rental for the year ending 30 June 2009 (which is itself based on a long-term growth forecast of 5.9% per annum on the Benchmark Prevailing Rental). Nor is there any assurance that occupancy rates will increase in order to bring Consolidated Rental Income closer to the Assured Minimum Rental, which is based on a 100% occupancy rate. If the Consolidated Rental Income from the Properties for any period after 30 June 2009 is less than the Assured Minimum Rental for the year ending 30 June 2009, there may be a substantial drop in Annual Distributable Income and distributions to Unitholders could be materially adversely affected. Any growth in Rental Income derived from the Properties may be offset by a corresponding reduction in the Adjustment Payments.

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.

The Distribution Waiver will have a yield enhancing effect for a limited period. The number of Units in respect of which distributions have been waived will decrease from the year ending 30 June 2010 and the Distribution Waiver will cease to have effect for periods after 30 June 2011, which could materially adversely affect distributions per Unit.

The SKFE Subscribers and the HLD Subscribers have agreed, under the Deeds of Distribution Waiver, to waive certain proportions of their entitlements to receive distributions of Sunlight REIT in respect of periods from the Listing Date until 30 June 2011, further details of which are described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — Deeds of Distribution Waiver" in this Offering Circular.

Each of the SKFE Subscribers and the HLD Subscribers has agreed to waive all its entitlements to any distribution in respect of any period between the Listing Date and 30 June 2009 in relation to an aggregate of approximately 441,642,638 Units (representing 29.7% of the number of Units in issue following the Listing Date). For the years ending 30 June 2010 and 30 June 2011, they have agreed to waive their entitlements to 60% and 50% respectively of such number of Units.

If on any relevant Record Date any of the SKFE Subscribers or HLD Subscribers holds a number of Units which is less than the number of Units in respect of which it has agreed to waive its entitlements to distributions, the relevant person will make Distribution Waiver Payments that have the effect of restoring the distribution per Unit (excluding Base Distribution Waiver Units) to the same level as would have been achieved if that person had held no less than the number of Units in respect of which it has waived its entitlements to distributions on the relevant Record Date.

Any entitlements to distributions waived by the SKFE Subscribers and/or the HLD Subscribers and any Distribution Waiver Payments paid in lieu of such waiver will be distributed to other Unitholders as at the Record Date in relation to the relevant distribution. The DPU for such other Unitholders will therefore be enhanced by the Distribution Waiver. 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.

Sunlight REIT, the Manager and the Property Manager, which are each relatively newly established entities, do not have significant operating histories for prospective investors to rely on in making an investment decision.

The Manager was incorporated on 18 August 2005 and Sunlight REIT was established on 26 May 2006. While SKFE and HLD previously owned some of the Properties through various subsidiaries, the Properties will only be acquired by Sunlight REIT on the Listing Date. Accordingly, neither Sunlight REIT nor the Manager have significant operating histories by which their past performance may be judged and investors may find it difficult to evaluate their business and prospects. Due to the change in ownership and management of the Properties, historical financial information included in this Offering Circular may not

necessarily be representative of its future financial performance, financial condition and cash flows, or what its financial performance, financial condition and cash flows would have been had it been a separate, stand-alone entity during each of the periods presented. There can be no assurance that the Manager will be able to successfully operate Sunlight REIT as a REIT or as a publicly-listed entity.

The Property Manager was incorporated on 30 September 2005 and it also has no significant operating history by which its past performance may be judged. There can be no assurance that the Property Manager will manage the Properties effectively (to the extent management responsibilities are delegated to it by the Manager).

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.

Sunlight REIT will operate principally through the Property Companies and will rely on the receipt of dividend payments and other payments and/or distributions from the Property Companies for its income and cash flows. Substantially all of the assets of Sunlight REIT will consist of its shareholdings in, and the shareholders' loans owed to it by, the REIT Group Companies. In order to meet its payment obligations and to pay distributions to Unitholders, Sunlight REIT will rely on the receipt of dividend payments and other payments and/or distributions from the Property Companies. The ability of the Property Companies to make such payments and/or distributions to Sunlight REIT may be restricted by, amongst other things, the Property Companies' business and financial condition, the availability of distributable profits, applicable laws and regulations (which may restrict the payment of dividends by the Property Companies) or the terms of agreements to which they are, or may become, a party. For further details please refer to the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — The Loan Facility" in this Offering Circular.

There can be no assurance that the Property Companies will have sufficient distributable or realised profits or surplus in any future period to make dividend payments and other payments and/or distributions to Sunlight REIT. The level of profit or surplus of each Property Company available for distribution by way of dividend to Sunlight REIT may be affected by a number of factors including the amount of operating profits or losses of that Property Company in any financial year. The business and financial condition, and the level of operating profits or losses, of the Property Companies may be materially adversely affected if the Rental Income from the Properties is less than expected.

The occurrence of these or other factors that affect the ability of the Property Companies (or any other REIT Group Companies for the time being) to make dividend payments and other payments and/or distributions to Sunlight REIT in future periods, may adversely affect the level of distributions paid to Unitholders. See the section headed "Distribution Policy" in this Offering Circular.

Sunlight REIT will depend on external sources of funding which are outside of its control to finance capital expenditure and growth.

Sunlight REIT is required under the REIT Code to distribute annually at least 90% of its audited annual net income after tax. As a result of this distribution requirement, Sunlight REIT may not be able to fund future capital needs (planned or unforeseen), including any necessary acquisition financing in

support of its investment strategy, from operating cash flow. Continued access to capital and other financial markets, including debt, equity or other markets, is important to Sunlight REIT's business, including the ability to pursue new property acquisitions and to undertake planned or unforeseen capital expenditure. Any inability to procure funding for the above activities may impact the value and growth of Sunlight REIT's portfolio of properties.

If Sunlight REIT cannot obtain capital from external sources, it may not be able to acquire properties when strategic opportunities exist, satisfy its debt service obligations or make cash distributions to Unitholders.

The amount that Sunlight REIT may borrow is limited.

Sunlight REIT is expected to use a combination of debt and equity financing to support its investment strategy. Its level of borrowings is currently limited by the REIT Code to no more than 45% of its total gross asset value. Upon Completion, Sunlight REIT is expected to have aggregate external borrowings of HK$3,950 million, or approximately 41.2% of Sunlight REIT's total gross asset value as at the Listing Date (based on the information in the section headed "Pro Forma Balance Sheets" in this Offering Circular).

The amount of Sunlight REIT's borrowings as a proportion of total gross asset value may fluctuate over time, due to any revaluation of assets or otherwise. There can be no assurance that the amount of borrowing by Sunlight REIT will not approach or exceed the limit of 45% of Sunlight REIT's gross asset value (or the then-current limit under the REIT Code). From time to time, Sunlight REIT may need to draw down on its banking facilities and to use overdrafts, but may be unable to do so due to the then applicable borrowing limit. This borrowing limit may also adversely affect Sunlight REIT's ability to procure timely and commercially favourable financing in asset-backed lending transactions secured by real estate. The limitation on borrowing flexibility stipulated by the REIT Code may have an adverse impact on Sunlight REIT's ability to fund capital expenditure, and may impact the value of Sunlight REIT's property portfolio. If the borrowing limit is exceeded, Sunlight REIT may be required to repay some of its borrowings which may require a sale of properties and/or retain cash which might otherwise have been used to make distributions to Unitholders, in order to increase its gross asset value.

The Manager will follow a capital management strategy (see the section headed "Strategy" in this Offering Circular) and is required to observe the applicable borrowing limit under the REIT Code. The Manager may from time to time be required, or may choose, to adjust Sunlight REIT's financing mix as a result of any asset revaluation or a change in regulations relating to the borrowing limit allowable for REITs in general.

Sunlight REIT may face risks associated with debt financing.

Upon Completion, Sunlight REIT is expected to have aggregate external borrowings of HK$3,950 million. The Manager intends that Sunlight REIT will use the borrowings under the Facility, together with the proceeds of the Offering, to purchase the Existing Borrowings, the Target Company Shares, the Target Properties, the Finance Company Share and the interest rate swap agreements entered into by (i) the Swap Counterparty and the Finance Company in respect of 84.7% of the total notional amount of the term loan, or approximately HK$3,346 million and (ii) the Swap Counterparty, the Finance Company and Dorway

Investment Limited, a wholly-owned subsidiary of HLD, by way of novation, in respect of 15.3% of the total notional amount of the term loan, or approximately HK$604 million. While the Manager expects the conditions precedent to drawdown of the Facility to be satisfied by Sunlight REIT on the Listing Date, Sunlight REIT has not yet fulfilled all of the conditions precedent required for the drawdown of the Facility.

Sunlight REIT may also, from time to time, require additional debt financing to achieve the Manager's investment strategies. Sunlight REIT will be subject to risks normally associated with debt financing. Payments of principal and interest on borrowings may leave Sunlight REIT with insufficient cash resources to operate its properties or pay distributions to Unitholders. Sunlight REIT's level of debt and the limitations imposed on it by its current or future loan agreements could have significant adverse consequences, including, but not limited to, the following: (i) its cash flow may be insufficient to meet its required principal and interest payments; (ii) it may be unable to borrow additional funds as needed or on favourable terms; (iii) it may be unable to refinance its indebtedness at maturity or the refinancing terms may be less favourable than the terms of the original indebtedness; (iv) although the Finance Company has entered into interest rate swap arrangements for a total notional amount equivalent to the amount of the term loan under the Facility in order to hedge against changes in interest rates, because there is no hedge against changes in interest rates for the revolving credit facility, increases in interest rates could materially increase its finance cost on the revolving credit facility. The revolving credit facility will be used for general working capital purposes, will bear interest at HIBOR plus 0.45% and will constitute 3.66% of Sunlight REIT's total available facilities. There is no hedge in place in relation to the term loan for the period from 1 July 2011 until the fifth anniversary of the Listing Date, during which period Sunlight REIT will be exposed to changes in interest rates if no hedging arrangement is put in place by that time; (v) it may default on its obligations and lenders or mortgagees may enforce their security on its properties or entities owning those properties, requiring a forced sale of the mortgaged property or the relevant entity; (vi) it is subject to restrictive covenants in the Facility Agreements, and may be subject to similar restrictive covenants in future loan agreements, which limit or may limit or otherwise adversely affect Sunlight REIT's or the Property Companies' operations; (vii) it may violate restrictive covenants under the Facility Agreements and in future loan documents, which would entitle the lenders to accelerate its debt obligations; and (viii) its default under any one of its loan agreements could result in a cross default on other indebtedness.

If any one of these events was to occur, Sunlight REIT's financial performance, financial condition, the value of its portfolio, its ability to meet debt service obligations as they become due, and its ability to make distributions to Unitholders may be materially adversely affected.

Each of the Properties will be mortgaged to secure payment of the Facility. The mortgages will contain negative covenants limiting, amongst other things, Sunlight REIT's ability to sell, pledge or otherwise dispose of any of the Properties, or to create any further mortgage, charge or pledge over any of its Properties, assets, rights or revenues, without the prior written consent of the security trustee in respect of the Facility. These negative covenants with respect to the Properties could prevent the Manager from operating the Properties in the manner it desires, which could in turn affect Sunlight REIT's financial performance and condition. The procedures required for releasing a mortgage may take an extended period of time, which may result in delays or otherwise adversely affect its ability to obtain new debt arrangements on attractive terms or to dispose of the Properties.

The terms of the Facility Agreements require Sunlight REIT to maintain certain financial ratios, and contain other restrictions. Sunlight REIT's ability to meet these financial ratios may be affected by events beyond its control. The Manager cannot guarantee that Sunlight REIT, through the REIT Group Companies, will be able to meet these ratios. These provisions may negatively affect Sunlight REIT's ability to react to changes in market conditions, take advantage of business opportunities it believes to be desirable, obtain future financing for Sunlight REIT, fund future needed capital expenditures or withstand a future downturn in Sunlight REIT's business.

The Manager may not be able to achieve its objectives as outlined in the section headed "Strategy" in this Offering Circular and the Manager's stated strategy may change.

The Manager's key objectives for Sunlight REIT are to provide Unitholders with regular and stable cash distributions with the potential for sustainable long-term growth of such distributions and appreciation in value of the property portfolio. The Manager aims to accomplish these objectives by optimising the performance and enhancing the overall quality of a large portfolio of assets in Hong Kong. While the Manager has formulated clear plans and specific strategies to accomplish these objectives, there can be no assurance that it will be able to successfully implement such plans, or that it will be able to do so in a timely and cost effective manner.

The Manager will regularly examine property investments in connection with its investment strategy. The successful implementation of the investment strategy will depend on a number of factors, including availability and timely identification of attractive property investments which meet the investment methodology, property market conditions and fundamentals, ability to attract tenants with strong financial standing, and the successful integration of these property investments. Sunlight REIT may not be able to identify investment opportunities which are yield accretive.

Furthermore, there may be significant competition for attractive investment opportunities from other property investors, including commercial property development and investment companies, other REITs and private investment funds. There can be no assurance that Sunlight REIT will be able to compete effectively against such entities. Although the Manager believes that it will be able to source opportunities for acquisition growth by leveraging the relationship with SKFE and HLD, and HLD has undertaken with the Manager to enter into discussions to make available for sale to Sunlight REIT certain properties, there can be no assurance that any such opportunities will be made available on attractive terms or at all. Except as expressly stated, neither SKFE nor HLD nor any of the Vendors has provided any guarantee that any such investment opportunities will be offered to Sunlight REIT, and attractive investment opportunities may be offered to entities other than Sunlight REIT, including affiliates of SKFE or HLD. Any acquisition made by Sunlight REIT may, depending on the source of financing for such acquisition, result in the dilution of Unitholders through the issue of new Units, and may affect the gearing ratio of Sunlight REIT, the working capital of Sunlight REIT, the Annual Distributable Income, and/or distributions per Unit. If any additional Units are issued for this purpose, the guaranteed DPU will be adjusted downwards. The guarantee may cease in some circumstances if the Manager makes an acquisition for which the prior approval of the guarantors is not obtained.

The stated strategy of the Manager is subject to review and may change in the future. There can be no assurance that any departure from the stated strategy will be successful. Any inability to implement the Manager's stated strategy may have a material adverse effect on Sunlight REIT's business, financial performance, financial condition, value of its portfolio and its ability to make distributions to Unitholders.

The fair value of the investment properties increased by 55.7% during the year ended 30 June 2006. The fair value of Sunlight REIT's Properties may decline or be subject to a high degree of volatility in the future due to cyclical changes and volatility in the Hong Kong real estate industry.

Cyclical changes in the Hong Kong real estate industry could result in significant fluctuations in fair value of investment properties of Sunlight REIT and Sunlight REIT's net profit. Fair value of the investment properties as at 30 June 2005 and 30 June 2006 were HK$4,432.9 million and HK$6,902.0 million respectively, following increases of HK$706.4 million or 19.0% and HK$2,469.1 million or 55.7% respectively for the years ended 30 June 2005 and 30 June 2006.

Properties which have previously been classified as completed properties for sale (which are not "investment properties") have not been included in these amounts as such properties are stated at the lower of cost and net realisable value in accordance with the Group accounting policies. Following the Listing Date, all of the Properties will be held as investment properties. There is no assurance that fair value of the Properties and of any other investment properties that Sunlight REIT may acquire in the future will not decline or be subject to a high degree of volatility.

Decreases in property values as a result of the annual revaluation of Sunlight REIT's properties could result in decreases in the annual consolidated net profit of Sunlight REIT for that year and may also trigger certain events of default which may lead to adverse consequences under the Facility Agreements.

The properties held by Sunlight REIT from time to time are subject to an annual revaluation. Under Sunlight REIT's accounting policy as currently required under the REIT Code and by applicable Hong Kong Financial Reporting Standards, any decrease in the valuation of its investment properties could result in non-cash charges to the income statement, and may give rise to a substantial decline in annual consolidated net profit. Such a decline could result in lower levels of Annual Distributable Income and may significantly affect distributions to Unitholders. Under the Trust Deed, Annual Distributable Income for a financial year is the consolidated audited net profit after tax of Sunlight REIT and entities wholly-owned by it for that financial year, adjusted to eliminate the effects of certain Adjustments (as defined in the section headed "Distribution Policy" in this Offering Circular) which have been recorded in the income statement for the relevant financial year. Unrealised property valuation losses are not an Adjustment for the purpose of calculating Annual Distributable Income. While the Manager may (but is not obliged to) include in its annual distribution amounts referable to any unrealised property revaluation losses, the Manager's ability to do so is subject to, and may be constrained by, compliance with the gearing ratio prescribed by the REIT Code, which currently limits Sunlight REIT's borrowings to no more than 45% of Sunlight REIT's total gross asset value.

In the event a property revaluation results in a reduction in gross asset value and consequently Sunlight REIT's borrowings as a proportion of total gross asset value rise above the applicable borrowing limit requirement, the Manager would be required to retain funds that would otherwise be distributable to Unitholders so as to increase Sunlight REIT's total gross asset value and Sunlight REIT may be constrained from further borrowing.

Under the Facility Agreements, the Finance Company must maintain, among other things, a security margin (being the ratio of the aggregate principal amount of all consolidated borrowings of Sunlight REIT and the REIT Group Companies (including without limitation, contingent liabilities but excluding any

contingent liability of Sunlight REIT and the Holding Company in relation to the interest rate swap transactions) under the Facility Agreements to the aggregate value of all assets of Sunlight REIT and the REIT Group Companies, including any investments that they are authorised to hold in accordance with the REIT Code, plus the aggregate amount of all cash in bank accounts held by the REIT Group Companies, and in relation to the Properties, their value shall be determined as shown in the then latest annual valuation report) of no more than 45% (or such higher level as may from time to time be permitted under the REIT Code and approved by the lenders under the Facility Agreements). A decrease in the value of Sunlight REIT's properties could cause the security margin to exceed 45%. Under the Facility Agreements, any non-compliance with such security margin will not automatically lead to a breach of the terms of the Facility Agreements or by itself constitute an event of default thereunder. The Finance Company is permitted under the Facility Agreements to take remedial actions within certain remedy periods in order to restore the relevant financial ratio to the level prior to such non-compliance. If the Finance Company shall fail to restore the relevant financial ratio to the level prior to such non-compliance within such remedy periods, the lenders under the Facility Agreements may declare such breach as an event of default. In such an event, the lenders under the Facility Agreement may, amongst other things, enforce their mortgages over Sunlight REIT's properties.

Sunlight REIT depends on certain key personnel of the Manager and the Property Manager, and the loss of any key personnel may adversely affect its business, financial performance and financial condition.

The successful implementation of the Manager's strategy and objectives will be dependent, in part, on the continued service and performance of the Manager's key executive officers and certain other key personnel, including those who hold the requisite regulatory licences. The Property Manager also depends on key personnel in order to operate effectively. Competition for skilled and experienced personnel is intense. Any failure or inability of the Manager or the Property Manager to continue to attract or retain key personnel may have a material adverse effect on Sunlight REIT's business, financial performance and condition. There can be no assurance that the Manager will be able to attract or retain personnel who hold the requisite regulatory licences.

The Manager's operations are subject to regulation and its licensing conditions.

The Manager is required to be licensed under the SFO for the regulated activity of asset management. Although the Manager believes that it will operate and be managed in a manner so as to remain licensed, there can be no assurance that the Manager will be able to operate and be managed in such a manner. For example, the departure of a responsible officer of the Manager, or the failure to meet the conditions specified in any conditional licence of a responsible officer, may result in the loss or suspension of the Manager's licence to act as the manager of Sunlight REIT if not replaced within such timeframe as may be permitted by the SFC (if any). In the event that the Manager ceases to be licensed under the SFO, Sunlight REIT may need to appoint another management company, which may materially and adversely affect the financial condition and results of operations of Sunlight REIT. In the event no other management company duly qualified under the REIT Code and acceptable to the SFC is willing to take the place of the existing Manager within 60 days of the removal of the Manager (or such longer period as the Trustee considers appropriate), the Trustee may terminate Sunlight REIT.

There are potential conflicts of interest between Sunlight REIT, the Manager, SKFE and HLD.

The Manager and the Property Manager are each indirect wholly-owned subsidiaries of HLD. SKFE will (through Uplite Limited and Wintrade Limited, its indirect wholly-owned subsidiaries) subscribe for 25.2% of the Units upon completion of the Offering (19.2% if the Over-allotment Option is exercised in full). In addition, HLD will (through Cobase Limited and Richful Resources Limited, its indirect wholly-owned subsidiaries) subscribe for 4.5% of the Units upon completion of the Offering (3.5% if the Over-allotment Option is exercised in full). SKFE, HLD, their subsidiaries and associates are engaged in, and/or may engage in, amongst other things, the development and management of retail, office and other properties in Hong Kong and elsewhere, as well as investments in such properties.

The Chairman of the Board had been a non-executive director of HLD since 1997 although he resigned from such position prior to the date of this Offering Circular. In addition, a non-executive Director is currently an executive director of HLD and will remain in such position. Certain executive officers of the Manager and the Property Manager were employees of HLD or its other subsidiaries prior to joining the Manager and the Property Manager. These factors may give rise to actual or perceived conflicts of interest, including those described below.

The Manager may experience conflicts of interests as a result of the activities and interests of its affiliates in acquiring and disposing of potential investments. As a wholly-owned subsidiary of HLD, the Manager may experience conflicts of interests in connection with any potential acquisitions from HLD or its affiliates, and in agreeing the terms of such potential acquisitions. There can be no assurance that SKFE, HLD or other potential vendors of properties will direct attractive investment opportunities to Sunlight REIT, and may direct such opportunities to other entities, including other affiliates of SKFE or HLD. Many investment opportunities would be suitable for other entities, including other affiliates of SKFE and HLD, as well as Sunlight REIT. Any potential conflicts of interest between Sunlight REIT, SKFE or HLD may not necessarily be resolved in favour of Sunlight REIT.

As wholly-owned subsidiaries of HLD, the Manager and the Property Manager may also experience conflicts of interest in relation to the other activities of HLD and its affiliates at an operational level in connection with identifying potential tenants and procuring services.

The Manager may also experience conflicts of interest in its role in overseeing the provision of services by the Property Manager pursuant to the Property Management Agreement.

There can be no assurance that conflicts of interest will not arise between Sunlight REIT, the Manager, the Property Manager, SKFE and HLD in the future, including in relation to the acquisition of properties as well as competition for tenants within the Hong Kong property market and operational property management matters. For further details, see the section headed "Connected Party Transactions" in this Offering Circular.

Sunlight REIT's success depends on the ability of the Manager and the Property Manager to operate the Properties in an effective and efficient manner. Failure to do so may have a material adverse effect on the value of the portfolio and Sunlight REIT's financial performance and condition.

Sunlight REIT is dependent on the Manager to manage its operations and its portfolio of property assets. The Manager has no operating history on which prospective investors may rely in making an investment decision and the Manager will depend on the receipt of fees and other compensation from Sunlight REIT to conduct its operations. The failure of the Manager to implement Sunlight REIT's stated strategy, or of the Property Manager to manage the properties in the portfolio for the time being, may have a material adverse effect on the value of the Properties, Sunlight REIT's financial performance and condition, and its ability to make distributions to Unitholders and to meet debt service obligations as they become due. In addition, any adverse changes in Sunlight REIT's relationship with the Manager, or the Manager's relationship with the Property Manager, could hinder their respective abilities to manage Sunlight REIT's operations and its portfolio of properties. The Manager enjoys certain benefits as a member of the HLD Group, such as the ability to leverage the knowledge, expertise and networks of the HLD Group with regard to property and asset management. If the Manager ceased to be a member of the HLD Group there is no guarantee that these benefits would continue.

Since the day-to-day property management functions for the Properties have been delegated by the Manager to the Property Manager pursuant to the Property Management Agreement, the Manager is dependent on the Property Manager to perform such functions for the Property Companies (although the Manager will retain ultimate decision making power). If the Property Management Agreement is terminated, the Property Companies could face a substantial disruption to their operations and an increase in costs incurred for management of the Properties and for certain corporate and administrative services. The Property Companies would also lose the benefit of the extensive expertise and experience of the HLD Group, of which the Property Manager is a member, in managing and operating properties. Sunlight REIT would also lose its leverage in terms of purchasing power and synergy benefits arising from the Property Manager's relationship with HLD and its other subsidiaries.

Sunlight REIT and the Manager will be dependent on HLD and its affiliates in relation to certain operational aspects, including IT infrastructure.

Sunlight REIT and the Manager will be dependent on HLD and its affiliates to provide IT infrastructure and support services. The provision of such infrastructure and support services will not be entirely within the control of Sunlight REIT or the Manager and the operational capabilities of the Manager may be adversely affected if there is any interruption or defect in the provision of IT infrastructure, services or equipment.

The payment of the Manager's fees in Units may adversely affect the amount of working capital available to the Manager.

Under the Trust Deed, the Manager will be paid its Base Fee and Variable Fee to the extent referable to the Properties in Units (which it may sell) rather than cash at least until 30 June 2011. The Manager may not have other significant sources of cashflow during the period. This may adversely affect the amount of working capital available to the Manager, which may be reliant on HLD or its affiliates to ensure that it has sufficient working capital to manage Sunlight REIT effectively.

Many of the Property Companies are not newly-incorporated companies and may have outstanding liabilities, including tax liabilities which remain uncertain.

Substantially all of the Properties will be held by Sunlight REIT through companies which have operating histories. As a consequence, there is a risk that the Property Companies may have liabilities (including off-balance sheet items) that relate to the period before the Listing Date and which may not relate to the Properties which they currently own.

In particular, there are tax liabilities or tax allowances of the Property Companies which remain uncertain, including: (i) the claw-back of commercial buildings allowance; (ii) tax charges arising from changes in the intention of the owners of the Properties either on or prior to the Listing Date; (iii) possible stamp duty charges relating to the creation of non-voting deferred shares (described in further detail in the section headed "Material Agreements and other documents relating to Sunlight REIT — Information on the non-voting deferred shares" in this Offering Circular); and (iv) other potential disputes with the relevant tax authorities. The Manager has obtained an opinion from leading counsel to the effect that the transactions relating to the creation of the non-voting deferred shares would not attract a liability to Hong Kong stamp duty. In the event that those transactions were to give rise to a charge to Hong Kong stamp duty (which, according to the opinion of the leading counsel, is not the case), the Manager estimates that the total potential liability of the relevant companies under the Stamp Duty Ordinance would amount to about HK$34.9 million. In the event that the transactions were regarded as attracting a stamp duty liability, there would in any case be an obligation on the relevant Vendors and SKFE (as guarantor for the relevant Vendors) to pay an amount equal to such liability pursuant to the relevant Deed of Tax Covenant, provided that such claim was brought within seven years from the date of Completion (being the Listing Date). In addition, certain shareholder loans will on the Listing Date be assigned to Sunlight REIT and/or the REIT Group Companies, the interest payments on which the Manager believes to be deductible in computing the tax payable by the relevant REIT Group Company. However, there can be no assurance that the Inland Revenue Department will not take a contrary view of the deductibility of such interest payments. The Directors have obtained advice from professional advisers regarding these uncertainties but no advance tax rulings have been obtained.

Under the Sale and Purchase Agreements, the Vendors of each of the Target Companies have provided representations, warranties and indemnities regarding any undisclosed outstanding liabilities of such Target Companies and their subsidiaries. For each Target Company, a separate Deed of Tax Covenant will also be entered into by each Vendor and the relevant guarantor under which they will covenant to pay the Purchaser Company in respect of certain taxation liabilities as further described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — Sale and Purchase Agreements and Deeds of Tax Covenant for the Target Company Shares" in this Offering Circular. The obligations of the Vendors under the Sale and Purchase Agreements will be guaranteed by the entities described in that section. In the case of the Beverley Commercial Centre Property and the On Loong Commercial Building Property, SKFE and HLD (respectively) will each enter into a Deed of Undertaking and Indemnity relating to certain costs and expenses of compliance with fire safety directions, on which further information is provided in the section headed "Material Agreements and other Documents Relating to Sunlight REIT" in this Offering Circular. In the case of Kwong Wah Plaza Property, HD will also enter into a Deed of Undertaking and Indemnity relating to any amounts judicially determined by the Lands Tribunal or the higher courts to be payable by Seiren Investment Limited to the Government in the government rent proceedings as further described in the section headed "The Properties and Business — General —

Litigation" in this Offering Circular. Any failure by the Vendors, SKFE, HLD or the other guarantors to fulfill their obligations under the Sale and Purchase Agreements, the Deeds of Tax Covenants and the Deeds of Undertaking and Indemnity may have a material adverse impact on the financial condition of Sunlight REIT.

Sunlight REIT is exposed to the risk that SKFE, HLD, HIL, HD, the other Vendors of the Target Company Shares, the HLD Subscribers or the SKFE Subscribers will not perform their obligations under the DPU Guarantees, the Deeds of Adjustment Payments or the Deeds of Distribution Waiver or that such obligations may be challenged under applicable insolvency or fraudulent transfer laws.

Pursuant to the DPU Guarantees, the Vendors of the Target Company Shares have each agreed to guarantee, severally in the proportions of the respective Appraised Values of the Properties (or parts thereof or interests therein) sold by the Vendors to the REIT Group Companies that the DPU of Sunlight REIT (after taking into account the Distribution Waiver) for the period from the Listing Date to 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 will also guarantee, on the same basis but subject to a cap in the event of Force Majeure in respect of payments relating to the years ending 30 June 2008 and 30 June 2009, 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). These guarantees are subject to the terms of the DPU Guarantees and assume that the Manager distributes 100% of Annual Distributable Income for the relevant periods and that there are no further issues of Units (save for the payment of the Manager's Base Fee and Variable Fee, but not other fees, in Units) prior to the Record Dates for those relevant periods. If any additional Units are issued (other than the payment of the Manager's Base Fee or Variable Fee in Units), the guaranteed DPU will be adjusted downwards. The guarantee may cease in some circumstances if the Manager makes any acquisition or disposal of properties for which the prior approval of the guarantors is not obtained. Under the Deeds of Distribution Waiver, the SKFE Subscribers and HLD Subscribers have agreed to waive certain of their entitlements to receive distributions of Sunlight REIT until 30 June 2011, and they must make Distribution Waiver Payments if the relevant Subscribers hold on any Record Date fewer Units than the number of Units in respect of which they have agreed to waive their entitlements to distributions. The obligations of the SKFE Subscribers to make such payments are guaranteed by SKFE and the obligations of the HLD Subscribers to make such payments are guaranteed by HLD. The Vendors of the Target Company Shares have also agreed, subject to a cap in the event of Force Majeure in respect of payments relating to the years ending 30 June 2008 and 30 June 2009, to make Adjustment Payments which effectively top-up the rental income from the Properties to the extent that the Consolidated Rental Income in respect of all of the Properties is less than the Assured Minimum Rental. The total Adjustment Payments will be borne by those Vendors in the proportions of their respective interests in the Properties as at completion of the Sale and Purchase Agreements, irrespective of the actual Rental Income derived from each Property. The obligations of those Vendors (other than HIL) will be guaranteed by SKFE, HLD and HD as applicable. There is a risk that the arrangements under the Deeds of Adjustment Payments could be recharacterised as taxable receipts which should have been paid to the Property Companies. HLD, SKFE, HD and HIL have indemnified Sunlight REIT and the REIT Group Companies for any tax falling on Sunlight REIT or any REIT Group Companies resulting from or by reference to the Deeds of Adjustment Payments. For further details, please refer to the section headed "Management Discussion and Analysis of Future Results of Operations — Adjustment Payments" in this Offering Circular.

Failure by SKFE, HLD, HIL, HD, the other Vendors of the Target Company Shares, the HLD Subscribers or the SKFE Subscribers to fulfill their obligations under the DPU Guarantees, the Deeds of Adjustment Payments or the Deeds of Distribution Waiver, if called on, could have a material adverse effect on the amount of DPU for that period. In addition, under bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in Hong Kong, a guarantee could be voided if, amongst other things, the guarantor, at the time it gives its guarantee, did so with the intent to defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given. If a court voided any of the DPU Guarantees, the Deeds of Adjustment Payments or the Deeds of Distribution Waiver, or held any of the guarantees, waivers or obligations unenforceable for any other reason, holders of the Units would cease to have a claim against SKFE, HLD, HIL, HD or those other companies, as applicable, based upon the guarantees or adjustment provisions. In addition, there is no guarantee of DPU for any period after 30 June 2009, no Adjustment Payments in respect of the Consolidated Rental Income of the Properties for any period after 30 June 2009 and no Distribution Waiver for any period after 30 June 2011. If an event of Force Majeure occurred, the obligations of SKFE and HLD under the DPU Guarantees and the Vendors of the Target Company Shares under the Deeds of Adjustment Payments in respect of payments after the Force Majeure event relating to the years ending 30 June 2008 and 30 June 2009 would be subject to a cap of HK$300 million minus the amounts already paid under the Deeds of Adjustment Payments and the DPU Guarantees, and distributions per Unit may be materially adversely affected.

Sunlight REIT is exposed to the risk that the Swap Counterparty will not perform its obligations under interest rate swap arrangements.

The Finance Company, as part of its hedging strategies, entered into interest rate swap agreements with The Hongkong and Shanghai Banking Corporation Limited (rated Aa2 (Issuer rating) by Moody's Investors Service and rated AA/A-1 + (Senior unsecured, foreign currency) by Standard and Poor's Ratings Services) as to the total notional amount of HK$3,950 million of the term loan under the Facility Agreements), to manage Sunlight REIT's exposure to fluctuations in interest rates. An aggregate upfront swap fee of HK$195.2 million in relation to the swap arrangements, which is effectively funded out of the proceeds of the Offering, will be paid by the Finance Company after the acquisition of the Finance Company Share by the Holding Company (together with the benefit of the interest rate swap arrangements) and the Novation. As a result of the swap arrangements, the interest rate of the Facility will be effectively fixed from the Listing Date until 30 June 2011 at an average rate of 3.44%. Sunlight REIT, through the Finance Company, is exposed to the risk that the Swap Counterparty will not perform their obligations. These parties may default on their obligations to Sunlight REIT due to insolvency, lack of liquidity, operational failure or other reasons. In addition, the Swap Counterparty may fail to honour their obligations under the interest rate swap agreements, the agreements may not be effective in reducing the Finance Company's exposure to interest rate changes and a court could rule that such an agreement is not legally enforceable. In such instances, Sunlight REIT may not generate sufficient income or may not have sufficient cashflow to meet its interest payment obligations under the Facility and/or to pay distributions to Unitholders.

Sunlight REIT relies on three of the Properties for a substantial portion of its net property income (constituting approximately 64.5% of net property income of the portfolio for the year ended 30 June 2006).

Sunlight REIT depends on 248 Queen's Road East, Metro City Phase I Property and Sheung Shui Centre Shopping Arcade for a substantial portion of its net property income. In the year ended 30 June 2006, these Properties together contributed approximately 64.5% of the net property income of the Property Companies. Although the portfolio is geographically diversified within Hong Kong, any local factors or negative conditions with respect to these properties may have a significant adverse impact on the overall performance of Sunlight REIT.

The Manager and the Property Manager may not be able to renew leases on terms which are acceptable to it and the failure of tenants to renew leases may have an adverse impact on occupancy rates and the abilities of Sunlight REIT to pay distributions to Unitholders.

There is a risk that the Manager may not be able to negotiate lease extensions with some existing tenants as lease terms expire, or replace expiring leases with leases on equivalent terms. Further, the ability of the Manager to secure lease renewals and/or obtain replacement tenants may be influenced by demand for and supply of properties and the suitability of potential replacement tenants with regard to the tenant mix of the property. These may have an impact on the property income, occupancy rates, the Annual Distributable Income of the REIT and value of Sunlight REIT's property portfolio. In May 2005, a major tenant in 248 Queen's Road East did not renew its lease and parts of the leased premises remained vacant for a period of up to approximately six months, owing to an increased supply of office premises in the vicinity at the time. This had a material negative impact on the combined revenue of the Property Companies for the year ended 30 June 2006 and the occupancy rates for that year. Due primarily to rising rental rates, renewal rates for the entire portfolio by expired leased area decreased from 57.0% in FY2006 to 55.5% during the three months ended 30 September 2006 and renewal rates for the entire portfolio by number of leases expired decreased from 53.0% in FY2006 to 43.0% during the three months ended 30 September 2006. As a result of the lease-up periods generally experienced in the case of non-renewals (partially offset by a higher occupancy rate for 248 Queen's Road East), there was a lower average occupancy rate for the three months ended 30 September 2006 compared to FY2006. A number of tenancies falling for renewal between 30 June 2006 and 4 December 2006 will not be renewed by the existing tenants. Non-renewals are not unusual, and may occur for a variety of reasons, including increases in rentals making renewal not possible or desirable for existing tenants, the commercial decisions of landlords and tenants, a preference for a different tenant mix, or prevailing market conditions. Although the Manager does not expect any of these non-renewals to have a material adverse effect on net property income of the portfolio as a whole, there can be no assurance that other major tenants will renew their tenancies when they expire in the future. In the event of any non-renewals, the affected Property may experience vacancies for a significant length of time, which could have a material adverse impact on net property income and on Annual Distributable Income.

The failure of tenants to meet their lease commitments may have a material adverse effect on the income and value of Sunlight REIT's portfolio of properties.

The ability of tenants to meet their lease commitments in a timely manner will be dependent on their financial standing. There is a possibility that some tenants may default on their lease commitments or other obligations under leases, or that the guarantors (if any) of such lease commitments may default on their obligations, leading to a potential reduction in the income and/or value of Sunlight REIT's property portfolio. For more information on the delinquency rates relating to each of the Properties, please refer to the section headed "The Properties and Business — Delinquency Rates" in this Offering Circular.

Sunlight REIT faces significant competition.

The property market in Hong Kong is highly competitive. Sunlight REIT competes for tenants with numerous developers, owners and operators of retail and office properties, many of which own properties similar to those of Sunlight REIT (including SKFE and HLD). During the year ended 30 June 2006, 248 Queen's Road East recorded a drop in average occupancy rate due to the relocation of a large tenant in April 2005 (which had occupied six and a half floors) and the related subsequent vacancies. Vacancies at a nearby competing building resulted in unfavourable leasing conditions for neighbouring properties. In addition, one of the Properties, Metro City Phase I Property, faces possible competition with neighboring properties which are owned by connected persons. Metro City Phase I is an integral part of the Metro City Shopping Centre development, a regional shopping mall in Kowloon East. The shopping arcades of Metro City Phases II and III are currently owned by subsidiaries of HLD. The Manager believes that, while there would inevitably be some competition between the three phases of Metro City shopping arcades, it is expected that the owners of the three shopping arcades will continue to co-operate among themselves to promote the three shopping arcades as a whole. Nevertheless, there can be no assurance that competition from Metro City Phases II and/or III will not adversely affect the distributable income of Sunlight REIT.

Sunlight REIT will also compete with other property companies in Hong Kong for property acquisitions and property-related investments (including SKFE and HLD). An inability to compete effectively could adversely affect Sunlight REIT's business, financial condition and results of operations. In addition, significant new office and retail supply coming on stream may result in additional competition for tenants in office and retail markets. Notable office projects include International Commerce Centre (ICC) in Tsimshatsui and Wai Yip Street/King Yip Street in Kwun Tong which are estimated to be completed in phases from the end of 2007. Other office projects estimated to be completed in 2008 include Westlands Road in Quarry Bay, Sheung Yuet Street/Wang Chiu Road and Wang Tai Road/Sheung Yee Road in Kowloon Bay. Notable retail projects estimated to be completed between 2007 and 2008 include Union Square (Kowloon Station), Hanoi Road Urban Renewal Project (Tsimshatsui), Enterprise Square 5 (Kowloon Bay), Skyplaza (Chek Lap Kok), and 35 Clear Water Bay Road (Choi Hung).

The properties of Sunlight REIT may be disrupted by the redevelopment or renovation of those properties or neighbouring properties.

Redevelopment or renovation of the properties of Sunlight REIT may have a material adverse impact on the ability to lease those properties. Further details of planned or possible renovations or redevelopment in relation to Righteous Centre, Metro City Phase I Property, On Loong Commercial Building Property and Beverley Commercial Centre are set out in the section headed "The Properties and Business" in this

Offering Circular, under the respective sub-sections relating to those Properties. Furthermore, there can be no assurance that any buildings neighbouring any of Sunlight REIT's properties will not be demolished or redeveloped for alternative uses, or that the use or redevelopment of other properties within a building (the whole of which is not owned by Sunlight REIT) may cause disruption to properties of Sunlight REIT. Any such redevelopment or renovation (which may involve a temporary closure) could reduce the number of occupiers or tenants or visitors' traffic in the vicinity and reduce the Rental Income for the properties of Sunlight REIT. Alternatively, any such redevelopment could add properties that compete with the properties of Sunlight REIT. In either case, such a redevelopment could have a material adverse effect on Sunlight REIT's financial condition and results of operations.

Insufficient cash flows or distributable income of the REIT Group Companies or Sunlight REIT may adversely affect Sunlight REIT's ability to pay or maintain distributions to Unitholders.

The net operating profit earned from property investments depends on, amongst other things, the amount of Rental Income received, and the level of property, operating and other expenses incurred. If properties held by Sunlight REIT directly or indirectly do not generate sufficient net operating profit, Sunlight REIT's income, cash flow and ability to make distributions to Unitholders may be adversely affected. In addition, if the REIT Group Companies have insufficient cash flows or distributable profits, surplus or reserves, or if they do not make the expected level of distributions, in any financial year, Sunlight REIT's income, cash flow and ability to pay or maintain distributions to Unitholders will be adversely affected. It is possible that Annual Distributable Income accruing to Unitholders may exceed total cash available to Sunlight REIT because of items such as capital expenditure. Accordingly, distributions may need to be funded by cash generated from the sale of assets. In addition, although Sunlight REIT may be able to incur additional borrowings in order to make the expected level of distributions, in the event it faces liquidity constraints, its ability to do so is limited by the requirement in the REIT Code that its borrowings be no more than (currently) 45% of its total gross asset value and it may not have access to borrowings in a timely or cost-effective manner. As a result, any use of borrowings to make the expected level of distributions would only be a short-term measure.

No assurance can be given as to Sunlight REIT's ability to pay or maintain distributions. Neither is there an assurance that the level of distributions will be maintained or increase over time, that there will be contractual increases in rent under the leases of Sunlight REIT's properties or that the receipt of Rental Income in connection with expansion of Sunlight REIT's properties or future acquisitions of properties will increase Sunlight REIT's cash flow available for distribution to Unitholders.

The value of Sunlight REIT's property portfolio is affected by local, regional and international economic conditions.

Sunlight REIT's business is affected by local, regional and international economic conditions including changes to monetary policy, fiscal policy, interest rates, stock market indices, exchange rates, taxation rates and inflation. Sunlight REIT's business is also exposed to economic cycles and volatility.

Changes to these economic and financial market conditions may have an effect on the level of activity and demand for properties in the property portfolio, and may have a material adverse effect on the income of Sunlight REIT, the value of its property portfolio, its financial performance and condition.

Risks Relating to the Properties

Some of the Properties are parts of a building or development in which Sunlight REIT holds less than 100% of the undivided shares in that building or development, which gives the Manager more limited control and rights over these properties.

Under Hong Kong law, the interest of an owner in property which comprises strata title (i.e. a certain number of floors or a certain section of a building) is a proportionate undivided ownership interest in the whole building, coupled with a right of exclusive possession over the relevant floors or sections comprising the owned property. Sunlight REIT will hold a minority of the undivided ownership interests in some of the Properties. In the case of Metro City Phase I Property, Sheung Shui Centre Shopping Arcade, Glory Rise Property, Supernova Stand Property, Palatial Stand Property and Royal Terrace Property, the Property represents the entire or effectively the entire commercial accommodation of the development (the remaining units being mainly residential units). In the case of Beverley Commercial Centre, the Property represents a number of commercial units within the development. In each case, the remaining undivided ownership interests are widely held by unrelated third parties. The deeds of mutual covenant that govern the Properties provide that matters are to be decided by majority vote. Accordingly, in the event that a sufficiently large percentage of the remaining widely held undivided ownership interests were to vote together, Sunlight REIT will not have the ability to control certain major decisions relating to those Properties and the common areas in those buildings. This could mean, for example, that the majority owners of the development or building could make decisions with respect to those buildings that are not in the best interests of Sunlight REIT, including matters relating to the management and maintenance of the building (although they could not replace the Manager). These decisions could result in an increase in the management charges payable by, and additional obligations being imposed on, Sunlight REIT.

Sunlight REIT's Properties are all located in Hong Kong, which exposes Sunlight REIT to cyclical economic and real estate market conditions in Hong Kong.

The Properties to be acquired by Sunlight REIT are all situated in Hong Kong. As a result, Sunlight REIT's results of operations depend, to a large extent, on the performance of the Hong Kong economy and Hong Kong real estate market conditions. Historically, the Hong Kong property market has been cyclical and Hong Kong property values and rents have been affected by, amongst other factors, supply and demand of comparable properties, the rate of economic growth in Hong Kong, interest rates, inflation, and political and economic developments in China. There can be no assurance that the Hong Kong economy will continue to improve, that property values and rents will not decline or that interest rates will not rise in the future. An economic decline in Hong Kong generally, or a decline in property market conditions in Hong Kong, would have a material adverse effect on Sunlight REIT's business, financial performance and condition.

The appraisals of the Properties are based on certain assumptions and the price at which it is able to sell a property may be different from the Appraised Value or initial Acquisition Value of such property.

The valuation of the Properties prepared by Savills Valuation and Professional Services Limited, the Independent Property Valuer, is contained in Appendix V to this Offering Circular. In conducting its valuations, the Independent Property Valuer used the income capitalisation and the direct comparison methods. The valuations were based on certain assumptions, which, by their nature, are subjective and uncertain and may differ materially from actual measures of the market. In addition, property valuations generally, and the valuation conducted by the Independent Property Valuer in particular, include a subjective determination of certain factors relating to the Properties, such as their relative market positions, their financial and competitive strengths, location, and their physical condition. Accordingly, there can be no assurance that the assumptions are accurate measures of the market or that the Properties were valued accurately. Further, the Appraised Value of any of the Properties is not an indication of, and does not guarantee, a sale price at that value at present or in the future. The price at which Sunlight REIT may sell a property may be lower than the Appraised Value or the initial Acquisition Value of such property.

Income from, and expenditures in relation to, the Properties may not be as expected, which may adversely affect the financial condition of Sunlight REIT.

Income from the Properties may be adversely affected by the general economic climate, local conditions such as over-supply of properties or reduction in demand for properties in the market in which Sunlight REIT operates, the attractiveness of Sunlight REIT's properties to tenants, management style, competition from other available properties, untimely collection of rent, changes in laws and increased operating costs and expenses. In addition, income from real estate may be affected by such factors as the cost of regulatory compliance, interest rate levels and the availability of financing.

The Manager believes that one of the drivers of rental growth of the Properties will be an increased number of visitors to Hong Kong from China, including those visiting Hong Kong pursuant to the IVS. In the event the IVS does not continue to expand as expected, or the number of visitors to Hong Kong in the future is less than predicted, the rental growth forecasts could be adversely affected.

The Government is conducting a consultation process regarding the possible introduction of a Goods and Services Tax in Hong Kong. The consultation document prepared by the Government indicates that any decision to proceed with the introduction of a Goods and Services Tax will be made by the Government of the next term, which is expected to take office on 1 July 2007, following a recommendation to be determined at the conclusion of the consultation exercise. The consultation document also states that the actual commencement date for any Goods and Services Tax to be introduced is likely to be at least two to three years after a decision is made by the Government of the next term with respect to the possible introduction of such a tax. Therefore, any Goods and Services Tax is unlikely to apply before July 2009. It is not possible to predict accurately whether a Goods and Services Tax will be introduced at all and, if so, when such a tax will be effective or the economic consequences of its introduction as the key features of any such tax have not been decided, including the rate to be applied. However, it is possible that the

introduction of the tax may have an adverse effect on Sunlight REIT's business, financial performance and financial condition if, for example, it caused a drop in private consumption demand, which may adversely affect retail or other tenants of Sunlight REIT, which could in turn result in a drop in rental and renewal rates.

If the properties in Sunlight REIT's portfolio do not generate revenues sufficient to meet operating expenses, including debt service and capital expenditure, Sunlight REIT's ability to make distributions will be adversely affected. Capital expenditure and other expenses may be irregular since continuing repairs and maintenance involve significant and potentially unpredictable expenditure. Both the amount and timing of expenditure will have an impact on the cash flow of Sunlight REIT. Increases in certain significant expenditures associated with investments in real estate (such as insurance costs and operating and maintenance costs) may cause a reduction in income from a Property, which could have an adverse effect on the financial condition and results of operations of Sunlight REIT.

The due diligence exercise on buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies.

In connection with the acquisition of the Properties, due diligence reviews, surveys and inspections have been conducted by the Property Consultants. A letter from the Property Consultants in relation to their due diligence survey report is set out in Appendix VII to this Offering Circular. The due diligence survey comprised: (i) visual inspection of the Properties; (ii) verification of the current building layouts and usage against the latest general building plans; (iii) review of current building layouts to identify any existing or potential hazards; (iv) verification of existing or potential hazards; and (v) visual inspections of all major building services installations, including air-conditioning, fire services, lifts, escalators, plumbing and above ground drainage. Nevertheless, the due diligence process with respect to the physical condition of the Properties has been limited. There can be no assurance that such reviews, surveys or inspections (or the relevant review, survey or inspection reports on which Sunlight REIT, the Manager and the Underwriters have relied) would have revealed all defects or deficiencies affecting the portfolio of Properties. In particular, there can be no assurance as to the absence of: (i) latent or undiscovered defects or deficiencies; or (ii) inaccuracies or deficiencies in such reviews, surveys or inspection reports, any of which could have a material adverse impact on Sunlight REIT's business, financial condition and results of operations.

Non-compliance with the terms of the Government Grant may allow the Government to terminate and re-enter the property.

In the case of one of the Properties, Sheung Shui Centre Shopping Arcade, there are some instances of tenants exhibiting name signages or advertising placards at their shop-fronts which may not comply fully with the terms of the Government Grant (as described more fully in the section headed "Material Agreements and other Documents relating to Sunlight REIT — Information Regarding the Leasehold Title to the Properties — Certain Matters Relating to the Leasehold Title to the Properties" in this Offering Circular). Such non-compliance may result in the relevant Property Company being in breach of the terms and conditions in the relevant Government Grant, which may give rise to the right on the part of the Government to terminate the Government Grant and re-enter the property. Any such re-entry may have a

material adverse effect on Sunlight REIT's business, financial condition and results of operations. Counsel's opinion has been obtained by the Manager that such an exhibition of the name-signages or the advertising placards does not amount to any breach of the terms of the Government Grant such as to render an otherwise good marketable title defective or defeasible.

Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow.

Design, construction or other latent property or equipment defects in the Properties (or any other properties that may in the future be in Sunlight REIT's portfolio of properties) may require additional capital expenditure, special repair or maintenance expenses or the payment of damages or other obligations to third parties, other than those disclosed in this Offering Circular. Costs or liabilities arising from such property or equipment defects may involve significant and potentially unpredictable patterns and levels of expenditure which may have a material adverse effect on Sunlight REIT's earnings and cash flows.

Representations, warranties and indemnities given by any seller of real estate are unlikely to afford satisfactory protection from costs or liabilities arising from such property or equipment defects.

Most of the Properties' leases are for periods of between two and three years or less, which exposes the portfolio to significant rates of lease expiry each year.

Most of the tenancies for the Properties are for periods of between two and three years or less, which reflects the general practice in the Hong Kong commercial property market for tenancies. As a result, each of the Properties experiences lease cycles in which a significant number of the leases expire each year. This frequency of expiries makes Sunlight REIT susceptible to rental market fluctuations which, in a declining market, may lead to higher vacancies and lower rents and which will in turn reduce its revenues. The tenancy renewal rates by expired leased area in the years ended 30 June 2004, 2005 and 2006 and the three months ended 30 September 2006 were 61.8%, 55.9%, 57.0% and 55.5%, respectively. If a large number of tenants fail to renew their leases in the same year, Sunlight REIT's business, financial condition and results of operations may be materially adversely affected.

Any recurrence of severe acute respiratory syndrome, or SARS, or an outbreak of avian influenza A (H5N1) virus or another widespread public health crisis could adversely affect Sunlight REIT's business, financial condition and results of operations.

During the outbreak of SARS in early 2003, the Properties experienced declining average occupancy rates and rental rates. More recently, China, Vietnam, Indonesia, Hong Kong and other areas in Asia have experienced outbreaks of avian influenza A (H5N1) virus ("Avian Flu") in birds and, in some cases, in humans. Although the number of human cases of Avian Flu is relatively small at present, the future global impact of the disease is uncertain. According to the World Health Organisation, influenza viruses are inherently unstable and specific mutations and evolution in influenza viruses cannot be predicted, which means that it cannot be accurately known whether a virus such as Avian Flu might acquire the properties needed to spread easily and sustainably among humans.

A renewed outbreak of SARS or an outbreak of Avian Flu (whether or not affecting humans) or another widespread public health crisis in Hong Kong or elsewhere could have a material adverse effect on the income from the Properties and on Sunlight REIT's business, financial condition and results of operations, particularly if any of the properties in Sunlight REIT's portfolio are identified as being close to a possible source of the transmission of the disease. In particular, the retail properties would be likely to suffer lower Rental Income due to a general decrease in shopping activity as people may avoid busy areas or as consumer demand reduces, and due to fewer visitors coming to Hong Kong. The office properties may also suffer lower Rental Income as the economy in general may be adversely affected. Any negative impact on Rental Income or increased costs as a result of a widespread health crisis may in turn adversely affect distributions per Unit. As well as the impact on Rental Income, the market value of the properties in Sunlight REIT's portfolio may be adversely affected as a result of property-specific factors or as a result of a decline in the property market generally.

Risks Relating to Investing in the Property Market

There are general risks attached to investments in the property market.

Investments in the property market are subject to various risks, including but not limited to: (i) adverse changes in political or economic conditions; (ii) adverse local market conditions; (iii) the financial condition of tenants and buyers and sellers of properties; (iv) changes in availability of debt or equity financing, which may result in an inability by Sunlight REIT to finance future acquisitions on favourable terms or at all; (v) changes in interest rates and other operating expenses; (vi) changes in environmental laws and regulations, zoning laws and other governmental rules and fiscal policies; (vii) environmental claims arising in respect of real estate; (viii) changes in market rents; (ix) changes in energy prices; (x) changes in the relative popularity of property types and locations leading to an oversupply of space or a reduction in tenant demand for a particular type of property in a given market; (xi) competition among property owners for tenants which may lead to vacancies or an inability to rent space on favourable terms; (xii) inability to renew leases or re-let space as existing leases expire; (xiii) inability to collect rents from tenants on a timely basis or at all due to bankruptcy or insolvency of tenants or otherwise; (xiv) insufficiency of insurance coverage or increases in insurance premiums; (xv) increases in the rate of inflation; (xvi) inability of the Property Manager to provide or procure the provision of adequate maintenance and other services; (xvii) defects affecting the portfolio properties (including defects in title) which need to be rectified, or other required repair and maintenance of the portfolio properties, leading to unforeseen capital expenditure; (xviii) the tenants (or any one or more of them) of the portfolio properties failing to comply fully with the terms of their respective tenancy agreements which may result in the relevant Property Company being in breach of the terms and conditions in the relevant Government Grant, which may give rise to the right on the part of the Government to terminate the Government Grant and re-enter the property; (xix) the relative illiquidity of real estate investments; (xx) considerable dependence on cash flow for the maintenance of, and improvements to, the portfolio properties; (xxi) increased operating costs, including real estate taxes; (xxii) any interest and encumbrance that cannot be or has not been revealed by a land search conducted at the Land Registry at the time of the search; and (xxiii) acts of God, uninsurable losses and other factors.

Many of these factors may cause fluctuations in occupancy rates, rental rates or operating expenses, causing a negative effect on the value of real estate and income derived from real estate. The annual valuation of the properties in Sunlight REIT's property portfolio will reflect such factors and as a result may fluctuate upwards or downwards. The capital value of Sunlight REIT's real estate assets may be significantly diminished in the event of a sudden downturn in real estate market prices or the economy in Hong Kong.

Sunlight REIT may be adversely affected by the illiquidity of property investments.

Sunlight REIT invests primarily in property for which there may only be a limited number of potential investors. Accordingly, these investments are illiquid in nature, which may lead to their realisable value to be less than their book value. Such illiquidity may affect Sunlight REIT's ability to vary its investment portfolio or liquidate part of its assets in response to changes in economic, property market or other conditions. For example, Sunlight REIT may be unable to liquidate its assets on short notice or may be forced to agree to a substantial reduction in the price that may otherwise be sought for such assets, to ensure a quick sale. In addition, Sunlight REIT and the REIT Group Companies may face difficulties in securing timely and commercially favourable financing in asset-based lending transactions secured by real property due to the illiquid nature of real property assets. Under the REIT Code, Sunlight REIT is also generally prohibited from disposing of property within two years of its acquisition. These factors could have an adverse effect on Sunlight REIT's business, financial condition and results of operations, with a consequential adverse effect on Sunlight REIT's ability to make expected distributions to Unitholders. The fact that Sunlight REIT invests primarily in real estate assets entails a higher level of risk than a portfolio which has a more diversified range of investments because adverse factors may affect real estate more than other investments.

Sunlight REIT may not be able to procure appropriate insurance cover.

The availability of insurance at a reasonable premium and on appropriate terms is important to Sunlight REIT's operations. The availability of insurance on appropriate terms may change over time and there can be no assurance that Sunlight REIT will be able to procure adequate insurance cover at reasonable premiums or at all. Certain types of events or losses, such as the loss of Rental Income for an extended period, may not be insurable or insurable at a reasonable premium. The inability of the Manager to procure insurance cover on appropriate terms, or the occurrence of an uninsured event, may have a material adverse effect on Sunlight REIT's financial performance and condition.

In addition, Sunlight REIT will have to renew its policies every year and negotiate acceptable terms for coverage, exposing it to the volatility of the insurance markets, including the possibility of increases in premiums. The Manager will regularly monitor the state of the insurance market, but it cannot anticipate what coverage will be available on commercially reasonable terms in future policy years. Any material increase in insurance premiums or reduction in available coverage in the future could adversely affect Sunlight REIT's business, financial condition and results of operations.

The properties of Sunlight REIT or part thereof may be acquired compulsorily.

The Government has the power to acquire compulsorily any land in Hong Kong pursuant to the provisions of applicable legislation including the Lands Resumption Ordinance (Chapter 124 of the Laws of Hong Kong), Roads (Works, Use and Compensation) Ordinance (Chapter 370 of the Laws of Hong Kong), Railways Ordinance (Chapter 519 of the Laws of Hong Kong), Land Acquisition (Possessory Title) Ordinance (Chapter 130 of the Laws of Hong Kong), Land Drainage Ordinance (Chapter 446 of the Laws of Hong Kong), Urban Renewal Authority Ordinance (Chapter 563 of the Laws of Hong Kong) and Mass Transit Railway (Land Resumption and Related Provisions) Ordinance (Chapter 276 of the Laws of Hong Kong).

In the event of any compulsory acquisition of property in Hong Kong, the amount of compensation to be awarded is based on the open market value of a property and is assessed on the basis prescribed in the relevant ordinances. If any of the properties in the Sunlight REIT portfolio from time to time are acquired compulsorily by the Government, the level of compensation paid to Sunlight REIT pursuant to this basis of calculation may be less than the price which Sunlight REIT paid for such properties and/or the market value of such properties at the relevant time.

Sunlight REIT could incur significant costs or liability related to environmental matters.

Sunlight REIT's operations are subject to various environmental laws, including those relating to air pollution control, water pollution control, waste disposal, noise pollution control and the storage of dangerous goods. Under these laws, an owner or operator of real property may be subject to liability, including a fine or imprisonment, for air pollution, noise pollution or the presence or discharge of hazardous or toxic chemicals at that property. In addition, Sunlight REIT may be required to make capital expenditures to comply with these environmental laws. The presence (if any) of contamination, air pollution, noise pollution or dangerous goods without a valid licence or the failure to remediate contamination, air pollution, noise pollution or dangerous goods may expose Sunlight REIT to liability or materially adversely affect its ability to sell or lease the real property or to borrow using the real property as collateral.

The valuation analysis may not be representative of an investment in Sunlight REIT.

The Independent Property Valuer adopted the capitalisation approach as the primary method in valuing the Properties as at 30 September 2006 with the direct comparison approach to support this. The capitalisation method assumes a stable or normalised level of net operating income from a particular property and capitalises the income at an expected rate of return, or capitalisation rate.

The valuation is dependent on (amongst other things) capital expenditure forecasts produced by the Property Consultants based on building surveys and building services engineers' inspections. For further details, see Appendix VII to this Offering Circular and the risk factor headed "The due diligence exercise on buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies" above.

There can be no assurance that the valuation method or the assumptions used for the purposes of the valuation will prove to be accurate or reliable. The appraised value of any of the Properties is not an indication of, and does not guarantee, that a Property could be sold by Sunlight REIT at that price currently or in the future. The price at which Sunlight REIT may sell a Property (if at all) may be lower than the purchase price of the Properties to be paid by Sunlight REIT.

Risks Relating to an Investment in the Units

The Units have never been publicly traded and the Offering may not result in an active or liquid market for the Units.

Prior to the Offering, there has been no public market for the Units and an active public market for the Units may not develop or be sustained after the Offering. Although the Units will be listed on the Hong Kong Stock Exchange following completion of the Offering, this does not guarantee that a trading market for the Units will develop or, if a market does develop, that there will be liquidity in that market. Since there have only been a relatively small number of REITs listed on the Hong Kong Stock Exchange, it is not certain whether an active market for trading of units in REITs will develop and continue in Hong Kong.

The REIT Code has a limited history and the application and interpretation of its provisions may be uncertain.

The SFC is empowered under section 104(1) of the SFO to authorise collective investment schemes, subject to such conditions as it considers appropriate. The REIT Code, to which Sunlight REIT is subject, was published by the SFC in August 2003 and revised in June 2005. The REIT Code does not have the force of law and, due to its limited history, there may be uncertainties in relation to the interpretation and manner of enforcement of the provisions set out therein. In December 2005, the SFC announced a policy to require that provisions substantially equivalent to those in Part XV of the SFO be adopted in trust deeds of REITs. The SFC may further amend the provisions set out in the REIT Code or announce further policy requirements. The SFC reserves the right to review its authorisation of Sunlight REIT and may amend the conditions of such authorisation or withdraw such authorisation as it considers appropriate. Furthermore, no assurance can be given that future legislation, administrative rulings, court decisions or changes to the REIT Code will not adversely affect the financial condition and results of operations of Sunlight REIT or an investment by a Unitholder.

An investment in the Units may present taxation risks for prospective investors.

Sunlight REIT, as a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO is exempt from Hong Kong profits tax, although the Finance Company, the Treasury Company, the Domain Name Company and the Property Companies are subject to taxation in Hong Kong. Any change in the tax status of Sunlight REIT, or any REIT Group Company, or in taxation legislation in Hong Kong generally or any other jurisdiction affecting Unitholders could affect the value of the investments held by Sunlight REIT or affect Sunlight REIT's ability to achieve its investment objectives or alter after-tax returns to Unitholders. If investors have any doubt as to their tax position, they should consult their own tax advisor.

Unitholders will be effectively subordinated to all existing and future claims of creditors of the REIT Group Companies.

The claims of creditors of the REIT Group Companies will have priority to the assets of such entities over the claims of Sunlight REIT and its Unitholders (other than to the extent that Sunlight REIT is an unsubordinated creditor of the Finance Company and the relevant Property Company). The Finance Company is expected to incur indebtedness under the Facility Agreement in connection with the Acquisitions, and the REIT Group Companies may in the future incur unsecured or secured obligations directly. Secured creditors of the Finance Company and the REIT Group Companies would have prior rights of claim over the secured assets, and all creditors of the Finance Company and the REIT Group Companies would rank ahead of the claims of Sunlight REIT (other than to the extent that Sunlight REIT is an unsubordinated creditor of the Finance Company and the relevant REIT Group Company). See the sections headed "Management Discussion and Analysis of Future Results of Operations — Indebtedness" and "Material Agreements and Other Documents Relating to Sunlight REIT — The Loan Facility" in this Offering Circular for further details of the Facility and the subordination deed.

Unitholders have no right to require the redemption of their Units.

Unitholders have no right to require the redemption of their Units. Therefore, there can be no assurance that a Unitholder will be able to dispose of its Units at the Offer Price or any price, or at all, if insufficient liquidity exists in the market for Units.

The price of the Units may decline after the Offering.

The Offer Price of the Units will be determined by agreement between SKFE, HLD, the Manager and the Joint Global Coordinators (on behalf of the Underwriters) and may not be indicative of the market price for the Units after the completion of the Offering. The Units may trade at prices significantly below the Offer Price after the Offering and the price of the Units may be volatile. The price of the Units will depend on many other factors, which may change from time to time, including but not limited to: (i) the perceived prospects of Sunlight REIT's business and investments and the Hong Kong real estate market; (ii) differences between Sunlight REIT's actual financial and operating results and those expected by investors and analysts; (iii) changes in Sunlight REIT's revenues or earnings estimates or analysts' recommendations or projections; (iv) changes in general economic or market conditions both domestically and internationally; (v) the market value of Sunlight REIT's assets; (vi) changes in market valuations of similar listed entities; (vii) increases in interest rates; (viii) the perceived attractiveness of the Units against those of other equity securities, including those not relating to the real estate sector; (ix) the future size and liquidity of the market for the Units and the Hong Kong real estate investment trust market generally; (x) any future changes to the regulatory system, including the tax system, both generally and specifically in relation to Hong Kong real estate investment trusts and owners and operators of property; (xi) the ability on Sunlight REIT's part to implement successfully its investment and growth strategies and to retain its key personnel; and (xii) broad market fluctuations, including weakness of the equity market and increases in interest rates.

For these reasons, amongst others, Units may trade at prices that are higher or lower than the attributable net asset value per Unit. If Sunlight REIT retains operating cash flow for investment purposes, as working capital reserves or for other purposes, these retained funds, while increasing the value of its underlying assets, may not correspondingly increase the market price of the Units. Any failure on Sunlight REIT's part to meet market expectations with regard to future earnings and cash distributions may adversely affect the market price for the Units.

In addition, the Units are not principal-protected products and there is no guarantee that Unitholders can regain the amount invested. If Sunlight REIT is terminated or liquidated, it is possible that investors may lose all or a part of their investment in the Units.

The forward-looking information in this Offering Circular may prove inaccurate.

This Offering Circular contains forward-looking statements regarding, amongst other things, forecast net profits and distribution levels and other financial information. Such forward-looking statements and financial information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Sunlight REIT or the Manager to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements and financial information. Such forward-looking statements and financial information are based on numerous assumptions regarding the Manager's present and future business strategies and the environment in which Sunlight REIT or the Manager will operate in the future, many of which are outside of Sunlight REIT's control (see the sections headed "Profit Forecast" and "Distribution Policy" in this Offering Circular). In addition, Sunlight REIT's revenue is dependent on a number of factors including the ability of the Manager to implement fully its letting strategy and policies, the receipt of dividends or distributions, directly or indirectly, from the REIT Group Companies, the interest rates applicable under any financing arrangements made available to Sunlight REIT, and the receipt of rent from the properties in Sunlight REIT's property portfolio, which may decrease for a number of reasons, including the lowering of occupancy and rental rates, insolvency or delay in rent payment by tenants. This may adversely affect Sunlight REIT's ability to achieve the Manager's profit forecast as some or all events and circumstances assumed may not occur as expected, or events and circumstances may arise which are not currently anticipated. Because such statements and financial information reflect the Manager's current views concerning future events, such statements and financial information necessarily involve risks, uncertainties and assumptions. The inclusion of such forward-looking statements and financial information cannot be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Manager, the Joint Global Coordinators or any other person, nor that such results will be achieved or are likely to be achieved.

Rental yield on real estate to be held by Sunlight REIT is not equivalent to yield on the Units.

Generally speaking, rental yield depends on the amount of net property income (calculated as the amount of revenue generated by the properties concerned, less the expenses incurred in maintaining, operating, managing and leasing the properties) compared against the current value of the properties. Yield on the Units, however, depends on the dividends payable on the Units as compared with the purchase price of the Units. While there may be some correlation between these two yields, they are not the same and will vary. During the period in which any yield enhancement mechanisms are in effect, there may be a further discrepancy between property yield and yield on the Units.

The number of Units available for future sale could adversely affect the market price of the Units.

No prediction can be made as to the effect, if any, that future sales of Units, or the availability of Units for future sale, will have on the market price of the Units. Upon completion of the Offering, it is expected that SKFE will own, through its indirect wholly-owned subsidiaries, 25.2% (assuming that the Over-allotment Option is not exercised) and HLD will own, through its indirect wholly-owned subsidiaries, 4.5% (assuming that the Over-allotment Option is not exercised), of the then outstanding Units. Although there are restrictions pursuant to the Hong Kong Underwriting Agreement on the disposal of Units to be subscribed for under the SKFE Subscription Agreement and the HLD Subscription Agreement until six months after the Listing Date, there can be no assurance that sales of substantial amounts of Units by other parties will not occur or that SKFE and/or HLD and/or their subsidiaries will not dispose of a substantial portion of their respective Units upon the lapse of such restrictions. Sales of substantial amounts of Units in the public market following the Offering, or the perception that such sales could occur, could adversely affect prevailing market prices for the Units.

Unitholders' interests will be diluted because all of the Manager's Base Fee and Variable Fee referable to the Properties will be paid in Units at least until 30 June 2011.

All of the Manager's Base Fee and Variable Fee referable to the Properties will be paid in Units until 30 June 2011. Afterwards, the Manager may elect to receive its Base Fee and Variable Fee in the form of cash and/or Units. Such Units will not be subject to any lock-up restrictions and the Manager may sell the Units in the market at any time (including in order to generate cash to pay its expenses and other outgoings), which may affect the price of the Units. In addition, at the time of a payment in the form of Units to the Manager, the trading price of the Units may be below Sunlight REIT's net asset value, which would result in immediate dilution to Unitholders. See the section headed "The Manager — Fees, Costs and Expenses of the Manager" in this Offering Circular.

The NAV of the Units will be diluted if further issues are priced below the NAV.

The Trust Deed contemplates that new issues of Units may occur, the Issue Price for which may be above, at or below the then current NAV of Sunlight REIT. Where new Units are issued at less than NAV, the NAV of existing Units will be diluted.

The Takeovers Code does not apply to Unit acquisitions and there may be limited information in relation to the interests held by significant holders and other connected persons of Sunlight REIT.

Unitholders' rights differ from, and may be less protective in certain respects than, those granted to shareholders of public companies in Hong Kong. The Takeovers Code does not apply to acquisitions of units in REITs, which means (amongst other things) that a person may acquire any number of Units without being required to make a general offer to acquire the Units held by other Unitholders. Accordingly, Unitholders may not benefit from a possible premium price and may not receive equal prices for Units sold.

In accordance with the REIT Code, interests in the Units held by connected persons of Sunlight REIT are required to be disclosed in the annual report of Sunlight REIT. However, as there is nothing in the SFO which states that the rules on disclosure of interests set out in Part XV of the SFO apply to the Units, and the provisions of the Trust Deed requiring Unitholders to disclose their interests in Sunlight REIT do not have the force of law, this may render it difficult for the Manager to enforce such provisions. Accordingly, the amount of publicly available information concerning holders of significant numbers of Units may be limited and complete disclosure of the interests of connected persons cannot be assured.

Certain rights in relation to Units in which a person has an interest or is deemed to have an interest may be suspended under the provisions of the Trust Deed.

The Trust Deed contains provisions that require relevant persons to disclose to the Manager and the Trustee information in relation to the acquisition or disposal of interests in the Units. If the Manager believes a person has not complied with such disclosure of interest provisions in the Trust Deed and the Compliance Manual, irrespective of whether such person is a holder of Units, the Manager may, in its absolute discretion, take certain actions in respect of all or a part of the Units in which such person holds or is deemed to hold an interest. Such actions may include suspending the voting rights of such Units, suspending the payment of distributions on such Units and suspending the registration of transfer of such Units.

Accounting standards in Hong Kong are subject to change.

Accounting standards in Hong Kong are subject to change. As a result, the financial statements of Sunlight REIT and the REIT Group Companies which are prepared in accordance with such accounting standards may be affected by the introduction of any revised accounting standards.

The possibility, extent and timing of these changes in accounting standards are currently unknown and subject to confirmation by the relevant authorities. The Manager has not quantified the effects of these proposed changes and there can be no assurance that these changes will not have a significant impact on the presentation of Sunlight REIT's financial statements or on the results of its operations. In addition, such changes may adversely affect the ability of Sunlight REIT to make distributions to Unitholders.

The Units may be delisted from the Hong Kong Stock Exchange.

The Hong Kong Stock Exchange imposes certain requirements for the continued listing of securities, including the Units, on the Hong Kong Stock Exchange. There can be no assurance that Sunlight REIT will continue to meet the requirements necessary to maintain the listing of Units on the Hong Kong Stock Exchange or that the Hong Kong Stock Exchange will not change the listing requirements.

The Manager estimates that the total proceeds to Sunlight REIT from the Offering, combined with the proceeds from the subscription by SKFE and HLD, will be approximately HK$7,593.2 million (based on the Minimum Offer Price) to HK$7,816.2 million (based on the Maximum Offer Price).

The following table sets forth the sources of Sunlight REIT's funds following completion of the Offering and subscription by SKFE and HLD and the intended application of those funds.

	Based on the Minimum Offer Price of HK$2.45	Based on the Maximum Offer Price of HK$2.60
	HK$ millions	
Sources of funds:		
1,045,370,362 Units issued under the Offering	2,561.2	2,718.0
374,072,708 Units issued to the subsidiaries of SKFE	916.5	972.6
67,569,930 Units issued to the subsidiaries of HLD	165.5	175.7
Initial drawdown from the Facility	3,950.0	3,950.0
Total	7,593.2	7,816.2
Uses of funds:		
The Acquisitions[(1)]	7,251.3	7,469.7
Issue costs and debt establishment fees[(2)(3)]	187.4	192.1
Acquisition costs[(4)]	154.4	154.4
Total	7,593.2	7,816.2

Notes:

(1) Comprises the acquisition of the interests in the Target Companies, the Target Properties, the Finance Company and the Domain Name Company and the payment of the swap upfront fee.

(2) Issue costs comprise expenses related to the Offering, which include underwriting commissions payable to the Underwriters (based on the final Offering size), legal fees, printing costs, auditors' fees, listing costs, roadshow, advertisement and marketing-related expenses and other administrative expenses. Debt establishment fees include primarily front-end-fees payable in respect of the Facility.

(3) Under the Underwriting Agreements, the underwriting commission and certain expenses (including, but not limited to, Hong Kong Stock Exchange trading fee and SFC transaction levy) as a result of the exercise of the Over-allotment Option will be borne by Uplite Limited and Cobase Limited.

(4) Acquisition costs include professional fees, stamp duty and other costs incurred in the Acquisitions, of the Target Companies and the Target Properties.

Based on the table above, the proceeds (net of all fees and charges) from the Offering, together with the monies drawn down from the Facility, which were negotiated on an arm's length basis, will be used for the Acquisitions pursuant to the Acquisition Arrangements. For further details about the Acquisition Arrangements, see the section headed "Material Agreements and Other Documents Relating to Sunlight REIT" in this Offering Circular.

Significant Unitholders and other Unitholders

So far as the Directors are aware, except for Uplite Limited and Wintrade Limited (both being indirect wholly-owned subsidiaries of SKFE), no person will, upon completion of the Offering, hold an interest in 5% or more of the issued Units of Sunlight REIT.

The table below details the number and approximate percentage of Units to be held by SKFE, HLD and other Unitholders upon the completion of the Offering and also after the exercise of the Over-allotment Option in full:

	Upon completion of the Offering		After exercise of the Over-allotment Option[1]	
	No. of Units	Approximate % of total Units in issue	No. of Units	Approximate % of total Units in issue
Uplite Limited, a subsidiary of SKFE	224,443,625	15.1	135,899,609	9.1
Wintrade Limited, a subsidiary of SKFE	149,629,083	10.1	149,629,083	10.1
Cobase Limited, a subsidiary of HLD	40,541,958	2.7	24,547,974	1.7
Richful Resources Limited, a subsidiary of HLD	27,027,972	1.8	27,027,972	1.8
Public Unitholders	1,045,370,362	70.3	1,149,908,362	77.3
Total	**1,487,013,000**	**100.0**	**1,487,013,000**	**100.0**

Note:

(1) Assuming that the Over-allotment Option is exercised in full.

Subscription of Units by the Directors

The Directors and their associates do not intend to apply for the Units under the Offering. None of the Directors will be interested (for the purposes of the disclosure requirements under the Trust Deed which deems that Part XV of the SFO applies) in the Units immediately upon listing of the Units. Save as described in the section headed "Corporate Governance — Interests of, and Dealings in Units by, the Directors, the Manager or the Significant Unitholders" in this Offering Circular, there is no restriction on the Directors disposing or transferring all or any part of their unitholdings.

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.

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.

OVERVIEW OF HONG KONG COMMERCIAL PROPERTY MARKETS

DTZ Debenham Tie Leung Limited was commissioned by the Manager to prepare a report on the Hong Kong commercial property markets. The following is a summary of the Market Consultant's letter in relation to its Hong Kong Grade A and Grade B Office and Retail Property Markets Analysis Report, the full text and sources of which are set out in Appendix VI to this Offering Circular. All views expressed in this summary are independent views of DTZ Debenham Tie Leung Limited. The information has not been independently verified by the Manager, the Trustee, the Joint Global Coordinators or any other person. Much of this information is based on estimates and should therefore be regarded as indicative only and treated with appropriate caution.

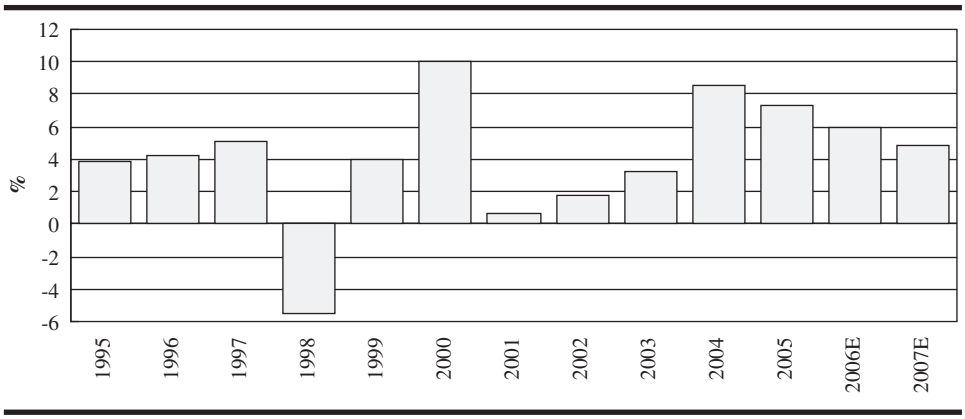
Economic Overview

Backed by its geographical location and its importance as a gateway to mainland China, Hong Kong is one of the world's top financial and trading centres. Following robust GDP growth of 7.3% in 2005, the Government has estimated that Hong Kong GDP will grow by 6.5% in 2006.

The services industry accounted for 87.6% of Hong Kong's GDP in 2005. The three services sectors, namely "wholesale, retail and import and export trades, restaurants and hotels" (27.3% of GDP), "finance, insurance, real estate and business services" (21.4% of GDP) and "transport, storage and communications" (9.9% of GDP) posted healthy growth and were the driving force of Hong Kong's economic growth. Despite rising interest rates, higher oil prices, and the possibility of an avian flu outbreak, the Hong Kong economy has remained resilient and has benefited from growing external economies, including the US, China and Japan.

In the third quarter of 2006, real GDP grew by 6.8% y-o-y, following an already robust 5.5% growth in the second quarter of 2006. On a seasonally adjusted comparison basis, real GDP recorded a q-o-q increase of 3.5% during the third quarter of 2006.

Real GDP y-o-y Growth (1995 to 2007E)



Source: Census and Statistics Department HKSAR, Consensus Economics Inc.

Driven by continued improvement in the unemployment rate, rising household income and increasing visitor arrivals, GDP growth is forecast to remain high at 4.6 to 5.9% per annum during 2006 to 2010[1].

[1] *Source:* Asia Pacific Consensus Forecasts by Consensus Economics Inc., October 2006

Employment

Hong Kong's unemployment rate declined from a peak of 8.6% in the three months ended July 2003 to 4.5% in the three months ended October 2006. Hong Kong's total labour force in the three months ended October 2006 was recorded at 3,669,200.

Average y-o-y change in payroll per person engaged in all major sectors surveyed[2] became positive again in 2005 after 11 quarters (excluding the second quarter of 2004) in negative territory. The average payroll increased by 2.2% y-o-y in nominal terms in the second quarter of 2006, and increased by 0.1% in real terms.

Consumer Price Index (CPI)

The composite CPI rose by 2.1% y-o-y in September 2006 compared to the 2.5% increase y-o-y in August 2006, due mainly to the smaller increases in the prices of fresh vegetables, the charges for telephone and other communications services, private housing rental, as well as the fuel cost variation charge for towngas. Also relevant was the decrease in the prices of motor fuel. According to the Census and Statistics Department HKSAR, consumer price inflation is likely to stay moderate through to the end of the year on current indications. While the recent weakening of the Hong Kong Dollar along with the US Dollar might give rise to some modest pick-up in imported inflation, the substantial fall-off in oil prices lately coupled with the sustained increase in productivity in Hong Kong should keep overall inflationary pressures in check. CPI is estimated to remain at 2.2 to 3.3% per annum during 2006 to 2010[3].

Closer Economic Partnership Arrangement (CEPA)

The signing of CEPA with the Central People's Government in June 2003 further integrated the Hong Kong and China economies. The three phases of CEPA, known as CEPA I, II and III, came into full effect in January 2004, January 2005 and January 2006 respectively. The aim of CEPA is to further strengthen trade and investment cooperation between the two economies and promote their mutual development. CEPA is aimed at enhancing economic interaction between China and Hong Kong by giving a boost to small and medium enterprises (SMEs) in professional, industrial, trading and manufacturing sectors. The increasing connectivity including the ease in the flow of people, goods and capital between China and Hong Kong will underpin the long-term development of the two economies.

Under the Individual Visit Scheme (IVS), which was introduced under the framework of CEPA, mainland Chinese visitors made approximately 5.6 million trips to Hong Kong in 2005, accounting for 44.3% of all mainland Chinese visitors (or 23.8% of the total visitors to Hong Kong). Mainland Chinese visitors under the IVS generated approximately HK$6.5 billion in tourist spending in 2004. In addition, since the implementation of CEPA I in 2004, about 29,000 new jobs in relation to trade in goods, trade in services and the IVS have been created in Hong Kong during 2004 and 2005.

---

[2] According to the Census and Statistics Department HKSAR, major sectors surveyed include (i) manufacturing, (ii) wholesale, retail and import/export trades, restaurants and hotel, (iii) transport, storage and communications, (iv) financing, insurance, real estate and business services and (v) community, social and personal services.

[3] *Source:* Asia Pacific Consensus Forecasts by Consensus Economics Inc., October 2006

Hong Kong Office Market

Hong Kong is a global centre for, amongst others, import/export trade, telecommunications, finance, insurance, real estate and business services. Hong Kong is internationally recognised for its dynamic and cosmopolitan city framework which includes the long-established regulatory, banking and financial systems, world class stock exchange, well-planned infrastructure and transportation networks, modern communications as well as being a low tax regime. In addition, free economic policies and global organisation standings of the Government provide advantages to sustain its attractiveness for the establishments of regional multinational headquarters in view of China's entry into the World Trade Organisation (WTO).

The improving macroeconomic environment in Hong Kong over the past few years has stimulated demand from corporations and has seen an increasing number of companies setting up regional offices and headquarters in Hong Kong. In addition, the number of people employed in the service sector grew from 2.6 million (79.4% of the total employed persons) in 2000 to over 2.8 million (84.6% of the total employed persons) in 2005, which also reinforced the growth of the Hong Kong office sector.

Office Supply

According to the Rating and Valuation Department HKSAR, Hong Kong's total stock of office space was approximately 105.2 million sq.ft. as at 31 December 2005. This comprised:

- Grade A offices of approximately 61.7 million sq.ft. (58.7% of the total office stock)
- Grade B offices of approximately 26.4 million sq.ft. (25.1% of the total office stock)
- Grade C offices of approximately 17.1 million sq.ft. (16.2% of the total office stock)

The following table outlines the grading criteria of offices in Hong Kong by the Rating and Valuation Department HKSAR. It should be noted that location is not included in the grading criteria.

Office Grade	Grading Criteria
A	Modern with high quality finishes; flexible layout; large floor plates; spacious, well decorated lobbies and circulation areas; effective central air-conditioning; good lift services zoned for passengers and goods deliveries; professional management; parking facilities normally available
B	Ordinary design with good quality finishes; flexible layout; average-sized floor plates; adequate lobbies; central or free-standing air-conditioning; adequate lift services, good management; parking facilities not essential
C	Plain with basic finishes; less flexible layout; small floor plates; basic lobbies; generally without central air-conditioning; barely adequate or inadequate lift services; minimal to average management; no parking facilities

Source: Rating and Valuation Department HKSAR

The geographical distribution of office stock in Hong Kong at the end of 2005 is summarised in the table below:

Office Grade	Hong Kong Island (million sq.ft.)	Kowloon (million sq.ft.)	New Territories (million sq.ft.)
A	37.5	18.6	5.6
B	17.0	8.7	0.7
C	11.4	5.3	0.4

Source: Rating and Valuation Department HKSAR

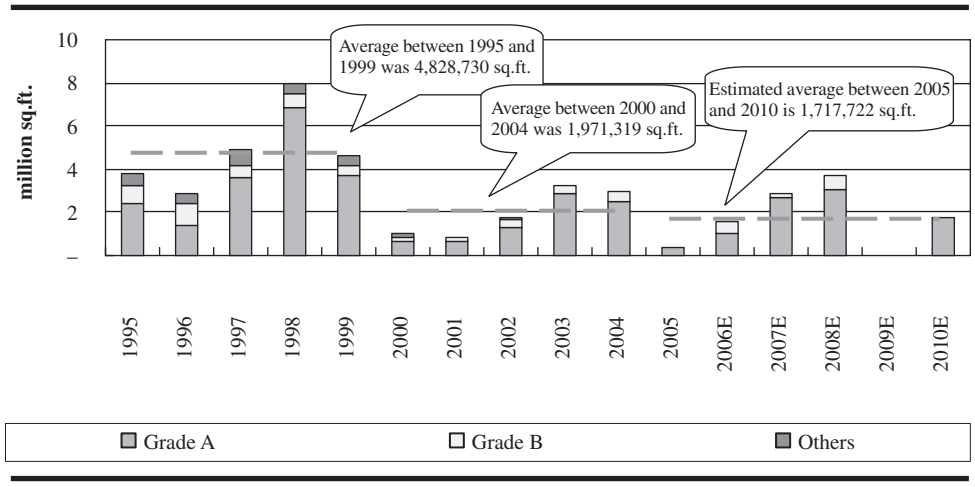
Approximately 63% of Grade A office stock and 67% of Grade B office stock were located in Central/Admiralty, Sheung Wan, Wanchai/Causeway Bay and Tsimshatsui — the core business areas of Hong Kong. The limited availability and shortage of new office supply in these core business areas has led to an increasing number of office tenants relocating to decentralised business areas (as depicted in the following map).



Source: DTZ Valuation and Advisory Services

The following graph indicates that the historical average of new office supply for 1995 to 1999 and 2000 to 2004 was approximately 4.8 million sq.ft. per annum and 2.0 million sq.ft. per annum respectively. The average new office supply for 2005 to 2010 is estimated to be approximately 1.7 million sq.ft. per annum, which is below the historical averages.

Supply of Private Offices (1995 to 2010E)



Source: Rating and Valuation Department HKSAR, DTZ Valuation and Advisory Services

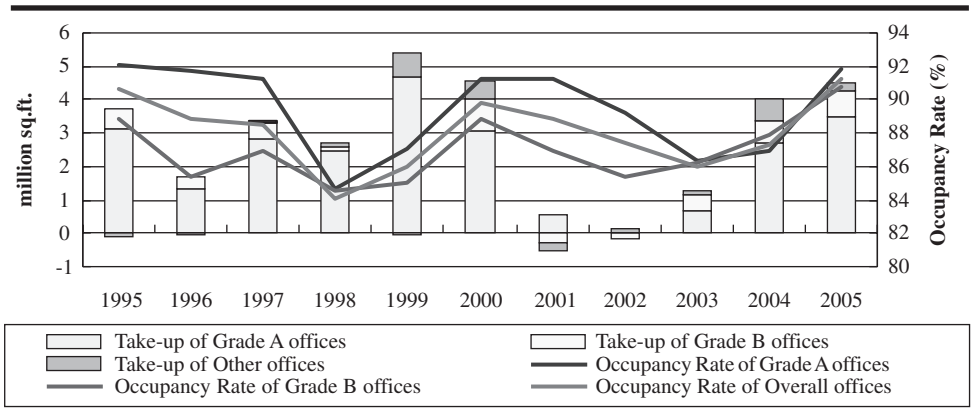
With the exception of the International Commerce Centre (ICC) in Tsimshatsui (expected completion in phases from end of 2007), most of the major new office supply in 2006 to 2010 are to be located in Tsuen Wan, Kwun Tong, Kowloon Bay and Quarry Bay, which are outside the core business areas.

Office Demand

Due to limited availability of office space in the core business areas and increasing difficulty in securing large floor space in these locations, it is expected that the trend of rising office demand in the decentralised business areas will continue.

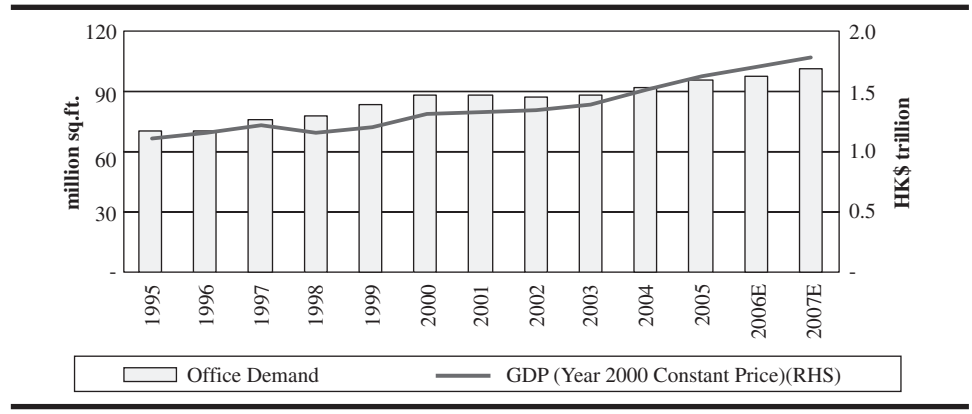
Hong Kong has enjoyed a robust economy following recovery from the SARS period[4], resulting in the take up of more office space by the financial, banking, legal and accounting sectors. Hong Kong has experienced positive take up since 2003 and overall office occupancy rates increased from 86.0% as at 31 December 2003 to 91.3% as at 31 December 2005. In view of the anticipated average real GDP growth of 4.6 to 5.9% per annum during 2006 to 2010, demand for office space is expected to remain buoyant.

Office of All Grades -
Take-up and Occupancy Rate (1995 to 2005)



Source: Rating and Valuation Department HKSAR

Demand for Office Space (1995 to 2007E)



Source: Census and Statistics Department HKSAR, Rating and Valuation Department HKSAR, DTZ Valuation and Advisory Services

From the low rental levels experienced during SARS in 2003, the average rental levels of Grade A and Grade B offices have rebounded significantly from the third quarter of 2003 to the third quarter of 2006, representing an approximately 84% and 57% increase for Grade A and Grade B offices respectively. On the back of the robust macroeconomic environment, increasing occupancy rates and buoyant demand since 2003 have underpinned the rise in office prices and average rental rates.

[4] The emergence of Severe Acute Respiratory Syndrome (SARS) epidemic in 2003 had severely affected the short term economy of Hong Kong.

The momentum of rental growth was sustained throughout 2005 despite consecutive rises in the best lending rate, thus demonstrating the combined effects of strong demand for and limited supply of office space. According to the provisional figures from the Rating and Valuation Department HKSAR, overall rental for Grade A and Grade B offices in September 2006 grew by 19.9% y-o-y and 16.3% y-o-y respectively. Grade A office rental in Sheung Wan and Central recorded a 15.1% y-o-y growth in September 2006. The overall rental for Grade A offices increased 8.0% in the last six months up to September 2006. Rental growth was observed for Grade B offices at 8.4% in the last six months up to September 2006.

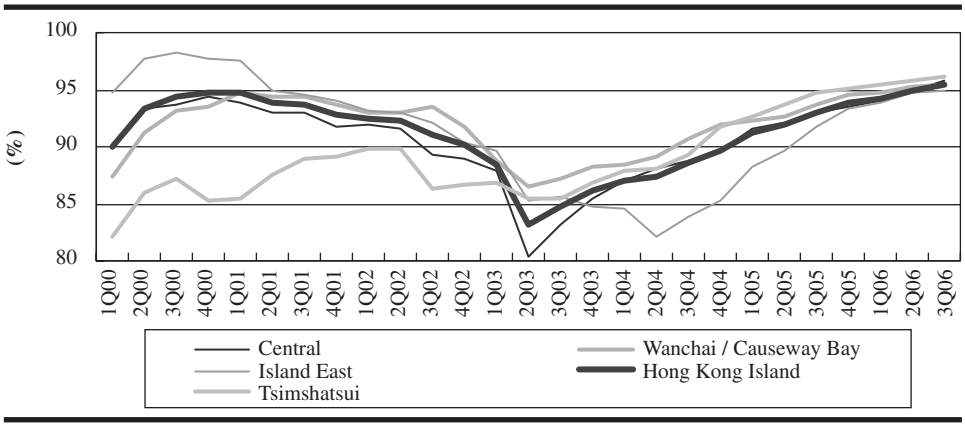
Due to the limited availability of office space in the core business areas, it is expected that the trend of rising office demand in the decentralised business areas will continue. It is becoming increasingly difficult for companies in the financial, banking, legal and accounting sectors to expand and secure large floor space in these locations. The limited supply of office space in Central has caused potential tenants to consider other business areas on Hong Kong Island, namely Wanchai/Causeway Bay and Island East which have become alternative locations for corporate tenants.

With significant increases in rents, limited supply and choice of Grade A office space, particularly in the core business areas, it is expected that the trend of decentralisation or 'spill-over' in demand for more economical Grade B office in the core business areas and high quality office in decentralised business areas will continue. As the Hong Kong economic outlook remains robust, we expect office occupancy rates will continue to increase across major office districts.

Office Occupancy

According to the Rating and Valuation Department HKSAR, the average Grade A office occupancy rate climbed to approximately 92% at the end of 2005 while the Grade B office occupancy rate began rising from 2002 to approximately 91% at the end of 2005. According to DTZ's research[5], the occupancy rates for Grade A office in the four districts in Hong Kong Island have shown a steady rising trend from the trough in the second quarter of 2003 to over 95% in the third quarter of 2006 as a result of the strong demand for offices.

Grade A Office Occupancy Rate by District (1Q2000 to 3Q2006)



Source: DTZ Research

[5] Due to unavailability of the quarterly district occupancy data from the Rating and Valuation Department HKSAR, DTZ's Grade A Office occupancy rates by district are used here to show the quarterly district occupancy rate movements.

Office Rental Growth Estimate

Higher office rental rates for Grade A office space are expected to be sustained as a result of high occupancy rates[6] and limited supply. The higher rental rates are expected to encourage more tenants to re-locate to decentralised business areas when their leases come up for renewal in 2006. The performance of rental growth in both Grade A and Grade B offices, which was strong in 2005, is expected to continue into 2006 and 2007. Grade B office rental growth is likely to grow at a faster pace than Grade A office as the rental gap is expected to narrow.

In the longer term, Grade A and Grade B office rents are expected to rise at a more moderate rate of approximately 6.2% and 6.0% per annum respectively from 2008 onwards, by reference to the long-term historical Grade A and Grade B office average rental growth rates. The estimation of the long-term average rental growth rates is based on the 20-year average annual growth of the Rating and Valuation Department HKSAR's Grade A and B office rental indices between 1986 and 2005.

Short-term rental performance may be influenced by supply and demand dynamics as well as geographical and property specific factors. Individual office property rental growth may vary significantly from the industry-wide averages. Property specific factors which may contribute to office rental growth include location, new and existing competition from comparable offices in the vicinity of the property as well as accessibility.

Hong Kong Retail Market

The growth in retail rental rates in Hong Kong is closely correlated to the growth in retail sales. With the recovery of the overall economy from the SARS period in 2003, retail sales reached approximately HK$204.6 billion in the year ended 31 December 2005, representing a y-o-y increase of 5.9% in volume. The overall volume of retail sales continued to increase at a steady pace, supported by firm consumer demand. Retail sales are expected to be underpinned by rising domestic spending (driven by a robust macroeconomic environment, optimistic employment outlook and recovery in wages) and the steady expansion of inbound tourism (supported by Government initiatives).

Tourism, and in particular visitors' shopping expenditure, has been one of the growth engines for retail sales in Hong Kong. According to the statistics of the Hong Kong Tourism Board and the Census and Statistics Department HKSAR, the contribution of overnight visitors'[7] shopping spending to total retail sales value has increased from about 9.5% (HK$18.5 billion of HK$195.7 billion total retail sales) in 1998 to 17.8% (HK$36.4 billion of HK$204.6 billion total retail sales) in 2005.

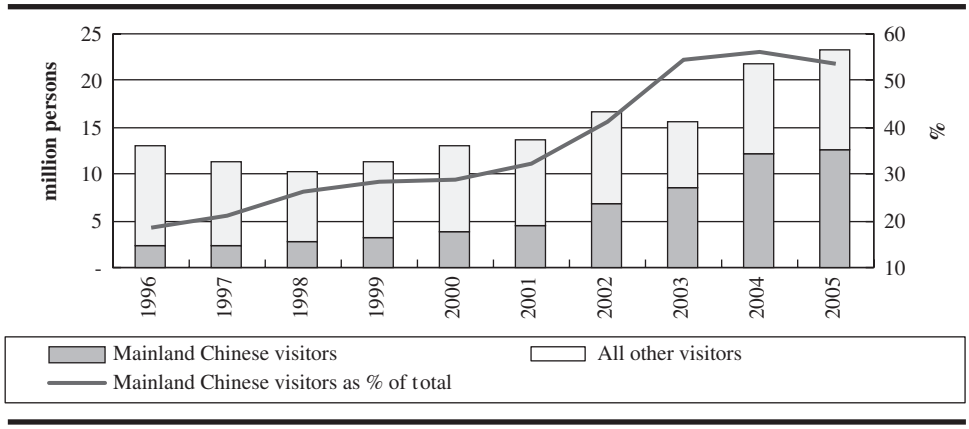
[6] Based on DTZ's Grade A Office occupancy rates by district.

[7] Overnight visitors are defined by Hong Kong Tourism Board as visitors who stay at least one night in collective or private accommodation in Hong Kong.

The Government's continued efforts to enhance tourism and retail infrastructure has contributed significantly to the Hong Kong retail market. Examples include Hong Kong Disneyland, Tung Chung Cable Car Project, Tsimshatsui/Mongkok Streetscape Improvements and Causeway Bay Shoppers Paradise. All of these help to improve the ability of Hong Kong to tap into the spending of mainland Chinese visitors. With the strong economic growth of China over recent years, the purchasing power of mainland Chinese visitors has been increasing.

The influx of visitors, particularly from China, in recent years has been one of the principal drivers for tourism growth in Hong Kong. From 1999 to 2005, the number of mainland Chinese visitors to Hong Kong has increased at a much faster rate than other nationalities, at an average rate of 22.8% per annum compared with an average rate of 3.5% per annum for visitor arrivals from other countries over the same period. The implementation of the IVS since July 2003 has accelerated the growth of mainland Chinese visitors to Hong Kong. Initially, the IVS only covered four cities (Zhongshan, Jiangmen, Foshan and Dongguan) in Guangdong Province, the PRC. Subsequently, the IVS has been extended to include 44 cities throughout the PRC, which is envisaged to further boost tourist flows to Hong Kong. The number of visitor arrivals from China was approximately 12.5 million in 2005, representing 54% of that year's total visitor arrivals. Visitor arrivals from China are expected to increase to 21.4 million by 2010, whilst visitor arrivals from other countries are expected to increase to 13.4 million by 2010.

Visitor Arrivals in Hong Kong (1996 to 2005)



Source: Hong Kong Tourism Board

In addition to representing a significant proportion of total arrivals, mainland Chinese visitors also contributed approximately 65.7% of total overnight visitors' shopping spending in 2005. According to the Hong Kong Tourism Board, per capita overnight visitors' shopping spending in 2005 for mainland Chinese visitors was HK$2,979, which was the highest among all overnight visitors from major market areas and was approximately 21% higher than the average overnight visitors' shopping spending of HK$2,465. The influx of mainland Chinese visitors has contributed to the increased total overnight visitors' spending from HK$39.4 billion in 1998 to HK$68.9 billion in 2005.

Retail Supply

According to the Rating and Valuation Department HKSAR, the stock of private commercial premises nearly doubled between 1981 and 2005, representing an increase of about 51.0 million sq.ft., and in total reached approximately 102.5 million sq.ft. by the end of 2005. The distribution of the private commercial stock may be summarised as follows:

- Hong Kong Island accounts for approximately 31.9% of total private commercial stock (32.7 million sq.ft.)

- Kowloon accounts for approximately 41.1% of total private commercial stock (42.1 million sq.ft.)

- New Territories account for approximately 27.0% of total private commercial stock (27.7 million sq.ft.).

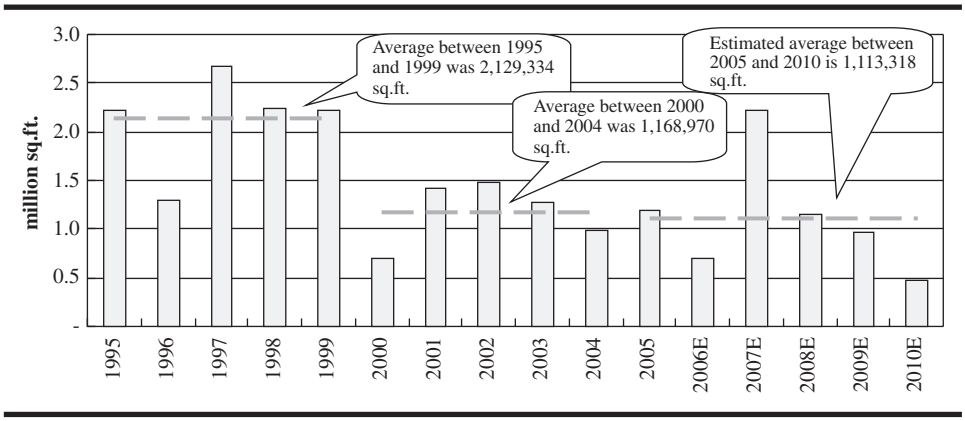
According to the Hong Kong Planning Standards and Guidelines issued by the Planning Department HKSAR, retail/commercial premises can be classified into the following types:

Type	Characteristics
Metropolitan Centres	— Serve the entire population of Hong Kong and tourists — Provide territory-wide entertainment and have a significant amount of commercial floor space provision — Generally over 100,000 sq.m. (1,076,400 sq.ft.) in area
Regional Centres	— Serve a catchment population of about 250,000 to 1,000,000 — Significant area of retail space although they generally fulfill a more regional function — Size between 50,000 sq.m. (538,200 sq.ft.) and 100,000 sq.m. (1,076,400 sq.ft.).
District Centres	— Serve a catchment population of about 50,000 to 250,000 — Medium scale shopping centres serving individual district — Size between 10,000 sq.m. (107,640 sq.ft.) and 50,000 sq.m. (538,200 sq.ft.).
Local Centres	— Serve neighbourhood catchment — Provide residents with daily needs such as food, grocery and community services

Source: Planning Department HKSAR

Central and Western District, Wanchai/Causeway Bay, Tsimshatsui, Yau Ma Tei and Mongkok are regarded as the major retail districts of Hong Kong constituting more than 40% of total private commercial stock. Retail activity in these areas is generally geared towards the higher end market and caters for tourists and middle to high income groups. In New Towns such as Sheung Shui and Tseung Kwan O, retail activity is generally focused on mass markets serving the residents in public and private housing estates within the neighbouring areas as well as nearby districts. However, Sheung Shui has evolved from a New Town to a prospering border town with catchments extending to include Shenzhen and areas beyond.

Supply of Private Commercial Premises (1995 to 2010E)



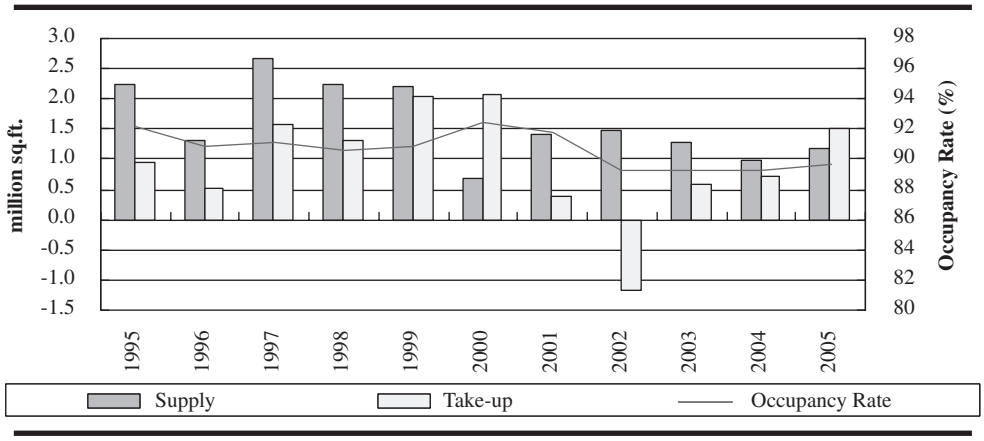
Source: Rating and Valuation Department HKSAR, DTZ Valuation and Advisory Services

The total supply of major new retail developments identified between 2005 and 2010 is approximately 6.7 million sq.ft., with an average new supply of approximately 1.1 million sq.ft. per annum, which is marginally lower than the 2000 to 2004 five year average of 1.2 million sq.ft. Notable developments expected to be completed in 2007 include the Union Square part of the Kowloon Station complex and Hanoi Road Urban Renewal Authority Project in Tsimshatsui, Enterprise Square 5 in Kowloon Bay and Skyplaza in Chek Lap Kok. Supply of quality retail space on Hong Kong Island will remain limited in the next few years.

Retail Demand

Demand for retail space is expected to remain upbeat as the retail market continues to benefit from the recovery of the Hong Kong economy. In light of continued population growth, return of consumer confidence, growth in real private consumption, improvement in the employment market, increasing salaries, tourism, revaluation of RMB and improved infrastructure to China, the overall performance of the Hong Kong retail market and rents are anticipated to be positive.

Private Commercial - Supply,
Take-up and Occupancy Rate (1995 to 2005)



Source: Rating and Valuation Department HKSAR

Rentals of private retail premises reached a trough during the SARS period in June 2003 after falling 34% from the peak recorded in June 1997. The situation improved dramatically in the second half of 2003 supported by a significant increase in mainland Chinese visitors as a result of the implementation of a series of measures relaxing entry restrictions for mainland Chinese visitors including the IVS.

Retailers in prime shopping centres and shops in prime street locations have experienced robust growth in retail sales since 2003. As a result, more retailers are willing to pay higher rents to compete for quality retail space in prime locations and tourist districts. Expectations of buoyant sales on the back of strong domestic consumption and increased tourism flow particularly from China have prompted many existing retailers to undertake aggressive expansion plans. Average retail rents have rebounded by approximately 19% between the third quarter of 2003 and the third quarter of 2006.

Retail Rental Growth Estimation

Strong economic fundamentals, including improvement in the employment market and increasing salaries, will sustain growth in local consumption, boosting retail sales and volume in the coming years. With an expected continual upward revaluation of RMB, mainland Chinese visitors can benefit from the currency appreciation, translating to higher spending power in Hong Kong. To cater for both tourists and local shoppers, more retailers are expected to expand in 2006. However, some major retailers in fashion and cosmetics trades have reported a slow down in business turnover in the fourth quarter of 2005, and an increasing number of retailers have planned to relocate to areas outside prime locations with lower rental expenses. In light of these factors, it is expected that there will be a consolidation in prime retail rents in the coming months. Nonetheless, demand for retail space, in general, is expected to remain compelling and the industry-wide retail rental growth for 2006 and 2007 is expected to continue the ascending trend evidenced in 2004 and 2005 albeit at a more moderate but sustainable rate.

In the long run, retail rents are expected to rise by a more moderate growth rate of approximately 5.6% per annum from 2008 onwards. Estimation of the long term average rental growth rate is based on the 20-year average annual growth of the Rating and Valuation Department HKSAR's retail rental index between 1986 and 2005.

Market factors such as retail sales, visitor arrivals and unemployment rates are expected to have a continuous impact on retail property performance. Specific retail property rental growth may also be influenced by factors such as increased demand due to local population growth or higher visitor traffic, convenient access to public transportation, construction of and improvement upgrades of major roads and service infrastructure and future supply of comparable retail facility in the vicinity of the retail property. Hence, individual retail property rental growth may vary significantly from the industry-wide retail rental growth rates.

STRATEGY

The key objectives of the Manager are to provide Unitholders with regular and stable cash distributions with the potential for sustainable long-term growth of such distributions and enhancement in value of the portfolio. The Manager intends to accomplish these objectives by optimising the performance and enhancing the overall quality of a large portfolio of primarily office and retail real estate assets in Hong Kong through various business and investment strategies:

- **Active operational management and asset enhancement strategy:** Active operational management and asset enhancement initiatives to improve the long-term value of the portfolio

- **Investment and acquisition growth strategy:** Drive acquisition growth by identifying, evaluating and acquiring income-producing investment properties which have the potential to contribute to sustainable growth in distributions by Sunlight REIT and long-term enhancement in value of the portfolio

- **Capital management strategy:** Efficient capital management framework to support the Manager's operational and acquisition growth strategies

- **Business management strategy:** Ensure a quality work force, sound corporate governance practices, systems and infrastructure to support the Manager's fund management and asset management activities

The portfolio will initially comprise properties which are used primarily for office and retail purposes in Hong Kong. The Manager intends to focus primarily on office and retail properties in Hong Kong which meet the investment criteria as outlined in the paragraph headed "Investment and acquisition growth strategy" in this section below.

STRATEGIC INITIATIVES

Active operational management and asset enhancement strategy

Proactively target existing and new tenants to maintain high occupancy rates

In order to maintain high occupancy rates across the portfolio, the Manager will work closely with the Property Manager to evaluate actively the leasing, marketing and customer relations strategies for the portfolio. These initiatives are aimed at developing strong relationships with existing tenants, pursuing leasing opportunities with new tenants, providing quality and value-added property related services and leveraging the competitive strengths of the individual properties to maximise their attractiveness to existing and new tenants.

The Manager will require the Property Manager to follow a disciplined approach towards negotiations of leases with existing and new tenants by regularly benchmarking the lease terms against comparable properties, and considering the competitive characteristics of the individual properties.

Capitalise on the opportunities to improve rental rates, tenancy mix and value of the portfolio

Sunlight REIT's office properties are primarily located in core business areas and decentralised business areas, both of which have the potential for significant growth in rental rates. The Manager believes that the combination of strong demand for and limited supply of high grade office space will lead to rising rental rates for office properties in both the core business areas and, as a result of "spill-over" demand, in decentralised business areas as well. For the retail properties, the Manager intends to leverage on the growing retail demand and the Government's planned population growth and committed infrastructure investments in regional transportation hubs and New Towns to improve retail rental rates.

Many of the office and retail properties are located in areas identified by the Government for redevelopment, area upgrade, infrastructure investments or planned population growth. These Government initiatives[1] are aimed at improving the service, transportation infrastructure and general conditions and increasing the population in the targeted areas. The Manager believes that these Government initiatives will result in (i) the creation of office clusters around some of its office properties and (ii) an increase in pedestrian traffic around some of its retail properties. It is the intention of the Manager to take advantage of the likely increase in demand for retail and office space in the targeted areas, improvement in rental rates, tenancy mix and long-term property value resulting from these Government initiatives.

Employ flexible leasing structures

The Manager aims to employ a flexible leasing strategy that takes advantage of the general economic cycle, supply and demand dynamics for the properties and the demographic characteristics around the properties.

The Manager will work closely with the Property Manager to actively evaluate the leasing and marketing strategies for the portfolio aimed at maintaining strong relationships with existing tenants and leveraging the competitive strengths of the individual properties, for example structuring leases with turnover rent or pre-determined rent escalation provisions.

Improve Rental Income and value of the portfolio through asset enhancement initiatives

The Manager will work closely with the Property Manager to continue to improve the Rental Income and value of the portfolio by undertaking asset enhancement activities such as improving building Gross Rentable Area efficiency and rental potential through space rationalisation, reconfiguration and building facilities upgrade. These initiatives are aimed at improving the tenancy mix, Rental Income and the portfolio efficiency.

---

[1] Some examples of such Government initiatives include the Sheung Shui to Lok Ma Chau Spur Line which connects the existing Kowloon-Canton Railway (KCR) East Rail Sheung Shui Station to a new boundary crossing at Lok Ma Chau/Huanggang (expected to be completed in 2007), a composite commercial/residential development situated at Tai Yuen Street in Wanchai (expected to be completed in phases from 2006), and the Government's planned population growth in the New Towns of Tseung Kwan O, Sheung Shui and Yuen Long.

Strong emphasis on cost control

The Manager will work closely with the Property Manager to minimise property related and operating expenses, without compromising the delivery of quality and value-added property related services to tenants. The Manager will work closely with the Property Manager to control property related and operating expenses through, for example, streamlining the property management functions across the portfolio, implementation of cost control management systems and periodic review of third party contracts and the use of energy-efficient practices to achieve utility cost savings for tenants.

Investment and acquisition growth strategy

The Manager will actively seek to identify, evaluate and selectively acquire income-producing investment properties under a disciplined and objective investment methodology aimed at evaluating opportunities which have the potential to provide attractive total returns to Unitholders through:

- Accretion in distribution yield;
- Sustainable growth in distributions; and/or
- Long-term enhancement in value of the portfolio.

The Manager believes that its acquisition growth strategy is well-supported by (i) its ability to source opportunities for acquisition growth by leveraging its, or Sunlight REIT's relationship with SKFE and HLD as well as its own connections and networks, (ii) the experience of the management team in identifying, evaluating and executing property acquisition opportunities and (iii) Sunlight REIT's access to capital markets.

In order to assist the Manager in its role as the manager of Sunlight REIT, HLD has undertaken under the HLD Commitment Letter that, as soon as practicable after the first anniversary of the Listing Date, but in any event within 18 months from the Listing Date, (so long as the Manager is the manager of Sunlight REIT at that time) HLD or its affiliates will enter into discussions in good faith and on an arm's length basis with the Manager (such discussions to be continued in good faith until the Manager decides whether Sunlight REIT should acquire any of the Additional Properties, even if such decision is only taken after such 18 months' period) to make the Additional Properties available for sale to Sunlight REIT. The Additional Properties (and, as applicable, companies) shall satisfy the then prevailing requirements of the REIT Code. Unless and until a legally binding agreement for sale and purchase is entered into, HLD shall be under no obligation to sell to Sunlight REIT any such Additional Properties and neither the Manager nor Sunlight REIT shall be obliged to buy any such Additional Properties. Any such sale and purchase will be subject to regulatory requirements applicable to Sunlight REIT (including Unitholders' approval if so required), HLD and any other relevant parties.

As the Manager, a subsidiary of HLD, is the manager of Sunlight REIT, and Sunlight REIT is intended to be the flagship real estate investment trust of HLD for office and retail properties in Hong Kong, HLD has also undertaken under the HLD Commitment Letter to the Manager (so long as the Manager is the manager of Sunlight REIT at that time and Sunlight REIT remains listed on the Hong Kong Stock Exchange) that the HLD Commitment Group will not, for a period of at least five years after the Listing Date:

1. own or control more than 5% of the voting units of a Related REIT; and/or

2. act as the manager of a Related REIT.

However, the HLD Commitment Group has not committed not to act as the manager of any real estate investment trust which is not a Related REIT. The HLD Commitment Letter was issued to the Manager for its own benefit, but not in its capacity on behalf of Sunlight REIT.

In evaluating acquisition opportunities, the Manager will consider a number of factors including:

- Competitive advantages of the properties including location, occupancy and tenant characteristics, access to infrastructure including major roads, public transportation and amenities and services, demographic developments and relevant government initiatives;

- Ability to add medium to long-term value through employing its active operational management and asset enhancement strategy; and

- Quality of the building and facilities specifications.

All properties to be acquired will be subject to assessment to identify, amongst other things, repairs, maintenance and capital expenditure requirements in the short to medium-term.

The Manager has no current plans for Sunlight REIT to acquire any properties in the 12 month period from the Listing Date, but may do so if opportunities arise which meet its investment criteria.

The Manager intends to invest in office and retail properties in Hong Kong. The Manager will follow a long-term approach to its property portfolio investment but will aim to deliver value to Unitholders over the near term through the implementation of its operational management and asset enhancement strategy. It also aims to maintain financial flexibility to meet its capital expenditure requirements. The Manager will regularly review the medium to long-term attractiveness of individual properties within the portfolio as part of its active portfolio management function. The Manager may consider selling properties (either in whole or in part) through either the disposal of Sunlight REIT's interest in those properties directly, or of Sunlight REIT's interest in the relevant special purpose vehicles (subject to the restrictions under the REIT Code), and using the proceeds for other investments which meet its investment criteria.

Investment policy and objective

Subject to the provisions of the Trust Deed and the REIT Code, the investment policy and objective of Sunlight REIT is as follows:

(a) Sunlight REIT is established to invest primarily in office and retail properties in Hong Kong, either directly or indirectly. The Manager, on behalf of Sunlight REIT, directly or indirectly may only invest in real estate and other investments authorised under the Trust Deed and must manage the Deposited Property so that the principal investments of Sunlight REIT are Real Estate which shall be generally income-producing.

(b) The Manager may acquire uncompleted units in a building which is unoccupied and non-incoming producing or in the course of substantial development, redevelopment or refurbishment, provided that the aggregate contract value of such real estate shall not exceed 10% (or such other percentage as provided in the REIT Code) of the total net asset value of the Deposited Property at the time of acquisition.

(c) The investment strategy of Sunlight REIT shall be solely determined by the Manager from time to time at its absolute discretion so far as it is consistent with the investment policy and objective of Sunlight REIT.

(d) No real estate may be acquired or disposed of until the Manager has provided to the Trustee a valuation report of an approved valuer as required under the Trust Deed.

(e) Subject to compliance with the REIT Code, the Listing Rules and the Listing Agreement, the Manager may from time to time change the investment policy and objective provided that:

    (i) it has notified the Unitholders of the change by way of announcement and circular in accordance with the requirements of the REIT Code; and

    (ii) the change has been approved by Unitholders by Special Resolution at a meeting convened by the Manager in accordance with the Trust Deed.

Capital management strategy

The Manager aims to support Sunlight REIT's operational and acquisition growth strategies within a prudent risk management framework, by employing an efficient capital management strategy using an appropriate mix of debt and equity capital. The current capital management strategy is as follows:

- All borrowings will initially be denominated in Hong Kong dollars to match its revenues;

- Maintain an appropriate gearing ratio which is below the REIT Code requirements (currently 45%). The gearing ratio will initially be approximately 41.2%;

- Maintain an appropriate debt maturity profile to match the long-term nature of its assets; and

- Prudent management of financial market risks through appropriate hedging strategies, including entry into interest rate swap arrangements in relation to its borrowings.

The Manager believes that an efficient capital management strategy will improve total returns while reducing risks for Unitholders by maintaining financial flexibility to meet capital expenditure requirements. The Manager will regularly review its capital management strategy to reflect Sunlight REIT's investment opportunities, its operating and the general economic environment and the REIT Code requirements.

Business management strategy

The Manager believes that sound corporate governance practices, infrastructure and management information systems and a well-trained work force are essential elements to providing effective and high quality fund, asset and property management services to Sunlight REIT. Details of the Manager's corporate governance practice and its operational standards are contained in the section headed "Structure, Management and Agreements" in this Offering Circular.

The Manager will ensure these foundations are in place to support its activities. It aims to provide appropriate training to its staff to ensure a proactive and high service standard, and employ external service providers as appropriate. Their performance will be closely monitored against industry best practices to maintain high quality services to the tenants and customers of the properties of Sunlight REIT.

THE PROPERTIES AND BUSINESS

The Properties

Overview

Sunlight REIT offers investors the opportunity to invest in a diversified portfolio comprising 20 office and retail Properties in Hong Kong. The office Properties are primarily located in core business areas[(1)] and decentralised business areas[(2)], with the retail Properties mainly based in regional transportation hubs, New Towns and other urban areas and suburban areas with high population density throughout Hong Kong.

As at 30 September 2006, the Properties had an aggregate Gross Rentable Area of approximately 1,294,389 sq.ft. For the three months ended 30 September 2006, the average occupancy rates of the office and retail premises were 89.9% and 87.9% respectively.

The Properties also enjoy a diverse tenant base with 934 tenancies as at 30 September 2006 representing tenants from a wide range of business sectors. The 10 largest tenants (in terms of Rental Income) across the portfolio contributed approximately 17.3% of the total Rental Income from the Properties for the month ended 30 September 2006. In addition, during the same period, no single tenant accounted for more than 2.9% of the total Rental Income from the Properties.

The Properties are held under leases from the Government. On 10 November 2006 and 2 December 2006, the Purchaser Companies entered into the Sale and Purchase Agreements with the relevant Vendors to acquire the Target Company Shares, the Target Properties, the Finance Company Share and the Domain Name Company Share from the relevant Vendors. See the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — Description of the Agreements to Acquire the Target Company Shares, the Target Properties, the Finance Company Share and the Domain Name Company Share" in this Offering Circular. It is intended that the sale and purchase of the Target Company Shares, the Target Properties, the Finance Company Share and the Domain Name Company Share, and the Novation, will be completed on the Listing Date. The aggregate Acquisition Value is HK$7,056.1 million (based on the Minimum Offer Price of HK$2.45), which is at a discount of 22.4% to the Appraised Value, to HK$7,274.5 million (based on the Maximum Offer Price of HK$2.60), which is at a discount of 20.0% to the Appraised Value.

Competitive Strengths

The Manager considers that the Properties enjoy the following competitive strengths:

Strategically located office properties in core business areas[(1)] and decentralised business areas[(2)] as well as retail properties in areas of dense and rising population

- The office Properties are primarily located in core business areas and decentralised business areas. Seven of the 12 office Properties are located in core business areas, including sizeable office buildings in Wanchai and Sheung Wan. The other office Properties are primarily located in decentralised business areas, including Mongkok, Kowloon and North Point where there is the potential for significant growth in rental rates.

---

(1) Core business areas include Central, Admiralty, Wanchai, Causeway Bay, Sheung Wan and Tsimshatsui.

(2) Decentralised business areas include North Point/Quarry Bay, Mongkok/Yau Ma Tei, Cheung Sha Wan, Kowloon Bay and Kwun Tong.

- The retail Properties are primarily located in high population growth areas at regional transportation hubs and New Towns including Tseung Kwan O and Sheung Shui, as well as urban areas with high population density. Many of the retail Properties benefit from a large retail customer base from nearby residential developments. The portfolio also includes a variety of shops at street level in both urban and suburban areas.

Diversified office and retail properties

- The Property portfolio is diversified across the retail and office segments in Hong Kong, including Grade A and Grade B offices in core business areas and decentralised business areas, as well as regional shopping centres and quality shops at street level.

- Sunlight REIT's portfolio of Properties is geographically diversified throughout Hong Kong Island, Kowloon and the New Territories. The office Properties are primarily located in core business areas and decentralised business areas, and the retail Properties are primarily located in regional transportation hubs and New Towns as well as urban and suburban areas with high population density.

- In addition, the Property portfolio has a highly diversified tenant base across its retail and office Properties, which span a wide range of end user business segments and exhibit low tenant concentration. For the month ended 30 September 2006, no single tenant accounted for more than 2.9% of the total Rental Income from the Properties.

High occupancy rates and reversion in rental rates

- The portfolio has exhibited high occupancy rates across its Properties. For the three months ended 30 September 2006, the average occupancy rates of office and retail Properties were approximately 89.9% and 87.9% respectively. This provides Sunlight REIT with stable cash flows as well as considerable bargaining power when negotiating leases with tenants.

- The Manager believes that with 28.1% and 29.7% of leases as at 30 September 2006 (by Gross Rentable Area) coming due for renewal during the period from 30 September 2006 to 30 June 2007 and the year ending 30 June 2008 respectively, the portfolio is well-positioned to benefit from any upward reversion in rental rates. The property market in Hong Kong has experienced a strong rebound in rental rates since the SARS-related downturn in 2003[(1)], supported by robust macro-economic conditions. The growth in rental rates is expected to be further supported by the strong demand and limited supply environment for office and retail space in Hong Kong. For further details on the office and retail property markets in Hong Kong, see the section headed "Overview of Hong Kong Commercial Property Markets" and "Appendix VI — Letter from the Market Consultant in relation to its Hong Kong Grade A and Grade B Office and Retail Property Markets Analysis Report" in this Offering Circular.

(1) According to the Rating and Valuation Department HKSAR, the overall Hong Kong retail, Grade A and Grade B office rental rates have increased by approximately 19%, 84% and 57% respectively between the third quarter of 2003 and third quarter of 2006.

Well-positioned to capitalise on opportunities to improve rental rates, tenancy mix and value of the portfolio

- The Manager believes the combination of strong demand for and limited supply of high grade office space will lead to rising rental rates for office properties in both core business areas and, as a result of "spill-over" demand, in decentralised business areas.

- The retail Properties are expected to benefit from growing demand due to their strategic locations, particularly in light of the current buoyant retail environment, the Government's planned population growth and its committed infrastructure investments in such areas.

- Many of the office and retail Properties are located in areas identified by the Government for redevelopment, upgrade or infrastructure investments[(1)]. The Manager aims to take advantage of the likely increase in demand for office and retail space in these areas, and the expected improvement in rental rates, tenancy mix and long-term property value.

(1) Some examples of such Government initiatives include the Sheung Shui to Lok Ma Chau Spur Line which connects the existing Kowloon-Canton Railway (KCR) East Rail Sheung Shui Station to a new boundary crossing at Lok Ma Chau/Huanggang (expected to be completed in 2007), a composite commercial/residential development situated at Tai Yuen Street in Wanchai (expected to be completed in phases from 2006), and the Government's planned population growth in the New Towns of Tseung Kwan O, Sheung Shui and Yuen Long.

The Portfolio

The following table sets forth certain information as at 30 September 2006 with respect to each of the Properties and by classifying them into two categories — office and retail. The categorisation of each Property has been determined by reference to the nature of the source of the majority of the income generated by that Property.

Property	Appraised Value[2]	Approximate percentage attributable to total Appraised Value of all Properties	Acquisition Value[3] (based on the Minimum Offer Price of HK$2.45)		Acquisition Value[3] (based on the Maximum Offer Price of HK$2.60)		Gross Rentable Area		No. of car park spaces	Year of Completion of Construction	Average occupancy rate[12]	Number of leases as at 30 September 2006
	HK$ million	%	HK$ million	Discount %	HK$ million	Discount %	Office[4] sq.ft.	Retail[4] sq.ft.				
Office[1]												
248 Queen's Road East	2,341	25.75	1,817.2	22.4	1,873.4	20.0	369,891	6,490	46[8]	1998	95.6	77
Bonham Trade Centre	422	4.64	327.6	22.4	337.7	20.0	108,506	9,403	—	1998	89.9	114
Righteous Centre	329	3.62	255.4	22.4	263.3	20.0	41,004	10,763	—	1996	90.7	52
135 Bonham Strand Trade Centre Property	230	2.53	178.5	22.4	184.1	20.0	60,844	3,071	—	2000	87.3	71
Winsome House Property	254	2.79	197.2	22.4	203.3	20.0	37,937	2,177	—	1999	78.3	20
Java Road 108 Commercial Centre	147	1.62	114.1	22.4	117.6	20.0	35,694	2,229	—	1998	85.7	27
Sun Fai Commercial Centre Property	100	1.10	77.6	22.4	80.0	20.0	23,817	2,334	—	1998	90.5	37
Wai Ching Commercial Building Property	26	0.29	20.2	22.4	20.8	20.0	14,239	2,082	—	1997	60.4	21
235 Wing Lok Street Trade Centre	168	1.85	130.4	22.4	134.4	20.0	47,481	4,804	—	2000	77.7	53
Yue Fai Commercial Centre Property	124	1.36	96.3	22.4	99.2	20.0	41,272	1,479	—	1997	77.2	87
Everglory Centre	123	1.35	95.5	22.4	98.4	20.0	25,896	3,906	—	1999	95.0	30
On Loong Commercial Building Property	107	1.18	83.1	22.4	85.6	20.0	23,856	1,708	—	1984	95.0	35
Sub total/average	4,371	48.08	3,393.0	22.4	3,498.0	20.0	830,437[5]	50,446[5]	46		89.9[13]	624
Retail[1]												
Metro City Phase I Property	1,811	19.92	1,405.8	22.4	1,449.3	20.0	—	188,889	452[9]	1996	81.1	100
Sheung Shui Centre Shopping Arcade	2,190	24.09	1,700.0	22.4	1,752.6	20.0	—	122,339	297[10]	1993	93.2	125
Kwong Wah Plaza Property	458	5.04	355.5	22.4	366.5	20.0	39,101	25,741	—	1998	99.1	36
Beverley Commercial Centre Property	56	0.62	43.5	22.4	44.8	20.0	—	7,934	—	1982	75.4	32
Glory Rise Property	65	0.72	50.5	22.4	52.0	20.0	—	7,086	—	2003	60.0	4
Supernova Stand Property	46	0.51	35.7	22.4	36.8	20.0	—	4,226	—	2001	88.4	1
Palatial Stand Property	20	0.22	15.5	22.4	16.0	20.0	3,566	5,059	—	2001	100.0	5
Royal Terrace Property	73	0.80	56.7	22.4	58.4	20.0	—	9,565	49[11]	2002	100.0	7
Sub total/average	4,719	51.92	3,663.1	22.4	3,776.5	20.0	42,667[6]	370,839[6]	798		87.9[13]	310
Total	9,090	100.0	7,056.1	22.4	7,274.5	20.0	873,104[7]	421,285[7]	844		89.3[13]	934[14]

Notes:

(1) The table presents information by categorising each Property as either office or retail. The categorisations were determined by the nature of the source of the majority of the income generated by the relevant Property. Consequently, for any Property that has mixed office and retail usage but which was categorised as office, a portion of its net property income and Gross Rentable Area will actually be referable to retail usage, and vice versa for any mixed use Property which was categorised as retail.

(2) The Appraised Value represents the value of each Property as determined by the Independent Property Valuer as at 30 September 2006.

(3) The Acquisition Value represents the agreed acquisition value for each Property for the purpose of computing the purchase consideration for the relevant Target Company or Target Property under the relevant Sale and Purchase Agreement.

(4) These represent the Gross Rentable Area actually used for office and retail purposes within each Property (excluding car-parking spaces) and, where applicable, differ from the overall classification of each Property as office and retail.

(5) The aggregate Gross Rentable Area of all the 12 Properties in the office category above (including any retail component in those Properties) is 880,883 sq.ft.

(6) The aggregate Gross Rentable Area of all the eight Properties in the retail category above (including any office component in those Properties) is 413,506 sq.ft.

(7) The total Gross Rentable Area for all the 20 Properties is 1,294,389 sq.ft. (excluding car-parking spaces).

(8) Includes 38 car-parking spaces and eight lorry-parking spaces.

(9) In addition to the 452 car-parking spaces, it has 20 motor cycle-parking spaces and 14 bicycle-parking spaces.

(10) Includes 269 car-parking spaces (of which 160 car-parking spaces are for parking private motor vehicles belonging to the residents of Sheung Shui Centre and 109 car-parking spaces are for parking private motor vehicles belonging to members of the public) and 28 lorry-parking spaces. In addition, it has six loading and unloading spaces and 226 bicycle-parking spaces.

(11) In addition to the 49 car-parking spaces, it has 10 motorcycle-parking spaces.

(12) Average occupancy rate for the three months ended 30 September 2006 is derived by dividing the sum of the occupancy rates at the end of each month during the three-month period for the relevant Property by the number of months in the period. The occupancy rates in respect of the relevant Property means the Gross Rentable Area in sq.ft. occupied under lease or licence by tenants or licensees as a percentage of total Gross Rentable Area of such relevant Property as at the end of the relevant month. For this purpose, "occupied" means that, in respect of an area, a lease or licence existed under an agreement in writing entered into at any time on or before 31 October 2006, which lease or licence was in effect or deemed to be in effect as at the end of the relevant month. For the purpose of calculating the average occupancy rate for the Properties with car parks, the occupancy of the car parks is not taken into account as some of the car parks are licensed on an hourly basis.

(13) Calculated as a weighted average by total area of the above individual property average occupancy rates.

(14) No car-parking spaces are included in the number of leases since car-parking spaces are occupied on a licence basis.

Net Property Income

The Properties generated net property income HK$207 million for the year ended 30 June 2004, HK$215 million for the year ended 30 June 2005 and HK$210 million for the year ended 30 June 2006. The following table sets forth the contribution of each Property to these net property income figures and the average occupancy rate for each Property in these periods:

Property	For the year ended 30 June 2004			For the year ended 30 June 2005			For the year ended 30 June 2006		
	Net property income	Percentage of total net property income	Average occupancy rate[1]	Net property income	Percentage of total net property income	Average occupancy rate[1]	Net property income	Percentage of total net property income	Average occupancy rate[1]
	HK$'000	%	%	HK$'000	%	%	HK$'000	%	%
Office									
248 Queen's Road East	45,448	21.9	89.1	43,370	20.2	88.6	37,363	17.8	87.3
Bonham Trade Centre	7,220	3.5	86.4	9,556	4.5	91.3	11,359	5.4	94.6
Righteous Centre	8,027	3.9	93.0	6,811	3.2	94.1	7,721	3.7	93.8
135 Bonham Strand Trade Centre Property	5,174	2.5	94.3	5,653	2.6	95.9	6,269	3.0	92.9
Winsome House Property	4,797	2.3	96.4	5,177	2.4	96.9	5,514	2.6	91.5
Java Road 108 Commercial Centre	3,286	1.6	94.1	4,024	1.9	93.2	4,224	2.0	92.5
Sun Fai Commercial Centre Property	2,507	1.2	94.3	2,801	1.3	97.1	3,337	1.6	96.4
Wai Ching Commercial Building Property	342	0.1	78.3	199	0.1	70.0	287	0.1	64.1
235 Wing Lok Street Trade Centre	2,675	1.3	87.9	2,947	1.4	92.7	3,192	1.5	86.9
Yue Fai Commercial Centre Property	3,073	1.5	95.5	3,536	1.6	95.7	3,598	1.7	86.4
Everglory Centre	2,907	1.4	98.8	2,812	1.3	97.7	3,278	1.6	97.9
On Loong Commercial Building Property	2,648	1.3	96.1	2,685	1.2	99.1	2,819	1.3	93.2
Sub total	**88,104**	**42.5**	**90.6[2]**	**89,571**	**41.7**	**91.5[2]**	**88,961**	**42.3**	**89.8[2]**
Retail									
Metro City Phase I Property	45,415	21.9	93.2	44,089	20.5	95.6	39,506	18.8	85.0
Sheung Shui Centre Shopping Arcade	57,160	27.5	97.3	60,599	28.2	98.3	58,764	27.9	96.9
Kwong Wah Plaza Property	11,466	5.5	96.3	13,723	6.4	97.7	14,391	6.8	97.4
Beverley Commercial Centre Property	312	0.2	41.7	1,512	0.7	92.8	1,370	0.7	82.8
Glory Rise Property	1,263	0.6	43.5	1,569	0.7	64.6	2,167	1.0	71.1
Supernova Stand Property	1,602	0.8	88.4	1,623	0.8	88.4	1,883	0.9	88.4
Palatial Stand Property	237	0.1	51.1	240	0.1	61.5	508	0.3	90.1
Royal Terrace Property	1,905	0.9	73.3	2,009	0.9	84.1	2,812	1.3	93.6
Sub total	**119,360**	**57.5**	**91.7[2]**	**125,364**	**58.3**	**95.1[2]**	**121,401**	**57.7**	**90.5[2]**
Total	**207,464**	**100**	**91.0[2]**	**214,935**	**100.0**	**92.6[2]**	**210,362**	**100.0**	**90.0[2]**

Notes:

(1) Average occupancy rate for the period is derived by dividing the sum of the occupancy rates at the end of each month during the period for the relevant Property by the number of months in the period. For the purpose of calculating the average occupancy rate for the Properties with car parks, the occupancy of the car parks is not taken into account as some of the car parks are licensed on an hourly basis.

(2) Calculated as a weighted average by total area of the above individual property average occupancy rates.

Valuation

The Appraised Value of each of the Properties was determined by the Independent Property Valuer as at 30 September 2006. The Appraised Value and the Acquisition Value of each of the Properties are set out in the following table:

		Based on the Minimum Offer Price of HK$2.45		Based on the Maximum Offer Price of HK$2.60	
Property	**Appraised Value**	**Acquisition Value**	**Discount**	**Acquisition Value**	**Discount**
	HK$ million	**HK$ million**	**%**	**HK$ million**	**%**
Office					
248 Queen's Road East	2,341	1,817.2	22.4	1,873.4	20.0
Bonham Trade Centre	422	327.6	22.4	337.7	20.0
Righteous Centre	329	255.4	22.4	263.3	20.0
135 Bonham Strand Trade Centre Property	230	178.5	22.4	184.1	20.0
Winsome House Property	254	197.2	22.4	203.3	20.0
Java Road 108 Commercial Centre	147	114.1	22.4	117.6	20.0
Sun Fai Commercial Centre Property	100	77.6	22.4	80.0	20.0
Wai Ching Commercial Building Property	26	20.2	22.4	20.8	20.0
235 Wing Lok Street Trade Centre	168	130.4	22.4	134.4	20.0
Yue Fai Commercial Centre Property	124	96.3	22.4	99.2	20.0
Everglory Centre	123	95.5	22.4	98.4	20.0
On Loong Commercial Building Property	107	83.1	22.4	85.6	20.0
Sub total/average	4,371	3,393.0	22.4	3,498.0	20.0
Retail					
Metro City Phase I Property	1,811	1,405.8	22.4	1,449.3	20.0
Sheung Shui Centre Shopping Arcade	2,190	1,700.0	22.4	1,752.6	20.0
Kwong Wah Plaza Property	458	355.5	22.4	366.5	20.0
Beverley Commercial Centre Property	56	43.5	22.4	44.8	20.0
Glory Rise Property	65	50.5	22.4	52.0	20.0
Supernova Stand Property	46	35.7	22.4	36.8	20.0
Palatial Stand Property	20	15.5	22.4	16.0	20.0
Royal Terrace Property	73	56.7	22.4	58.4	20.0
Sub total/average	4,719	3,663.1	22.4	3,776.5	20.0
Total/average	9,090	7,056.1	22.4	7,274.5	20.0

The aggregate Acquisition Value of the Properties is at a discount of 20.0% (based on the Maximum Offer Price of HK$2.60) to 22.4% (based on the Minimum Offer Price of HK$2.45) to their aggregate Appraised Value. See "Appendix V — Independent Property Valuer's Valuation Report" to this Offering Circular.

Occupancy

The table below sets forth information on the average occupancy rate of each of the Properties for the three years ended 30 June 2004, 2005 and 2006 and the three months ended 30 September 2006:

	Average occupancy rate[1]			
Property	**For the year ended 30 June 2004**	**For the year ended 30 June 2005**	**For the year ended 30 June 2006**	**For the three months ended 30 September 2006[8]**
	%	%	%	%
Office				
248 Queen's Road East	89.1	88.6	87.3	95.6
Bonham Trade Centre	86.4	91.3	94.6	89.9
Righteous Centre	93.0	94.1	93.8	90.7
135 Bonham Strand Trade Centre Property	94.3	95.9	92.9	87.3
Winsome House Property	96.4	96.9	91.5	78.3[9]
Java Road 108 Commercial Centre	94.1	93.2	92.5	85.7
Sun Fai Commercial Centre Property	94.3	97.1	96.4	90.5
Wai Ching Commercial Building Property[2]	78.3	70.0	64.1	60.4
235 Wing Lok Street Trade Centre	87.9	92.7	86.9	77.7
Yue Fai Commercial Centre Property	95.5	95.7	86.4[3]	77.2
Everglory Centre	98.8	97.7	97.9	95.0
On Loong Commercial Building Property	96.1	99.1	93.2	95.0
Sub average[11]	**90.6**	**91.5**	**89.8**	**89.9**
Retail				
Metro City Phase I Property	93.2	95.6	85.0[4]	81.1
Sheung Shui Centre Shopping Arcade	97.3	98.3	96.9	93.2
Kwong Wah Plaza Property	96.3	97.7	97.4	99.1
Beverley Commercial Centre Property	41.7[5]	92.8	82.8[3]	75.4
Glory Rise Property	43.5[6]	64.6	71.1	60.0[10]
Supernova Stand Property	88.4	88.4	88.4	88.4
Palatial Stand Property	51.1[7]	61.5[7]	90.1	100.0
Royal Terrace Property	73.3	84.1	93.6	100.0
Sub average[11]	**91.7**	**95.1**	**90.5**	**87.9**
Total average[11]	**91.0**	**92.6**	**90.0**	**89.3**

Notes:

(1) Average occupancy rate for each Property over the relevant period is derived by dividing the sum of the occupancy rates at the end of each month during the relevant period for the relevant Property by the number of months in the period. For the purpose of calculating the average occupancy rate for the Properties with car parks, the occupancy of the car parks is not taken into account as some of the car parks are licensed on an hourly basis.

(2) On the back of the robust macroeconomic environment, Grade A offices and most Grade B offices in core business areas enjoyed a high level of occupancy and significant rental increase in 2005. As Wai Ching Commercial Building Property is a Grade B office located in a decentralised business area, there is lagging effect for the subject property to enjoy the increasing occupancy and rising rental rates, as a result of "spill-over" demand to decentralised business areas.

(3) A drop in average occupancy rate was recorded at Yue Fai Commercial Centre Property and Beverley Commercial Centre Property for FY2006 as compared with FY2005 due to the reason that the existing manager of these Properties, in view of the steadily rising office and retail rentals, has opted for a strategy to tolerate an increase in vacancy in order to achieve higher rental income. The average monthly effective rentals per leased square foot of Gross Rentable Area for these Properties for FY2006 are actually higher than the corresponding figures for FY2005.

(4) Increased vacancy at Metro City Phase I Property for FY2006 was due to removal of a large tenant in September 2005.

(5) Due to the outbreak of SARS in first half of 2003, declining occupancy rates in Beverley Commercial Centre Property were recorded in the second half of 2003. The occupancy rate rebounded to 75.5% as at 30 June 2004.

(6) The Occupation Permit for Glory Rise was issued in January 2003 and the first lease at Glory Rise Property commenced on 1 April 2003.

(7) A unit which constituted 20% of the total Gross Rentable Area of Palatial Stand Property and three shops which constituted an aggregate 17% of the total Gross Rentable Area of Palatial Stand Property were vacant from 2001 and were leased out respectively in January 2005 and February 2006.

(8) A drop in average occupancy rate was recorded for the three months ended 30 September 2006 for some Properties as compared with FY2006. However, both the average monthly effective rental per leased square foot of Gross Rentable Area and the average monthly rental receivable for the three-month period are actually higher than the corresponding figures for FY2006. This reflects the fact that the existing manager of the Properties, in view of the steadily rising office and retail rentals, has opted for a strategy to tolerate an increase in vacancy in order to achieve higher rental income.

(9) Further to the general reason for decrease of average occupancy rate stated in note (8) above, decreased average occupancy rate recorded at Winsome House Property for the three months ended 30 September 2006 was principally related to expiry of six leases during the period from March 2006 to September 2006. Two new leases at higher rents were entered into in October 2006 and as at the Latest Practicable Date, the occupancy rate rebounded to 85.88%.

(10) The drop of average occupancy rate for Glory Rise Property for the three months ended 30 September 2006 is because, apart from the general reason stated in note (8) above, the tenants of two units of an aggregate Gross Rentable Area of 1,628 sq. ft., which constituted approximately 22.9% of the total Gross Rentable Area, did not renew the leases and moved out from the units upon expiry of the leases. As at the Latest Practicable Date, negotiations with potential new tenants at a higher rent were in progress, although there is no certainty as to whether the new leases can ultimately be agreed upon, and if so, on what terms.

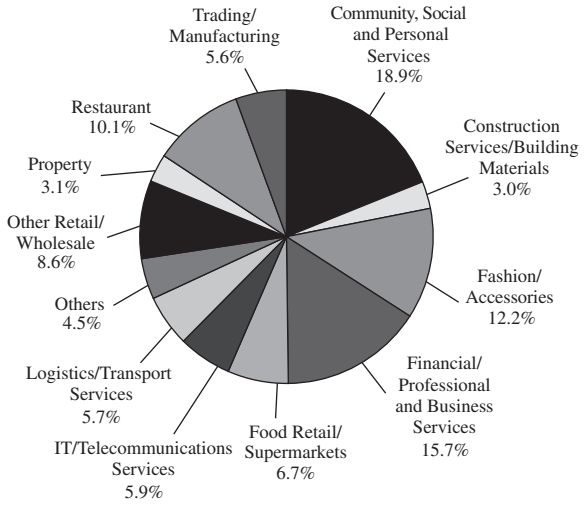
(11) Calculated as a weighted average by total area of the above individual property average occupancy rates.

Tenant Profile

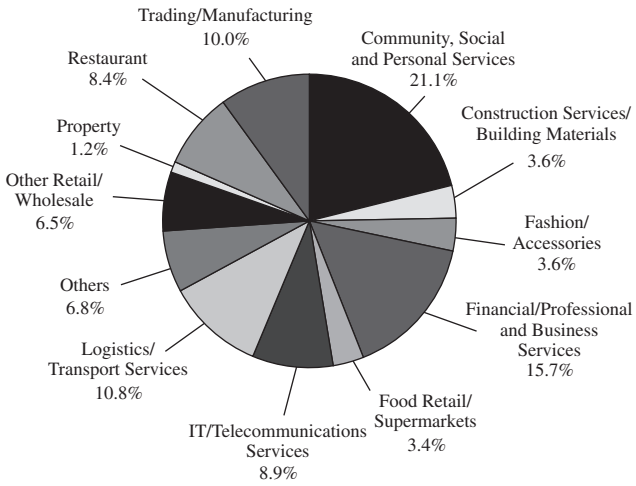
The major tenants of the Properties comprise entities in a range of community/social and personal services, trading/manufacturing, financial/professional and business services, logistics/transport services and other firms in Hong Kong, including some major entities such as Bank of Communications Co., Ltd., A.S. Watson Group (HK) Limited trading as Watsons and Fortress, The Dairy Farm Company Limited trading as Wellcome Supermarket and Mannings, Hang Seng Bank Limited, PCCW Teleservices (Hong Kong) Limited, The Bank of East Asia Limited and The Hongkong and Shanghai Banking Corporation Limited.

The charts below show the mix of the tenants of the Properties by the principal nature of their business, as a percentage of Rental Income and Gross Rentable Area for the month ended, and as at, 30 September 2006.

Rental Income by Tenants' Trades (For the month ended 30 September 2006)



Gross Rentable Area by Tenants' Trades (As at 30 September 2006)



None of the 10 largest tenants (in terms of Rental Income) are connected persons of Sunlight REIT, except Hang Seng Bank Limited and The Hongkong and Shanghai Banking Corporation Limited. The following table sets forth information on the 10 largest tenants of the Properties in terms of Rental Income as at 30 September 2006 and for the month ended 30 September 2006:

Tenant	Trade Mix	Expiry Date	Gross Rentable Area	Percentage of Total Gross Rentable Area	Percentage of Rental Income[1]
			sq.ft.	%	%
Bank of Communications Co., Ltd.	Financial/professional and business services	10 March 2008[2] 21 May 2008[2]	3,935 3,612	0.6	2.9
Forever Sky (Asia) Limited	Restaurant	13 March 2010	20,261	1.6	2.3
A.S. Watson Group (HK) Limited	Other retail/wholesale	19 September 2009[3] 9 November 2006[3] 12 January 2008[3]	3,292 2,939 9,430	1.2	2.0
The Dairy Farm Company Limited	Food retail/supermarkets	30 November 2006[4] 30 November 2006[4] 14 October 2007[4] 20 January 2008[4] 6 August 2009[4]	2,619 1,130 1,171 3,737 604	0.7	1.9
Cosmos Inc. Limited	Restaurant	30 April 2009[5] 6 January 2007[5]	24,857 —	1.9	1.7
Hang Seng Bank Limited	Financial/professional and business services	16 February 2009	7,628	0.6	1.6
Anglo-Eastern Ship Management Ltd	Logistics/transport services	31 August 2008[6] 31 August 2008[6] 31 August 2008[6]	10,589 22,490 —	2.5	1.3
PCCW Teleservices (Hong Kong) Limited	IT/telecommunication services	31 July 2008[7] 31 July 2008[7] 31 October 2008[7] 31 July 2008[7] 31 July 2008[7] 31 July 2008[7]	11,146 11,245 6,431 — — —	2.2	1.3
The Bank of East Asia Limited	Financial/professional and business services	30 April 2009	3,863	0.3	1.2
The Hongkong and Shanghai Banking Corporation Limited	Financial/professional and business services	3 November 2008[8] 3 November 2008[8]	1,360 3,266	0.4	1.1
		Sub-total	155,605	12.0	17.3
Other tenants			998,997	77.2[9]	82.7
Vacant Space			139,787	10.8	—
		Total	1,294,389	100.0	100.0

Notes:

(1) Calculated on the basis of each tenant's percentage contribution to Rental Income of the Properties for the month ended 30 September 2006.

(2) Tenant holds two separate leases expiring on two different dates.

(3) Tenant holds three separate leases expiring on three different dates. As at the Latest Practicable Date, the lease which expired on 9 November 2006 was renewed for a further term of three years commencing from 10 November 2006.

(4) Tenant holds five separate leases expiring on four different dates. As at the Latest Practicable Date, negotiations for renewal of the two leases expiring on 30 November 2006 at a higher rent were in progress, although there is no certainty as to whether renewal can ultimately be agreed upon, and if so, on what terms.

(5) Tenant holds one lease and one licence for lightbox expiring on different dates.

(6) Tenant holds two separate leases and one licence for installation of split type air-conditioning condenser units expiring on the same date.

(7) Tenant holds three separate leases expiring on two different dates and three separate licenses for installation of split type air-conditioning condenser units and generators expiring on the same date.

(8) Tenant holds two separate leases expiring on the same date.

(9) With respect to the leases of other tenants, 27.6% of the total Gross Rentable Area is due to expire in the period from 30 September 2006 to 30 June 2007, 28.0% is due to expire in the year ending 30 June 2008 and 21.6% is due to expire in the year ending 30 June 2009 and beyond.

Expiries and Renewals

As at 30 September 2006, 92.6% of the lease agreements, in terms of leased area, were for terms of at least two years. The lease agreements do not generally give tenants the right to terminate their leases prior to their scheduled expiration dates.

The following table sets forth information on leases in respect of the Properties that have expired and those that have been renewed with the existing tenants as at 30 September 2006 during the periods indicated:

	Number of leases expired[1]	Gross Rentable Area of expired leases	Number of expired leases renewed	Renewed Gross Rentable Area	Renewal rate by number of leases expired	Renewal rate by expired leased area
		sq.ft.		sq.ft.	%	%
Year ended 30 Jun 2004	592	531,861	360	328,536	60.8	61.8
Year ended 30 Jun 2005	613	625,668	354	349,650	57.7	55.9
Year ended 30 Jun 2006	625	659,740	331	375,956	53.0	57.0
Three months ended 30 Sep 2006	149	152,188	64	84,396	43.0	55.5
Total/average/weighted average	1,979	1,969,457	1,109	1,138,538	56.0[2]	57.8[3]

Notes:

(1) Leases which were terminated early have been included as expired leases.

(2) Weighted average weighted by number of leases expired.

(3) Weighted average weighted by Gross Rentable Area of expired leases.

The following table sets forth details of expiries in respect of leases as at 30 September 2006 which are scheduled to take place during the periods indicated:

Period	Number of leases expiring[1]	Gross Rentable Area of leases expiring	Expiring leases as a percentage of total Gross Rentable Area	Monthly Rental Income of leases expiring[2]	Expiring leases as a percentage of total monthly Rental Income
		sq.ft.	%	HK$	%
From 30 Sep 2006 to 30 Jun 2007	373	364,058	28.1	5,875,683	27.7
Year ending 30 Jun 2008	408	384,431	29.7	8,435,034	39.8
Year ending 30 Jun 2009 and beyond	153	406,113	31.4	6,905,990	32.5
Vacant space	—	139,787	10.8	—	—
Total	934	1,294,389	100.0	21,216,707	100.0

Notes:

(1) Assuming that the options to renew are not exercised.

(2) Monthly Rental Income in respect of leases expiring for the respective periods is the sum of monthly Rental Income of such expiring leases as at 30 September 2006.

Delinquency Rates

The following table sets forth a breakdown of delinquency rates at the Properties for the three years ended 30 June 2004, 2005 and 2006 and the three months ended 30 September 2006:

	For the year ended 30 June 2004		For the year ended 30 June 2005		For the year ended 30 June 2006		For the three months ended 30 September 2006	
Property	**Average delinquent balance[1]**	**Average delinquency rate[2]**	**Average delinquent balance[1]**	**Average delinquency rate[2]**	**Average delinquent balance[1]**	**Average delinquency rate[2]**	**Average delinquent balance[1]**	**Average delinquency rate[2]**
	HK$	**%**	**HK$**	**%**	**HK$**	**%**	**HK$**	**%**
Office								
248 Queen's Road East	211,760	0.51	256,227	0.64	144,259	0.38	16,080	0.14
Bonham Trade Centre	17,115	0.17	10,573	0.10	4,584	0.04	5,758	0.19
Righteous Centre	6,434	0.07	18,854	0.23	66,146	0.71	67,637	2.97
135 Bonham Strand Trade Centre Property	5,289	0.09	11,417	0.18	8,597	0.13	21,505	1.25
Winsome House Property	231,770	4.40[3]	156,803	2.99[3]	—	—	—	—
Java Road 108 Commercial Centre	26,057	0.68	27,137	0.64	9,203	0.20	3,428	0.29
Sun Fai Commercial Centre Property	—	—	—	—	—	—	—	—
Wai Ching Commercial Building Property	1,097	0.14	947	0.14	1,050	0.16	—	—
235 Wing Lok Street Trade Centre	4,495	0.13	21,575	0.62	3,444	0.09	—	—
Yue Fai Commercial Centre Property	396	0.01	741	0.02	1,070	0.02	—	—
Everglory Centre	4,021	0.12	9,227	0.29	487	0.01	—	—
On Loong Commercial Building Property	5,598	0.18	409	0.01	409	0.01	—	—
Sub total/average	514,032	0.55	513,910	0.56	239,249	0.25	114,408	0.42
Retail								
Metro City Phase I Property	3,180,664	6.74[4]	2,342,279	5.05[4]	2,631,481	5.89[4][5]	2,290,979	20.91[6]
Sheung Shui Centre Shopping Arcade	350,392	0.57	370,341	0.55	69,165	0.10	130,434	0.71
Kwong Wah Plaza Property	40,324	0.30	62,903	0.44	47,355	0.31	—	—
Beverley Commercial Centre Property	80,320	9.62[7]	316	0.02	10,708	0.62	—	—
Glory Rise Property	—	—	—	—	—	—	—	—
Supernova Stand Property	—	—	—	—	—	—	—	—
Palatial Stand Property	—	—	—	—	—	—	—	—
Royal Terrace Property	192,038	10.63[8]	—	—	—	—	—	—
Sub total/average	3,843,738	2.98	2,775,839	2.06	2,758,709	2.04	2,421,413	6.76
Overall average	4,357,770	1.96	3,289,749	1.45	2,997,958	1.30	2,535,822	4.04

Notes:

(1) Average of delinquent balances as at the end of each month during the relevant period.

(2) Average delinquency rate is calculated by dividing the average delinquent balance by the expected total Rental Income (assuming no delinquency) for the number of months in the relevant period. Delinquency refers to rental receivables that remain unpaid for over 90 days after their due dates. The rates exclude the delinquency rates for the car park portion, which are usually licensed on monthly and/or hourly basis, of the relevant Properties.

(3) The average delinquency rates for Winsome House Property throughout the period from FY2004 to FY2005 were principally related to a tenant who defaulted on payments of rent during such period. The relevant sum has subsequently been fully settled in FY2005.

(4) The average delinquency rates for Metro City Phase I Property throughout the period from FY2004 to FY2006 were principally related to a previous tenant who defaulted on payments of rent before the beginning of FY2003 but subsequently continued to pay part of the outstanding sum by instalments. The relevant lease was terminated before FY2003. After Completion, the relevant Vendor (but not the Sunlight REIT Group) will be entitled to any further amount paid by such previous tenant in respect of the previously outstanding sums since the sale and purchase will be effected through an assignment of the Property.

(5) The average delinquency rate for Metro City Phase I Property during FY2006 was partly related to the default of another large previous tenant on payments of rent. The relevant lease has already been terminated.

(6) The average delinquency rate for Metro City Phase I Property for the three months ended 30 September 2006 was mainly due to the default in payment of rent by a previous tenant as mentioned in footnote (4) above who has continued to pay the outstanding sum by instalments during the said three-month period. In calculating the average delinquency rate, the average delinquency balance is divided by the expected total Rental Income for the said three-month period, thus resulting in a delinquency rate higher than in a full financial year where the expected total Rental Income for a 12-month period would be used as a base. Further, the average delinquency rate for Metro City Phase I Property for the three months ended 30 September 2006 was also partly related to the default of two large previous tenants on payments of rent. One of the leases has already been terminated and the other expired on 9 July 2006.

(7) The average delinquency rate for Beverley Commercial Centre Property during FY2004, where its smaller scale retail tenants were comparatively more susceptible to sudden economic downfall, was related to the outbreak of SARS in the first half of 2003.

(8) The average delinquency rate for Royal Terrace Property in FY2004 was related to the default of a relatively large tenant on payments of rent. The relevant sum has subsequently been fully settled.

Marketing and Leasing Activities

The Property Manager has dedicated marketing teams which identify suitable tenants in desired target groups for the Properties. The Properties are then actively marketed to such prospective tenants through advertisements in the print media, direct calls, flyers and property agents. Property agents and prospective tenants are also provided with regular updates of available office or retail units for rent.

Tenancy Agreements and Lease Management

The tenancy agreements entered into for each of the Properties are generally for terms ranging from two to three years, depending on factors such as the needs of tenants and the operating history and reputation of a particular property. Longer lease terms of up to five years are sometimes granted for larger premises or where a prospective tenant has committed to making a significant initial capital investment.

The terms of most leases are fixed with no option to renew, although some of Sunlight REIT's tenants, for example some bank tenants, do have an option to renew their leases for a further term of a duration up to that of the initial term normally at prevailing market rent while under some tenancy agreements, there is maximum limit on the increase rate of rent or minimum level of rent (as that under the initial tenancy agreement).

At the time of entering into a lease, tenants of the Properties are generally required to pay a security deposit of an amount equivalent to approximately three months' rent, management charges, air-conditioning charges (if appropriate) and rates (if appropriate) in form of cash or alternatively, by way of a bank guarantee and/or guarantee given by the controlling shareholder and/or director of the corporate tenants in lieu of cash deposit. Security deposits are unsecured and do not bear interest. Tenants generally are required to pay their monthly rent in advance. Depending on market conditions, limited rent-free periods (currently falling within the general range of one to two months) are sometimes granted under the leases, which is generally consistent with market practice. Certain tenants of retail spaces are required to pay the higher of the basic rent and the turnover rent (generally calculated as a percentage of the gross turnover of the tenant's business conducted at the leased space). Some leases provide for pre-determined increase in rent over the terms of the leases.

Under the leases, tenants are normally responsible for payment of outgoings such as utilities, management charges, air-conditioning charges (if appropriate) and Government rates. Tenants are generally also responsible for repairing, and payment of all other expenses relating to, the interior of the premises, while the landlord is generally responsible for repairing the exterior and the main structure. In

the event that the premises or a substantial part thereof are rendered unfit for use or totally inaccessible by force majeure or by any cause other than the direct or indirect result of the negligence or fault of the tenants, the tenants are usually entitled to rent abatement until the premises shall again be rendered fit for occupation. Tenants are generally not permitted to assign or sublet the premises.

The majority of tenancy agreements do not give tenants the right to terminate their leases prior to the scheduled expiration dates. The landlord has the right to terminate a lease upon the occurrence of certain events, such as non-payment of rent or breach of covenants by the tenants. The tenants are required under the leases to use the leased premises for the purpose allowed under the Government Grant and the occupation permits of the relevant buildings.

General

In the descriptions of each individual Properties below:

1. **Risk Factors**

Reference should be made to the section headed "Risk Factors" in this Offering Circular for the nature and risks of making property investments generally and in the case of the relevant property.

2. **Average Occupancy Rates and Average Monthly Rental**

In each table headed "Average Occupancy Rates and Average Monthly Rental":

a. The average occupancy rate stated for each Property over the relevant period is derived by dividing the sum of the occupancy rates as at the end of each month during the relevant period for that Property by the number of months in the relevant period;

b. The average monthly rental per leased square foot of Gross Rentable Area stated for each Property over the relevant year is calculated by dividing the Rental Income for the relevant year by the number of months in that year, and then dividing by a simple average of leased area of that Property at the end of each month in that year. Leased area is the Gross Rentable Area, as adjusted by the occupancy rate. In arriving at the average monthly Rental Income, income generated from licences with no Gross Rentable Area (such as light boxes) has been taken into account although in calculating the average monthly rental per leased square foot of Gross Rentable Area, the monthly Rental Income is divided by the leased area which takes no account of income generated from licences as they have no Gross Rentable Area.

3. **Calculation of Rental Income in Tenant Profile and Expiries and Renewals descriptions**

In the section headed "Tenant Profile" and the section headed "Expiries and Renewals", rental payable for one full month is presented or taken into account in calculations for the purpose of consistency in comparing the Rental Income contributed by different tenants for the month ended 30 September 2006.

Tenancy agreements and licences expired within the month of September 2006 but before 30 September 2006 are disregarded in the section headed "Tenant Profile".

248 QUEEN'S ROAD EAST

Description

248 Queen's Road East, which was completed in 1998, is a 40-storey Grade A office building with views of Victoria Harbour from certain units at higher levels. The Property is located in an established residential and commercial area in Wanchai district and is situated within five to ten minutes' walking distance to the Wanchai MTR Station and is also served by buses and minibuses. 248 Queen's Road East has easy access to the Hong Kong side of the Cross Harbour Tunnel Entrance which links Hong Kong Island with Kowloon. As at 30 September 2006, 248 Queen's Road East had a total Gross Rentable Area of approximately 376,381 sq.ft. (excluding car-parking spaces). Office units range in size from 790 sq.ft. to 11,245 sq.ft. (the latter comprising a whole floor). The ground floor is devoted to shops and restaurants, the first to fourth floors for car park uses, and the upper floors for office uses.

The features of 248 Queen's Road East include raised floor with trunking system, satellite TV reception facilities, metallic full false ceiling, back up power supply and central air-conditioning system. 248 Queen's Road East had an average occupancy rate of approximately 95.6% for the three months ended 30 September 2006 and the Property had 77 individual leases as at 30 September 2006. Upon Completion, Sunlight REIT will own the whole of 248 Queen's Road East.

The Property has parking facilities comprising 38 car-parking spaces and eight lorry-parking spaces. The parking facilities will, on Completion, be subject to the overall management by the Property Manager.

Other than making normal recurring maintenance capital expenditures, the Manager has no current plan to renovate, improve or redevelop 248 Queen's Road East. Upon Completion, 248 Queen's Road East will be subject to a mortgage and other security granted under the Facility, as described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — The Loan Facility" in this Offering Circular.

248 Queen's Road East is held under two several Government Grants for the residue of the respective terms from 16 November 1855 to 15 November 2854 and from 16 March 1855 to 15 March 2854. As at 30 September 2006, 248 Queen's Road East was valued at HK$2,341,000,000 by the Independent Property Valuer. See "Appendix V — Independent Property Valuer's Valuation Report" to this Offering Circular.

Average Occupancy Rate and Average Monthly Rental

Year	Average occupancy rate	Average monthly rental per leased square foot of Gross Rentable Area[(1)]
Year ended 30 Jun 2004	89.1%	HK$10.3
Year ended 30 Jun 2005	88.6%	HK$10.1
Year ended 30 Jun 2006	87.3%	HK$ 9.6
Three months ended 30 Sep 2006	95.6%	HK$10.9

Note:

(1) A drop in average monthly rental per leased square foot of Gross Rentable Area throughout the period from FY2004 to FY2006 was due to the lower rent of the unexpired tenancies which were committed during the trough of the office market after the outbreak of SARS in 2003, and in particular for the year ended 30 June 2006, was principally due to relocation of the large tenant which had occupied six and a half floors and had paid higher rental per leased square foot of Gross Rentable Area.

Tenant Profile

The largest tenants (in terms of Rental Income) in 248 Queen's Road East include Anglo-Eastern Ship Management Limited, PCCW Teleservices (Hong Kong) Limited and Henderson Sunlight Asset Management Limited. The leases of the 10 largest tenants (in terms of Rental Income) are generally for terms of three years (except for Famous Pacific Shipping (HK) Limited and Senco-Masslink Technology Limited which have a term of four years and Office of the Privacy Commissioner for Personal Data which has a term of five years) with two tenants having an option to renew the leases at expiry. None of the 10 largest tenants are connected persons of Sunlight REIT except Henderson Sunlight Asset Management Limited and Henderson Sunlight Property Management Limited. Information on the 10 largest tenants in

terms of Rental Income as well as all other tenants and vacant spaces in each case as at 30 September 2006 and for the month ended 30 September 2006 is as follows:

Tenant	Expiry date	Gross Rentable Area	Percentage of total Gross Rentable Area	Percentage of Rental Income[1]
		sq.ft.	%	%
Anglo-Eastern Ship Management Limited	31 Aug 2008[2]	10,589	8.8	7.1
	31 Aug 2008[2]	22,490		
	31 Aug 2008[2]	—		
PCCW Teleservices (Hong Kong) Limited	31 Jul 2008[3]	11,146	7.7	6.8
	31 Jul 2008[3]	11,245		
	31 Oct 2008[3]	6,431		
	31 Jul 2008[3]	—		
	31 Jul 2008[3]	—		
	31 Jul 2008[3]	—		
Henderson Sunlight Asset Management Limited	15 Mar 2009	10,589	2.8	5.8
Servier Hong Kong Limited	29 Jun 2009	6,054	1.6	4.0
Office of the Privacy Commissioner for Personal Data	31 Jan 2011	15,640	4.1	3.9
Longrow Shipping Limited	14 Jan 2009	10,589	2.8	3.6
Henderson Sunlight Property Management Limited	15 Mar 2009	6,054	1.6	3.5
Famous Pacific Shipping (HK) Limited	30 Nov 2009	10,589	2.8	3.1
Applied Biosystems Hong Kong Limited	31 Jul 2008	5,172	1.4	3.0
Senco-Masslink Technology Limited	31 Jan 2010	11,146	3.0	3.0
	Sub total	137,734	36.6	43.8
Other tenants		221,166	58.8	56.2
Vacant space		17,481	4.6	—
	Total	376,381	100.0	100.0

Notes:

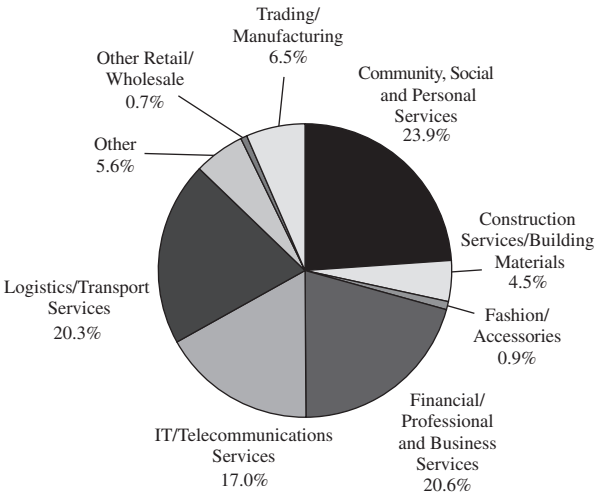
(1) Calculated on the basis of each tenant's percentage contribution to Rental Income of the Property for the month ended 30 September 2006.

(2) Tenant holds two separate leases and one licence for installation of split type air-conditioning condenser units expiring on the same date.

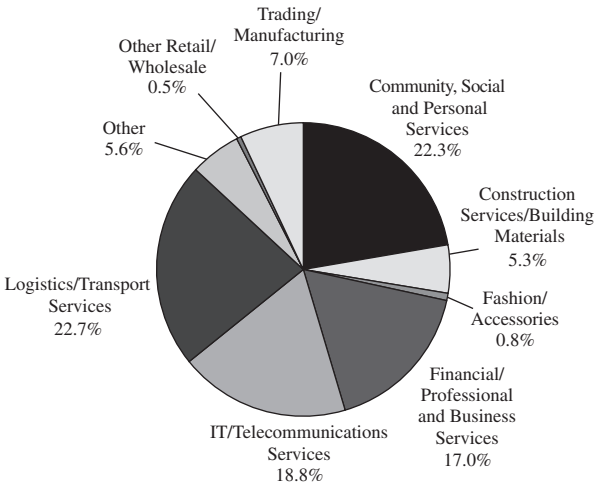
(3) Tenant holds three separate leases expiring on two different dates and three separate licences for installation of split type air-conditioning condenser units and generators expiring on the same date.

The charts below show the mix of the tenants of 248 Queen's Road East by the principal nature of their business, as a percentage of Rental Income and Gross Rentable Area.

Rental Income by Tenants' Trades (For the month ended 30 September 2006)



Gross Rentable Area by Tenants' Trades (As at 30 September 2006)



Expiries and Renewals

The following table sets forth information on leases at 248 Queen's Road East that have expired and those that have been renewed by the existing tenants during the periods indicated:

	Number of leases expired	Gross Rentable Area of expired leases	Number of expired leases renewed	Renewed Gross Rentable Area	Renewal rate by number of leases expired	Renewal rate by expired leased area
		sq.ft.		sq.ft.	%	%
Year ended 30 Jun 2004	9	36,238	2	298	22.2	0.8
Year ended 30 Jun 2005	19	115,862	10	14,307	52.6	12.3
Year ended 30 Jun 2006	30	177,405	20	116,735	66.7	65.8
Three months ended 30 Sep 2006	7	15,546	2	4,565	28.6	29.4
Average/weighted average	16(1)	86,263(1)	9(1)	33,976(1)	52.3(2)	39.4(3)

Notes:

(1) Simple average of the figures for the four periods.

(2) Weighted average weighted by number of leases expired.

(3) Weighted average weighted by Gross Rentable Area of expired leases.

The following table sets forth details of expiries in respect of leases at 248 Queen's Road East which are scheduled to take place during the periods indicated:

Period	Number of leases expiring[1]	Gross Rentable Area of leases expiring	Expiring leases as a percentage of total Gross Rentable Area	Monthly Rental Income of leases expiring[2]	Expiring leases as a percentage of total monthly Rental Income
		sq.ft.	%	HK$	%
From 30 Sep 2006 to 30 Jun 2007	20	66,608	17.7	542,154	13.9
Year ending 30 Jun 2008	23	58,486	15.6	598,804	15.3
Year ending 30 Jun 2009 and beyond	34	233,806	62.1	2,764,586	70.8
Vacant space	—	17,481	4.6	—	—
Total	77	376,381	100.0	3,905,544	100.0

Notes:

(1) Assuming that the options to renew are not exercised.

(2) Monthly Rental Income in respect of leases expiring for the periods mentioned is the sum of monthly Rental Income of such expiring leases as at 30 September 2006.

Five-Year Transaction History

The land searches (in respect of change of legal and/or beneficial ownership registered in the Land Registry) conducted on 24 November 2006 do not show any sale and purchase transactions relating to this Property in the five years prior to the date of the searches, and to the best of its knowledge, the Manager is not aware of any transactions involving direct or indirect sale and purchase of this Property during such period, in each case other than intra-group transactions, transactions among entities under the ownership or control of Dr. Lee Shau Kee, his family members or family trust(s).

BONHAM TRADE CENTRE

Description

Bonham Trade Centre, which was completed in 1998, is a 28-storey Grade B office building. Bonham Trade Centre is located in the commercial hub of Sheung Wan. The Property is situated within walking distance to the Sheung Wan MTR Station. It is also within close proximity to the International Finance Centre, the Four Seasons Hotel, the Hong Kong-Macau Ferry Terminal and the Airport Express Hong Kong Station. As at 30 September 2006, Bonham Trade Centre had a total Gross Rentable Area of approximately 117,909 sq.ft. Office units range in size from 336 sq.ft. to 4,241 sq.ft. (the latter comprising a whole floor). The ground and first floors are devoted to retail use, whilst upper floors accommodate office units.

Bonham Trade Centre had an average occupancy rate of approximately 89.9% for the three months ended 30 September 2006 and the Property had 114 individual leases as at 30 September 2006. Upon Completion, Sunlight REIT will own the whole of Bonham Trade Centre.

Other than making normal recurring maintenance capital expenditures, the Manager has no current plans to renovate, improve or redevelop Bonham Trade Centre. Upon Completion, Bonham Trade Centre will be subject to a mortgage and other security granted under the Facility, as described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — The Loan Facility" in this Offering Circular.

Bonham Trade Centre is held under three several Government Grants for the residue of the respective terms from 26 December 1860 to 25 December 2859, from 26 December 1860 to 25 December 2841 and from 26 December 1860 to 25 December 2841. As at 30 September 2006, Bonham Trade Centre was valued at HK$422,000,000 by the Independent Property Valuer. See "Appendix V — Independent Property Valuer's Valuation Report" to this Offering Circular.

Average Occupancy Rates and Average Monthly Rental

Year	Average occupancy rate	Average monthly rental per leased square foot of Gross Rentable Area
Year ended 30 Jun 2004	86.4%	HK$8.1
Year ended 30 Jun 2005	91.3%	HK$7.9
Year ended 30 Jun 2006	94.6%	HK$8.8
Three months ended 30 Sep 2006	89.9%(1)	HK$9.6

Note:

(1) A drop in average occupancy rate was recorded for the three months ended 30 September 2006 as compared with FY2006. However, both the average monthly effective rental per leased square foot of Gross Rentable Area and the average monthly rental receivable for the three-month period are actually higher than the corresponding figures for FY2006. This reflects that the existing manager of the Property, in view of the steadily rising office and retail rentals, has opted for a strategy to tolerate an increase in vacancy in order to achieve higher rental income.

Tenant Profile

The largest tenants (in terms of Rental Income) in Bonham Trade Centre include Jones Hugh Investment Limited, Best Choice M&P Limited, and Yue Mei Caterers Limited. The leases of the 10 largest tenants (in terms of Rental Income) are generally for terms of one to two years with no option to renew the lease at expiry. None of the 10 largest tenants are connected persons of Sunlight REIT, except Jones Hugh Investment Limited. Information on the 10 largest tenants in terms of Rental Income as well as all other tenants and vacant space, in each case as at 30 September 2006 and for the month ended 30 September 2006 is as follows:

Tenant	Expiry date	Gross Rentable Area	Percentage of total Gross Rentable Area	Percentage of Rental Income[1]
		sq.ft.	%	%
Jones Hugh Investment Limited	6 Jan 2007	5,195	4.4	6.2
Best Choice M & P Limited	27 Dec 2006[2]	2,903	2.5	2.9
Yue Mei Caterers Limited	06 Jun 2008	704	0.6	2.9
Taping Industries Limited	8 Mar 2008	2,307	2.0	2.1
Chosun Shipping (HK) Company Limited	14 Mar 2008	1,962	1.7	2.1
Lico (HK) Manufacturing Limited	1 Oct 2006[3]	2,942	2.5	2.0
Bloomsbury Books Limited	7 Jan 2007	2,307	2.0	1.9
Lam & Chui CPA Limited	31 Mar 2007[4]	1,299	1.9	1.9
	31 Mar 2007[4]	1,008		
Chi Sun Company Limited	30 Apr 2007[4]	2,307	2.7	1.8
	30 Apr 2007[4]	887		
Macgregor Education Services Limited, Anderson Global Logistics Limited, and ACF Logistics Limited	29 May 2008	1,802	1.5	1.8
	Sub total	25,623	21.8	25.6
Other tenants		77,874	66.0	74.4
Vacant space[5]		14,412	12.2	—
	Total	117,909	100.0	100.0

Notes:

(1) Calculated on the basis of each tenant's percentage contribution to Rental Income of the Property for the month ended 30 September 2006.

(2) As at the Latest Practicable Date, negotiations for renewal of the lease at a higher rent were in progress, although there is no certainty as to whether a renewal can ultimately be agreed upon, and if so, on what terms.

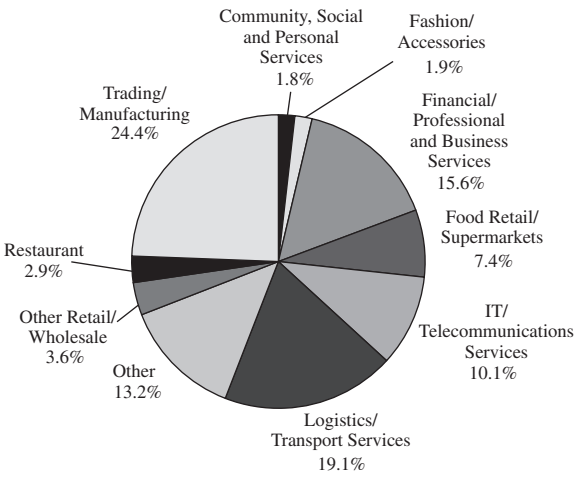
(3) The tenant did not renew the lease upon its expiry on 1 October 2006. As at the Latest Practicable Date, negotiations with potential new tenants at a higher rent were in progress, although there is no certainty as to whether a new lease can ultimately be agreed upon, and if so, on what terms.

(4) Tenants hold two separate leases expiring on the same date.

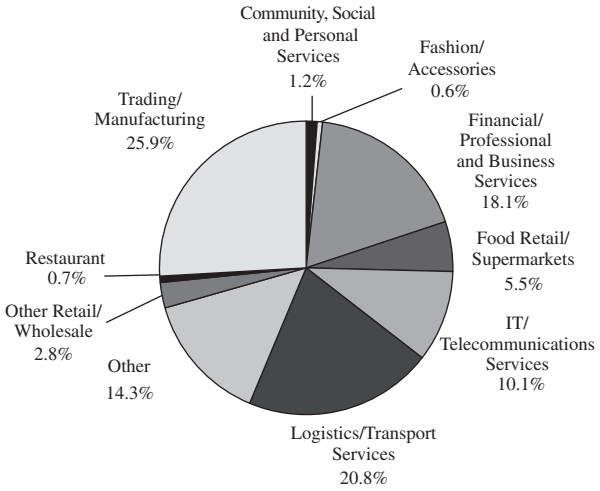
(5) As at the Latest Practicable Date, an office unit at the Property of Gross Rentable Area of 1,185 sq.ft. remained occupied by an occupant, who is a previous tenant of the office unit after expiry of its lease and negotiations for renewal for the lease at a higher rent were in progress, although there is no certainty as to whether a renewal can ultimately be agreed upon, and if so, on what terms. Further, a unit of Gross Rentable Area of 293 sq.ft. has been occupied by the leasing agent as leasing office of the Property free of rent. Upon Completion, the leasing office will be handed over to the Property Manager with no rent charged. The Property Manager will not take up additional space in the Property free of rent as long as it acts as Property Manager of the Property unless it complies with applicable requirements of the REIT Code in relation to connected party transactions.

The charts below show the mix of the tenants of Bonham Trade Centre by the principal nature of their business, as a percentage of Rental Income and Gross Rentable Area.

Rental Income by Tenants' Trades (For the month ended 30 September 2006)



Gross Rentable Area by Tenants' Trades (As at 30 September 2006)



Expiries and Renewals

The following table sets forth information on leases at Bonham Trade Centre that have expired and those that have been renewed by the existing tenants during the periods indicated:

	Number of leases expired	Gross Rentable Area of expired leases	Number of expired leases renewed	Renewed Gross Rentable Area	Renewal rate by number of leases expired	Renewal rate by expired leased area
		sq.ft.		sq.ft.	%	%
Year ended 30 Jun 2004	68	48,124	47	32,097	69.1	66.6
Year ended 30 Jun 2005	92	78,033	53	50,519	57.6	64.7
Year ended 30 Jun 2006	63	52,954	36	35,660	57.1	67.3
Three months ended 30 Sep 2006	21	13,411	8	5,382	38.1	40.1
Average/weighted average	61(1)	48,131(1)	36(1)	30,915(1)	59.0(2)	64.2(3)

Notes:

(1) Simple average of the figures for the four periods.

(2) Weighted average weighted by number of leases expired.

(3) Weighted average weighted by Gross Rentable Area of expired leases.

The following table sets forth details of expiries in respect of leases at Bonham Trade Centre which are scheduled to take place during the periods indicated:

Period	Number of leases expiring[1]	Gross Rentable Area of leases expiring	Expiring leases as a percentage of total Gross Rentable Area	Monthly Rental Income of leases expiring[2]	Expiring leases as a percentage of total monthly Rental Income
		sq.ft.	%	HK$	%
From 30 Sep 2006 to 30 Jun 2007	58	58,536	49.7	519,483	49.6
Year ending 30 Jun 2008	40	34,569	29.3	398,418	38.0
Year ending 30 Jun 2009 and beyond	16	10,392	8.8	130,381	12.4
Vacant space[3]	—	14,412	12.2	—	—
Total	114	117,909	100.0	1,048,282	100.0

Notes:

(1) Assuming that the options to renew are not exercised.

(2) Monthly Rental Income in respect of leases expiring for the periods mentioned is the sum of monthly Rental Income of such expiring leases as at 30 September 2006.

(3) As at the Latest Practicable Date, a unit of Gross Rentable Area of 1,185 sq.ft. remained occupied by a previous tenant of the office unit. Please refer to Note (5) to the table headed "Tenant Profile" for this Property for further details. Further, a unit of Gross Rentable Area of 293 sq.ft. has been occupied by the leasing agent as leasing office of the Property free of rent. Please also refer to Note (5) to the table headed "Tenant Profile" for this Property.

Five-Year Transaction History

The land searches (in respect of change of legal and/or beneficial ownership registered in the Land Registry) conducted on 24 November 2006 do not show any sale and purchase transactions relating to this Property in the five years prior to the date of the searches, and to the best of its knowledge, the Manager is not aware of any transactions involving direct or indirect sale and purchase of this Property during such period, in each case other than intra-group transactions, transactions among entities under the ownership or control of Dr. Lee Shau Kee, his family members or family trust(s).

RIGHTEOUS CENTRE

Description

Righteous Centre, which was completed in 1996, is a 26-storey Grade B office building. Righteous Centre is located in the commercial hub of Mongkok. Righteous Centre is situated on Nathan Road, one of the main streets in Kowloon and is within five minutes' walking distance to the Mongkok MTR Station. Righteous Centre is also served by numerous bus routes and minibuses. As at 30 September 2006, Righteous Centre had a total Gross Rentable Area of approximately 51,767 sq.ft. The ground to third floors are designated as shops, whilst the upper floors are designated to office use. Office units range in size from 384 sq.ft. to 1,957 sq.ft. (the latter comprising a whole floor).

Righteous Centre had an average occupancy rate of approximately 90.7% for the three months ended 30 September 2006 and the Property had 52 individual leases as at 30 September 2006. Upon Completion, Sunlight REIT will own the whole of Righteous Centre.

Other than making normal recurring maintenance capital expenditures, the Manager has no current plans to renovate, improve or redevelop Righteous Centre. Upon Completion, Righteous Centre will be subject to a mortgage and other security granted under the Facility, as described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — The Loan Facility" in this Offering Circular.

Righteous Centre is held under two several Government Grants both for the residue of the term from 25 December 1887 to 24 December 2037. As at 30 September 2006, Righteous Centre was valued at HK$329,000,000 by the Independent Property Valuer. See "Appendix V — Independent Property Valuer's Valuation Report" to this Offering Circular.

Average Occupancy Rate and Average Monthly Rental

Year	Average occupancy rate	Average monthly rental per leased square foot of Gross Rentable Area
Year ended 30 Jun 2004	93.0%	HK$16.1
Year ended 30 Jun 2005	94.1%	HK$14.0
Year ended 30 Jun 2006	93.8%	HK$16.0
Three months ended 30 Sep 2006	90.7%(1)	HK$16.2

Note:

(1) A drop in average occupancy rate was recorded for the three months ended 30 September 2006 as compared with FY2006. However, the average monthly effective rental per leased square foot of Gross Rentable Area for the three-month period was actually higher than the corresponding figure for FY2006. This reflects that the existing manager of the Property, in view of the steadily rising office and retail rentals, has opted for a strategy to tolerate an increase in vacancy in order to achieve higher rental income.

Tenant Profile

The largest tenants (in terms of Rental Income) in Righteous Centre include Hung Tai (Holding) Company Limited, Welkin Systems Limited and Top Executive Management Company Limited. The leases of the 10 largest tenants (in terms of Rental Income) are generally for terms of two to three years with one tenant having an option to renew the lease at expiry. None of the 10 largest tenants are connected persons of Sunlight REIT. Information on the 10 largest tenants in terms of Rental Income as well as all other tenants and vacant space, in each case as at 30 September 2006 and for the month ended 30 September 2006, is as follows:

Tenant	Expiry date	Gross Rentable Area	Percentage of total Gross Rentable Area	Percentage of Rental Income[1]
		sq.ft.	%	%
Hung Tai (Holding) Company Limited	9 Oct 2007	1,849	3.5	23.4
Welkin Systems Limited	14 Apr 2007	4,547	8.8	5.9
Top Executive Management Company Limited	14 Sep 2009	2,590	5.0	5.7
Medical and Phototherapy Beauty Centre Limited	30 Apr 2008	1,957	3.8	4.4
Grand Century Holding Company Limited	20 Sept 2007	2,590	5.0	4.3
Poly Asia Consultants Limited	15 Jun 2007[2]	582	4.9	3.7
	21 Oct 2007[2]	1,957		
Maurane Asia Pacific Limited	12 Feb 2009	1,957	3.8	3.4
Frankton Group Limited	30 Nov 2007	1,926	3.7	3.3
Grand Field Group Limited	26 Oct 2007	1,957	3.8	2.8
Century Origin PTE Limited	24 Jul 2008	991	1.9	2.2
	Sub total	22,903	44.2	59.1
Other tenants		23,299	45.0	40.9
Vacant space		5,565	10.8	—
	Total	51,767	100.0	100.0

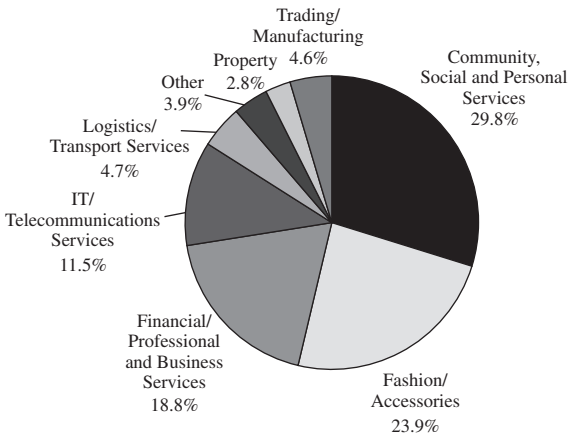
Notes:

(1) Calculated on the basis of each tenant's percentage contribution to Rental Income of the Property for the month ended 30 September 2006.

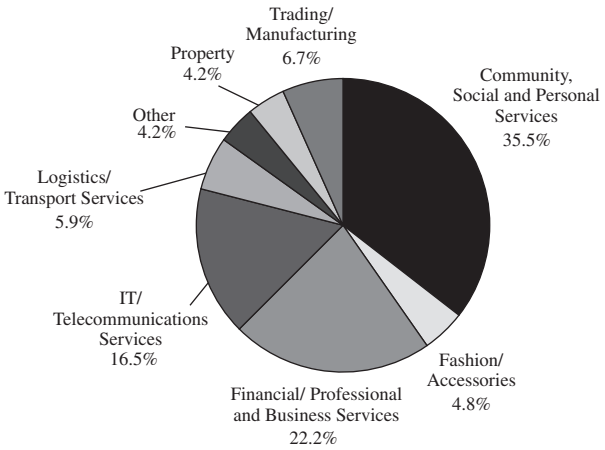
(2) Tenant holds two separate leases expiring on two different dates.

The charts below show the mix of the tenants of Righteous Centre by the principal nature of their business, as a percentage of Rental Income and Gross Rentable Area.

Rental Income by Tenants' Trades (For the month ended 30 September 2006)



Gross Rentable Area by Tenants' Trades (As at 30 September 2006)



Expiries and Renewals

The following table sets forth information on leases at Righteous Centre that have expired and those that have been renewed by the existing tenants during the periods indicated:

	Number of leases expired	Gross Rentable Area of expired leases	Number of expired leases renewed	Renewed Gross Rentable Area	Renewal rate by number of leases expired	Renewal rate by expired leased area
		sq.ft.		sq.ft.	%	%
Year ended 30 Jun 2004	38	28,863	21	16,449	55.3	57.0
Year ended 30 Jun 2005	40	32,484	22	21,542	55.0	66.3
Year ended 30 Jun 2006	38	31,429	20	15,817	52.6	50.3
Three months ended 30 Sep 2006	8	7,885	4	4,770	50.0	60.5
Average/weighted average	31(1)	25,165(1)	17(1)	14,645(1)	54.0(2)	58.2(3)

Notes:

(1) Simple average of the figures for the four periods.

(2) Weighted average weighted by number of leases expired.

(3) Weighted average weighted by Gross Rentable Area of expired leases.

The following table sets forth details of expiries in respect of leases at Righteous Centre which are scheduled to take place during the periods indicated:

Period	Number of leases expiring[1]	Gross Rentable Area of leases expiring	Expiring leases as a percentage of total Gross Rentable Area	Monthly Rental Income of leases expiring[2]	Expiring leases as a percentage of total monthly Rental Income
		sq.ft.	%	HK$	%
From 30 Sep 2006 to 30 Jun 2007	23	15,670	30.3	196,536	23.4
Year ending 30 Jun 2008	24	23,037	44.5	515,492	61.3
Year ending 30 Jun 2009 and beyond	5	7,495	14.4	128,691	15.3
Vacant space	—	5,565	10.8	—	—
Total	52	51,767	100.0	840,719	100.0

Notes:

(1) Assuming that the options to renew are not exercised.

(2) Monthly Rental Income in respect of leases expiring for the periods mentioned is the sum of monthly Rental Income of such expiring leases as at 30 September 2006.

Five-Year Transaction History

The land searches (in respect of change of legal and/or beneficial ownership registered in the Land Registry) conducted on 24 November 2006 do not show any sale and purchase transactions relating to this Property in the five years prior to the date of the searches, and to the best of its knowledge, the Manager is not aware of any transactions involving direct or indirect sale and purchase of this Property during such period, in each case other than intra-group transactions, transactions among entities under the ownership or control of Dr. Lee Shau Kee, his family members or family trust(s).

135 BONHAM STRAND TRADE CENTRE PROPERTY

Description

135 Bonham Strand Trade Centre, which was completed in 2000, is a 25-storey Grade B office building with open views on high levels. 135 Bonham Strand Trade Centre is located in an established commercial area in Sheung Wan. The property is situated within a few minutes' walking distance to the Sheung Wan MTR Station, and is close to the Hong Kong-Macau Ferry Terminal and the Western Harbour Tunnel. As at 30 September 2006, 135 Bonham Strand Trade Centre Property had a total Gross Rentable Area of approximately 63,915 sq.ft. The ground floor is devoted to retail use, whilst upper floors accommodate office units. Office units range in size from 402 sq.ft. to 5,024 sq.ft. (the latter comprising a whole floor).

135 Bonham Strand Trade Centre Property had an average occupancy rate of approximately 87.3% for the three months ended 30 September 2006 and the Property had 71 individual leases as at 30 September 2006. Upon Completion, Sunlight REIT will own approximately 79% of the undivided shares in 135 Bonham Strand Trade Centre. Please refer to the paragraph headed "Other owners" of "The Properties and Business" section for the details of the ownership in the remaining interest in 135 Bonham Strand Trade Centre.

Other than making normal recurring maintenance capital expenditures, the Manager has no current plans to renovate, improve or redevelop 135 Bonham Strand Trade Centre Property. Upon Completion, 135 Bonham Strand Trade Centre Property will be subject to a mortgage and other security granted under the Facility, as described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — The Loan Facility" in this Offering Circular.

135 Bonham Strand Trade Centre Property is held under two several Government Grants for the residue of the respective terms from 26 December 1860 to 25 December 2859 and from 14 November 1952 to 13 November 2027 (renewable for a further term of 75 years) respectively. As at 30 September 2006, 135 Bonham Strand Trade Centre Property was valued at HK$230,000,000 by the Independent Property Valuer. See "Appendix V — Independent Property Valuer's Valuation Report" to this Offering Circular.

Average Occupancy Rate and Average Monthly Rental

Year	Average occupancy rate	Average monthly rental per leased square foot of Gross Rentable Area
Year ended 30 Jun 2004	94.3%	HK$8.5
Year ended 30 Jun 2005	95.9%	HK$8.4
Year ended 30 Jun 2006	92.9%	HK$9.3
Three months ended 30 Sep 2006	87.3%(1)	HK$10.3

Note:

(1) A drop in average occupancy rate was recorded for the three months ended 30 September 2006 as compared with FY2006. However, both the average monthly effective rental per leased square foot of Gross Rentable Area and the average monthly rental receivable for the three-month period are actually higher than the corresponding figures for FY2006. This reflects that the existing manager of the Property, in view of the steadily rising office and retail rentals, has opted for a strategy to tolerate an increase in vacancy in order to achieve higher rental income.

Tenant Profile

The largest tenants (in terms of Rental Income) in 135 Bonham Strand Trade Centre Property include Centurion Logistics Services Limited, Kyung In Electronics (HK) Limited and Yiu Hing Import and Export Limited. The leases of the 10 largest tenants (in terms of Rental Income) are generally for terms of two years with one tenant having an option to renew the lease at expiry. None of the 10 largest tenants are connected persons of Sunlight REIT. Information on the 10 largest tenants in terms of Rental Income as well as all other tenants and vacant space, in each case as at 30 September 2006 and for the month ended 30 September 2006, is as follows:

Tenant	Expiry date	Gross Rentable Area	Percentage of total Gross Rentable Area	Percentage of Rental Income[1]
		sq.ft.	%	%
Centurion Logistics Services Limited	15 Oct 2006[2]	3,760	6.9	9.4
	15 Oct 2006[2]	629		
Tenant BST1[3]	24 Mar 2008	905	1.4	5.4
Kyung In Electronics (HK) Limited	14 Apr 2008	2,025	3.1	4.4
Yiu Hing Import and Export Limited	1 May 2007	696	1.1	3.5
Tenant BST2[3]	14 Mar 2007	861	1.3	3.4
Tenant BST3[3]	31 Jul 2007	609	1.0	3.0
Trimex Holdings Limited	19 Jun 2008	1,716	2.7	3.0
Vermont Securities Company Limited	4 Jun 2008	1,587	2.5	2.7
Wellfit Trading Limited	31 Jan 2008	1,716	2.7	2.2
T-Z Cargo Limited	17 Jun 2007	1,401	2.2	2.1
	Sub total	15,905	24.9	39.1
Other tenants		39,572	61.9	60.9
Vacant space		8,438	13.2	—
	Total	63,915	100.0	100.0

Notes:

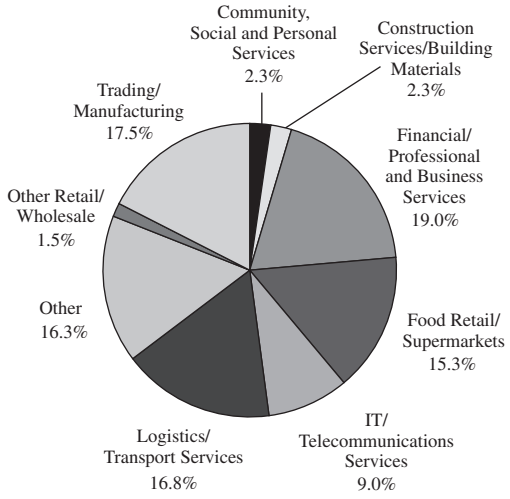
(1) Calculated on the basis of each tenant's percentage contribution to Rental Income of the Property for the month ended 30 September 2006.

(2) Tenant holds two separate leases with same expiry date. Tenant did not renew the two leases upon expiry. As at the Latest Practicable Date, a new lease for a unit of Gross Rentable Area of 2,988 sq.ft. at a higher rent has been signed with a new tenant.

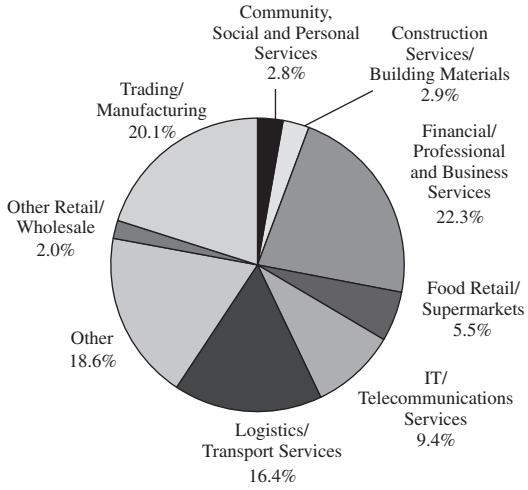
(3) These tenants, who are individuals, have not been identified.

The charts below show the mix of the tenants of 135 Bonham Strand Trade Centre Property by the principal nature of their business, as a percentage of Rental Income and Gross Rentable Area.

Rental Income by Tenants' Trades (For the month ended 30 September 2006)



Gross Rentable Area by Tenants' Trades (As at 30 September 2006)



Expiries and Renewals

The following table sets forth information on leases at 135 Bonham Strand Trade Centre Property that have expired and those that have been renewed by the existing tenants during the periods indicated:

	Number of leases expired	Gross Rentable Area of expired leases	Number of expired leases renewed	Renewed Gross Rentable Area	Renewal rate by number of leases expired	Renewal rate by expired leased area
		(sq.ft.)		(sq.ft.)	(%)	(%)
Year ended 30 Jun 2004	36	25,231	19	13,515	52.7	53.5
Year ended 30 Jun 2005	62	46,896	37	25,626	59.6	54.6
Year ended 30 Jun 2006	38	28,955	17	11,638	44.7	40.1
Three months ended 30 Sep 2006	13	10,994	5	5,903	38.5	53.7
Average/weighted average	37(1)	28,019(1)	20(1)	14,171(1)	52.3(2)	50.6(3)

Notes:

(1) Simple average of the figures for the four periods.

(2) Weighted average weighted by number of leases expired.

(3) Weighted average weighted by Gross Rentable Area of expired leases.

The following table sets forth details of expiries in respect of leases at 135 Bonham Strand Trade Centre Property which are scheduled to take place during the periods indicated:

Period	Number of leases expiring[1]	Gross Rentable Area of leases expiring	Expiring leases as a percentage of total Gross Rentable Area	Monthly Rental Income of leases expiring[2]	Expiring leases as a percentage of total monthly Rental Income
		sq.ft.	%	HK$	%
From 30 Sep 2006 to 30 Jun 2007	44	32,707	51.2	328,851	55.1
Year ending 30 Jun 2008	21	18,973	29.7	222,347	37.3
Year ending 30 Jun 2009 and beyond	6	3,797	5.9	45,349	7.6
Vacant space	—	8,438	13.2	—	—
Total	71	63,915	100.0	596,547	100.0

Notes:

(1) Assuming that the options to renew are not exercised.

(2) Monthly Rental Income in respect of leases expiring for the periods mentioned is the sum of monthly Rental Income of such expiring leases as at 30 September 2006.

Five-Year Transaction History

The land searches (in respect of change of legal and/or beneficial ownership registered in the Land Registry) conducted on 24 November 2006 do not show any sale and purchase transactions relating to this Property in the five years prior to the date of the searches, and to the best of its knowledge, the Manager is not aware of any transactions involving direct or indirect sale and purchase of this Property during such period, in each case other than intra-group transactions, transactions among entities under the ownership or control of Dr. Lee Shau Kee, his family members or family trust(s).

WINSOME HOUSE PROPERTY

Description

Winsome House, which was completed in 1999, is a 27-storey Grade B office building with city views of Hong Kong Island. Winsome House is located in the commercial hub of Central and next to Lan Kwai Fong and Soho, the renowned districts which cater for premiere dining and entertainment. The property is within close proximity to the Central MTR Station, ferry piers, bus terminals and the Airport Express Hong Kong Station. As at 30 September 2006, Winsome House Property had a total Gross Rentable Area of approximately 40,114 sq.ft. The lower ground floor and upper ground floor are devoted to retail use, whilst the upper floors are devoted to office use. Office units range in size from 1,115 sq.ft. to 2,664 sq.ft. (the latter comprising a whole floor).

Winsome House Property had an average occupancy rate of approximately 78.3% for the three months ended 30 September 2006 and the Property had 20 individual leases as at 30 September 2006. Upon Completion, Sunlight REIT will own approximately 66% of the undivided shares in Winsome House. To the best of the Manager's knowledge, the remaining interest in Winsome House is owned by third parties who are not connected persons of Sunlight REIT.

Other than making normal recurring maintenance capital expenditures, the Manager has no current plans to renovate, improve or redevelop Winsome House Property. Upon Completion, Winsome House Property will be subject to a mortgage and other security granted under the Facility, as described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — The Loan Facility" in this Offering Circular.

Winsome House Property is held under three Government Grants, one of which expires on 21 January 2843 and the remaining two both expire on 25 June 2842. As at 30 September 2006, Winsome House Property was valued at HK$254,000,000 by the Independent Property Valuer. See "Appendix V — Independent Property Valuer's Valuation Report" to this Offering Circular.

Average Occupancy Rate and Average Monthly Rental

Year	Average occupancy rate	Average monthly rental per leased square foot of Gross Rentable Area
Year ended 30 Jun 2004	96.4%	HK$11.3
Year ended 30 Jun 2005	96.9%	HK$11.2
Year ended 30 Jun 2006	91.5%	HK$13.3
Three months ended 30 Sep 2006	78.3%(1)	HK$18.5

Note:

(1) A drop in average occupancy rate was recorded for the three months ended 30 September 2006 as compared with FY2006. However, both the average monthly effective rental per leased square foot of Gross Rentable Area and the average monthly rental receivable for the three-month period are actually higher than the corresponding figures for FY2006. This reflects

that the existing manager of the Property, in view of the steadily rising office and retail rentals, has opted for a strategy to tolerate an increase in vacancy in order to achieve higher rental income. Further, the decreased average occupancy rate for the three months ended 30 September 2006 was principally related to expiry of six leases during the period from March 2006 to September 2006. Two new leases at higher rents were entered into in October 2006 and as at the Latest Practicable Date, the occupancy rate rebounded to 85.88%.

Tenant Profile

The largest tenants (in terms of Rental Income) in Winsome House Property include Good Mind Limited, Fedon Far East Limited and One Pilates Studio Limited. The leases of the 10 largest tenants (in terms of Rental Income) are generally for terms of two to three years with three tenants having options to renew the leases at expiry. None of the 10 largest tenants are connected persons of Sunlight REIT. Information on the 10 largest tenants in terms of Rental Income as well as all other tenants and vacant space, in each case as at 30 September 2006 and for the month ended 30 September 2006, is as follows:

Tenant	Expiry date	Gross Rentable Area	Percentage of total Gross Rentable Area	Percentage of Rental Income[1]
		sq.ft.	%	%
Good Mind Limited	19 Jan 2008	1,728	4.3	12.4
Fedon Far East Limited	7 Jun 2008	2,278	5.7	8.5
One Pilates Studio Limited	21 Feb 2008	2,283	5.7	8.1
Arthur Mo & Co., Ltd	29 Feb 2008	2,278	5.7	7.7
Corporatelink Limited	15 Jan 2007[2]	1,160	8.5	6.9
	15 Jan 2007[2]	2,278		
Archasia Hong Kong Limited	31 Mar 2008	2,273	5.7	6.8
Stretch Limited	25 Mar 2008	2,267	5.6	6.6
Bodum Asia Limited and Bodum Hong Kong Limited	9 Dec 2007	2,278	5.7	6.4
Mandeville & Associates Limited	21 Apr 2008[3]	1,118	5.7	6.1
	19 Apr 2007[3]	1,155		
The Amita Institute for Self Attunement (HK) Limited	11 Jun 2009	1,160	2.9	5.1
	Sub total	22,256	55.5	74.6
Other tenants		8,802	21.9	25.4
Vacant space		9,056	22.6	—
	Total	40,114	100.0	100.0

Notes:

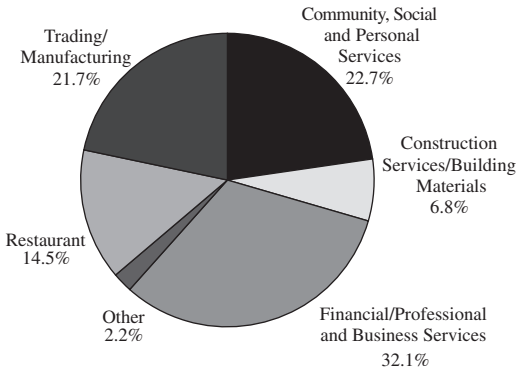
(1) Calculated on the basis of each tenant's percentage contribution to Rental Income of the Property for the month ended 30 September 2006.

(2) Tenant holds two separate leases expiring on the same date.

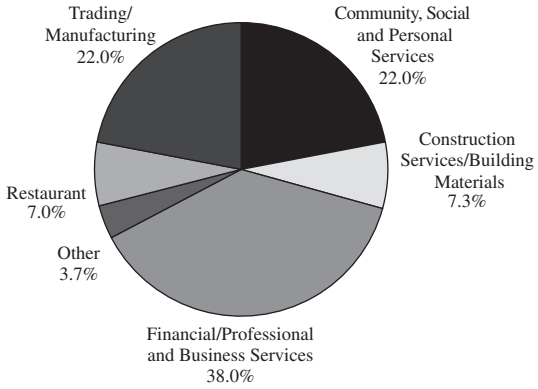
(3) Tenant holds two separate leases expiring on two different dates.

The charts below show the mix of the tenants of Winsome House Property by the principal nature of their business, as a percentage of Rental Income and Gross Rentable Area.

Rental Income by Tenants' Trades (For the month ended 30 September 2006)



Gross Rentable Area by Tenants' Trades (As at 30 September 2006)



Expiries and Renewals

The following table sets forth information on leases at Winsome House Property that have expired and those that have been renewed by the existing tenants during the periods indicated:

	Number of leases expired	Gross Rentable Area of expired leases	Number of expired leases renewed	Renewed Gross Rentable Area	Renewal rate by number of leases expired	Renewal rate by expired leased area
		sq.ft.		sq.ft.	%	%
Year ended 30 Jun 2004	17	24,201	8	11,766	47.0	48.6
Year ended 30 Jun 2005	12	16,836	8	11,133	66.6	66.1
Year ended 30 Jun 2006	18	30,493	10	16,844	55.6	55.2
Three months ended 30 Sep 2006	1	1,118	—	—	—	—
Average/weighted average	12(1)	18,162(1)	7(1)	9,936(1)	54.2(2)	54.7(3)

Notes:

(1) Simple average of the figures for the four periods.

(2) Weighted average weighted by number of leases expired.

(3) Weighted average weighted by Gross Rentable Area of expired leases.

The following table sets forth details of expiries in respect of leases at Winsome House Property which are scheduled to take place during the periods indicated:

Period	Number of leases expiring[1]	Gross Rentable Area of leases expiring	Expiring leases as a percentage of total Gross Rentable Area	Monthly Rental Income of leases expiring[2]	Expiring leases as a percentage of total monthly Rental Income
		sq.ft.	%	HK$	%
From 30 Sep 2006 to 30 Jun 2007	6	7,351	18.3	93,612	16.6
Year ending 30 Jun 2008	13	22,547	56.2	443,314	78.3
Year ending 30 Jun 2009 and beyond	1	1,160	2.9	29,000	5.1
Vacant space	—	9,056	22.6	—	—
Total	20	40,114	100.0	565,926	100.0

Notes:

(1) Assuming that the options to renew are not exercised.

(2) Monthly Rental Income in respect of leases expiring for the periods mentioned is the sum of monthly Rental Income of such expiring leases as at 30 September 2006.

Five-Year Transaction History

The land searches (in respect of change of legal and/or beneficial ownership registered in the Land Registry) conducted on 24 November 2006 do not show any sale and purchase transactions relating to this Property in the five years prior to the date of the searches, and to the best of its knowledge, the Manager is not aware of any transactions involving direct or indirect sale and purchase of this Property during such period, in each case other than intra-group transactions, transactions among entities under the ownership or control of Dr. Lee Shau Kee, his family members or family trust(s).

JAVA ROAD 108 COMMERCIAL CENTRE

Description

Java Road 108 Commercial Centre, which was completed in 1998, is a 25-storey Grade B office building with panoramic view of Victoria Harbour. Java Road 108 Commercial Centre is located in an established residential and commercial area in North Point in the Eastern District. The Property is situated within three minutes' walking distance to the North Point MTR Station. Java Road 108 Commercial Centre is also close to the bus terminal and ferry pier. As at 30 September 2006, Java Road 108 Commercial Centre had a total Gross Rentable Area of approximately 37,923 sq.ft. The ground floor is devoted to retail uses, whilst the upper floors are devoted to office uses. Office units range in size from 731 sq.ft. to 1,688 sq.ft. (the latter comprising a whole floor).

Java Road 108 Commercial Centre had an average occupancy rate of approximately 85.7% for the three months ended 30 September 2006 and the Property had 27 individual leases as at 30 September 2006. Upon Completion, Sunlight REIT will own the whole of Java Road 108 Commercial Centre.

Other than making normal recurring maintenance capital expenditures, the Manager has no current plans to renovate, improve or redevelop Java Road 108 Commercial Centre. Upon Completion, Java Road 108 Commercial Centre will be subject to a mortgage and other security granted under the Facility, as described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — The Loan Facility" in this Offering Circular.

Java Road 108 Commercial Centre is held under one Government Grant for the residue of the term from 25 June 1933 to 11 June 2008 (renewable for a further term of 75 years). As at 30 September 2006, Java Road 108 Commercial Centre was valued at HK$147,000,000 by the Independent Property Valuer. See "Appendix V — Independent Property Valuer's Valuation Report" to this Offering Circular.

Average Occupancy Rate and Average Monthly Rental

Year	Average occupancy rate	Average monthly rental per leased square foot of Gross Rentable Area
Year ended 30 Jun 2004	94.1%	HK$ 9.0
Year ended 30 Jun 2005	93.2%	HK$10.0
Year ended 30 Jun 2006	92.5%	HK$10.8
Three months ended 30 Sep 2006	85.7%(1)	HK$12.0

Note:

(1) A drop in average occupancy rate was recorded for the three months ended 30 September 2006 as compared with FY2006. However, both the average monthly effective rental per leased square foot of Gross Rentable Area and the average monthly rental receivable for the three-month period are actually higher than the corresponding figures for FY2006. This reflects that the existing manager of the Property, in view of the steadily rising office and retail rentals, has opted for a strategy to tolerate an increase in vacancy in order to achieve higher rental income.

Tenant Profile

The largest tenants (in terms of Rental Income) in Java Road 108 Commercial Centre include TYP Company Limited, Korean On Gwang (Hong Kong) Church Limited and Live Act Limited. The leases of the 10 largest tenants (in terms of Rental Income) are generally for terms of two years (except for TYP Company Limited which has two separate leases for a term of three years and a term of three years, seven months and 26 days respectively) with no option to renew the lease at expiry. None of the 10 largest tenants are connected persons of Sunlight REIT. Information on the 10 largest tenants in terms of Rental Income as well as all other tenants and vacant space, in each case as at 30 September 2006 and for the month ended 30 September 2006, is as follows:

Tenant	Expiry date	Gross Rentable Area	Percentage of total Gross Rentable Area	Percentage of Rental Income[1]
		sq.ft.	%	%
TYP Company Limited	15 Nov 2008[2]	7,783	24.4	23.1
	15 Nov 2008[2]	1,469		
Tenant JR1[3]	14 Jan 2008	1,177	3.1	10.1
Tenant JR2[3]	14 Jan 2007	1,052	2.8	7.7
Korean On Gwang (Hong Kong) Church Limited	30 Jun 2007[2]	1,469	5.8	5.3
	30 Jun 2007[2]	738		
Live Act Limited	9 June 2008	1,469	3.9	5.3
Aerial Facilities Limited	9 Feb 2007	1,469	3.9	4.0
Tenant JR3[3]	11 Jun 2007	1,469	3.9	3.9
Artisan King Production Limited	17 Mar 2007	1,469	3.9	3.6
Yonto Risio Communications Limited	5 July 2008	738	1.9	3.1
Tenant JR4[3]	14 May 2008	738	1.9	2.9
	Sub total	21,040	55.5	69.0
Other tenants		11,000	29.0	31.0
Vacant space		5,883	15.5	—
	Total	37,923	100.0	100.0

Notes:

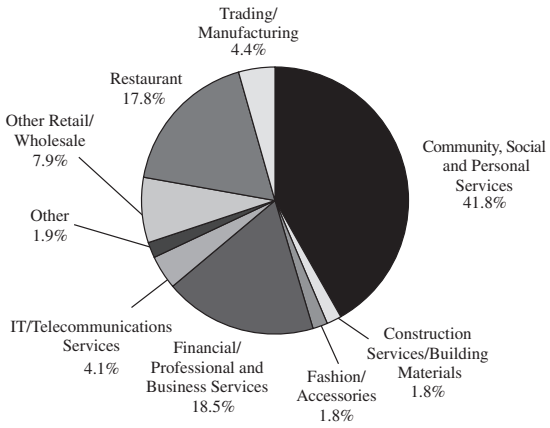
(1) Calculated on the basis of each tenant's percentage contribution to Rental Income of the Property for the month ended 30 September 2006.

(2) Tenants hold two separate leases expiring on the same date.

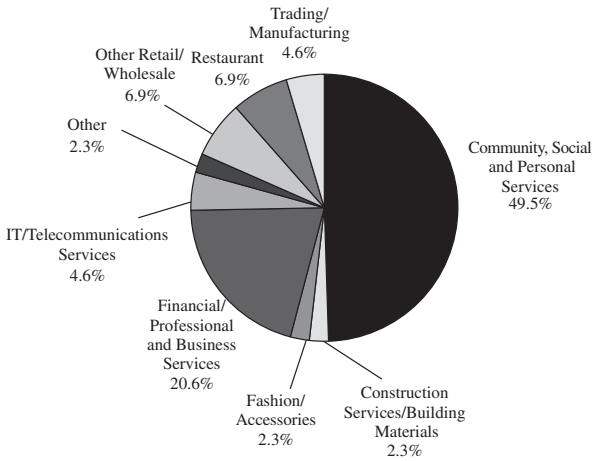
(3) These tenants, who are individuals, have not been identified.

The charts below show the mix of the tenants of Java Road 108 Commercial Centre by the principal nature of their business, as a percentage of Rental Income and Gross Rentable Area.

Rental Income by Tenants' Trades (For the month ended 30 September 2006)



Gross Rentable Area by Tenants' Trades (As at 30 September 2006)



Expiries and Renewals

The following table sets forth information on leases at Java Road 108 Commercial Centre that have expired and those that have been renewed by the existing tenants during the periods indicated:

	Number of leases expired	Gross Rentable Area of expired leases	Number of expired leases renewed	Renewed Gross Rentable Area	Renewal rate by number of leases expired	Renewal rate by expired leased area
		sq.ft.		sq.ft.	%	%
Year ended 30 Jun 2004	12	10,283	8	6,614	66.7	64.3
Year ended 30 Jun 2005	23	20,149	13	12,490	56.5	62.0
Year ended 30 Jun 2006	18	21,450	12	15,574	66.7	72.6
Three months ended 30 Sep 2006	5	3,676	2	1,469	40.0	40.0
Average/weighted average	15(1)	13,890(1)	9(1)	9,037(1)	60.3(2)	65.1(3)

Notes:

(1) Simple average of the figures for the four periods.

(2) Weighted average weighted by number of leases expired.

(3) Weighted average weighted by Gross Rentable Area of expired leases.

The following table sets forth details of expiries in respect of leases at Java Road 108 Commercial Centre which are scheduled to take place during the periods indicated:

Period	Number of leases expiring[1]	Gross Rentable Area of leases expiring	Expiring leases as a percentage of total Gross Rentable Area	Monthly Rental Income of leases expiring[2]	Expiring leases as a percentage of total monthly Rental Income
		sq.ft.	%	HK$	%
From 30 Sep 2006 to 30 Jun 2007	11	11,321	29.9	131,317	33.5
Year ending 30 Jun 2008	13	10,729	28.3	157,859	40.3
Year ending 30 Jun 2009 and beyond	3	9,990	26.3	102,502	26.2
Vacant space	—	5,883	15.5	—	—
Total	27	37,923	100.0	391,678	100.0

Notes:

(1) Assuming that the options to renew are not exercised.

(2) Monthly Rental Income in respect of leases expiring for the periods mentioned is the sum of monthly Rental Income of such expiring leases as at 30 September 2006.

Five-Year Transaction History

Please refer to the paragraph headed "Five-Year Transaction History" of "The Properties and Business" section for the details of the transaction relating to this Property in the past five years.

SUN FAI COMMERCIAL CENTRE PROPERTY

Description

Sun Fai Commercial Centre, which was completed in 1998, is a 15-storey Grade B office building. Sun Fai Commercial Centre is located in the commercial hub of Mongkok district. A variety of all forms of public transport including the MTR, the KCR, buses and minibuses serve the immediate locality. Sun Fai Commercial Centre has direct linkage to Hong Kong Island via the Cross Harbour Tunnel and the Western Harbour Tunnel and the West Kowloon Highway is also within close proximity. As at 30 September 2006, Sun Fai Commercial Centre Property had a total Gross Rentable Area of approximately 26,151 sq.ft. The ground floor is devoted to retail uses, whilst the upper floors are devoted to office uses. Office units range in size from 381 sq.ft. to 3,017 sq.ft.

Sun Fai Commercial Centre Property had an average occupancy rate of approximately 90.5% for the three months ended 30 September 2006 and the Property had 37 individual leases as at 30 September 2006. Upon Completion, Sunlight REIT will own approximately 80% of the undivided shares in Sun Fai Commercial Centre. To the best of the Manager's knowledge, the remaining interest in Sun Fai Commercial Centre is owned by third parties who are not connected persons of Sunlight REIT.

Other than making normal recurring maintenance capital expenditures, the Manager has no current plans to renovate, improve or redevelop Sun Fai Commercial Centre Property. Upon Completion, Sun Fai Commercial Centre Property will be subject to a mortgage and other security granted under the Facility, as described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — The Loan Facility" in this Offering Circular.

Sun Fai Commercial Centre Property is held under three several Government Grants, all of which expire on 30 June 2047. As at 30 September 2006, Sun Fai Commercial Centre Property was valued at HK$100,000,000 by the Independent Property Valuer. See "Appendix V — Independent Property Valuer's Valuation Report" to this Offering Circular.

Average Occupancy Rate and Average Monthly Rental

Year	Average occupancy rate	Average monthly rental per leased square foot of Gross Rentable Area
Year ended 30 Jun 2004	94.3%	HK$10.4
Year ended 30 Jun 2005	97.1%	HK$10.1
Year ended 30 Jun 2006	96.4%	HK$11.9
Three months ended 30 Sep 2006	90.5%(1)	HK$12.9

Note:

(1) A drop in average occupancy rate was recorded for the three months ended 30 September 2006 as compared with FY2006. However, both the average monthly effective rental per leased square foot of Gross Rentable Area and the average monthly rental receivable for the three-month period are actually higher than the corresponding figures for FY2006. This reflects that the existing manager of the Property, in view of the steadily rising office and retail rentals, has opted for a strategy to tolerate an increase in vacancy in order to achieve higher rental income.

Tenant Profile

The largest tenants (in terms of Rental Income) in Sun Fai Commercial Centre Property include M.K. Construction Material Limited, Wincheers Limited and Chun Fung Building Materials Limited. The leases of the 10 largest tenants (in terms of Rental Income) are generally for terms of one to two years (except for Wincheers Limited which has two leases for respective terms of three years each) with no option to renew the lease at expiry. None of the 10 largest tenants are connected persons of Sunlight REIT. Information on the 10 largest tenants in terms of Rental Income as well as all other tenants and vacant space, in each case as at 30 September 2006 and for the month ended 30 September 2006, is as follows:

Tenant	Expiry date	Gross Rentable Area	Percentage of total Gross Rentable Area	Percentage of Rental Income[1]
		sq.ft.	%	%
M.K. Construction Material Limited	13 Jul 2007[2]	399	4.3	17.8
	28 Feb 2007[2]	724		
Wincheers Limited	14 Jul 2008[3]	1,881	18.7	15.2
	14 Jul 2008[3]	3,017		
Chun Fung Building Materials Limited	16 Jul 2007	605	2.3	9.6
Fine Point Lighting Technology Limited	28 Feb 2007	606	2.3	9.2
Oriental Collection Limited	2 Dec 2007	1,287	5.0	3.9
Fine Point Ceiling & Construction Materials Ltd.	14 Dec 2006[4]	905	3.5	3.0
Prince Peace Evangelical Centre Ltd.	14 Nov 2007	1,047	4	3.0
Co-Fame Insurance Brokers Ltd.	25 Nov 2006[5]	382	2.9	2.3
	25 Nov 2006[5]	382		
Ternion Creations Limited	1 Jan 2008[3]	382	2.9	2.3
	1 Jan 2008[3]	382		
Tenant SF1[6]	9 Dec 2007	763	2.9	2.2
	Sub total	12,762	48.8	68.5
Other tenants		10,014	38.3	31.5
Vacant space		3,375	12.9	—
	Total	26,151	100.0	100.0

Notes:

(1) Calculated on the basis of each tenant's percentage contribution to Rental Income of the Property for the month ended 30 September 2006.

(2) Tenant holds two separate leases expiring on two different dates.

(3) Tenants hold two separate leases expiring on the same date.

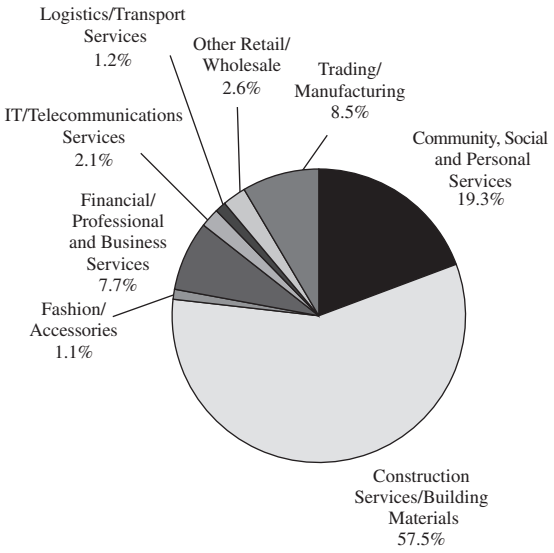
(4) Tenant confirmed not to renew the lease upon expiry. As at the Latest Practicable Date, negotiations with potential new tenants at a higher rent were in progress, although there is no certainty as to whether a new lease can ultimately be agreed upon, and if so, on what terms.

(5) Tenant holds two separate leases expired on the same date. Tenant did not renew the two leases upon expiry. As at the Latest Practicable Date, negotiations with potential new tenants at a higher rent were in progress, although there is no certainty as to whether new leases can ultimately be agreed upon, and if so, on what terms.

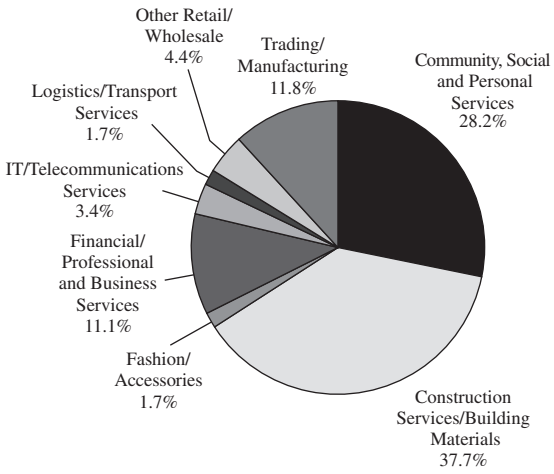
(6) This tenant, who is an individual, has not been identified.

The charts below show the mix of the tenants of Sun Fai Commercial Centre Property by the principal nature of their business, as a percentage of Rental Income and Gross Rentable Area.

Rental Income by Tenants' Trades (For the month ended 30 September 2006)



Gross Rentable Area by Tenants' Trades (As at 30 September 2006)



Expiries and Renewals

The following table sets forth information on leases at Sun Fai Commercial Centre Property that have expired and those that have been renewed by the existing tenants during the periods indicated:

	Number of leases expired	Gross Rentable Area of expired leases	Number of expired leases renewed	Renewed Gross Rentable Area	Renewal rate by number of leases expired	Renewal rate by expired leased area
		sq.ft.		sq.ft.	%	%
Year ended 30 Jun 2004	29	13,766	16	8,341	55.2	60.6
Year ended 30 Jun 2005	31	14,019	19	7,818	61.3	55.8
Year ended 30 Jun 2006	29	18,522	19	13,986	65.5	75.5
Three months ended 30 Sep 2006	6	2,612	1	489	16.7	18.7
Average/weighted average	24(1)	12,230(1)	14(1)	7,659(1)	57.9(2)	62.6(3)

Notes:

(1) Simple average of the figures for the four periods.

(2) Weighted average weighted by number of leases expired.

(3) Weighted average weighted by Gross Rentable Area of expired leases.

The following table sets forth details of expiries in respect of leases at Sun Fai Commercial Centre Property which are scheduled to take place during the periods indicated:

Period	Number of leases expiring[1]	Gross Rentable Area of leases expiring	Expiring leases as a percentage of total Gross Rentable Area	Monthly Rental Income of leases expiring[2]	Expiring leases as a percentage of total monthly Rental Income
		sq.ft.	%	HK$	%
From 30 Sep 2006 to 30 Jun 2007	20	9,497	36.3	132,652	44.3
Year ending 30 Jun 2008	12	7,129	27.3	105,697	35.3
Year ending 30 Jun 2009 and beyond	5	6,150	23.5	61,195	20.4
Vacant space	—	3,375	12.9	—	—
Total	37	26,151	100.0	299,544	100.0

Notes:

(1) There are no options to renew under the leases in respect of the Property.

(2) Monthly Rental Income in respect of leases expiring for the periods mentioned is the sum of monthly Rental Income of such expiring leases as at 30 September 2006.

Five-Year Transaction History

Please refer to the paragraph headed "Five-Year Transaction History" of "The Properties and Business" section for the details of the transaction relating to this Property in the past five years.

WAI CHING COMMERCIAL BUILDING PROPERTY

Description

Wai Ching Commercial Building, which was completed in 1997, is a 19-storey Grade B office building. Wai Ching Commercial Building is located in an established residential and commercial area in Jordan district. The building is situated within a few minutes' walking distance from Jordan MTR Station, as well as a bus terminal and the China (Hong Kong) Ferry Terminal. Moreover, the building is within close proximity to Union Square at the Airport Express Kowloon Station, which is planned to be a landmark development and high-class commercial development in the future. As at 30 September 2006, Wai Ching Commercial Building Property had a total Gross Rentable Area of approximately 16,321 sq.ft. The ground and first floors are designated as shops whilst the upper floors are designated for office use. Office units range in size from 452 sq.ft. to 1,358 sq.ft. (the latter comprising a whole floor).

Wai Ching Commercial Building Property had an average occupancy rate of approximately 60.4% for the three months ended 30 September 2006 and the Property had 21 individual leases as at 30 September 2006. Upon Completion, Sunlight REIT will own approximately 83% of the undivided shares in Wai Ching Commercial Building. To the best of the Manager's knowledge, the remaining interest in Wai Ching Commercial Building is owned by third parties who are not connected persons of Sunlight REIT.

Other than making normal recurring maintenance capital expenditures, the Manager has no current plans to renovate, improve or redevelop Wai Ching Commercial Building Property. Upon Completion, Wai Ching Commercial Building Property will be subject to a mortgage and other security granted under the Facility, as described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — The Loan Facility" in this Offering Circular.

Wai Ching Commercial Building Property is held under two several Government Grants, both of which expire on 17 September 2049. As at 30 September 2006, Wai Ching Commercial Building Property was valued at HK$26,000,000 by the Independent Property Valuer. See "Appendix V — Independent Property Valuer's Valuation Report" to this Offering Circular.

Average Occupancy Rate and Average Monthly Rental

Year	Average occupancy rate[1]	Average monthly rental per leased square foot of Gross Rentable Area
Year ended 30 Jun 2004	78.3%	HK$5.2
Year ended 30 Jun 2005	70.0%	HK$4.8
Year ended 30 Jun 2006	64.1%	HK$5.3
Three months ended 30 Sep 2006	60.4%[2]	HK$6.0

Notes:

(1) On the back of the robust macroeconomic environment, Grade A offices and most Grade B offices in core business areas enjoyed a high level of occupancy and significant rental increase in 2005. As Wai Ching Commercial Building Property is a Grade B office located in a decentralised business area, there is lagging effect for the subject property to enjoy the increasing occupancy and rising rental rates, as a result of "spill-over" demand to decentralised business areas.

(2) A drop in average occupancy rate was recorded for the three months ended 30 September 2006 as compared with FY 2006. However, both the average monthly effective rental per leased square foot of Gross Rentable Area and the average monthly rental receivable for the three-month period are actually higher than the corresponding figures for FY2006. This reflects that the existing manager of the Property, in view of the steadily rising office and retail rentals, has opted for a strategy to tolerate an increase in vacancy in order to achieve higher rental income.

Tenant Profile

The largest tenants (in terms of Rental Income) in Wai Ching Commercial Building Property include Orient Continental Limited, City Ace Limited and Concord Marine Limited. The leases of the 10 largest tenants (in terms of Rental Income) are generally for terms of one to two years (except Orient Continental Limited which has a lease term of three years) with no option to renew the lease at expiry. None of the 10 largest tenants are connected persons of Sunlight REIT. Information on the 10 largest tenants in terms of Rental Income as well as all other tenants and vacant space, in each case as at 30 September 2006 and for the month ended 30 September 2006, is as follows:

Tenant	Expiry date	Gross Rentable Area	Percentage of total Gross Rentable Area	Percentage of Rental Income[1]
		sq.ft.	%	%
Orient Continental Limited	07 Sept 2009	679	4.1	7.5
City Ace Limited	29 Feb 2008	679	4.1	7.1
Tenant WC1[2]	30 Nov 2006[3]	679	4.1	5.8
Concord Marine Limited	29 Sept 2008	452	2.8	5.0
Tenant WC2[2]	30 Apr 2007	452	2.8	4.9
Tenant WC3[2]	15 Jun 2008	452	2.8	4.9
Tenant WC4[2]	14 July 2008	452	2.8	4.9
Tenant WC5[2]	27 Jun 2007	452	2.8	4.9
Tenant WC6[2]	13 Jan 2008	452	2.8	4.6
Tenant WC7[2]	31 Mar 2008	452	2.8	4.5
	Sub total	5,201	31.9	54.1
Other tenants		4,972	30.4	45.9
Vacant space		6,148	37.7	—
	Total	16,321	100.0	100.0

Notes:

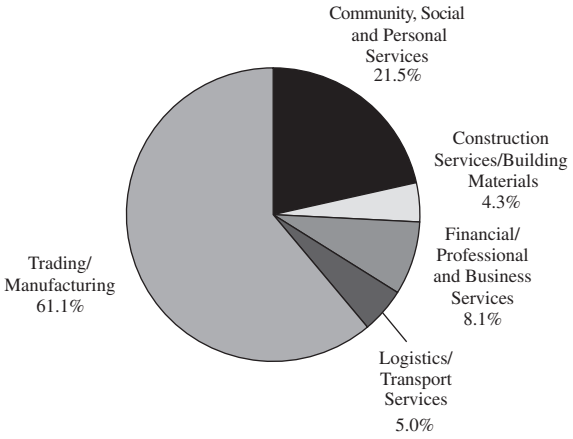
(1) Calculated on the basis of each tenant's percentage contribution to Rental Income of the Property for the month ended 30 September 2006.

(2) These tenants, who are individuals, have not been identified.

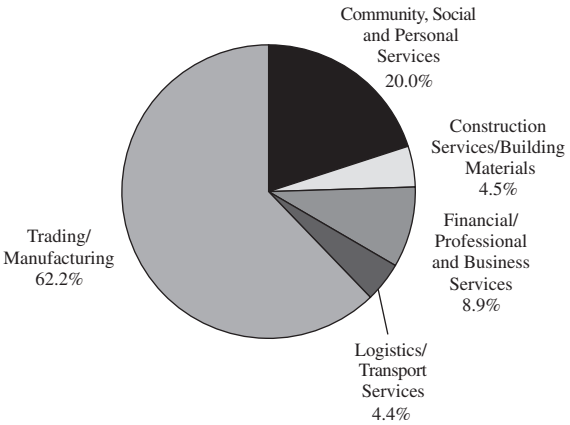
(3) As at the Latest Practicable Date, negotiations for renewal of the lease at a higher rent were in progress, although there is no certainty as to whether a renewal can ultimately be agreed upon, and if so, on what terms.

The charts below show the mix of the tenants of Wai Ching Commercial Building Property by the principal nature of their business, as a percentage of Rental Income and Gross Rentable Area.

Rental Income by Tenants' Trades (For the month ended 30 September 2006)



Gross Rentable Area by Tenants' Trades (As at 30 September 2006)



Expiries and Renewals

The following table sets forth information on leases at Wai Ching Commercial Building Property that have expired and those that have been renewed by the existing tenants during the periods indicated:

	Number of leases expired	Gross Rentable Area of expired leases	Number of expired leases renewed	Renewed Gross Rentable Area	Renewal rate by number of leases expired	Renewal rate by expired leased area
		sq.ft.		sq.ft.	%	%
Year ended 30 Jun 2004	16	8,138	9	4,974	56.3	61.1
Year ended 30 Jun 2005	17	9,087	10	4,972	58.8	54.7
Year ended 30 Jun 2006[(1)]	17	9,042	11	5,424	64.7	60.0
Three months ended 30 Sep 2006	3	1,808	1	452	33.3	25
Average/weighted average	13[(2)]	7,019[(2)]	8[(2)]	3,956[(2)]	58.5[(3)]	56.4[(4)]

Notes:

(1) Among the 17 leases which expired during the year ended 30 June 2006, an aggregate Gross Rentable Area of 452 sq.ft. remained occupied by one previous tenant after expiry of the lease. As at the Latest Practicable Date, vacant possession of the said premises has been obtained.

(2) Simple average of the figures for the four periods.

(3) Weighted average weighted by number of leases expired.

(4) Weighted average weighted by Gross Rentable Area of expired leases.

The following table sets forth details of expiries in respect of leases at Wai Ching Commercial Building Property which are scheduled to take place during the periods indicated:

Period	Number of leases expiring[1]	Gross Rentable Area of leases expiring	Expiring leases as a percentage of total Gross Rentable Area	Monthly Rental Income of leases expiring[2]	Expiring leases as a percentage of total monthly Rental Income
		sq.ft.	%	HK$	%
From 30 Sep 2006 to 30 Jun 2007	10	4,747	29.1	27,417	44
Year ending 30 Jun 2008	8	3,843	23.5	23,950	38.5
Year ending 30 Jun 2009 and beyond	3	1,583	9.7	10,864	17.5
Vacant space	—	6,148	37.7	—	—
Total	21	16,321	100.0	62,231	100.0

Notes:

(1) Assuming that the options to renew are not exercised.

(2) Monthly Rental Income in respect of leases expiring for the periods mentioned is the sum of monthly Rental Income of such expiring leases as at 30 September 2006.

Five-Year Transaction History

The land searches (in respect of change of legal and/or beneficial ownership registered in the Land Registry) conducted on 24 November 2006 do not show any sale and purchase transactions relating to this Property in the five years prior to the date of the searches, and to the best of its knowledge, the Manager is not aware of any transactions involving direct or indirect sale and purchase of this Property during such period, in each case other than intra-group transactions, transactions among entities under the ownership or control of Dr. Lee Shau Kee, his family members or family trust(s).

235 WING LOK STREET TRADE CENTRE

Description

235 Wing Lok Street Trade Centre, which was completed in 2000, is a 26-storey Grade B office building with a view of Victoria Harbour on the higher floors. 235 Wing Lok Street Trade Centre is located in an established commercial area in Sheung Wan. The Sheung Wan MTR Station, the Hong Kong-Macau Ferry Terminal and the Western Harbour Tunnel are within close proximity. As at 30 September 2006, 235 Wing Lok Street Trade Centre had a total Gross Rentable Area of approximately 52,285 sq.ft. The ground floor is devoted to retail use, the first floor to mixed retail/office use and the upper floors to office use. Office units range in size from 557 sq.ft. to 1,364 sq.ft.

235 Wing Lok Street Trade Centre had an average occupancy rate of approximately 77.7% for the three months ended 30 September 2006 and the Property had 53 individual leases as at 30 September 2006. Upon Completion, Sunlight REIT will own the whole of 235 Wing Lok Street Trade Centre.

Other than making normal recurring maintenance capital expenditures, the Manager has no current plans to renovate, improve or redevelop 235 Wing Lok Street Trade Centre. Upon Completion, 235 Wing Lok Street Trade Centre will be subject to a mortgage and other security granted under the Facility, as described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — The Loan Facility" in this Offering Circular.

235 Wing Lok Street Trade Centre is held under a Government Grant for a term commencing from 26 December 1863 to 25 December 2842. As at 30 September 2006, 235 Wing Lok Street Trade Centre was valued at HK$168,000,000 by the Independent Property Valuer. See "Appendix V — Independent Property Valuer's Valuation Report" to this Offering Circular.

Average Occupancy Rate and Average Monthly Rental

Year	Average occupancy rate	Average monthly rental per leased square foot of Gross Rentable Area
Year ended 30 Jun 2004	87.9%	HK$6.2
Year ended 30 Jun 2005	92.7%	HK$6.0
Year ended 30 Jun 2006	86.9%	HK$7.1
Three months ended 30 Sep 2006	77.7%(1)	HK$8.5

Note:

(1) A drop in average occupancy rate was recorded for the three months ended 30 September 2006 as compared with FY2006. However, both the average monthly effective rental per leased square foot of Gross Rentable Area and the average monthly rental receivable for the three-month period are actually higher than the corresponding figures for FY2006. This reflects that the existing manager of the Property, in view of the steadily rising office and retail rentals, has opted for a strategy to tolerate an increase in vacancy in order to achieve higher rental income.

Tenant Profile

The largest tenants (in terms of Rental Income) in 235 Wing Lok Street Trade Centre include Kwality Exports (HK) Limited, A Card Company Limited and South East Shipping (Hong Kong) Limited & Wins Consultants Limited. The leases of the 10 largest tenants (in terms of Rental Income) are generally for terms of two years with no option to renew the lease at expiry. None of the 10 largest tenants are connected persons of Sunlight REIT. Information on the 10 largest tenants in terms of Rental Income as well as all other tenants and vacant space, in each case as at 30 September 2006 and for the month ended 30 September 2006, is as follows:

Tenant	Expiry date	Gross Rentable Area	Percentage of total Gross Rentable Area	Percentage of Rental Income[1]
		sq.ft.	%	%
Tenant WLS1[2]	1 Jul 2007	1,513	2.9	8.4
Tenant WLS2[2]	8 Mar 2007	1,613	3.1	7.2
Kwality Exports (HK) Limited	10 Apr 2007	1,364	2.6	3.9
A Card Company Limited	31 Oct 2007	1,678	4.3	3.6
	9 Apr 2008	560		
Tenant WLS3[2]	6 May 2007[3]	769	3.7	3.0
	18 Apr 2007[3]	595		
	10 Oct 2006[3]	595		
South East Shipping (Hong Kong) Limited & Wins Consultants Limited	6 Jun 2007	1,364	2.6	2.8
Larkspur Trading Limited	21 May 2008	595	1.1	2.7
Image 2020 Limited & United Premiums Limited	13 Jan 2008	1,190	2.3	2.6
Jet Fair Computing Services Limited	1 Oct 2007	769	1.5	2.4
Handshake Networking Limited	14 Nov 2006[4]	1,364	2.6	2.4
	Sub total	13,969	26.7	39.0
Other tenants		25,290	48.4	61.0
Vacant space[5]		13,026	24.9	—
	Total	52,285	100.0	100.0

Notes:

(1) Calculated on the basis of each tenant's percentage contribution to rental income of the Property for the month ended 30 September 2006.

(2) These tenants, who are individuals, have not been identified.

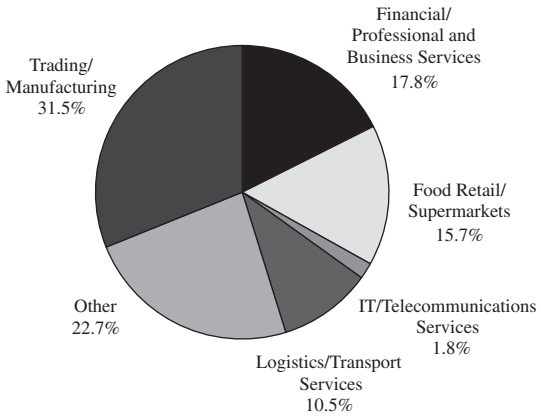
(3) Tenant holds three separate leases expiring on three different dates. Tenant did not renew the lease expired on 10 October 2006. As at the Latest Practicable Date, negotiations with potential new tenants at a higher rent were in progress, although there is no certainty as to whether a new lease can ultimately be agreed upon, and if so, on what terms.

(4) Tenant entered into a new lease for an office unit of 769 sq.ft. at a higher rent while delivered vacant possession of remaining portion of 595 sq.ft. upon expiry of the lease. As at the Latest Practicable Date, negotiations with potential new tenants for such remaining portion at a higher rent were in progress, although there is no certainty as to whether a new lease can ultimately be agreed upon, and if so, on what terms.

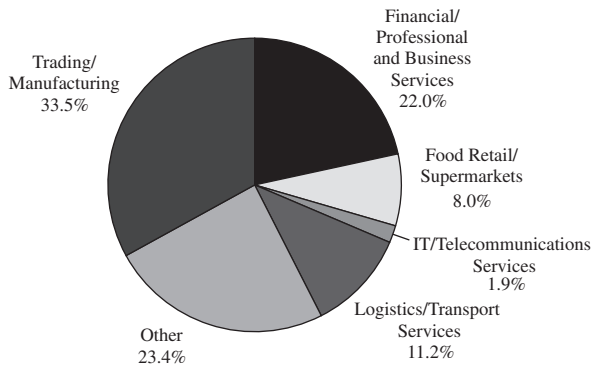
(5) As at the Latest Practicable date, a person, which was a previous company tenant wound up in September 2005 remained in occupation of an office unit at the Property of Gross Rentable Area of 560 sq.ft., which constituted approximately 1.07% of total Gross Rentable Area of the Property. A demand letter had been issued to the person after its liquidation demanding it to deliver vacant possession of the office unit and payment of mense profits for the period of its occupation of the office unit. Further, an office of Gross Rentable Area of 560 sq.ft. has been occupied by the leasing agent as leasing office of the Property free of rent. Upon Completion, the leasing office will be handed over to the Property Manager with no rent charged. The Property Manager will not take up additional space in the Property free of rent as long as it acts as Property Manager of the Property unless it complies with applicable requirements of the REIT Code in relation to connected party transactions.

The charts below show the mix of the tenants of 235 Wing Lok Street Trade Centre by the principal nature of their business, as a percentage of Rental Income and Gross Rentable Area.

Rental Income by Tenants' Trades (For the month ended 30 September 2006)



Gross Rentable Area by Tenants' Trades (As at 30 September 2006)



Expiries and Renewals

The following table sets forth information on leases at 235 Wing Lok Street Trade Centre that have expired and those that have been renewed by the existing tenants during the periods indicated:

	Number of leases expired	Gross Rentable Area of expired leases	Number of expired leases renewed	Renewed Gross Rentable Area	Renewal rate by number of leases expired	Renewal rate by expired leased area
		sq.ft.		sq.ft.	%	%
Year ended 30 Jun 2004	43	27,719	23	15,323	53.4	55.2
Year ended 30 Jun 2005	44	30,543	20	14,625	45.4	47.8
Year ended 30 Jun 2006[(1)]	50	34,162	28	20,437	56.0	59.8
Three months ended 30 Sep 2006	4	2,728	—	—	—	—
Average/weighted average	35[(2)]	23,788[(2)]	18[(2)]	12,596[(2)]	50.4[(3)]	53.0[(4)]

Notes:

(1) Among the 50 leases which expired during the year ended 30 June 2006, a unit of Gross Rentable Area of 560 sq.ft. was occupied by a person which was a previous company tenant wound up in September 2005. Please refer to Note (5) to the table headed "Tenant Profile" for this Property for further details.

(2) Simple average of the figures for the four periods.

(3) Weighted average weighted by number of leases expired.

(4) Weighted average weighted by Gross Rentable Area of expired leases.

The following table sets forth details of expiries in respect of leases at 235 Wing Lok Street Trade Centre which are scheduled to take place during the periods indicated:

Period	Number of leases expiring[1]	Gross Rentable Area of leases expiring	Expiring leases as a percentage of total Gross Rentable Area	Monthly Rental Income of leases expiring[2]	Expiring leases as a percentage of total monthly Rental Income
		sq.ft.	%	HK$	%
From 30 Sep 2006 to 30 Jun 2007	28	20,505	39.2	158,379	49.8
Year ending 30 Jun 2008	24	17,985	34.4	153,335	48.2
Year ending 30 Jun 2009 and beyond	1	769	1.5	6,265	2.0
Vacant space[3]	—	13,026	24.9	—	—
Total	53	52,285	100.0	317,979	100.0

Notes:

(1) Assuming that the options to renew are not exercised.

(2) Monthly Rental Income in respect of leases expiring for the periods mentioned is the sum of monthly Rental Income of such expiring leases as at 30 September 2006.

(3) As at the Latest Practicable Date, a unit of Gross Rentable Area of 560 sq.ft. was occupied by a person which was a previous company tenant wound up in September 2005. Please refer to Note (5) to the table headed "Tenant Profile" for this Property for further details. Further, an office of Gross Rentable Area of 560 sq.ft. has been occupied by the leasing agent as leasing office of the Property free of rent. Please also refer to Note (5) to the table headed "Tenant Profile" for this Property.

Five-Year Transaction History

The land searches (in respect of change of legal and/or beneficial ownership registered in the Land Registry) conducted on 24 November 2006 do not show any sale and purchase transactions relating to this Property in the five years prior to the date of the searches, and to the best of its knowledge, the Manager is not aware of any transactions involving direct or indirect sale and purchase of this Property during such period, in each case other than intra-group transactions, transactions among entities under the ownership or control of Dr. Lee Shau Kee, his family members or family trust(s).

YUE FAI COMMERCIAL CENTRE PROPERTY

Description

Yue Fai Commercial Centre, which was completed in 1997, is a 26-storey Grade B office building. Yue Fai Commercial Centre is located in an established residential and commercial area in Aberdeen in the southern part of Hong Kong Island. Yue Fai Commercial Centre is close to Aberdeen Bus Terminus. As at 30 September 2006, Yue Fai Commercial Centre Property had a total Gross Rentable Area of approximately 42,751 sq.ft. Yue Fai Commercial Centre Property comprises three shop units (out of the six) on the ground floor and a large portion of the upper office floors of the building. Office units range in size from 255 sq.ft. to 2,048 sq.ft. (the latter comprising a whole floor).

Yue Fai Commercial Centre Property had an average occupancy rate of approximately 77.2% for the three months ended 30 September 2006 and the Property had 87 individual leases as at 30 September 2006. Upon Completion, Sunlight REIT will own approximately 72% of the undivided shares in Yue Fai Commercial Centre. To the best of the Manager's knowledge, the remaining interest in Yue Fai Commercial Centre is owned by third parties who are not connected persons of Sunlight REIT.

Other than making normal recurring maintenance capital expenditures, the Manager has no current plans to renovate, improve or redevelop Yue Fai Commercial Centre Property. Upon Completion, Yue Fai Commercial Centre Property will be subject to a mortgage and other security granted under the Facility, as described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — The Loan Facility" in this Offering Circular.

Yue Fai Commercial Centre Property is held under a Government Grant for a term commencing from 26 December 1860 to 25 December 2859. As at 30 September 2006, Yue Fai Commercial Centre Property was valued at HK$124,000,000 by the Independent Property Valuer. See "Appendix V — the Independent Property Valuer's Valuation Report" to this Offering Circular.

Average Occupancy Rate and Average Monthly Rental

Year	Average occupancy rate	Average monthly rental per leased square foot of Gross Rentable Area
Year ended 30 Jun 2004	95.5%	HK$7.6
Year ended 30 Jun 2005	95.7%	HK$8.3
Year ended 30 Jun 2006	86.4%(1)	HK$9.8
Three months ended 30 Sep 2006	77.2%(1)	HK$11.3

Note:

(1) A drop in average occupancy rate was recorded for FY2006 and three months ended 30 September 2006 as compared with FY2005 because the existing manager of the Property, in view of the steadily rising office and retail rentals, has opted for a strategy to tolerate an increase in vacancy in order to achieve higher rental income. Both the average monthly effective rentals per leased square foot of Gross Rentable Area and the average monthly rental receivable actually increased during FY2006 and the three-month period ended 30 September 2006.

Tenant Profile

The largest tenants (in terms of Rental Income) in Yue Fai Commercial Centre Property include Genetics Biomedical Laboratory Limited, Christian & Missionary Alliance Church Union Hong Kong Limited and Idea Education Centre Limited. The leases of the 10 largest tenants (in terms of Rental Income) are generally for terms of two years with one tenant having an option to renew the lease at expiry. None of the 10 largest tenants are connected persons of Sunlight REIT. Information on the 10 largest tenants in terms of Rental Income as well as all other tenants and vacant space, in each case as at 30 September 2006 and for the month ended 30 September 2006, is as follows:

Tenant	Expiry date	Gross Rentable Area	Percentage of total Gross Rentable Area	Percentage of Rental Income[1]
		sq.ft.	%	%
Genetics Biomedical Laboratory Limited	31 Oct 2007	618	1.4	6.4
Tenant YF1[2]	14 Feb 2008	673	1.6	6.3
Christian & Missionary Alliance Church Union Hong Kong Limited	30 May 2008	2,048	4.8	5.1
Tenant YF2[2]	31 Mar 2008	188	0.4	4.1
Idea Education Centre Limited	11 Aug 2007[3]	724	2.3	3.4
	11 Aug 2007[3]	274		
Tenant YF3[2]	25 Jun 2008[4]	521	2.5	3.4
	25 Jun 2008[4]	255		
	4 Jan 2007[4]	274		
Tenant YF4[2]	30 Jun 2007	776	1.8	2.6
Tenant YF5[2]	20 Jun 2009	724	1.7	2.6
Tenant YF6[2]	24 Aug 2007	803	1.9	2.0
Tenant YF7[2]	24 Jul 2008	776	1.8	2.0
	Sub total	8,654	20.2	37.9
Other tenants		24,726	57.9	62.1
Vacant space[5]		9,371	21.9	—
	Total	42,751	100.0	100.0

Notes:

(1) Calculated on the basis of each tenant's percentage contribution to Rental Income of the Property for the month ended 30 September 2006.

(2) These tenants, who are individuals, have not been identified.

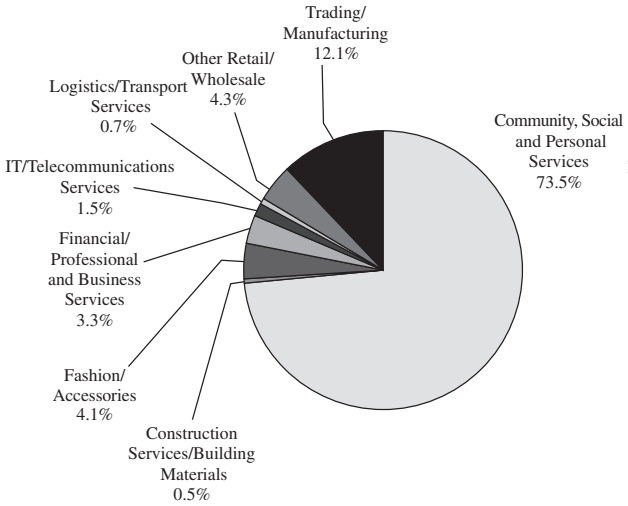
(3) Tenant holds two separate leases expiring on the same date.

(4) Tenant holds three separate leases, two of which expire on the same date.

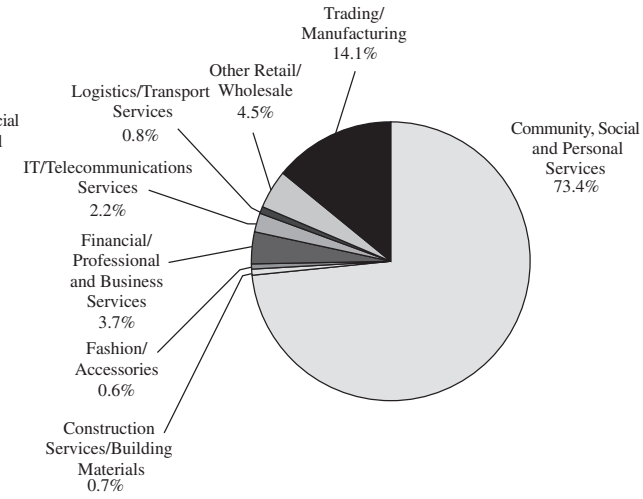
(5) A unit of Gross Rentable Area of 521 sq.ft. has been occupied by the leasing agent as leasing office of the Property free of rent. Upon Completion, the leasing office will be handed over to the Property Manager with no rent charged. The Property Manager will not take up additional space in the Property free of rent as long as it acts as Property Manager of the Property unless it complies with applicable requirements of the REIT Code in relation to connected party transactions.

The charts below show the mix of the tenants of Yue Fai Commercial Centre Property by the principal nature of their business, as a percentage of Rental Income and Gross Rentable Area.

Rental Income by Tenants' Trades (For the month ended 30 September 2006)



Gross Rentable Area by Tenants' Trades (As at 30 September 2006)



Expiries and Renewals

The following table sets forth information on leases at Yue Fai Commercial Centre Property that have expired and those that have been renewed by the existing tenants during the periods indicated:

	Number of leases expired	Gross Rentable Area of expired leases	Number of expired leases renewed	Renewed Gross Rentable Area	Renewal rate by number of leases expired	Renewal rate by expired leased area
		sq.ft.		sq.ft.	%	%
Year ended 30 Jun 2004	71	28,735	49	21,001	69.0	73.1
Year ended 30 Jun 2005	60	21,398	35	12,560	58.3	58.7
Year ended 30 Jun 2006	71	29,469	30	11,340	42.3	38.5
Three months ended 30 Sep 2006	22	6,625	11	3,166	50.0	47.8
Average/weighted average	56(1)	21,557(1)	31(1)	12,017(1)	55.8(2)	55.7(3)

Notes:

(1) Simple average of the figures for the four periods.

(2) Weighted average weighted by number of leases expired.

(3) Weighted average weighted by Gross Rentable Area of expired leases.

The following table sets forth details of expiries in respect of leases at Yue Fai Commercial Centre Property which are scheduled to take place during the periods indicated:

Period	Number of leases expiring[1]	Gross Rentable Area of leases expiring	Expiring leases as a percentage of total Gross Rentable Area	Monthly Rental Income of leases expiring[2]	Expiring leases as a percentage of total monthly Rental Income
		sq.ft.	%	HK$	%
From 30 Sep 2006 to 30 Jun 2007	29	10,379	24.3	97,179	24.7
Year ending 30 Jun 2008	44	17,685	41.4	237,609	60.4
Year ending 30 Jun 2009 and beyond	14	5,316	12.4	58,751	14.9
Vacant space[3]	—	9,371	21.9	—	—
Total	87	42,751	100.0	393,539	100.0

Notes:

(1) Assuming that the options to renew are not exercised.

(2) Monthly Rental Income in respect of leases expiring for the periods mentioned is the sum of monthly Rental Income of such expiring leases as at 30 September 2006.

(3) A unit of Gross Rentable Area of 521 sq.ft. has been occupied by the leasing agent as leasing office of the Property free of rent. Please refer to Note (5) to the table headed "Tenant Profile" for this Property.

Five-Year Transaction History

The land searches (in respect of change of legal and/or beneficial ownership registered in the Land Registry) conducted on 24 November 2006 do not show any sale and purchase transactions relating to this Property in the five years prior to the date of the searches, and to the best of its knowledge, the Manager is not aware of any transactions involving direct or indirect sale and purchase of this Property during such period, in each case other than intra-group transactions, transactions among entities under the ownership or control of Dr. Lee Shau Kee, his family members or family trust(s).

EVERGLORY CENTRE

Description

Everglory Centre, which was completed in 1999, is a 21-storey Grade B office building with city views. Everglory Centre is located in the commercial hub of Tsimshatsui and is situated within a few minutes' walking distance to the Tsimshatsui MTR Station. Other forms of public transport including buses and minibuses also serve the immediate locality. Everglory Centre is also close to the Hung Hom KCR Station and the Cross Harbour Tunnel which offer convenient access from Hong Kong Island, the rest of Kowloon, the New Territories and the PRC. As at 30 September 2006, Everglory Centre had a total Gross Rentable Area of approximately 29,802 sq.ft. Office units range in size from 708 sq.ft. to 1,461 sq.ft. The ground and first floors are designated as shops, while the upper floors are designated as office units.

Everglory Centre had an average occupancy rate of approximately 95.0% for the three months ended 30 September 2006 and the Property had 30 individual leases as at 30 September 2006. Upon Completion, Sunlight REIT will own the whole of Everglory Centre.

Other than making normal recurring maintenance capital expenditures, the Manager has no current plans to renovate, improve or redevelop Everglory Centre. Upon Completion, Everglory Centre will be subject to a mortgage and other security granted under the Facility, as described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — The Loan Facility" in this Offering Circular.

Everglory Centre is held under two Government Grants both for a term commencing from 25 December 1892 to 24 December 2042. As at 30 September 2006, Everglory Centre was valued at HK$123,000,000 by the Independent Property Valuer. See "Appendix V — the Independent Property Valuer's Valuation Report" to this Offering Circular.

Average Occupancy Rate and Average Monthly Rental

Year	Average occupancy rate	Average monthly rental per leased square foot of Gross Rentable Area
Year ended 30 Jun 2004	98.8%	HK$ 9.2
Year ended 30 Jun 2005	97.7%	HK$ 9.2
Year ended 30 Jun 2006	97.9%	HK$10.6
Three months ended 30 Sep 2006	95.0%(1)	HK$12.3

Note:

(1) A drop in average occupancy rate was recorded for the three months ended 30 September 2006 as compared with FY2006. However, both the average monthly effective rental per leased square foot of Gross Rentable Area and the average monthly rental receivable for the three-month period are actually higher than the corresponding figures for FY2006. This reflects that the existing manager of the Property, in view of the steadily rising office and retail rentals, has opted for a strategy to tolerate an increase in vacancy in order to achieve higher rental income.

Tenant Profile

The largest tenants (in terms of Rental Income) in Everglory Centre include Eltex International Ltd, Yu Kee Food Co. Ltd and Dabby International Ltd. The leases of the 10 largest tenants (in terms of Rental Income) are generally for terms of two years (except two tenants which both have leases for three-year term) with no option to renew the lease at expiry. None of the 10 largest tenants are connected persons of Sunlight REIT. Information on the 10 largest tenants in terms of Rental Income as well as all other tenants and vacant space, in each case as at 30 September 2006 and for the month ended 30 September 2006, is as follows:

Tenant	Expiry date	Gross Rentable Area	Percentage of total Gross Rentable Area	Percentage of Rental Income[1]
		sq.ft.	%	%
Eltex International Ltd	14 Feb 2008[3]	1,422	9.5	12.8
	14 Feb 2008[3]	1,422		
Tenant EC1[2]	30 June 2007[4]	1,461	9.8	9.8
	29 Nov 2006[4][5]	1,461		
Tenant EC2[2]	16 Sept 2009	1,422	4.8	7.9
Yu Kee Food Co. Ltd.	14 Apr 2008	674	2.3	7.6
Tenant EC3[2]	6 Jun 2007	688	2.3	6.3
Dabby International Ltd.	18 Jul 2008[4]	730	4.8	4.5
	19 Jul 2007[4]	708		
Tech Pro Asia Ltd	31 Jul 2007	1,422	4.8	4.3
Tenant EC4[2]	19 Jul 2007[3]	2,267	7.6	4.2
	19 Jul 2007[3]			
Tenant EC5[2]	10 Jul 2007[3]	730	4.8	3.7
	10 Jul 2007[3]	708		
e-quota.net Technology Ltd.	2 Jan 2007	1,438	4.8	3.6
	Sub total	16,553	55.5	64.7
Other tenants		11,788	39.6	35.3
Vacant space		1,461	4.9	—
	Total	29,802	100.0	100.0

Notes:

(1) Calculated on the basis of each tenant's percentage contribution to Rental Income of the Property for the month ended 30 September 2006.

(2) These tenants, who are individuals, have not been identified.

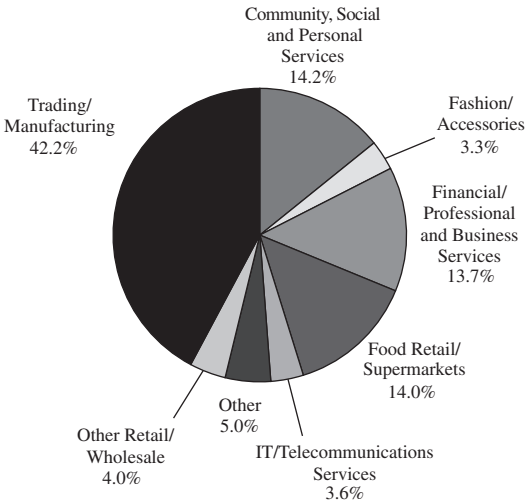
(3) Tenants hold two separate leases expiring on the same date.

(4) Tenants hold two separate leases expiring on two different dates.

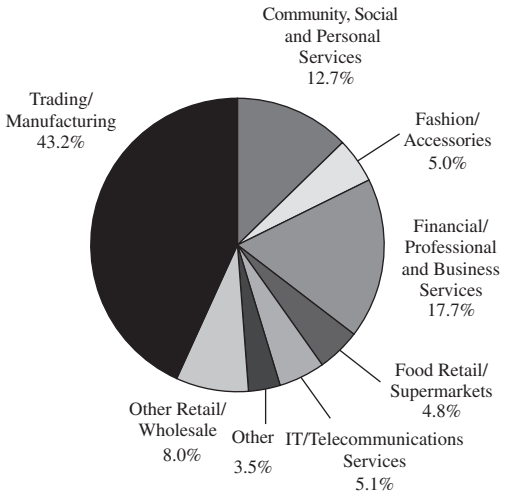
(5) Tenant confirmed not to renew the lease expiring on 29 November 2006. As at the Latest Practicable Date, negotiations with potential new tenants at a higher rent were in progress, although there is no certainty as to whether a new lease can ultimately be agreed upon, an if so, on what terms.

The charts below show the mix of the tenants of Everglory Centre by the principal nature of their business, as a percentage of Rental Income and Gross Rentable Area.

Rental Income by Tenants' Trades (For the month ended 30 September 2006)



Gross Rentable Area by Tenants' Trades (As at 30 September 2006)



Expiries and Renewals

The following table sets forth information on leases at Everglory Centre that have expired and those that have been renewed by the existing tenants during the periods indicated:

	Number of leases expired	Gross Rentable Area of expired leases	Number of expired leases renewed	Renewed Gross Rentable Area	Renewal rate by number of leases expired	Renewal rate by expired leased area
		sq.ft.		sq.ft.	%	%
Year ended 30 Jun 2004	19	18,299	14	14,001	73.7	76.5
Year ended 30 Jun 2005	18	19,586	14	14,496	77.8	74.0
Year ended 30 Jun 2006	16	13,137	10	8,165	62.5	62.2
Three months ended 30 Sep 2006	4	5,074	1	1,422	25.0	28.0
Average/weighted average	14(1)	14,024(1)	10(1)	9,521(1)	68.4(2)	67.9(3)

Notes:

(1) Simple average of the figures for the four periods.

(2) Weighted average weighted by number of leases expired.

(3) Weighted average weighted by Gross Rentable Area of expired leases.

The following table sets forth details of expiries in respect of leases at Everglory Centre which are scheduled to take place during the periods indicated:

Period	Number of leases expiring[1]	Gross Rentable Area of leases expiring	Expiring leases as a percentage of total Gross Rentable Area	Monthly Rental Income of leases expiring[2]	Expiring leases as a percentage of total monthly Rental Income
		sq.ft.	%	HK$	%
From 30 Sep 2006 to 30 Jun 2007	11	11,515	38.7	127,235	34.7
Year ending 30 Jun 2008	17	14,674	49.2	200,195	54.6
Year ending 30 Jun 2009 and beyond	2	2,152	7.2	39,058	10.7
Vacant space	—	1,461	4.9	—	—
Total	30	29,802	100.0	366,488	100.0

Notes:

(1) There are no options to renew under the leases in respect of the Property.

(2) Monthly Rental Income in respect of leases expiring for the periods mentioned is the sum of monthly Rental Income of such expiring leases as at 30 September 2006.

Five-Year Transaction History

The land searches (in respect of change of legal and/or beneficial ownership registered in the Land Registry) conducted on 24 November 2006 do not show any sale and purchase transactions relating to this Property in the five years prior to the date of the searches, and to the best of its knowledge, the Manager is not aware of any transactions involving direct or indirect sale and purchase of this Property during such period, in each case other than intra-group transactions, transactions among entities under the ownership or control of Dr. Lee Shau Kee, his family members or family trust(s).

ON LOONG COMMERCIAL BUILDING PROPERTY

Description

On Loong Commercial Building Property is part of the On Loong Commercial Building, which was completed in 1984. On Loong Commercial Building is a 23-storey Grade B office building with city views. On Loong Commercial Building is located in the commercial hub of Wanchai district and is situated at Lockhart Road, which is well-known for its clusters of construction material and interior design shops. Many forms of public transport including the MTR, buses, minibuses and trams serve the immediate locality. There is also easy access to Kowloon via Cross Harbour Tunnel. As at 30 September 2006, On Loong Commercial Building Property had a total Gross Rentable Area of approximately 25,564 sq.ft. Office units range in size from 538 sq.ft. to 1,596 sq.ft. The ground floor is devoted to retail use, whilst upper floors are devoted to office use.

On Loong Commercial Building Property had an average occupancy rate of approximately 95.0% for the three months ended 30 September 2006 and the Property had 35 individual leases as at 30 September 2006. Upon Completion, Sunlight REIT will own approximately 94% of the undivided shares in On Loong Commercial Building. To the best of the Manager's knowledge, the remaining interest in On Loong Commercial Building is owned by third parties who are not connected persons of Sunlight REIT.

It is planned that the (i) vertical potable water pipes, (ii) vertical flush water pipes, (iii) vertical drainage pipe together with all horizontal pipes and traps on external wall, (iv) internal plumbing and drainage pipes of relevant toilets and (v) potable and flush water pumps of the On Loong Commercial Building Property will be replaced with an estimated aggregate costs of HK$0.95 million payable by the relevant Vendor. This renovation work is expected to take place in December 2006 and is expected to be completed by the mid of February 2007. Further, improvement works to common areas of On Loong Commercial Building pursuant to requirements in two Fire Safety Improvement Directions have been completed. Improvement works to certain individual units of On Loong Commercial Building as required under various Fire Safety Improvement Directions were also completed as at the Latest Practicable Date and demolition work for a cockloft on the ground floor as required in a notice from the Director of Buildings was also completed in early May 2006. Under the relevant Sale and Purchase Agreement, the contribution required to be made by the owner of On Loong Commercial Building Property in respect of the cost for those works is to be made by the relevant Vendor, and a deed of undertaking and indemnity will also be given by HLD in favour of the Trustee (as trustee of Sunlight REIT) and the relevant Property Company as detailed in the section headed "The Properties and Business — GENERAL — Legal and Regulatory Compliance — *On Loong Commercial Building Property*" and the section headed "Material Agreements and Other Documents Relating to Sunlight REIT" in this Offering Circular. Please also refer to the section headed "The Properties and Business — GENERAL — Legal and Regulatory Compliance — *On Loong Commercial Building Property*" in this Offering Circular for further details of such Directions and notice. Other than the renovation work mentioned above and the normal recurring maintenance capital expenditures, the Manager has no current plans to renovate, improve or redevelop On Loong Commercial Building Property. Upon Completion, On Loong Commercial Building Property will be subject to a mortgage and other security granted under the Facility, as described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — The Loan Facility" in this Offering Circular.

On Loong Commercial Building Property is held under two Government Grants both for the residue of the term from 11 May 1928 to 10 May 2027 and with a right of renewal for a further term of 99 years. As at 30 September 2006, On Loong Commercial Building Property was valued at HK$107,000,000 by the Independent Property Valuer. See "Appendix V — Independent Property Valuer's Valuation Report" to this Offering Circular.

Average Occupancy Rate and Average Monthly Rental

Year	Average occupancy rate	Average monthly rental per leased square foot of Gross Rentable Area
Year ended 30 Jun 2004	96.1%	HK$10.4
Year ended 30 Jun 2005	99.1%	HK$10.1
Year ended 30 Jun 2006	93.2%	HK$12.0
Three months ended 30 Sep 2006	95.0%	HK$13.6

Tenant Profile

The largest tenants (in terms of Rental Income) in On Loong Commercial Building Property include Po Kwong (China) Stone Ltd, Operation Smile — China Medical Mission Ltd and Wolf Food Ltd. The leases of the 10 largest tenants (in terms of Rental Income) are generally for terms of one to two years with no option to renew the lease at expiry. None of the 10 largest tenants are connected persons of Sunlight REIT. Information on the 10 largest tenants in terms of Rental Income as well as all other tenants and vacant space, in each case as at 30 September 2006 and for the month ended 30 September 2006, is as follows:

Tenant	Expiry date	Gross Rentable Area	Percentage of total Gross Rentable Area	Percentage of Rental Income[(1)]
		sq.ft.	%	%
Po Kwong (China) Stone Ltd	3 Mar 2007	1,708	6.6	44.5
Operation Smile-China Medical Mission Ltd	8 May 2007	1,090	4.3	3.6
Wolf Food Ltd	25 Aug 2007	1,596	6.2	3.5
PP2 Design Ltd	9 Mar 2008	1,090	4.3	3.0
Megawell Engineering Ltd	2 Oct 2007	1,090	4.3	2.4
Cirrus Design Consultants Ltd.	6 Jun 2007	837	3.3	2.3
Output Point Co Ltd	22 Aug 2007	1,090	4.3	2.1
Tenant OL1[(2)]	31 Aug 2008	759	3.0	2.1
Tenant OL2[(2)]	5 May 2008	552	2.1	1.7
Tenant OL3[(2)]	30 Nov 2007	837	3.3	1.7
	Sub total	10,649	41.7	66.9
Other tenants		13,839	54.1	33.1
Vacant space		1,076	4.2	—
	Total	25,564	100.0	100.0

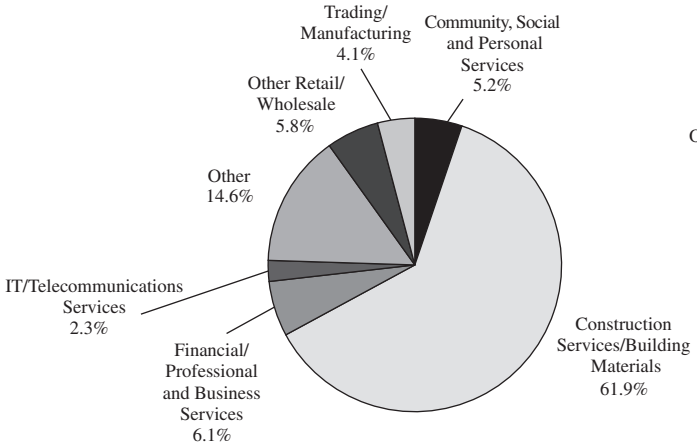
Notes:

(1) Calculated on the basis of each tenant's percentage contribution to Rental Income of the Property for the month ended 30 September 2006.

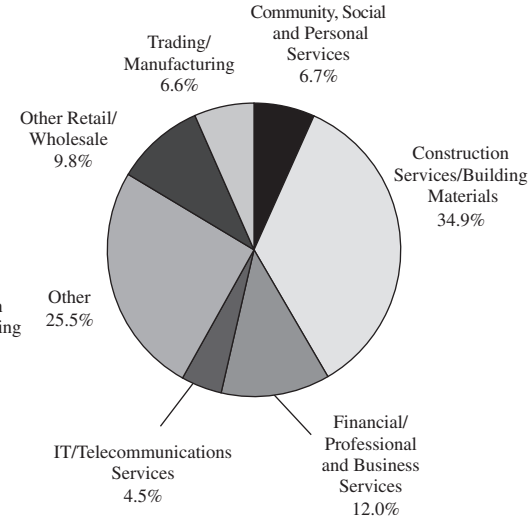
(2) These tenants, who are individuals, have not been identified.

The charts below show the mix of the tenants of On Loong Commercial Building Property by the principal nature of their business, as a percentage of Rental Income and Gross Rentable Area.

Rental Income by Tenants' Trades (For the month ended 30 September 2006)



Gross Rentable Area by Tenants' Trades (As at 30 September 2006)



Expiries and Renewals

The following table sets forth information on leases at On Loong Commercial Building Property that have expired and those that have been renewed by the existing tenants during the periods indicated:

	Number of leases expired	Gross Rentable Area of expired leases	Number of expired leases renewed	Renewed Gross Rentable Area	Renewal rate by number of leases expired	Renewal rate by expired leased area
		sq.ft.		sq.ft.	%	%
Year ended 30 Jun 2004	27	16,842	16	10,316	59.3	61.3
Year ended 30 Jun 2005	29	20,142	20	15,023	69.0	74.6
Year ended 30 Jun 2006	27	18,516	14	8,991	51.8	48.5
Three months ended 30 Sep 2006	3	1,835	2	1,297	66.7	70.7
Average/weighted average	22(1)	14,334(1)	13(1)	8,907(1)	60.4(2)	62.1(3)

Notes:

(1) Simple average of the figures for the four periods.

(2) Weighted average weighted by number of leases expired.

(3) Weighted average weighted by Gross Rentable Area of expired leases.

The following table sets forth details of expiries in respect of leases at On Loong Commercial Building Property which are scheduled to take place during the periods indicated:

Period	Number of leases expiring[1]	Gross Rentable Area of leases expiring	Expiring leases as a percentage of total Gross Rentable Area	Monthly Rental Income of leases expiring[2]	Expiring leases as a percentage of total monthly Rental Income
		sq.ft.	%	HK$	%
From 30 Sep 2006 to 30 Jun 2007	15	10,396	40.7	212,621	64.3
Year ending 30 Jun 2008	15	11,153	43.6	90,336	27.3
Year ending 30 Jun 2009 and beyond	5	2,939	11.5	27,618	8.4
Vacant space	—	1,076	4.2	—	—
Total	35	25,564	100.0	330,575	100.0

Notes:

(1) There are no options to renew under the leases in respect of the Property.

(2) Monthly Rental Income in respect of leases expiring for the periods mentioned is the sum of monthly Rental Income of such expiring leases as at 30 September 2006.

Five-Year Transaction History

The land searches (in respect of change of legal and/or beneficial ownership registered in the Land Registry) conducted on 24 November 2006 do not show any sale and purchase transactions relating to this Property in the five years prior to the date of the searches, and to the best of its knowledge, the Manager is not aware of any transactions involving direct or indirect sale and purchase of this Property during such period, in each case other than intra-group transactions, transactions among entities under the ownership or control of Dr. Lee Shau Kee, his family members or family trust(s).

METRO CITY PHASE I PROPERTY

Description

Metro City Phase I Property, which was completed in 1996, is a three-storey commercial/car parking podium with all shop units on the ground floor and level 2 and car-parking spaces situated on the ground floor, level 1 and level 2. The Property is a part of Metro City Phase I, a development comprising six residential blocks and a shopping arcade. It is situated at the centre of Po Lam Area of Tseung Kwan O, directly connected by footbridges to the Po Lam MTR Station and Metro City Phase III which also link to Metro City Phase II. Metro City Phase I is an integral part of the Metro City Shopping Centre development, one of the largest regional shopping malls in Kowloon East comprising approximately 1.5 million sq.ft. of retail space. The catchment area of Metro City Phase I Property includes local residents within Metro City and various nearby public housing estates, Home Ownership Scheme developments and private residential developments. With future new developments, the population in Tseung Kwan O is estimated to grow from the current 338,100 to approximately 480,000 in its full development. As at 30 September 2006, Metro City Phase I Property had a total Gross Rentable Area of approximately 188,889 sq.ft. (excluding car-parking spaces). Shop units size ranges from 50 sq.ft. to 24,857 sq.ft.

Metro City Phase I Property provides a comfortable environment for shoppers through the use of high ceilings and a skylight offering natural light and a spacious feeling. Upon Completion, Sunlight REIT will own approximately 26% of the undivided shares in the entire development of Metro City Phase I (which includes the entire commercial development and all the car parks, which will be owned by REIT Group Companies, and the six residential blocks not owned by Sunlight REIT). Please refer to the paragraph headed "Other owners" of "The Properties and Business" section for details of the ownership in the remaining interest in Metro City Phase I. Metro City Phase I Property had an average occupancy rate of approximately 81.1% for the three months ended 30 September 2006 and the Property had a total of 100 individual leases as at 30 September 2006.

Metro City Phase I Property has parking facilities comprising 452 car-parking spaces, 20 motor cycle-parking spaces and 14 bicycle-parking spaces. The parking facilities will, on Completion, be subject to the overall management by the Property Manager.

In order to improve the comfort of patrons and shoppers to the mall, the owners of Metro City Phase I Property and the shopping arcades at Metro City Phases II and III are considering upgrading the existing four footbridges owned by MTR Corporation Limited connecting Po Lam MTR Station to Metro City Phases I, II and III to become enclosed and air-conditioned footbridges, subject to approval by the Safety & Security Coordination Committee and MTR Corporation Limited. The owners of such shopping arcades may, after the Listing Date, appoint MTR Corporation Limited to carry out the works (which would in turn tender out the works and charge a project management fee), with the costs currently expected to be borne severally by such owners in specified proportions. The total construction cost and related expenses for upgrading the footbridge connecting Po Lam MTR Station to Metro City Phase I Property is currently estimated to be approximately HK$6 million.

Other than the footbridge and making normal recurring maintenance capital expenditures, the Manager has no current plans to renovate, improve or redevelop Metro City Phase I Property. Upon Completion, Metro City Phase I Property will be subject to a mortgage and other security granted under the Facility, as described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — The Loan Facility" in this Offering Circular.

The shopping arcades of Metro City Phases II and III are currently owned by subsidiaries of HLD. In order to maintain a balanced initial portfolio of properties between office and retail properties in Sunlight REIT, which account for approximately 48% and 52% respectively on the basis of the Appraised Value of the total portfolio (HK$4,371 million for office properties and HK$4,719 million for retail properties), the shopping arcades of Metro City Phases II and III, which were valued at HK$6,050 million and HK$1,652 million respectively as at 30 June 2006, will not be included in the initial portfolio of Sunlight REIT. Any future acquisition by Sunlight REIT would depend on the then prevailing market conditions, their availability for sale, their strategic fit in meeting the investment criteria and the mix of properties in the portfolio at that time.

Metro City Phase I is held under a Government Grant for a term from 29 November 1993 to 30 June 2047. As at 30 September 2006, Metro City Phase I Property was valued at HK$1,811,000,000 by the Independent Property Valuer. See "Appendix V — Independent Property Valuer's Valuation Report" to this Offering Circular.

Average Occupancy Rate and Average Monthly Rental

Year	Average occupancy rate	Average monthly rental per leased square foot of Gross Rentable Area
Year ended 30 Jun 2004	93.2%	HK$22.3
Year ended 30 Jun 2005	95.6%	HK$21.4
Year ended 30 Jun 2006	85.0%(1)	HK$23.2
Three months ended 30 Sep 2006	81.1%(2)	HK$23.8

Notes:

(1) Increased vacancy at Metro City Phase I Property for the year ended 30 June 2006 was due to removal of a large tenant in September 2005.

(2) A drop in average occupancy rate was recorded for the three months ended 30 September 2006 as compared with FY2006. However, the average monthly effective rental per leased square foot of Gross Rentable Area for the three-month period was actually higher than the corresponding figure for FY2006. This reflects that the existing manager of the Property, in view of the steadily rising office and retail rentals, has opted for a strategy to tolerate an increase in vacancy in order to achieve higher rental income.

Tenant Profile

The largest tenants (in terms of Rental Income) in Metro City Phase I Property include Cosmos Inc. Limited, Hang Seng Bank Limited and Bank of Communications Co., Ltd. The leases of the 10 largest tenants (in terms of Rental Income) are generally for terms of two to three years with four tenants having options to renew the leases at expiry. None of the 10 largest tenants are connected persons of Sunlight REIT, except Hang Seng Bank Limited.

Information on the 10 largest tenants in terms of Rental Income as well as all other tenants and vacant space, in each case as at 30 September 2006 and for the month ended 30 September 2006 is as follows:

Tenant	Expiry date	Gross Rentable Area	Percentage of total Gross Rentable Area	Percentage of Rental Income[1]
		sq.ft.	%	%
Cosmos Inc. Limited	30 Apr 2009[2]	24,857	13.1	9.3
	6 Jan 2007[2]	—		
Hang Seng Bank Limited	16 Feb 2009	7,628	4.0	8.6
Bank of Communications Co., Ltd.	21 May 2008	3,612	1.9	7.0
Upper Talent Limited	31 Jul 2009	13,645	7.2	4.8
Quality HealthCare Medical Centre Limited	28 Jun 2009[2]	2,593	1.4	3.1
	17 Sep 2007[2]	—		
Japan Home Centre (H.K.) Limited	31 Aug 2009	7,107	3.8	2.9
Tenant MC1[3]	29 Sep 2009	8,243	4.4	2.8
Centaline Property Agency Limited	31 Jul 2007	1,252	0.7	2.5
Ricacorp Properties Limited	22 Feb 2007	644	0.3	2.0
Happy Right Industries Limited	20 Oct 2007	2,245	1.2	1.9
	Sub total	71,826	38.0	44.9
Other tenants		86,733	45.9	55.1
Vacant space[4]		30,330	16.1	—
	Total	188,889	100.0	100.0

Notes:

(1) Calculated on the basis of each tenant's percentage contribution to Rental Income of the Property for the month ended 30 September 2006.

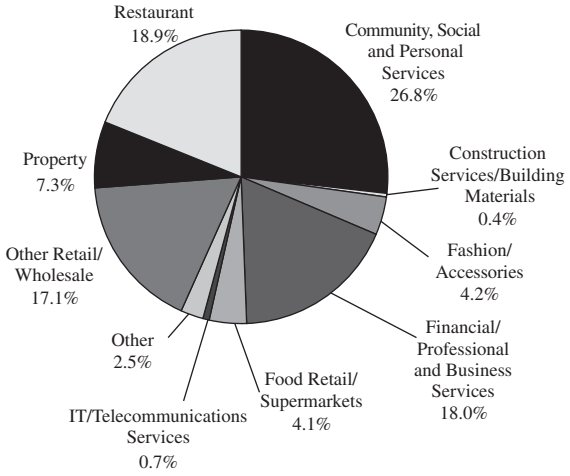
(2) Tenant holds one lease and one licence for lightbox expiring on different dates.

(3) This tenant, who is an individual, has not been identified.

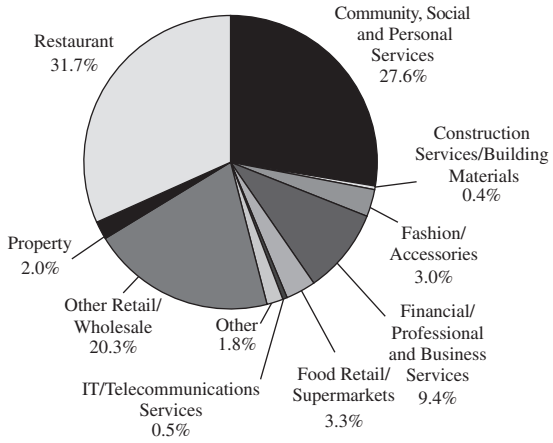
(4) A shop of Gross Rentable Area of 1,423 sq.ft. has been occupied by the leasing agent as leasing office of the Property free of rent. Upon Completion, the leasing office will be handed over to the Property Manager with no rent charged. The Property Manager will not take up additional space in the Property free of rent as long as it acts as Property Manager of the Property unless it complies with the applicable requirements of the REIT Code in relation to connected party transactions.

The charts below show the mix of the tenants of Metro City Phase I Property by the principal nature of their business, as a percentage of Rental Income and Gross Rentable Area.

Rental Income by Tenants' Trades (For the month ended 30 September 2006)



Gross Rentable Area by Tenants' Trades (As at 30 September 2006)



Expiries and Renewals

The following table sets forth information on leases at Metro City Phase I Property that have expired and those that have been renewed by the existing tenants during the periods indicated:

	Number of leases expired	Gross Rentable Area of expired leases	Number of expired leases renewed	Renewed Gross Rentable Area	Renewal rate by number of leases expired	Renewal rate by expired leased area
		sq.ft.		sq.ft.	%	%
Year ended 30 Jun 2004	88	124,241	58	85,859	65.9	69.1
Year ended 30 Jun 2005	63	103,251	40	80,250	63.5	77.7
Year ended 30 Jun 2006	70	107,855	46	48,092	65.7	44.6
Three months ended 30 Sep 2006	16	40,993	7	25,610	43.8	62.5
Average/weighted average	59(1)	94,085(1)	38(1)	59,953(1)	63.7(2)	63.7(3)

Notes:

(1) Simple average of the figures for the four periods.

(2) Weighted average weighted by number of leases expired.

(3) Weighted average weighted by Gross Rentable Area of expired leases.

The following table sets forth details of expiries in respect of leases at Metro City Phase I Property which are scheduled to take place during the periods indicated:

Period	Number of leases expiring[1]	Gross Rentable Area of leases expiring	Expiring leases as a percentage of total Gross Rentable Area	Monthly Rental Income of leases expiring[2]	Expiring leases as a percentage of total monthly Rental Income
		sq.ft.	%	HK$	%
From 30 Sep 2006 to 30 Jun 2007	30	30,853	16.3	760,000	19.7
Year ending 30 Jun 2008	51	48,532	25.7	1,510,742	39.2
Year ending 30 Jun 2009 and beyond	19	79,174	41.9	1,581,147	41.1
Vacant space[3]	—	30,330	16.1	—	—
Total	100	188,889	100.0	3,851,889	100.0

Notes:

(1) Assuming that the options to renew are not exercised.

(2) Monthly Rental Income in respect of leases expiring for the periods mentioned is the sum of monthly Rental Income of such expiring leases as at 30 September 2006.

(3) A shop of Gross Rentable Area of 1,423 sq.ft. has been occupied by the leasing manager as leasing office of the Property free of rent. Please refer to Note (4) to the table headed "Tenant Profile" for this Property.

Five-Year Transaction History

Please refer to the paragraph headed "Five-Year Transaction History" of "The Properties and Business" section for details of the transaction relating to this Property in the past five years.

SHEUNG SHUI CENTRE SHOPPING ARCADE

Description

Sheung Shui Centre Shopping Arcade, which was completed in 1993, comprises a two-storey shopping arcade, a third-floor kindergarten and basement carpark. Sheung Shui Centre Shopping Arcade's parking facilities comprise 269 car-parking spaces, 28 lorry-parking spaces, six loading and unloading spaces and 226 bicycle-parking spaces. The parking facilities will, on Completion of Sunlight REIT, be subject to the overall management by the Property Manager. As at 30 September 2006, Sheung Shui Centre Shopping Arcade had a total Gross Rentable Area of approximately 122,339 sq.ft. excluding car park spaces.

Sheung Shui Centre Shopping Arcade is situated within the residential and commercial hub of Sheung Shui district. It is a part of Sheung Shui Centre, a development that comprises six residential blocks and a shopping arcade. The Property is connected to the Sheung Shui KCR Station by a covered footbridge. Sheung Shui KCR Station will also be connected to the new Lok Ma Chau Spur Line, the second link between Hong Kong and PRC which is expected to be completed in 2007. Sheung Shui Centre Shopping Arcade is also close to several large public and private residential estates.

Upon Completion, Sunlight REIT will own approximately 26% of the undivided shares in the entire development of Sheung Shui Centre (which includes the entire Commercial Development and all car parks, which will be owned by REIT Group Companies, and the six residential blocks not owned by Sunlight REIT). The remaining 74% are owned by numerous residential and other owners. Please refer to the paragraph headed "Other owners" of "The Properties and Business" section for details of the ownership in the remaining interest in Sheung Shui Centre.

The tenant base of Sheung Shui Centre Shopping Arcade is diverse, including food & beverage, fashion & accessories, daily necessities, telecommunications and banks. Sheung Shui Centre Shopping Arcade had an average occupancy rate of approximately 93.2% for the three months ended 30 September 2006 and the Property had 125 individual leases as at 30 September 2006.

Other than making normal recurring maintenance capital expenditures, the Manager has no current plans to renovate, improve or redevelop Sheung Shui Centre Shopping Arcade. Upon Completion, Sheung Shui Centre will be subject to a mortgage and other security granted under the Facility, as described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — The Loan Facility" in this Offering Circular.

Sheung Shui Centre Shopping Arcade is held under a Government Grant for a term from 16 October 1989 to 30 June 2047. As at 30 September 2006, Sheung Shui Centre Property was valued at HK$2,190,000,000 by the Independent Property Valuer. See "Appendix V — Independent Property Valuer's Valuation Report" to this Offering Circular.

Average Occupancy Rate and Average Rental

Year	Average occupancy rate	Average monthly rental per leased square foot of Gross Rentable Area
Year ended 30 Jun 2004	97.3%	HK$43.3
Year ended 30 Jun 2005	98.3%	HK$46.3
Year ended 30 Jun 2006	96.9%	HK$46.6
Three months ended 30 Sep 2006	93.2%(1)	HK$53.3

Note:

(1) A drop in average occupancy rate was recorded for the three months ended 30 September 2006 as compared with FY2006. However, both the average monthly effective rental per leased square foot of Gross Rentable Area and the average monthly rental receivable for the three-month period are actually higher than the corresponding figures for FY2006. This reflects that the existing manager of the Property, in view of the steadily rising office and retail rentals, has opted for a strategy to tolerate an increase in vacancy in order to achieve higher rental income.

Tenant Profile

The largest tenants (in terms of Rental Income) in Sheung Shui Centre Shopping Arcade include Forever Sky (Asia) Limited, Bank of Communications Co., Ltd. and The Bank of East Asia Limited. The leases of the 10 largest tenants (in terms of Rental Income) are generally for terms of two to three years with four tenants having an option to renew the leases at expiry. None of the 10 largest tenants are connected persons of Sunlight REIT, except The Hongkong and Shanghai Banking Corporation Ltd. Information on the 10 largest tenants in terms of Rental Income as well as all other tenants and vacant space, in each case as at 30 September 2006 and for the month ended 30 September 2006, is as follows:

Tenant	Expiry date	Gross Rentable Area	Percentage of total Gross Rentable Area	Percentage of Rental Income[1]
		sq.ft.	%	%
Forever Sky (Asia) Limited	13 Mar 2010	20,261	16.6	7.9
Bank of Communications Co., Ltd.	10 Mar 2008	3,935	3.2	5.5
The Bank of East Asia Limited	30 Apr 2009	3,863	3.1	4.4
Maxim's Caterers Limited	26 Oct 2006[2]	4,367	3.7	3.8
	26 Oct 2006[2]	214		
The Hongkong and Shanghai Banking Corporation Ltd.	3 Nov 2008[3]	3,266	3.8	3.8
	3 Nov 2008[3]	1,360		
The Dairy Farm Company Limited	30 Nov 2006[4]	1,130	4.0	3.3
	30 Nov 2006[4]	2,619		
	14 Oct 2007[4]	1,171		
Euro Dragon Limited	19 Jul 2007	6,206	5.1	3.1
A. S. Watson Group (HK) Limited	19 Sept 2009	3,292	2.7	2.5
Tenant SS1[5]	27 Jun 2007[6]	506	1.2	2.3
	28 Mar 2008[6]	370		
	31 Jul 2007[6]	543		
Goldtop Century Limited	7 Aug 2007	2,374	1.9	2.1
	Sub total	55,477	45.3	38.7
Other tenants		59,934	49.0	61.3
Vacant space[7]		6,928	5.7	—
	Total	122,339	100.0	100.0

Notes:

(1) Calculated on the basis of each tenant's percentage contribution to Rental Income of the Property for the month ended 30 September 2006.

(2) Tenant holds two separate leases expired on the same date. Tenant did not renew the two leases upon expiry. As at the Latest Practicable Date, two separate new leases have been entered into with two respective tenants at higher rents.

(3) Tenant holds two separate leases expiring on the same date.

(4) Tenant holds three separate leases expiring on two different dates. As at the Latest Practicable Date, negotiations for renewal of two leases expiring on 30 November 2006 at a higher rent were in progress, although there is no certainty as to whether renewal can ultimately be agreed upon, and if so, on what terms.

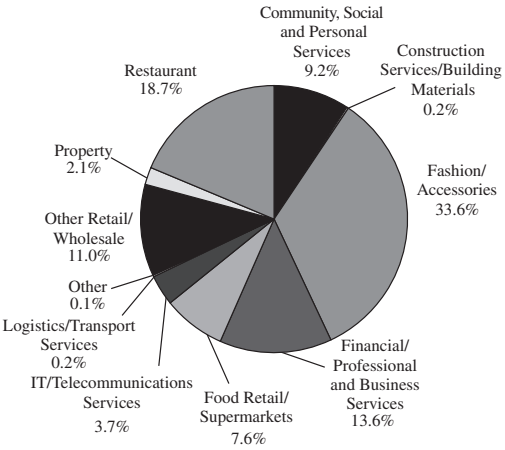
(5) This tenant, who is an individual, has not been identified.

(6) Tenant holds three separate leases expiring on three different dates.

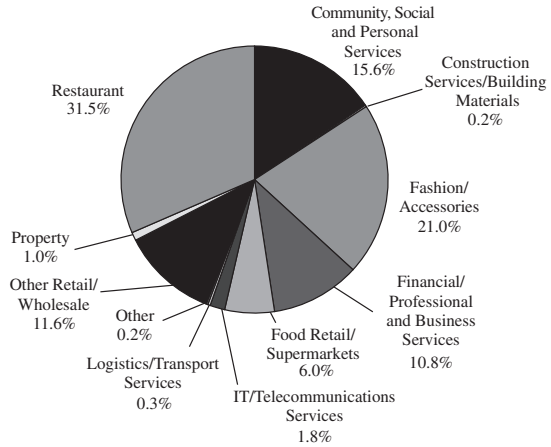
(7) A shop of Gross Rentable Area of 299 sq.ft. has been occupied by the leasing agent as leasing office of the Property free of rent. Upon Completion, the leasing office will be handed over to the Property Manager with no rent charged. The Property Manager will not take up additional space in the Property free of rent as long as it acts as Property Manager of the Property unless it complies with the applicable requirements of the REIT Code in relation to connected party transactions.

The charts below show the mix of the tenants of Sheung Shui Centre Shopping Arcade by the principal nature of their business, as a percentage of Rental Income and Gross Rentable Area.

Rental Income by Tenants' Trades (For the month ended 30 September 2006)



Gross Rentable Area by Tenants' Trades (As at 30 September 2006)



Expiries and Renewals

The following table sets forth information on leases at Sheung Shui Centre Shopping Arcade that have expired and those that have been renewed by the existing tenants during the periods indicated:

	Number of leases expired	Gross Rentable Area of expired leases	Number of expired leases renewed	Renewed Gross Rentable Area	Renewal rate by number of leases expired	Renewal rate by expired leased area
		sq.ft.		sq.ft.	%	%
Year ended 30 Jun 2004	84	90,651	57	76,860	67.9	84.8
Year ended 30 Jun 2005	61	42,172	32	23,650	52.5	56.1
Year ended 30 Jun 2006	77	54,045	40	35,034	51.9	64.8
Three months ended 30 Sep 2006	19	23,900	14	21,096	73.7	88.3
Average/weighted average	60(1)	52,692(1)	36(1)	39,160(1)	59.3(2)	74.3(3)

Notes:

(1) Simple average of the figures for the four periods.

(2) Weighted average weighted by number of leases expired.

(3) Weighted average weighted by Gross Rentable Area of expired leases.

The following table sets forth details of expiries in respect of leases at Sheung Shui Centre Shopping Arcade which are scheduled to take place during the periods indicated:

Period	Number of leases expiring[1]	Gross Rentable Area of leases expiring	Expiring leases as a percentage of total Gross Rentable Area	Monthly Rental Income of leases expiring[2]	Expiring leases as a percentage of total monthly Rental Income
		sq.ft.	%	HK$	%
From 30 Sep 2006 to 30 Jun 2007	36	43,538	35.6	1,926,869	32.0
Year ending 30 Jun 2008	63	50,701	41.4	2,627,523	43.6
Year ending 30 Jun 2009 and beyond	26	21,172	17.3	1,466,131	24.4
Vacant space[3]	—	6,928	5.7	—	—
Total	125	122,339	100.0	6,020,523	100.0

Notes:

(1) Assuming that the options to renew are not exercised.

(2) Monthly Rental Income in respect of leases expiring for the periods mentioned is the sum of monthly Rental Income of such expiring leases as at 30 September 2006.

(3) A shop of Gross Rentable Area of 299 sq.ft. has been leased to the leasing agent as leasing office of the Property free of rent. Please refer to Note (7) to the table headed "Tenant Profile" for this Property.

Five-Year Transaction History

Please refer to the paragraph headed "Five-Year Transaction History" of "The Properties and Business" section for details of the transaction relating to this Property in the past five years.

KWONG WAH PLAZA PROPERTY

Description

Kwong Wah Plaza Property is part of Kwong Wah Plaza, which was completed in 1998. Kwong Wah Plaza is a 17-storey commercial building (including basement). Kwong Wah Plaza is located in the town centre of Yuen Long and is situated at a corner site bounded by Tai Tong Road and Fau Tsoi Street. The building is close to the Tai Tong Road Light Railway Train Station and Yuen Long Station of KCR West Rail which links the Northwest New Territories and Kowloon. Kwong Wah Plaza's neighbouring developments are occupied by a variety of trades such as restaurants, retail shops, pharmacies, banks and wet market and enjoy steady pedestrian flow. Public transport facilities include buses and minibuses.

Upon Completion, Sunlight REIT will own the three-storey shopping arcade including a basement and a large portion of office spaces on the upper floors, totalling approximately 80% of the undivided shares in Kwong Wah Plaza. Please refer to the paragraph headed "Other owners" of the "Properties and Business" section for details of the ownership in the remaining interest in Kwong Wah Plaza. As at 30 September 2006, Kwong Wah Plaza Property had a total Gross Rentable Area of approximately 64,842 sq.ft. Office units range in size from 447 sq.ft. to 5,501 sq.ft. (the latter comprising a whole floor). Shop units range in size from 422 sq.ft. to 9,964 sq.ft.

Building features of Kwong Wah Plaza include loading/unloading area, split-type air-conditioning system for all office units, satellite TV antenna system and private washrooms in some office units. Kwong Wah Plaza Property had an average occupancy rate of approximately 99.1% for the three months ended 30 September 2006 and the Property had 36 individual leases as at 30 September 2006.

Other than making normal recurring maintenance capital expenditures, the Manager has no current plan to renovate, improve or redevelop Kwong Wah Plaza Property. Upon Completion, Kwong Wah Plaza Property will be subject to a mortgage and other security granted under the Facility, as described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — The Loan Facility" in this Offering Circular.

Kwong Wah Plaza is held under a Government Grant for the residue of the term from 25 May 1993 to 30 June 2047. As at 30 September 2006, Kwong Wah Plaza Property was valued at HK$458,000,000 by the Independent Property Valuer. See "Appendix V — Independent Property Valuer's Valuation Report" to this Offering Circular.

Average Occupancy Rate and Average Monthly Rental

Year	Average occupancy rate	Average monthly rental per leased square foot of Gross Rentable Area
Year ended 30 Jun 2004	96.3%	HK$18.0
Year ended 30 Jun 2005	97.7%	HK$18.8
Year ended 30 Jun 2006	97.4%	HK$20.4
Three months ended 30 Sep 2006	99.1%	HK$22.1

Tenant Profile

The largest tenants (in terms of Rental Income) in Kwong Wah Plaza Property include A.S. Watson Group (HK) Limited, Gold Harvest Video Amusement Company Limited and Be A Lady Limited. The leases of the 10 largest tenants (in terms of Rental Income) are generally for terms of two to three years with no option to renew the lease at expiry. None of the 10 largest tenants are connected persons of Sunlight REIT. Information on the 10 largest tenants in terms of Rental Income as well as all other tenants and vacant space, in each case as at 30 September 2006 and for the month ended 30 September 2006 is as follows:

Tenant	Expiry date	Gross Rentable Area	Percentage of total Gross Rentable Area	Percentage of Rental Income[1]
		sq.ft.	%	%
A. S. Watson Group (HK) Limited	12 Jan 2008	9,430	14.5	15.9
Gold Harvest Video Amusement Company Limited	31 Dec 2007[2]	9,964	15.4	14.9
	31 Dec 2007[2]	—		
Be A Lady Limited	11 May 2008[3]	1,349	5.9	9.4
	11 May 2008[3]	1,391		
	18 Jul 2008[3]	1,073		
Tenant KW1[4]	14 Nov 2006[5]	1,001	4.4	7.6
	5 Sept 2007[5]	1,825		
Circle K Convenience Stores Limited	7 Apr 2007	1,259	1.9	6.6
Yicon Consultants Limited	31 Aug 2009	5,061	7.8	6.3
Tenant KW2[4]	15 Aug 2008	1,045	1.6	6.2
American International Assurance Company (Bermuda) Limited	19 Jun 2007	5,250	8.1	4.3
Midland Leasing (IV) Limited	2 May 2007[2]	447	0.7	3.0
	2 May 2007[2]	—		
Bing Han (H.K.) Enterprises Limited	9 Jul 2008	3,199	4.9	2.8
	Sub total	42,294	65.2	77.0
Other tenants		21,641	33.4	23.0
Vacant space		907	1.4	—
	Total	64,842	100.0	100.0

Notes:

(1) Calculated on the basis of each tenant's percentage contribution to Rental Income of the Property for the month ended 30 September 2006.

(2) Tenants hold one lease and one license for signages expiring on the same date.

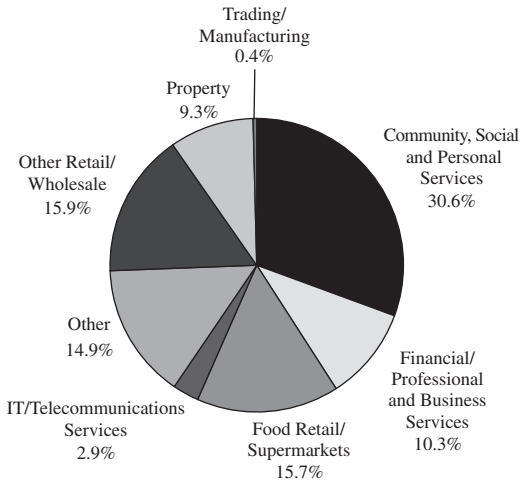
(3) Tenant holds three separate leases expiring on two different dates.

(4) These tenants, who are individuals, have not been identified.

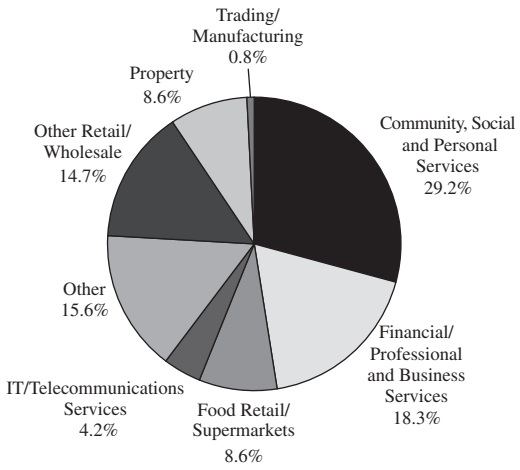
(5) Tenant holds two separate leases expiring on two different dates. As at the Latest practicable Date, the lease expired on 14 November 2006 was renewed at a higher rent for a further term of two years commencing from 15 November 2006.

The charts below show the mix of the tenants of Kwong Wah Plaza Property by the principal nature of their business, as a percentage of Rental Income and Gross Rentable Area.

Rental Income by Tenants' Trades (For the month ended 30 September 2006)



Gross Rentable Area by Tenants' Trades (As at 30 September 2006)



Expiries and Renewals

The following table sets forth information on leases at Kwong Wah Plaza Property that have expired and those that have been renewed by the existing tenants during the periods indicated:

	Number of leases expired	Gross Rentable Area of expired leases	Number of expired leases renewed	Renewed Gross Rentable Area	Renewal rate by number of leases expired	Renewal rate by expired leased area
		sq.ft.		sq.ft.	%	%
Year ended 30 Jun 2004	20	23,577	9	10,416	45.0	44.2
Year ended 30 Jun 2005	25	45,402	14	33,058	56.0	72.8
Year ended 30 Jun 2006	17	22,946	8	10,267	47.1	44.7
Three months ended 30 Sep 2006	7	8,881	3	6,106	42.9	68.8
Average/weighted average	17(1)	25.202(1)	9(1)	14,962(1)	49.3(2)	59.4(3)

Notes:

(1) Simple average of the figures for the four periods.

(2) Weighted average weighted by number of leases expired.

(3) Weighted average weighted by Gross Rentable Area of expired leases.

The following table sets forth details of expiries in respect of leases at Kwong Wah Plaza Property which are scheduled to take place during the periods indicated:

Period	Number of leases expiring[1]	Gross Rentable Area of leases expiring	Expiring leases as a percentage of total Gross Rentable Area	Monthly Rental Income of leases expiring[2]	Expiring leases as a percentage of total monthly Rental Income
		sq.ft.	%	HK$	%
From 30 Sep 2006 to 30 Jun 2007	14	15,747	24.3	321,362	22.3
Year ending 30 Jun 2008	15	34,027	52.5	826,299	57.2
Year ending 30 Jun 2009 and beyond	7	14,161	21.8	296,472	20.5
Vacant space	—	907	1.4	—	—
Total	36	64,842	100.0	1,444,133	100.0

Notes:

(1) Assuming that the options to renew are not exercised.

(2) Monthly Rental Income in respect of leases expiring for the periods mentioned is the sum of monthly Rental Income of such expiring leases as at 30 September 2006.

Five-Year Transaction History

Please refer to the paragraph headed "Five-Year Transaction History" of "The Properties and Business" section for the details of the transaction relating to this Property in the past five years.

BEVERLEY COMMERCIAL CENTRE PROPERTY

Description

Beverley Commercial Centre, which was completed in 1982, is located in an established commercial and tourist area in Tsimshatsui district, a core business area in Hong Kong. Beverley Commercial Centre Property is a part of Beverley Commercial Centre, a development comprising 20-storey commercial building including a basement. The Property is situated within a few minutes' walking distance from the Tsimshatsui MTR Station, the Hung Hom KCR Station and the Cross Harbour Tunnel entrance. It is also close to the Hong Kong Polytechnic University. Beverley Commercial Centre Property is a retail centre for fashionable goods.

Upon Completion, Sunlight REIT will own approximately 9% of the undivided shares in the entire development of Beverley Commercial Centre with the remaining approximately 91% being owned by numerous commercial and other owners. To the best of the Managers knowledge, the remaining interest in Beverley Commercial Centre is owned by third parties who are not connected persons of Sunlight REIT. Beverley Commercial Centre Property comprises 60 shops on the ground floor. As at 30 September 2006, Beverley Commercial Centre Property had a total Gross Rentable Area of approximately 7,934 sq.ft. Shop units size range from 93 sq.ft. to 236 sq.ft. Beverley Commercial Centre Property had an average occupancy rate of approximately 75.4% for the three months ended 30 September 2006 and the Property had 32 individual leases as at 30 September 2006.

Certain improvement works to the common areas of Beverley Commercial Centre have taken place pursuant to requirements in several Fire Safety Directions and Fire Safety Improvement Directions. Please refer to the section headed "The Properties and Business — GENERAL — Legal and Regulatory Compliance — *Beverley Commercial Centre Property*" in this Offering Circular for further details. Under the relevant Sale and Purchase Agreement, any contribution required to be made by the owner of Beverley Commercial Centre Property in respect of the cost for those works is to be made by the relevant Vendor, and a deed of undertaking and indemnity will also be given by SKFE in favour of the Trustee (as trustee of Sunlight REIT) and the relevant Property Company as detailed in the section headed "The Properties and Business — GENERAL — Legal and Regulatory Compliance — *Beverley Commercial Centre Property*" and the section headed "Material Agreements and Other Documents Relating to Sunlight REIT" in this Offering Circular. Other than the aforesaid works and the normal recurring maintenance capital expenditures, the Manager has no current plans to renovate, improve or redevelop Beverley Commercial Centre Property. Upon Completion, Beverley Commercial Centre Property will be subject to a mortgage and other security granted under the Facility, as described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — The Loan Facility" in this Offering Circular.

Beverley Commercial Centre Property is held under 10 several Government Grants, all of which expire on 24 December 2052. As at 30 September 2006, Beverley Commercial Centre Property was valued at HK$56,000,000 by the Independent Property Valuer. See "Appendix V — Independent Property Valuer's Valuation Report" in this Offering Circular.

Average Occupancy Rate and Average Monthly Rental

Year	Average occupancy rate	Average monthly rental per leased square foot of Gross Rentable Area
Year ended 30 Jun 2004	41.7%(1)	HK$21.0
Year ended 30 Jun 2005	92.8%	HK$19.8
Year ended 30 Jun 2006	82.8%(2)	HK$21.8
Three months ended 30 Sep 2006	75.4%(2)	HK$26.1

Notes:

(1) Due to the outbreak of SARS in first half of 2003, declining occupancy rates in Beverley Commercial Centre Property were recorded in the second half of 2003. The occupancy rate rebounded to 75.5% as at 30 June 2004.

(2) A drop in average occupancy rate was recorded for FY2006 and three months ended 30 September 2006 as compared with FY2005 because the existing manager of the Property, in view of the steadily rising office and retail rentals, has opted for a strategy to tolerate an increase in vacancy in order to achieve higher rental income. The average monthly effective rentals per leased square foot of Gross Rentable Area actually increased during FY2006 and the three-month period ended 30 September 2006.

Tenant Profile

The largest tenant (in terms of Rental Income) in Beverley Commercial Centre Property includes IOI Limited. The leases of the 10 largest tenants (in terms of Rental Income) are generally for terms of two years and do not have any option to renew the leases at expiry. None of the 10 largest tenants are connected persons of Sunlight REIT. Information on the 10 largest tenants in terms of Rental Income as well as all other tenants and vacant space, in each case as at 30 September 2006 and for the month ended 30 September 2006, is as follows:

Tenant	Expiry date	Gross Rentable Area	Percentage of total Gross Rentable Area	Percentage of Rental Income(1)
		sq.ft.	%	%
Tenant BC1(2)	9 Aug 2008	542	6.8	9.3
Tenant BC2(2)	15 Oct 2007(3)	93	6.1	7.5
	15 Oct 2007(3)	294		
	31 Mar 2008(3)	93		
Tenant BC3(2)	30 Nov 2007	521	6.6	6.8
Tenant BC4(2)	31 May 2007	292	3.7	6.4
Tenant BC5(2)	31 Mar 2008	376	4.7	4.8
IOI Limited	31 Aug 2007	250	3.2	4.4
Tenant BC6(2)	15 Aug 2007	200	2.5	3.8
Tenant BC7(2)	27 Mar 2008	236	3.0	3.7
Tenant BC8(2)	23 Mar 2008	194	2.4	3.6
Tenant BC9(2)	9 Apr 2007	321	4.0	3.2
	Sub total	3,412	43.0	53.5
Other tenants		2,465	31.1	46.5
Vacant space		2,057	25.9	—
	Total	7,934	100.0	100.0

Notes:

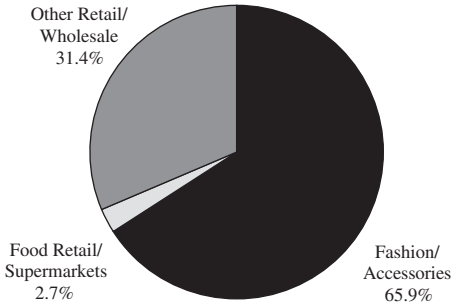
(1) Calculated on the basis of each tenant's percentage contribution to Rental Income of the property for the month ended 30 September 2006.

(2) These tenants, who are individuals, have not been identified.

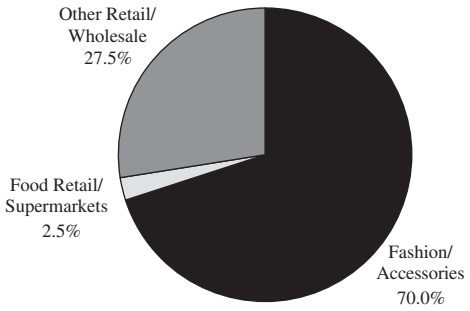
(3) Tenant holds three separate leases expiring on two different dates.

The charts below show the mix of the tenants of Beverley Commercial Centre Property by the principal nature of their business, as a percentage of Rental Income and Gross Rentable Area.

Rental Income by Tenants' Trades (For the month ended 30 September 2006)



Gross Rentable Area by Tenants' Trades (As at 30 September 2006)



Expiries and Renewals

The following table sets forth information on leases at Beverley Commercial Centre Property that have expired and those that have been renewed by the existing tenants during the periods indicated:

	Number of leases expired	Gross Rentable Area of expired leases	Number of expired leases renewed	Renewed Gross Rentable Area	Renewal rate by number of leases expired	Renewal rate by expired leased area
		sq.ft.		sq.ft.	%	%
Year ended 30 Jun 2004	12	1,767	4	706	33.3	40.0
Year ended 30 Jun 2005	11	2,351	4	906	36.4	38.5
Year ended 30 Jun 2006	40	7,030	7	892	17.5	12.7
Three months ended 30 Sep 2006	5	805	—	—	—	—
Average/weighted average	17(1)	2,988(1)	4(1)	626(1)	22.1(2)	20.9(3)

Notes:

(1) Simple average of the figures for the four periods.

(2) Weighted average weighted by number of leases expired.

(3) Weighted average weighted by Gross Rentable Area of expired leases.

The following table sets forth details of expiries in respect of leases at Beverley Commercial Centre Property which are scheduled to take place during the periods indicated:

Period	Number of leases expiring[1]	Gross Rentable Area of leases expiring	Expiring leases as a percentage of total Gross Rentable Area	Monthly Rental Income of leases expiring[2]	Expiring leases as a percentage of total monthly Rental Income
		sq.ft.	%	HK$	%
From 30 Sep 2006 to 30 Jun 2007	10	1,648	20.8	44,693	28.7
Year ending 30 Jun 2008	20	3,594	45.3	93,747	60.2
Year ending 30 Jun 2009 and beyond	2	635	8.0	17,244	11.1
Vacant space	—	2,057	25.9	—	—
Total	32	7,934	100.0	155,684	100.0

Notes:

(1) There are no options to renew under the leases of the Property.

(2) Monthly Rental Income in respect of leases expiring for the periods mentioned is the sum of monthly Rental Income of such expiring leases as at 30 September 2006.

Five-Year Transaction History

The land searches (in respect of change of legal and/or beneficial ownership registered in the Land Registry) conducted on 24 November 2006 do not show any sale and purchase transactions relating to this Property in the five years prior to the date of the searches, and to the best of its knowledge, the Manager is not aware of any transactions involving direct or indirect sale and purchase of this Property during such period, in each case other than intra-group transactions, transactions among entities under the ownership or control of Dr. Lee Shau Kee, his family members or family trust(s).

GLORY RISE PROPERTY

Description

Glory Rise Property is part of the Glory Rise, which was completed in 2003. Glory Rise is a 26-storey retail/residential building with city views and is located in an established residential and commercial area in North Point with significant pedestrian flow. The Property is close to the North Point MTR Station, bus terminal, tram station and ferry pier. The Island Eastern Corridor and the Eastern Harbour Crossing are within easy reach. Glory Rise Property comprises six ground floor shops, three retail units on the first floor and the advertising spaces in Glory Rise.

Upon Completion, Sunlight REIT will own approximately 16% of the undivided shares in the entire development of Glory Rise (which includes the retail and residential portions), with the remaining 84% being owned by various residential and other owners. Please refer to the paragraph headed "Other owners" of "The Properties and Business" section for details of the remaining interest in Glory Rise. As at 30 September 2006, Glory Rise Property had a total Gross Rentable Area of approximately 7,086 sq.ft. Shop units located on ground and the first floors range in size from 199 sq.ft. to 1,448 sq.ft. Glory Rise Property had an average occupancy rate of approximately 60% for the three months ended 30 September 2006 and the Property had four individual leases as at 30 September 2006.

Other than normal recurring maintenance capital expenditures, the Manager has no current plans to renovate, improve or redevelop Glory Rise Property. Upon Completion, Glory Rise Property will be subject to a mortgage and other security granted under the Facility, as described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — The Loan Facility" in this Offering Circular.

Glory Rise Property is held under four Government Grants all for the residue of the renewed term from 5 September 1996 to 4 September 2071. As at 30 September 2006, Glory Rise Property was valued at HK$65,000,000 by the Independent Property Valuer. See "Appendix V — Independent Property Valuer's Valuation Report" to this Offering Circular.

Average Occupancy Rate and Average Monthly Rental

Year	Average occupancy rate	Average monthly rental per leased square foot of Gross Rentable Area
Year ended 30 Jun 2004	43.5%(1)	HK$40.2
Year ended 30 Jun 2005	64.6%(2)	HK$30.4
Year ended 30 Jun 2006	71.1%(2)	HK$38.3
Three months ended 30 Sep 2006	60.0%(3)	HK$39.7

Notes:

(1) The Occupation Permit for Glory Rise was issued in January 2003 and the first lease at Glory Rise Property commenced on 1 April 2003.

(2) The moderate growth in average occupancy rate for Glory Rise Property throughout the period from FY2004 to FY2006 was principally related to the stagnant property market after SARS in 2003 and that the three units on the first floor of Glory Rise Property were intended to be leased to tenants engaging in business preferred by landlord. The two units out of three were leased to tenants using the premises as tutorial and piano centre.

(3) A drop in average occupancy rate was recorded for the three months ended 30 September 2006 as compared with FY2006. However, the average monthly effective rental per leased square foot of Gross Rentable Area for the three-month period was actually higher than the corresponding figure for FY2006. This reflects that the existing manager of the Property, in view of the steadily rising office and retail rentals, has opted for a strategy to tolerate an increase in vacancy in order to achieve higher rental income. Further, the drop of average occupancy rate for the three months ended 30 September 2006 is because the tenants of two units of an aggregate Gross Rentable Area of 1,628 sq.ft., which constituted approximately 22.9% of the total Gross Rentable Area, did not renew the leases and moved out from the units upon expiry of the leases. As at the Latest Practicable Date, negotiations with potential new tenants at a higher rent were in progress, although there is no certainty as to whether new leases can ultimately be agreed upon, and if so, on what terms.

Tenant Profile

The leases of the four tenants, being all the tenants in Glory Rise Property, are generally for terms of one to two years (except for Moretide Investments Limited which has a lease for a six-year term) and do not have any option to renew the leases at expiry. None of the four tenants except Henderson Real Estate Agency Ltd are connected person of Sunlight REIT. Information on the four tenants as well as vacant space, in each case as at 30 September 2006 and for the month ended 30 September 2006, is as follows:

Tenant	Expiry date	Gross Rentable Area	Percentage of total Gross Rentable Area	Percentage of Rental Income[(1)]
		sq.ft.	%	%
Moretide Investments Limited	15 Apr 2009	1,625	22.9	49.5
Henderson Real Estate Agency Ltd	31 Jan 2007	816	11.5	36.4
Tenant GR1[(2)]	24 Sept 2008	201	2.9	10.0
Knowledge Learning Centre Limited	14 Dec 2007	660	9.3	4.1
	Sub total	3,302	46.6	100.0
Other tenants		—	—	—
Vacant space		3,784	53.4	—
	Total	7,086	100.0	100.0

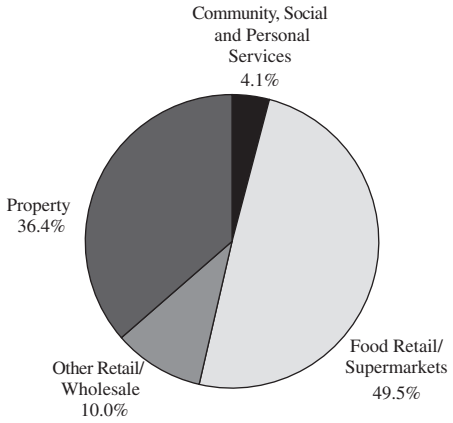
Notes:

(1) Calculated on the basis of each tenant's percentage contribution to Rental Income of the Property for the month ended 30 September 2006.

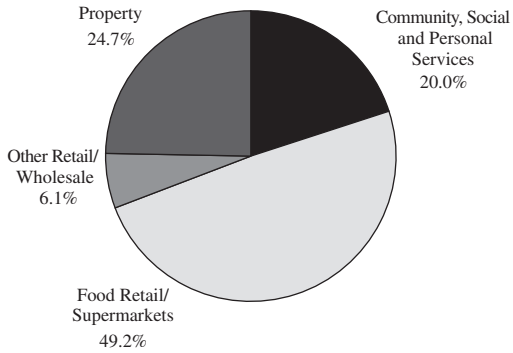
(2) This tenant, who is an individual, has not been identified.

The charts below show the mix of the tenants of Glory Rise Property by the principal nature of their business, as a percentage of Rental Income and Gross Rentable Area.

Rental Income by Tenants' Trades (For the month ended 30 September 2006)



Gross Rentable Area by Tenants' Trades (As at 30 September 2006)



Expiries and Renewals

The following table sets forth information on leases at Glory Rise Property that have expired and those that have been renewed by the existing tenants during the periods indicated:

	Number of leases expired	Gross Rentable Area of expired leases	Number of expired leases renewed	Renewed Gross Rentable Area	Renewal rate by number of leases expired	Renewal rate by expired leased area
		sq.ft.		sq.ft.	%	%
Year ended 30 Jun 2004	—	—	—	—	—	—
Year ended 30 Jun 2005	1	199	—	—	—	—
Year ended 30 Jun 2006	4	1,768	3	1,060	75.0	60.0
Three months ended 30 Sep 2006	3	1,829	1	201	33.3	11.0
Average/weighted average	2(1)	949(1)	1(1)	315(1)	50.0(2)	33.2(3)

Notes:

(1) Simple average of the figures for the four periods.

(2) Weighted average weighted by number of leases expired.

(3) Weighted average weighted by Gross Rentable Area of expired leases.

The following table sets forth details of expiries in respect of leases at Glory Rise Property which are scheduled to take place during the periods indicated:

Period	Number of leases expiring[1]	Gross Rentable Area of leases expiring	Expiring leases as a percentage of total Gross Rentable Area	Monthly Rental Income of leases expiring[2]	Expiring leases as a percentage of total monthly Rental Income
		sq.ft.	%	HK$	%
From 30 Sep 2006 to 30 Jun 2007	1	816	11.5	58,000	36.4
Year ending 30 Jun 2008	1	660	9.3	6,500	4.0
Year ending 30 Jun 2009 and beyond	2	1,826	25.8	95,013	59.6
Vacant space	—	3,784	53.4	—	—
Total	4	7,086	100.0	159,513	100.0

Notes:

(1) Assuming that the options to renew are not exercised.

(2) Monthly Rental Income in respect of leases expiring for the periods mentioned is the sum of monthly Rental Income of such expiring leases as at 30 September 2006.

Five-Year Transaction History

Please refer to the paragraph headed "Five-Year Transaction History" of "The Properties and Business" section for the details of the transaction relating to this Property in the past five years.

SUPERNOVA STAND PROPERTY

Description

Supernova Stand Property is part of Supernova Stand, which was completed in 2001. Supernova Stand is a residential/retail composite building and is located in an established commercial and residential area in the Eastern District of Hong Kong Island. The entire building is a 27-storey modern retail/residential block with shops on the ground floor, and is close to the Fortress Hill MTR Station, bus stops and tram terminals. There is high pedestrian flow in areas surrounding the property.

Upon Completion, Sunlight REIT will own approximately 16% of the undivided shares in the entire development of Supernova Stand (which includes the retail and residential portions), with the remaining percentage being owned by various residential owners. Please refer to the paragraph headed "Other owners" of the "Properties and Business" section for details of the remaining interest in Supernova Stand. Supernova Stand Property comprises nine shops on the ground floor, eight of which are leased to the same tenant — a supermarket operator. As at 30 September 2006, Supernova Stand Property had a total Gross Rentable Area of approximately 4,226 sq.ft. Such shops range in size from 299 to 658 sq.ft. Supernova Stand Property had an average occupancy rate of approximately 88.4% for the three months ended 30 September 2006 and the Property had one lease as at 30 September 2006.

Other than making normal recurring maintenance capital expenditures, the Manager has no current plans to renovate, improve or redevelop Supernova Stand Property. Upon Completion, Supernova Stand Property will be subject to a mortgage and other security granted under the Facility, as described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — The Loan Facility" in this Offering Circular.

Supernova Stand Property is held under one Government Grant which expires on 23 February 2895. As at 30 September 2006, Supernova Stand Property was valued at HK$46,000,000 by the Independent Property Value. See Appendix V — the Independent Property Valuer's Valuation Report to this Offering Circular.

Average Occupancy Rate and Average Monthly Rental

Year	Average occupancy rate	Average monthly rental per leased square foot of Gross Rentable Area
Year ended 30 Jun 2004	88.4%	HK$39.2
Year ended 30 Jun 2005	88.4%	HK$41.1
Year ended 30 Jun 2006	88.4%	HK$43.6
Three months ended 30 Sep 2006	88.4%	HK$43.6

Tenant Profile

The sole tenant in Supernova Stand Property is The Dairy Farm Company Limited which has a term of three years with an option to renew the leases for a further three years at expiry. The Dairy Farm Company Limited engages in the food retail/supermarket business and is not a connected person of Sunlight REIT. Information on the tenant as well as vacant space, in each case as at 30 September 2006 and for the month ended 30 September 2006 is as follows:

Tenant	Expiry date	Gross Rentable Area	Percentage of total Gross Rentable Area	Percentage of Rental Income[1]
		sq.ft.	%	%
The Dairy Farm Company Limited	20 Jan 2008	3,737	88.4	100.0
Vacant space		489	11.6	—
	Total	4,226	100.0	100.0

Note:

(1) Calculated on the basis of the tenant's percentage contribution to Rental Income of the property for the month ended 30 September 2006.

Expiries and Renewals

The following table sets forth information on leases at Supernova Stand Property that have expired and those that have been renewed by the existing tenants during the periods indicated:

	Number of leases expired	Gross Rentable Area of expired leases	Number of expired leases renewed	Renewed Gross Rentable Area	Renewal rate by number of leases expired	Renewal rate by expired leased area
		sq.ft.		sq.ft.	%	%
Year ended 30 Jun 2004	—	—	—	—	—	—
Year ended 30 Jun 2005	1	3,737	1	3,737	100.0	100.0
Year ended 30 Jun 2006	—	—	—	—	—	—
Three months ended 30 Sep 2006	—	—	—	—	—	—
Average/weighted average	—[1]	934[1]	—[1]	934[1]	100.0[2]	100.0[3]

Notes:

(1) Simple average of the figures for the four periods.

(2) Weighted average weighted by number of leases expired.

(3) Weighted average weighted by Gross Rentable Area of expired leases.

The following table sets forth details of expiries in respect of leases at Supernova Stand Property which are scheduled to take place during the periods indicated:

Period	Number of leases expiring[1]	Gross Rentable Area of leases expiring	Expiring leases as a percentage of total Gross Rentable Area	Monthly Rental Income of leases expiring[2]	Expiring leases as a percentage of total monthly Rental Income
		sq.ft.	%	HK$	%
From 30 Sep 2006 to 30 Jun 2007	—	—	—	—	—
Year ending 30 Jun 2008	1	3,737	88.4	162,750	100.0
Year ending 30 Jun 2009 and beyond	—	—	—	—	—
Vacant space	—	489	11.6	—	—
Total	1	4,226	100.0	162,750	100.0

Notes:

(1) Assuming that the options to renew are not exercised.

(2) Monthly Rental Income in respect of leases expiring for the periods mentioned is the sum of monthly Rental Income of such expiring leases as at 30 September 2006.

Five-Year Transaction History

The land searches (in respect of change of legal and/or beneficial ownership registered in the Land Registry) conducted on 24 November 2006 do not show any sale and purchase transactions relating to this Property in the five years prior to the date of the searches, and to the best of its knowledge, the Manager is not aware of any transactions involving direct or indirect sale and purchase of this Property during such period, in each case other than intra-group transactions, transactions among entities under the ownership or control of Dr. Lee Shau Kee, his family members or family trust(s).

PALATIAL STAND PROPERTY

Description

Palatial Stand Property is part of Palatial Stand, which was completed in 2001. Palatial Stand is a 23-storey retail/residential composite building and is located in an established residential and commercial area in the Hung Hom District. The Property is close to the Hung Hom KCR Station, a mass transportation terminal linking Kowloon, the New Territories and China. It is situated within 15 minutes' walking distance to Hung Hom Ferry Pier. It is also close to the Cross Harbour Tunnel, an important transportation tunnel linking Hong Kong Island and Kowloon.

Upon Completion, Sunlight REIT will own approximately 21% of the undivided shares in the entire development of Palatial Stand (which includes the retail and residential portions), with the remaining 79% being owned by various residential and other owners. Please refer to the paragraph headed "Other owners" of "The Properties and Business" section for details of the remaining interest in Palatial Stand. Palatial Stand Property comprises shops on the whole of the ground floor and offices on the first floor. As at 30 September 2006, Palatial Stand Property had a total Gross Rentable Area of approximately 8,625 sq.ft. Shops and offices on the ground floor and the first floor range in size from 327 sq.ft. to 1,831 sq.ft. Palatial Stand Property had an average occupancy rate of approximately 100% for the three months ended 30 September 2006 and the Property had five individual leases as at 30 September 2006.

Other than making normal recurring maintenance capital expenditures, the Manager has no current plans to renovate, improve or redevelop Palatial Stand Property. Upon Completion, Palatial Stand Property will be subject to a mortgage and other security granted under the Facility, as described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — The Loan Facility" in this Offering Circular.

Palatial Stand Property is held under seven Government Grants all for the residue of the term from 14 September 1897 to 13 September 2047. As at 30 September 2006, Palatial Stand Property was valued at HK$20,000,000 by the Independent Property Valuer. See "Appendix V — Independent Property Valuer's Valuation Report" to this Offering Circular.

Average Occupancy Rate and Average Monthly Rental

Year	Average occupancy rate	Average monthly rental per leased square foot of Gross Rentable Area
Year ended 30 Jun 2004	51.1%(1)	HK$8.1
Year ended 30 Jun 2005	61.5%(1)	HK$6.8
Year ended 30 Jun 2006	90.1%	HK$6.5
Three months ended 30 Sep 2006	100.0%	HK$8.4

Note:

(1) A unit which constituted 20% of the total Gross Rentable Area of the Property and three shops which constituted an aggregate 17% of the total Gross Rentable Area of the Property were vacant since 2001 and were leased respectively in January 2005 and February 2006.

Tenant Profile

The leases of the five tenants, being all the tenants in Palatial Stand Property, are generally for terms of two to three years with one tenant having an option to renew the leases at expiry. None of the five tenants are connected persons of Sunlight REIT. Information on the five tenants as well as the vacant space, in each case as at 30 September 2006 and for the month ended 30 September 2006 is as follows:

Tenant	Expiry date	Gross Rentable Area	Percentage of total Gross Rentable Area	Percentage of Rental Income[(1)]
		sq.ft.	%	%
Sage World International Limited	9 Sept 2009	2,141	24.8	35.9
China Freight (Hong Kong) Limited	31 Jan 2007	3,566	41.3	23.6
Tenant PS1[(2)]	20 Feb 2009	1,455	16.9	19.7
Dragon Ease Investment Limited	31 Mar 2008	1,136	13.2	13.2
Tenant PS2[(2)]	16 Aug 2007	327	3.8	7.6
	Sub total	8,625	100.0	100.0
Other tenants		—	—	—
Vacant space		—	—	—
	Total	8,625	100.0	100.0

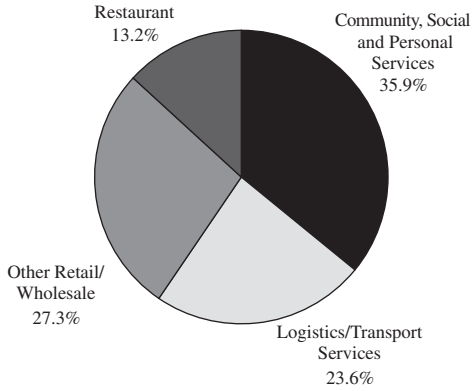
Notes:

(1) Calculated on the basis of each tenant's percentage contribution to Rental Income of the Property for the month ended 30 September 2006.

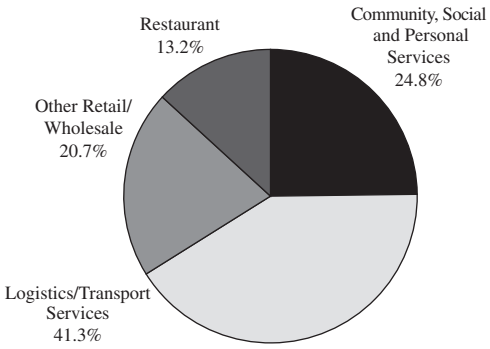
(2) These tenants, who are individuals, have not been identified.

The charts below show the mix of the tenants of Palatial Stand Property by the principal nature of their business, as a percentage of Rental Income and Gross Rentable Area.

Rental Income by Tenants' Trades (For the month ended 30 September 2006)



Gross Rentable Area by Tenants' Trades (As at 30 September 2006)



Expiries and Renewals

The following table sets forth information on leases at Palatial Stand Property that have expired and those that have been renewed by the existing tenants during the periods indicated:

	Number of leases expired	Gross Rentable Area of expired leases	Number of expired leases renewed	Renewed Gross Rentable Area	Renewal rate by number of leases expired	Renewal rate by expired leased area
		sq.ft.		sq.ft.	%	%
Year ended 30 Jun 2004	1	1,136	—	—	—	—
Year ended 30 Jun 2005	2	2,158	1	1,831	50.0	84.8
Year ended 30 Jun 2006	—	—	—	—	—	—
Three months ended 30 Sep 2006	2	2,468	2	2,468	100	100
Average/weighted average	1(1)	1,441(1)	1(1)	1,075(1)	60.0(2)	74.6(3)

Notes:

(1) Simple average of the figures for the four periods.

(2) Weighted average weighted by number of leases expired.

(3) Weighted average weighted by Gross Rentable Area of expired leases.

The following table sets forth details of expiries in respect of leases at Palatial Stand Property which are scheduled to take place during the periods indicated:

Period	Number of leases expiring[1]	Gross Rentable Area of leases expiring	Expiring leases as a percentage of total Gross Rentable Area	Monthly Rental Income of leases expiring[2]	Expiring leases as a percentage of total monthly Rental Income
		sq.ft.	%	HK$	%
From 30 Sep 2006 to 30 Jun 2007	1	3,566	41.3	19,375	23.6
Year ending 30 Jun 2008	2	1,463	17	17,074	20.8
Year ending 30 Jun 2009 and beyond	2	3,596	41.7	45,723	55.6
Vacant space	—	—	—	—	—
Total	5	8,625	100.0	82,172	100.0

Notes:

(1) Assuming that the options to renew are not exercised.

(2) Monthly Rental Income in respect of leases expiring for the periods mentioned is the sum of monthly Rental Income of such expiring leases as at 30 September 2006.

Five-Year Transaction History

Please refer to the paragraph headed "Five-Year Transaction History" of "The Properties and Business" section for details of the transactions relating to this Property in the past five years.

ROYAL TERRACE PROPERTY

Description

Royal Terrace Property is part of Royal Terrace which was completed in 2002, and is a 36-storey residential/retail building with mountain views of Hong Kong Island. Royal Terrace Property is located in an established residential area in Quarry Bay in the Eastern District of Hong Kong Island. Royal Terrace is situated within five minutes' walking distance to the Quarry Bay MTR Station. Royal Terrace Property is also close to Taikoo Place. As at 30 September 2006, Royal Terrace Property had a total Gross Rentable Area of approximately 9,565 sq.ft. (excluding car-parking spaces).

Upon Completion, Sunlight REIT will own approximately 9.65% of the undivided shares in the entire development of Royal Terrace (which includes the retail and residential portions), with the remaining approximately 90.35% being owned by numerous residential and other owners. Please refer to the paragraph headed "Other owners" of the "Properties and Business" section for details of the remaining interest in Royal Terrace. Royal Terrace Property comprises the entire ground floor shops, signage space and island, 49 car-parking spaces and 10 motor-cycle-parking spaces. Royal Terrace Property had an average occupancy rate of approximately 100% for the three months ended 30 September 2006 and the Property had seven individual leases as at 30 September 2006.

Other than making normal recurring maintenance capital expenditures, the Manager has no current plans to renovate, improve or redevelop Royal Terrace Property. Upon Completion, Royal Terrace Property will be subject to a mortgage and other security granted under the Facility, as described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — The Loan Facility" in this Offering Circular.

Royal Terrace Property is held under a Government Grant for the residue of the renewed term from 27 April 2006 to 26 April 2081. As at 30 September 2006, Royal Terrace Property was valued at HK$73,000,000 by the Independent Property Valuer. See "Appendix V — Independent Property Valuer's Valuation Report" to this Offering Circular.

Average Occupancy Rate and Average Monthly Rental

Year	Average occupancy rate	Average monthly rental per leased square foot of Gross Rentable Area
Year ended 30 Jun 2004	73.3%	HK$21.5
Year ended 30 Jun 2005	84.1%	HK$17.4
Year ended 30 Jun 2006	93.6%	HK$21.4
Three months ended 30 Sep 2006	100%	HK$23.1

Tenant Profile

The leases of the six tenants, being all the tenants in Royal Terrace Property, are generally for terms of two to three years with two tenants having options to renew the lease at expiry. None of the six tenants except Henderson Real Estate Agency Ltd are connected persons of Sunlight REIT. Information on the six tenants as well as the vacant space as at 30 September 2006 and for the month ended 30 September 2006 is as follows:

Tenant	Expiry date	Gross Rentable Area	Percentage of total Gross Rentable Area	Percentage of Rental Income[1]
		sq.ft.	%	%
Tenant RT1[2]	20 Feb 2007	3,618	37.8	41.2
A. S. Watson Group (HK) Ltd	9 Nov 2006[3]	2,939	30.7	21.0
Henderson Real Estate Agency Ltd	31 Aug 2007	907	9.5	19.5
Japan Home Centre (H.K.) Ltd	1 May 2007	1,107	11.6	9.2
Tenant RT2[2]	28 Feb 2007[4]	256	5.9	5.7
	28 Feb 2007[4]	306		
Tenant RT3[2]	14 Mar 2007	432	4.5	3.4
	Sub total	9,565	100.0	100.0
Vacant space		—	—	—
	Total	9,565	100.0	100.0

Notes:

(1) Calculated on the basis of each tenant's percentage contribution to Rental Income of the Property for the month ended 30 September 2006.

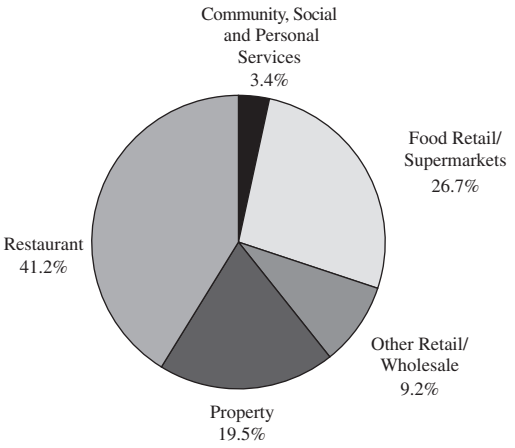
(2) These tenants, who are individuals, have not been identified.

(3) As at the Latest Practicable Date, the lease was renewed for a further term of three years commencing from 10 November 2006.

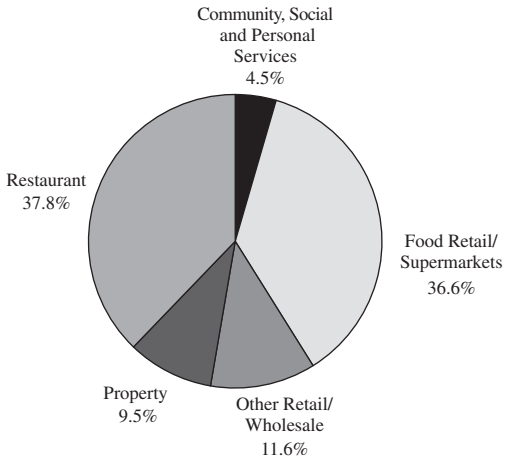
(4) Tenant holds two separate leases expiring on the same date.

The charts below show the mix of the tenants of Royal Terrace Property by the principal nature of their business, as a percentage of Rental Income and Gross Rentable Area.

Rental Income by Tenants' Trades (For the month ended 30 September 2006)



Gross Rentable Area by Tenants' Trades (As at 30 September 2006)



Expiries and Renewals

The following table sets forth information on leases at Royal Terrace Property that have expired and those that have been renewed by the existing tenants during the periods indicated:

	Number of leases expired	Gross Rentable Area of expired leases	Number of expired leases renewed	Renewed Gross Rentable Area	Renewal rate by number of leases expired	Renewal rate by expired leased area
		sq.ft.		sq.ft.	%	%
Year ended 30 Jun 2004	2	4,050	—	—	—	—
Year ended 30 Jun 2005	2	1,363	1	1,107	50.0	81.2
Year ended 30 Jun 2006	2	562	—	—	—	—
Three months ended 30 Sep 2006	—	—	—	—	—	—
Average/weighted average	2(1)	1,494(1)	—(1)	277(1)	16.7(2)	18.5(3)

Notes:

(1) Simple average of the figures for the four periods.

(2) Weighted average weighted by number of leases expired.

(3) Weighted average weighted by Gross Rentable Area of expired leases.

The following table sets forth details of expiries in respect of leases at Royal Terrace Property which are scheduled to take place during the periods indicated:

Period	Number of leases expiring[1]	Gross Rentable Area of leases expiring	Expiring leases as a percentage of total Gross Rentable Area	Monthly Rental Income of leases expiring[2]	Expiring leases as a percentage of total monthly Rental Income
		sq.ft.	%	HK$	%
From 30 Sep 2006 to 30 Jun 2007	6	8,658	90.5	177,948	80.5
Year ending 30 Jun 2008	1	907	9.5	43,043	19.5
Year ending 30 Jun 2009 and beyond	—	—	—	—	—
Vacant space	—	—	—	—	—
Total	7	9,565	100.0	220,991	100.0

Notes:

(1) Assuming that the options to renew are not exercised.

(2) Monthly Rental Income in respect of leases expiring for the periods mentioned is the sum of monthly Rental Income of such expiring leases as at 30 September 2006.

Five-Year Transaction History

Please refer to the paragraph headed "Five-Year Transaction History" of "The Properties and Business" section for the details of the transaction relating to this Property in the past five years.

GENERAL

Competition

The retail and office property sectors in Hong Kong are highly competitive. Principal competitive factors include rental rates, quality and location of properties and supply of comparable retail and office space. However, the Manager is of the view that the following features of the Properties are some of their strengths when facing current and future competition:

- strategic locations;
- professional management; and
- diverse and high quality tenant base of underlying properties.

Sunlight REIT competes for tenants with numerous developers, owners and operators of retail and office properties, including SKFE and HLD (see the section headed "Risk Factors — Risks Relating to Sunlight REIT's Organisation and Operations — Sunlight REIT faces significant competition" in this Offering Circular"). With extensive experiences in leasing markets and by observing and studying the market closely, the professional management team can promptly react to market events and adjust its leasing strategies accordingly. Based on the above, the Manager believes that Sunlight REIT will be able to effectively address potential competition issues where they arise.

Insurance

Sunlight REIT will have insurances for the Properties that the Manager believes to be consistent with industry practice in Hong Kong. The insurances are all risks insurance on property which includes insurance against fire risks with coverage for the reinstatement value of a property and rental loss for 12 months resulting from the destruction or damage of a property, and public liability insurance. There are no significant or unusual excess or deductible amounts required under such insurance policies. There are, however, certain types of risks that are not covered by such insurance policies, including losses resulting from wars, nuclear contamination, earthquakes and acts of terrorism.

Litigation

There are currently outstanding proceedings in relation to the amount of government rent payable for Kwong Wah Plaza Property during the development period in the past, and as to whether the payment of the government rent that is being held over should continue to be held over until the amount of government rent payable has been determined by the Lands Tribunal or the higher courts. The government rent in dispute amounts to HK$161,332.5 according to a demand note issued by the Rating and Valuation Department, has been paid to the Government in full pending the final outcome of the proceedings. Should the proceedings be decided against the relevant Property Company, HD (being the relevant Vendor) will be responsible for payment of the government rent concerned and all legal costs relating to the proceedings under a deed of undertaking and indemnity to be given by HD in favour of the Trustee (as trustee of Sunlight REIT) and the relevant Property Company as detailed in the section headed "Material Agreements

and Other Documents Relating to Sunlight REIT — Deed of Undertaking and Indemnity in relation to Kwong Wah Plaza Property" in this Offering Circular. Should the proceedings be decided in favour of the relevant Property Company, any government rent which may be refunded by the Government and any legal costs and interests recovered shall be paid to HD by the relevant Property Company.

Save for the above, none of Sunlight REIT, the Manager, the Property Manager, the Property Companies nor the Finance Company is currently involved in any material litigation, other than claims and proceedings arising from the ordinary and usual course of business and, in case of litigation against any of the above, other than those covered by insurance. Nor, to the best of the Manager's knowledge, is any material litigation currently threatened against any of Sunlight REIT, the Manager, the Property Manager, the Property Companies or the Finance Company, other than claims and proceedings arising from the ordinary and usual course of business and covered by insurance.

Legal and Regulatory Compliance

Sunlight REIT will be subject to, amongst other applicable laws and regulations, the Lifts and Escalators (Safety) Ordinance, the Buildings Ordinance and the Fire Services Ordinance. Sunlight REIT will be responsible for ensuring all lifts and escalators at the Properties comply with the Lifts and Escalators (Safety) Ordinance. If Sunlight REIT wishes to make alterations or additions to the Properties it must submit its proposals to the Buildings Department for prior approval under the Buildings Ordinance. For several Properties within the portfolio, it is also required to make submissions to the Lands Department seeking prior approval. The Fire Services Ordinance requires owners of any fire service installation or equipment which is installed in any premises to keep such fire service installation and equipment in efficient working order at all times and have such installation and equipment inspected by a registered contractor at least once every 12 months.

Beverley Commercial Centre Property

In respect of Beverley Commercial Centre, in which Sunlight REIT will own approximately 9% of the undivided shares upon Completion, there were two Fire Safety Directions (Direction Nos. BD FS/2/00041/05 and FSD 166/2005) and two Fire Safety Improvement Directions (Direction Nos. FSD/FSI/1331/2005 and BD FSI/01377/05) respectively issued by the Director of Fire Services and the Director of Buildings all dated 31 March 2005 to the co-owners of Beverley Commercial Centre relating to common areas of the basement floor to the second floor, all A.C. plant rooms (including those A.C. plant rooms which do not form part of the common areas) and other common areas of Beverley Commercial Centre. It is required in the said Directions that all compliance works should be completed by 31 March 2006.

Extension of time for compliance with the said Directions has been granted. As confirmed by the Fire Services Department, Fire Safety Direction No. FSD 166/2005 and Fire Safety Improvement Direction No. FSD/FSI/1331/2005 should be complied with by 31 March 2007 and 6 July 2007 respectively and the date for compliance with the Fire Safety Direction No. BD FS/2/00041/05 and the Fire Safety Improvement Direction No. BD FSI/01377/05 should be 30 September 2006 as confirmed by the Buildings Department. A project consultant for the relevant compliance works has been appointed to co-ordinate the carrying out of the compliance works. The compliance works commenced in June 2006 and were completed in September 2006. Arrangements have been made with the Fire Services Department and the Buildings

Department for inspection of the compliance works that have been done to facilitate the issuance of the relevant letters of compliance by the said departments. The most recent inspections conducted by the Buildings Department and the Fire Services Department were in mid-October 2006 and in early November 2006 respectively. A letter of compliance with respect to the Fire Safety Direction (Direction No. FSD166/2005) was issued by the Fire Services Department on 8 November 2006. On 29 November 2006, another letter of compliance dated 21 November 2006 in respect of the Fire Safety Improvement Direction (Direction No. FSD/FSI/1331/2005) issued by the Fire Services Department was also received. While no written confirmation of compliance with the requirements under the other two Directions has yet been received from the Buildings Department, there is no indication from the Buildings Department that further works will be requested to be done relating to the other two Directions.

As confirmed as at 8 August 2006 by Hang Yick Properties Management Limited, the manager of Beverley Commercial Centre, the estimated cost for the compliance works (inclusive of such cost for compliance with respect to those A.C. plant rooms which do not form part of the common areas) is approximately HK$1,500,000.00 and the management surplus of the Beverley Commercial Centre is sufficient to cover all the expenses for the carrying out of the compliance works under the said Directions with respect to such part forming the common areas of Beverley Commercial Centre and no additional contribution shall be required from the co-owners up to the date of such confirmation. It has been agreed under the relevant Sale and Purchase Agreement that if (i) eventually the management surplus is not sufficient to cover all the expenses for the carrying out of the compliance works under the said Directions (so far as they relate to the common areas) or (ii) in the event that the co-owners of Beverley Commercial Centre decide not to utilise the management surplus for settlement of the said expenses, each of Perfect Bright and Furnline (the Vendor in relation to Newcorp Development Limited) will severally in the proportion of 50:50 be responsible for payment of (i) all the related costs and expenses to be borne by Newcorp Development Limited and (ii) any share of the additional contribution attributable to the Beverley Commercial Centre Property. SKFE will also at Completion enter into a deed of undertaking and indemnity in favour of the Trustee (as trustee of Sunlight REIT) and Newcorp Development Limited, the Property Company holding the Beverley Commercial Centre Property, pursuant to which SKFE shall (A) indemnify Newcorp Development Limited against all the related costs and expenses to be borne by Newcorp Development Limited and any share of the additional contribution attributable to the Beverley Commercial Centre Property with respect to the compliance with the said Directions and any other directions relating to any part of the Beverley Commercial Centre Property or any part of the common areas of Beverley Commercial Centre which have been issued by the relevant governmental authorities under the provisions of the Fire Safety (Commercial Premises) Ordinance (Chapter 502 of the Laws of Hong Kong) and that are in existence and subsisting on or prior to the date of Completion during the period from the Completion to (i) the date on which the Fire Services Department and the Buildings Department respectively have certified in writing that the Directions and the said other directions have been complied with and (ii) the date on which the manager of the Beverley Commercial Centre has confirmed in writing that all the costs and expenses thereof to be borne by Newcorp Development Limited and any share of the additional contribution attributable to the Beverley Commercial Centre Property have been fully paid and settled (whichever shall be the later date) ("Beverley Indemnity Period"); and (B) indemnify Newcorp Development Limited against all actions, proceedings, claims, demands, losses, liabilities, damages, costs, charges and expenses of whatever nature (including legal and other fees on a full indemnity basis) which may result or which Newcorp Development Limited may suffer, incur or sustain directly or indirectly in connection with or arising out of the non-compliance with the said Directions and the said other directions, including but not limited to any loss of profit or rental of the Beverley Commercial Centre Property or any

part thereof, during the Beverley Indemnity Period; and (C) indemnify the Trustee (as trustee of Sunlight REIT) against all actions, proceedings, claims, demands, losses, liabilities, damages, costs, charges and expenses of whatever nature (including legal and other fees on a full indemnity basis) which may result or which the Trustee (as trustee of Sunlight REIT) may suffer, incur or sustain directly or indirectly in connection with or arising out of the non-compliance with the said Directions and the said other directions during the Beverley Indemnity Period. Please also see the section headed "Material Agreements and other Documents Relating to Sunlight REIT — Deed of Undertaking and Indemnity in relation to Beverley Commercial Centre Property" in this Offering Circular for relevant information.

With the undertaking and indemnity given by SKFE under the deed of undertaking and indemnity to pay all the related costs and expenses and any share of the additional contribution attributable to the Beverley Commercial Centre Property for compliance with the said Directions, counsel's opinion has been obtained by the Manager that there is no real risk of any claim or charge being imposed upon the Beverley Commercial Centre Property and the said Directions do no constitute nor render the title of the Beverley Commercial Centre Property defective.

The relevant insurance company has also confirmed that the validity of coverage for the relevant insurance policies will not be adversely affected despite the existence of the said Directions.

On Loong Commercial Building Property

In respect of On Loong Commercial Building, in which Sunlight REIT will own approximately 94% of the undivided shares upon Completion, notices/directions have been received by Glory Good Development Limited as follows as at the Latest Practicable Date:

1 *Fire safety improvement directions*

(a) 21 Fire Safety Improvement Directions (Nos. BD FSI/03077/05 to BD FSI/03081/05 and BD FSI/03083/05 to BD FSI/03097/05 and BD FSI/03099/05) in respect of 41 respective individual units of the On Loong Commercial Building Property all dated 17 November 2005 and issued by the Director of Buildings to Glory Good Development Limited as registered owner of the On Loong Commercial Building Property. Under these fire directions, Glory Good Development Limited is required to (i) provide doors and/or walls at the relevant unit exits and/or to the relevant lift lobbies and to provide doors to the toilet in the corridor of each floor so as to ensure that the doors and/or walls are capable of resisting the action of fire for the specified period and (ii) (in respect of offices 1 and 2 (also known as offices A and B) on 22nd floor and the roof), remove the projected objects from the unit entrances;

(b) 18 Fire Safety Improvement Directions (Nos. FSD/FSI/5826/2005 to FSD/FSI/5828/2005, FSD/FSI/5831/2005, FSD/FSI/5833/2005, FSD/FSI/5837/2005, FSD/FSI/5838/2005, FSD/FSI/5841/2005 to FSD/FSI/5843/2005, FSD/FSI/5845/2005, FSD/FSI/5848/2005, FSD/FSI/5849/2005, FSD/FSI/1144/2006, FSD/FSI/1148/2006, FSD/FSI/1149/2006, FSD/FSI/1151/2006 and FSD/FSI/1158/2006) in respect of 22 individual units of the On Loong Commercial Building Property respectively dated 17 November 2005 and 20 April 2006 and issued by the Director of Fire Services to the occupiers of the units. Under these

fire directions, the occupiers are required to provide or improve the fire service installations and equipment at the affected units as specified under the Fire Service Installations and Equipment Requirements for Occupiers of Specified Commercial Buildings attached to the relevant fire directions (As informed by Glory Good Development Limited, similar fire directions relating to the remaining units of the On Loong Commercial Building Property have also been served on the occupiers of such remaining units); and

(c) Two other Fire Safety Improvement Directions (Nos. BD FSI/03076/05 and FSD/FSI/5819/2005) both dated 17 November 2005 and respectively issued by the Director of Buildings and the Director of Fire Services to the co-owners of On Loong Commercial Building and Glory Good Development Limited relating to the common areas of On Loong Commercial Building. Under these fire directions, the co-owners and Glory Good Development Limited are required to comply with the fire safety regulations as set out in the relevant fire directions and to provide or improve the fire service installations and equipment at the common areas as specified under the Fire Service Installations and Equipment Requirements for Common Areas of Specified Commercial Buildings attached to the relevant fire directions.

Under the fire directions in (a), (b) and (c) above, all compliance works are required to be completed by 17 November 2006.

Steps are being taken in relation to the compliance of the fire directions.

As at the Latest Practicable Date, 18 letters of compliance dated 26 May 2006, 26 June 2006 and 7 August 2006 respectively confirming compliance with the requirements of the 18 Fire Safety Improvement Directions as set out in (b) above have been issued by the Fire Services Department. Letters dated 12 June 2006 and 1 August 2006 have also been issued by the Buildings Department confirming that, among other things, the fire safety improvement works required under the 21 Fire Safety Improvement Directions as set out in (a) above had been completed.

For the remaining units on which fire directions similar to those as mentioned in (b) above have been issued, Glory Good Development Limited has confirmed that similar works as required for complying with such similar fire directions have also been done and completed in respect of those remaining units.

As at the Latest Practicable Date, two letters of compliance respectively dated 11 October 2006 and 7 November 2006 confirming compliance with the requirements of the Fire Safety Improvement Directions as set out in (c) above have been issued by the Buildings Department and the Fire Services Department. Goodwill Management Limited, the manager of On Loong Commercial Building, also confirmed in writing on 19 September 2006 that the sum of HK$1,350,551.50, being the share of the contribution attributable to the On Loong Commercial Building Property in respect of the compliance work required under the fire directions as set out in (c) above, has been settled by Glory Good Development Limited.

It has been agreed under the relevant Sale and Purchase Agreement that, if the works as required under the Directions (as defined below) have not been completed to the satisfaction of the relevant governmental authorities prior to Completion, the relevant Vendor shall be responsible for payment of the related costs and expenses incurred by Glory Good Development Limited and any share of the contribution attributable to the On Loong Commercial Building Property to comply with the Directions. In any event, HLD will at Completion enter into a deed of undertaking and indemnity with Glory Good Development Limited and the Trustee (as trustee of Sunlight REIT), pursuant to which HLD shall undertake to indemnify:

(I) Glory Good Development Limited against (i) all the related costs and expenses to be borne by Glory Good Development Limited and any share of the contribution attributable to the On Loong Commercial Building Property with respect to the compliance with the Directions; and (ii) all actions, proceedings, claims, demands, losses, liabilities, damages, costs, charges and expenses of whatever nature (including legal and other fees on a full indemnity basis) which may result or which Glory Good Development Limited may suffer, incur or sustain directly or indirectly in connection with or arising out of the non-compliance with the Directions during the On Loong Indemnity Period (as defined below) including but not limited to any loss of profits or rental of the On Loong Commercial Building Property or any part thereof; and

(II) the Trustee (as trustee of Sunlight REIT) against all actions, proceedings, claims, demands, losses, liabilities, damages, costs, charges and expenses of whatever nature (including legal and other fees on a full indemnity basis) which may result or which the Trustee (as trustee of Sunlight REIT) may suffer, incur or sustain directly or indirectly in connection with or arising out of the non-compliance with the Directions during the On Loong Indemnity Period including but not limited to any loss of profit or rental of the On Loong Commercial Building Property or any part thereof.

Please also see the section headed "Material Agreements and other Documents Relating to Sunlight REIT — Deed of Undertaking and Indemnity in relation to On Loong Commercial Building Property" in this Offering Circular for relevant information.

With the undertaking and indemnity given by HLD under the deed of undertaking and indemnity to pay all the related costs and expenses and any share of the contribution attributable to the On Loong Commercial Building Property for compliance with the Directions, counsel's opinion has been obtained by the Manager that there is no real risk of any claim or charge being imposed upon the On Loong Commercial Building Property and the Directions do not constitute nor render the title to the On Loong Commercial Building Property defective.

The relevant insurance companies have also confirmed that the validity of coverage for the relevant insurance policies will not be adversely affected notwithstanding the existence of the Directions and other similar directions in relation to fire safety and the Cockloft Notice (as defined in the paragraph headed "Notice from the Director of Buildings" below).

"**Directions**" means the fire directions as set out in (a), (b) and (c) above and any other directions with respect to the On Loong Commercial Building Property or any part thereof or to the

common areas of On Loong Commercial Building which have been issued by the relevant governmental authorities pursuant to the provisions of the Fire Safety (Commercial Premises) Ordinance (Chapter 502 of the Laws of Hong Kong) and that are in existence and subsisting on or prior to Completion of the relevant Sale and Purchase Agreement.

"**On Loong Indemnity Period**" means:

(I) In relation to those Directions with respect to the On Loong Commercial Building Property or any part thereof (including but not limited to such Fire Safety Improvement Directions as set out in 1(a) and (b) above) and the Cockloft Notice, for the period from the date of Completion to the date on which the compliance works as required under the relevant Directions (including but not limited to such fire directions as set out in 1(a) and (b) above) and the Cockloft Notice have been duly completed as certified in writing by the relevant governmental authorities; and

(II) In relation to those Directions with respect to the common areas of the On Loong Commercial Building (including but not limited to such Fire Safety Improvement Directions as set out in 1(c) above), for the period from the date of Completion to (i) the date on which all the compliance works as required under the relevant Directions (including but not limited to such Fire Safety Improvement Directions as set out in 1(c) above) have been duly completed as certified in writing by the relevant governmental authorities; and (ii) the date on which the manager of the On Loong Commercial Building has confirmed in writing that all the costs and expenses for the compliance with the relevant Directions (including but not limited to such Fire Safety Improvement Directions as set out in (1)(c) above) to be borne by Glory Good Development Limited and any share of the contribution attributable to the On Loong Commercial Building Property have been fully paid and settled (whichever shall be the later date).

2 *Notice from the Director of Buildings*

A notice dated 17 November 2005 from the Director of Buildings (the "Cockloft Notice") has been served on Glory Good Development Limited in relation to the unauthorised cockloft which was at that time erected on the ground floor of On Loong Commercial Building (the "Cockloft"), which has not been approved by the Building Authority. Under the Cockloft Notice, Glory Good Development Limited is required to demolish the Cockloft.

Under the tenancy agreement relating to the ground floor of On Loong Commercial Building, it is provided that the tenant shall remove, at its own costs, any structures, erections, partitions and other alterations at any time during the term of the tenancy if required by the Building Authority or other competent government departments (whether or not the same were or have been put up by the tenant with or without the consent of Glory Good Development Limited), and that the tenant shall make good all damage caused by such removal and Glory Good Development Limited shall not be responsible to the tenant for any loss suffered by the tenant as a result of such removal.

In its letter dated 12 June 2006, the Buildings Department has confirmed, among other things, that the Cockloft has been removed.

It has been agreed under the relevant Sale and Purchase Agreement that if the demolition work as required under the Cockloft Notice has not been completed to the satisfaction of the Director of Buildings prior to Completion, the relevant Vendor shall be responsible for payment of the related costs and expenses incurred by Glory Good Development Limited for the demolition of the Cockloft. In any event, HLD will at Completion enter into a deed of undertaking and indemnity with Glory Good Development Limited and the Trustee (as trustee of Sunlight REIT), pursuant to which HLD shall undertake to indemnify:

(I) Glory Good Development Limited against (i) all the related costs and expenses for the demolition of the Cockloft; and (ii) all actions, proceedings, claims, demands, losses, liabilities, damages, costs, charges and expenses of whatever nature (including legal and other fees on a full indemnity basis) which may result or which Glory Good Development Limited may suffer, incur or sustain directly or indirectly in connection with or arising out of the non-compliance with the Cockloft Notice during the On Loong Indemnity Period including but not limited to any loss of profit or rental of the On Loong Commercial Building Property or any part thereof; and

(II) the Trustee (as trustee of Sunlight REIT) against all actions, proceedings, claims, demands, losses, liabilities, damages, costs, charges and expenses of whatever nature (including legal and other fees on a full indemnity basis) which may result or which the Trustee (as trustee of Sunlight REIT) may suffer, incur or sustain directly or indirectly in connection with or arising out of the non-compliance with the Cockloft Notice during the On Loong Indemnity Period including but not limited to any loss of profit or rental of the On Loong Commercial Building Property or any part thereof.

Please also see the section headed "Material Agreements and other Documents Relating to Sunlight REIT — Deed of Undertaking and Indemnity in Relation to On Loong Commercial Building Property" in this Offering Circular for relevant information.

Environmental Matters

Sunlight REIT's operations are subject to various environmental laws. Historically, the Properties have operated, and going forward the Manager will continue to manage them, in compliance with applicable environmental laws and regulations, including those relating to waste disposal, water pollution control, air pollution control and noise control, in all material respects. Neither the Property Companies nor the Vendors have ever received any material fines or penalties associated with the breach of any environmental laws and regulations.

Five-Year Transaction History

The land searches (in respect of change of legal and/or beneficial ownership registered in the Land Registry) on the Properties conducted on 24 November 2006 do not show any sale and purchase transactions relating to the Properties in the five years prior to the date of the searches, and to the best of its knowledge, the Manager is not aware of any transactions involving a direct or indirect sale and purchase

of the respective Properties during such period, in each case other than intra-group transactions, transactions among entities under the ownership or control of Dr. Lee Shau Kee, his family members or family trust(s), and the following:

(a) Office A, Office B and Office C on the 8th floor of the Sun Fai Commercial Centre Property was respectively acquired by Best Legend Development Limited from Henderson Property Finance Limited (as mortgagee exercising its power of sale under three several Mortgages Memorial Nos. UB7542697, UB7542699 and UB7548973 respectively) and the sale and purchase of the said offices was completed on 28 June 2002 for the consideration of HK$900,000.00, HK$660,000.00 and HK$660,000.00 respectively. On 10 November 2006, Best Legend Development Limited and Yu Loy Development Company Limited entered into an agreement for sale and purchase of the said offices, pursuant to which Best Legend Development Limited will, subject to fulfilment of conditions precedent, assign the said offices to Yu Loy Development Company Limited immediately prior to the Completion of the Sun Fai Commercial Centre Property Sale and Purchase Agreement with respect to the sale and purchase of the shares in Prosper City Enterprises Limited. Best Legend Development Limited is a wholly-owned subsidiary of HLD. Yu Loy Development Company Limited and Prosper City Enterprises Limited are subsidiaries of SKFE, and will upon Completion and listing of Sunlight REIT be REIT Group Companies.

(b) Office no. 8 on the third floor of Kwong Wah Plaza Property was acquired by Best Legend Development Limited from Henderson Property Finance Limited (as mortgagee in exercising its powers of sale under Mortgage Memorial No.YL902430) and the sale and purchase was completed on 16 June 2003 for the consideration of HK$760,000.00. On 10 November 2006, Best Legend Development Limited and Seiren Investment Limited entered into an agreement for sale and purchase of such office unit, pursuant to which Best Legend Development Limited will, subject to fulfilment of conditions precedent, assign such office unit to Seiren Investment Limited immediately prior to the Completion of the Kwong Wah Plaza Property Sale and Purchase Agreement with respect to the sale and purchase of the shares in Seiren Investment Limited. Seiren Investment Limited is a subsidiary of HD, and will upon Completion and listing of Sunlight REIT be a REIT Group Company.

(c) Pacific Joy Investment Limited acquired the remaining two equal undivided fourth parts or shares of and in Inland Lot No. 6716 (on which Glory Rise is erected) from Sunbo Holdings Limited and the sale and purchase was completed on 4 June 2002 for approximately HK$50,755,039.83. Pacific Joy Investment Limited is an associated company of each of Furnline and Perfect Bright, and will upon Completion and listing of Sunlight REIT be a REIT Group Company.

(d) Smart Fortune Development Limited acquired Section E of Quarry Bay Marine Lot No.4 (one of the lots on which the Royal Terrace is erected) from Success Crown Development Limited on 31 January 2002 pursuant to the Assignment Memorial No.UB8610004 at the consideration of HK$192,460,914.33. Smart Fortune Development Limited is a wholly-owned subsidiary of HLD and will upon Completion and listing of Sunlight REIT be a REIT Group Company.

(e) Shung King Development Company Limited, Camleigh Investment Limited and Join Fortune Development Limited (as vendors) and Crownwill Limited (as purchaser) entered into the Metro City Phase I Property Sale and Purchase Agreement for the sale and purchase of the Metro City Phase I Property, completion thereof is, subject to fulfilment of conditions precedent, scheduled to take place after the completion of the Metro City Phase I Property Share Sale and Purchase Agreement. For details of the consideration of the sale and purchase of the Metro City Phase I Property, please refer to the section headed "Material Agreements and other Documents Relating to Sunlight REIT — Sale and Purchase Agreements for the Target Properties — *Metro City Phase I Property*" in this Offering Circular. The shares in each of Shung King Development Company Limited, Camleigh Investment Limited and Join Fortune Development Limited to which interests in the Metro City Phase I Property relate are indirectly wholly-owned by SKFE. Crownwill Limited is a wholly-owned subsidiary of SKFE, and will upon Completion and listing of Sunlight REIT be a REIT Group Company.

(f) Evercot Enterprise Company Limited and Shung King Development Company Limited (as vendors) and Bayman Limited (as purchaser) entered into the Sheung Shui Centre Shopping Arcade Sale and Purchase Agreement for the sale and purchase of the Sheung Shui Centre Shopping Arcade, completion thereof is, subject to fulfilment of conditions precedent, scheduled to take place after the completion of the Sheung Shui Centre Shopping Arcade Share Sale and Purchase Agreement. For details of the consideration of the sale and purchase of the Sheung Shui Centre Shopping Arcade, please refer to the section headed "Material Agreements and other Documents Relating to Sunlight REIT — Sale and Purchase Agreements for the Target Properties — *Sheung Shui Centre Shopping Arcade*" in this Offering Circular. The shares in each of Evercot Enterprise Company Limited and Shung King Development Company Limited to which interests in Sheung Shui Centre Shopping Arcade Property relate are indirectly wholly-owned by SKFE. Bayman Limited is a wholly-owned subsidiary of SKFE, and will upon Completion and listing of Sunlight REIT be a REIT Group Company.

(g) Oasis Investment Company Limited (as vendor) and Multimark Investment Limited (as purchaser) entered into an agreement on 12 April 2006 for the sale and purchase of approximately 23.3% interest in the Palatial Stand Property, completion of which took place on the same date. Oasis Investment Company Limited is not a connected person of Sunlight REIT, SKFE, the Manager and the Trustee. Multimark Investment Limited is an associated company of each of Furnline and Perfect Bright, and will upon Completion and listing of Sunlight REIT be a REIT Group Company.

(h) Mr. Li Yuk Kau (as vendor) and Perfect Bright and Furnline (each as purchaser) entered into an agreement on 17 May 2006 for the sale and purchase of a total of approximately 29.2% of the issued shares of and interests in certain shareholder's loans to Country Max Development Limited (which has a 20% interest in the Palatial Stand Property), completion of which took place on the same date. Mr. Li Yuk Kau is not a connected person of Sunlight REIT, SKFE, the Manager and the Trustee. Country Max Development Limited is an associated company of each of Furnline and Perfect Bright, and will upon Completion and listing of Sunlight REIT be a REIT Group Company.

(i) Lavish Enterprises Limited (as vendor) and Besteam Resources Limited (as purchaser) entered into an agreement on 29 May 2006 for the sale and purchase of 75% of the issued shares of and interests in certain shareholder's loans to Global Team Development Limited (which has an approximately 66.7% interest in Java Road 108 Commercial Centre), completion of which took place on the same date. Lavish Enterprises Limited is not a connected person of Sunlight REIT, SKFE, the Manager and the Trustee. Each of Besteam Resources Limited and Global Team Development Limited is an associated company of each of Furnline and Perfect Bright, and will upon Completion and listing of Sunlight REIT be a REIT Group Company.

(j) Lavish Enterprises Limited (as vendor) and Protim International Limited (as purchaser) entered into an agreement on 29 May 2006 for the sale and purchase of 50% of the issued shares of and interests in certain shareholder's loans to Pacific Joy Investment Limited (which owns the Glory Rise Property), completion of which took place on the same date. Protim International Limited is an associated company of each of Furnline and Perfect Bright, and will upon Completion and listing of Sunlight REIT be a REIT Group Company.

(k) Perfect Bright (as vendor) and Besteam Resources Limited (as purchaser) entered into an agreement on 29 May 2006 for the sale and purchase of 24% of the issued shares of Global Team Development Limited (which has approximately 66.7% interest in Java Road 108 Commercial Centre), completion of which took place on the same date.

(l) Furnline (as vendor) and Besteam Resources Limited (as purchaser) entered into an agreement on 29 May 2006 for the sale and purchase of 1% of the issued shares of Global Team Development Limited (which has approximately 66.7% interest in Java Road 108 Commercial Centre), completion of which took place on the same date.

(m) Furnline (as vendor) and Protim International Limited (as purchaser) entered into an agreement on 29 May 2006 for the sale and purchase of 50% of the issued shares of Pacific Joy Investment Limited (which owns Glory Rise), completion of which took place on the same date.

(n) The other Sale and Purchase Agreements (in addition to items (e) and (f) above) were entered into on 2 December 2006.

Further details of the Sale and Purchase Agreements are set out in the section "Material Agreements and Other Documents Relating to Sunlight REIT" in this Offering Circular.

Largest Tenants which are Connected Persons of Sunlight REIT

None of the 10 largest or other specified number of tenants named in the description of individual Properties in the preceding pages are connected persons of Sunlight REIT within the meaning of the REIT Code, except Henderson Sunlight Asset Management Limited and Henderson Sunlight Property Management Limited in respect of office units in 248 Queen's Road East, Jones Hugh Investment Limited in respect of office units in Bonham Trade Centre, The Hongkong and Shanghai Banking Corporation Limited in respect of two shops in Sheung Shui Centre Shopping Arcade and Hang Seng Bank Limited in respect of one shop in Metro City Phase I Property, and Henderson Real Estate Agency Ltd in respect of shop units in Glory Rise Property and Royal Terrace Property respectively.

Other owners

For each of the Properties which will not comprise a building or development entirely owned by REIT Group Companies upon Completion, to the best of the Manager's knowledge, the remaining interest in the building or development is owned by third parties who are not connected persons of Sunlight REIT within the meaning of the REIT Code, except for certain residential units in Metro City Phase I, Sheung Shui Centre, Glory Rise, Supernova Stand and Royal Terrace, all common areas in Metro City Phase I, Sheung Shui Centre, Kwong Wah Plaza, Glory Rise and Royal Terrace and certain common areas of Supernova Stand, Palatial Stand and 135 Bonham Strand Trade Centre. In relation to those residential units in Metro City Phase I, Sheung Shui Centre, Glory Rise, Supernova Stand and Royal Terrace, the connected persons of Sunlight REIT are interested in approximately 0.22%, 0.16%, 11.63%, 10.73% and 32.08% respectively of the undivided shares in the entire development. In relation to those common areas in the aforesaid developments, certain connected persons of Sunlight REIT hold those common areas on behalf of the co-owners of the respective developments in their capacities as developers (in respect of Sheung Shui Centre for all common areas) and as DMC managers (in respect of the remaining mentioned developments for all common areas, except for Supernova Stand, Palatial Stand and 135 Bonham Strand Trade Centre in which the connected persons own approximately 2.06%, 0.2% and 1.03% respectively of the undivided shares of the entire development on behalf of the relevant co-owners of the respective developments).

FINANCIAL INFORMATION AND FORECASTS

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.

COMBINED INCOME STATEMENTS

	Notes	For the year ended 30 June		
		2004	2005	2006
		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

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.

COMBINED BALANCE SHEETS

	Notes	As at 30 June 2004 HK$'000	2005 HK$'000	2006 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

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
	6,902,000
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
	984,701

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)

The following discussion should be read in conjunction with the "Selected Financial Information" and the Predecessor Operations' audited combined financial statements and notes thereto included in Appendix I to this Offering Circular. The Predecessor Operations are not a legal entity but rather a combination of property assets under common ownership and management as described further below. Where appropriate, the following discussion includes analysis of the effects of the Offering and the completion of the Acquisitions.

Basis of Discussion and Presentation

Sunlight REIT will acquire the Target Companies, the Target Properties, the Finance Company and the Domain Name Company on completion of the Offering and accordingly has no operating history. The Manager has therefore set forth below a discussion of the historical combined operating results of the Predecessor Operations. The historical financial information of the Predecessor Operations reflect the Vendors' interests in the Properties. Upon completion of the Acquisitions, Sunlight REIT will acquire ownership interests in these Properties. The Properties are discussed in greater detail in the section headed "The Properties and Business" in this Offering Circular.

The method of managing the Properties under Sunlight REIT has been designed to comply with the REIT Code and to meet general expectations in respect of a real estate investment trust's property and financial management processes. Following the transfer of the Properties to Sunlight REIT, the management structure and the cost and capital structures of the Properties as well as the management philosophy and operational processes of the Manager are expected to differ from those previously adopted with respect to the Properties. These variations are expected to affect the future financial results of Sunlight REIT (see the sections headed "Management Discussion and analysis of Future Operations" and "Profit Forecast" in this Offering Circular).

The financial information has been compiled based on the audited financial statements, or where appropriate, unaudited management accounts of the REIT Group Companies and the assets and liabilities and the operating results from leasing the Properties for the Historical Periods.

Principal Accounting Policies

For a discussion of the principal accounting policies, please refer to the Accountants' Reports of the Predecessor Operations set out in Appendix I to this Offering Circular.

Components of Results of Operations

Turnover

The Predecessor Operations generated turnover from Rental Income and car park income from the Properties. During the three financial years ended 30 June 2004, 2005 and 2006, most of the Predecessor Operations' turnover was derived from Rental Income from the Properties.

The following table sets forth a breakdown of the Predecessor Operations' turnover for the relevant periods indicated.

	For the year ended 30 June					
	2004		2005		2006	
	HK$'000	%	HK$'000	%	HK$'000	%
Rental income	222,208	91.1	226,918	91.4	231,223	92.0
Car park income	21,608	8.9	21,442	8.6	20,196	8.0
	243,816	100.0	248,360	100.0	251,419	100.0

Rental Income. Rental Income is the total amount payable by all tenants pursuant to current lease agreements of the Properties. Rents paid under Sunlight REIT's tenancy agreements are typically fixed for a period of two to three years with rental rates generally negotiated in advance for the tenure of the lease period. Leases and options to renew are commercially negotiated at market rates and on customary commercial terms.

Factors typically taken into account in determining the rental rates for a lease include the rates charged by competing properties, assumed tenant retention rates on lease expiry, market conditions, inflation rates, tenant demand levels and level of occupancy.

Rental Income is recognised on a straight-line basis over the term of the lease (including any rent free periods and other lease incentives).

Car park income. Car park income comprises income generated from the operation of the Properties' parking facilities and the rates vary according to the individual car parks location. Car park income is generated on both an hourly and monthly basis, and income from each space generally ranges from HK$10 to HK$22 per hour and HK$1,900 to HK$3,050 per month.

Rental Related Income

Rental related income consists of payments in respect of expenses related to the operation of the Properties that are recovered from most tenants and includes building management fees, air-conditioning charges, rates charges, promotional levies, compensation for early lease termination and forfeited deposits.

The table below sets forth information on the rental related income for the Historical Periods:

	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

Turnover Trends

Rental Income Trends

For the three financial years ended 30 June 2004, 2005 and 2006, Rental Income of the Properties was HK$222.2 million, HK$226.9 million and HK$231.2 million, respectively.

The table below sets forth information on the Rental Income derived from each of the Properties for the Historical Periods:

	For the year ended 30 June					
	2004		2005		2006	
	HK$'000	%	HK$'000	%	HK$'000	%
Office						
248 Queen's Road East	41,395	18.6%	40,269	17.7%	37,904	16.4%
Bonham Trade Centre	9,896	4.4%	10,261	4.5%	11,762	5.1%
Righteous Centre	9,293	4.2%	8,197	3.6%	9,299	4.0%
135 Bonham Strand Trade Centre Property	6,136	2.8%	6,202	2.7%	6,657	2.9%
Winsome House Property	5,265	2.4%	5,245	2.3%	5,877	2.5%
Java Road 108 Commercial Centre	3,839	1.7%	4,224	1.9%	4,556	2.0%
Sun Fai Commercial Centre Property	3,068	1.4%	3,084	1.4%	3,616	1.6%
Wai Ching Commercial Building Property	799	0.3%	664	0.3%	664	0.3%
235 Wing Lok Street Trade Centre	3,446	1.5%	3,463	1.5%	3,888	1.7%
Yue Fai Commercial Centre Property	3,723	1.7%	4,065	1.8%	4,360	1.9%
Everglory Centre	3,244	1.5%	3,223	1.4%	3,719	1.6%
On Loong Commercial Building Property	3,069	1.4%	3,070	1.4%	3,432	1.5%
Sub total	93,173	41.9%	91,967	40.5%	95,734	41.5%
Retail						
Metro City Phase I Property	47,226	21.3%	46,379	20.5%	44,701	19.3%
Sheung Shui Centre Shopping Arcade	61,858	27.8%	66,761	29.4%	66,400	28.7%
Kwong Wah Plaza Property	13,633	6.1%	14,430	6.4%	15,491	6.7%
Beverley Commercial Centre Property	835	0.4%	1,755	0.8%	1,721	0.7%
Glory Rise Property	1,489	0.7%	1,671	0.7%	2,316	1.0%
Supernova Stand Property	1,757	0.8%	1,844	0.8%	1,953	0.8%
Palatial Stand Property	431	0.2%	431	0.2%	610	0.3%
Royal Terrace Property	1,806	0.8%	1,680	0.7%	2,297	1.0%
Sub total	129,035	58.1%	134,951	59.5%	135,489	58.5%
Total	222,208	100.0%	226,918	100.0%	231,223	100.0%

Car Park Income Trends

Car park income has been dropping over the Historical Periods due to intense competition. For the three financial years ended 30 June 2004, 2005 and 2006, car park income of the Properties was HK$21.6 million, HK$21.4 million and HK$20.2 million, respectively.

Trends in Rental per Leased sq.ft. of Gross Rentable Area

For the three financial years ended 30 June 2004, 2005 and 2006, the average monthly rental per sq.ft. of Gross Rentable Area of the Properties was HK$15.7, HK$15.8 and HK$16.5, respectively.

The following table sets forth information on the average monthly rental[(1)] per leased sq.ft. of Gross Rentable Area derived from each of the Properties for the Historical Periods:

	For the year ended 30 June		
Property	**2004**	**2005**	**2006**
	HK$	**HK$**	**HK$**
Office			
248 Queen's Road East	10.3	10.1	9.6
Bonham Trade Centre	8.1	7.9	8.8
Righteous Centre	16.1	14.0	16.0
135 Bonham Strand Trade Centre Property	8.5	8.4	9.3
Winsome House Property	11.3	11.2	13.3
Java Road 108 Commercial Centre	9.0	10.0	10.8
Sun Fai Commercial Centre Property	10.4	10.1	11.9
Wai Ching Commercial Building Property	5.2	4.8	5.3
235 Wing Lok Street Trade Centre	6.2	6.0	7.1
Yue Fai Commercial Centre Property	7.6	8.3	9.8
Everglory Centre	9.2	9.2	10.6
On Loong Commercial Building Property	10.4	10.1	12.0
Sub average[(2)]	9.7	9.5	10.1
Retail			
Metro City Phase I Property	22.3	21.4	23.2
Sheung Shui Centre Shopping Arcade	43.3	46.3	46.6
Kwong Wah Plaza Property	18.0	18.8	20.4
Beverley Commercial Centre Property	21.0	19.8	21.8
Glory Rise Property	40.2	30.4	38.3
Supernova Stand Property	39.2	41.1	43.6
Palatial Stand Property	8.1	6.8	6.5
Royal Terrace Property	21.5	17.4	21.4
Sub average[(2)]	28.3	28.5	30.1
Overall average[(2)]	15.7	15.8	16.5

Notes:

(1) The average monthly rental per leased sq.ft. of Gross Rentable Area stated for each Property over the relevant period is calculated by dividing the Rental Income for the relevant period by the number of months in that period, and then dividing by a simple average of the leased area of that Property at the end of each month. Leased area is the Gross Rentable Area, adjusted by the occupancy rate.

(2) The sub averages and overall average are derived by dividing the sum of the monthly rental of each of the Properties shown by the total leased Gross Rentable Area of all the Properties shown.

Occupancy Trends

For the three financial years ended 30 June 2004, 2005 and 2006, the average occupancy rates of the Properties were 91.0%, 92.6% and 90.0%, respectively.

The table below sets forth information on the average occupancy rates[(1)] of each of the Properties for the periods indicated.

	For the year ended 30 June		
Property	**2004**	**2005**	**2006**
	%	%	%
Office			
248 Queen's Road East[(2)]	89.1	88.6	87.3
Bonham Trade Centre	86.4	91.3	94.6
Righteous Centre	93.0	94.1	93.8
135 Bonham Strand Trade Centre Property	94.3	95.9	92.9
Winsome House Property	96.4	96.9	91.5
Java Road 108 Commercial Centre	94.1	93.2	92.5
Sun Fai Commercial Centre Property	94.3	97.1	96.4
Wai Ching Commercial Building Property	78.3	70.0	64.1
235 Wing Lok Street Trade Centre	87.9	92.7	86.9
Yue Fai Commercial Centre Property	95.5	95.7	86.4
Everglory Centre	98.8	97.7	97.9
On Loong Commercial Building Property	96.1	99.1	93.2
Sub average[(3)]	90.6	91.5	89.8

	For the year ended 30 June		
Property	**2004**	**2005**	**2006**
	%	%	%
Retail			
Metro City Phase I Property[2]	93.2	95.6	85.0
Sheung Shui Centre Shopping Arcade[2]	97.3	98.3	96.9
Kwong Wah Plaza Property	96.3	97.7	97.4
Beverley Commercial Centre Property	41.7	92.8	82.8
Glory Rise Property	43.5	64.6	71.1
Supernova Stand Property	88.4	88.4	88.4
Palatial Stand Property	51.1	61.5	90.1
Royal Terrace Property[2]	73.3	84.1	93.6
Sub average[3]	91.7	95.1	90.5
Overall average[3]	91.0	92.6	90.0

Notes:

(1) The average occupancy rate for each Property over the relevant period is derived by dividing the sum of the occupancy rates as at the end of each month during the relevant period for the relevant Property by the number of months in the relevant period.

(2) The occupancy rates for car parks in these four Properties are not taken into account in considering the average occupancy rate of these four Properties.

(3) Sub averages and overall average are calculated on a weighted average basis by leased sq.ft. of Gross Rentable Area.

248 Queen's Road East recorded a drop in occupancy rate due to relocation of a large tenant, which had occupied six and a half floors, in April 2005. In addition, vacancies at a nearby competing building, which also experienced a loss of tenants, resulted in unfavorable leasing conditions for neighbouring properties. Higher rentals were achieved after that building became close to fully occupied. Metro City Phase I Property's increased vacancy was a result of the loss of a large tenant in September 2005. The occupancy rates for Glory Rise Property and Royal Terrace Property were lower in FY2004 as leasing only commenced on these properties in 2003 and 2002 respectively. Beverley Commercial Centre Property recorded a drop in average occupancy rate for FY2006 due primarily to the existing manager of these Properties, in view of the steadily rising office and retail rentals, opting to pursue a strategy to tolerate an increase in vacancy in order to achieve higher rental income. Most of the vacated retail space has since been leased. Small properties with fewer tenants are generally subject to higher fluctuation in average occupancy rates. Bonham Trade Centre recorded strong occupancy rate recovery after the SARS epidemic and occupancy for this building has improved in each of the Historical Periods. Generally, occupancy rates for the Properties were adversely affected during the general economic downturn and the advent of the SARS epidemic in early 2003. As the Hong Kong economy improved following the recovery from SARS in May 2003, the average occupancy rates for the portfolio have steadily increased.

Related Party Income

Jones Hugh Investment Limited, a wholly owned subsidiary of HD (the controlling shareholder of HLD), leased 5,195 sq.ft. in Bonham Trade Centre and 3,662 sq.ft. in Metro City Phase I under normal commercial terms and entered into in the ordinary course of business. Rental Income and rental related income received from Jones Hugh Investment Limited were HK$1.9 million, HK$1.7 million and HK$1.5 million for FY2004, FY2005 and FY2006 respectively. For FY2006, the Predecessor Operations also received HK$2.0 million in rental income and rental related income from Henderson Real Estate Agency Limited, Henderson Sunlight Asset Management Limited and Henderson Sunlight Property Management Limited.

Direct Costs

Prior to the Acquisitions, the Predecessor Operations' direct costs consisted primarily of (i) building management fees; (ii) car park operating costs; (iii) rental commission; (iv) Government rent and rates; (v) marketing expenses; (vi) repairs and maintenance; (vii) legal and professional fees; (viii) stamp duty and registration fees; (ix) depreciation; and (x) property miscellaneous expenses. Direct costs vary across the Properties according to size, location, age and type of property.

The following table sets forth a breakdown of the Predecessor Operations' direct costs for the periods indicated.

	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

Building management fees. Building management fees included the management fees payable under the relevant deeds of mutual covenant and/or building management expenditure and managing agency remuneration under the relevant management agency agreement.

Car park operating costs. Car park operating costs comprised costs relating to the operation of the car parks, including car park leasing agency fees, car park management fees and car park manager fees.

Rental commission. Rental commission comprised fees paid to Henderson Real Estate Agency Limited and Henderson Property Agency Limited, each a wholly owned subsidiary of HLD, for marketing and leasing administration services and leasing commission paid to third-party real estate agencies for marketing services in respect of the Properties.

Government rent and rates. Government rent and rates refer to the amount paid in respect of (i) Government rent paid by the Predecessor Operations under Government Grants, which require payment of an annual rent to the Government and (ii) Government rates payable by the Predecessor Operations in respect of the Properties and charged at 5% of the applicable rateable value of the relevant properties.

Marketing expenses. Marketing expenses included newspaper and television advertising, production cost of leasing brochures special functions, and seasonal decorations at the Properties.

Repairs and maintenance. Repairs and maintenance expenses comprised cost for repair, maintenance, repartition, electrical installation and landlord's provision for rental units.

Legal and professional fees. Legal and professional fees included legal fees relating to preparation of tenancy agreements, arbitration fees and legal costs.

Stamp duty and registration fees. Stamp duty and registration fees comprised such fees payable to the Government in respect of tenancy agreements.

Depreciation. The cost of fixed assets, less their estimated residual value, if any, are depreciated using the straight line method over their estimated useful lives of five years.

Property miscellaneous expenses. Miscellaneous expenses comprised primarily of electricity, water and telephone, printing and stationary, insurance, and sundry expenses of the Predecessor Operations.

Other Income

Other income consisted primarily of interest income, sundry income and legal expenses reimbursements.

Increase in Fair Value of Investment Properties

According to the accounting policies of the Predecessor Operations, investment properties are required to be stated at their fair value and are revalued at each balance sheet date. A qualified property valuer was engaged on an annual basis to conduct a market valuation of the investment properties. The investment properties were valued by reference to comparable market transactions and where appropriate on the basis of capitalisation of their net property income. Increases in the fair market value of the investment properties are reflected as an income item in the income statement. The annual revaluation of the investment properties has in the past resulted, and in the future may continue to result for Sunlight REIT, in significant fluctuations in results of operations.

Write Back of Provision for Diminution in Value of Completed Properties for Sale

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

Profit on Sale of Completed Properties for Sale

Profit on sale of completed properties for sale comprised profit realised on sale of properties held for sale, net of carrying costs, agency fees and other transaction fees. Completed properties for sale refers to units in Kwong Wah Plaza and car park spaces in Royal Terrace, which were originally developed for sale and classified as properties for sale. These properties were historically stated on the balance sheet at the lower of cost and net realisable value. Net realisable value is determined by reference to sale proceeds received after the balance sheet date less selling expenses, or by management estimates based on prevailing market conditions. As from Completion, these properties will be treated as investment properties and will be stated at their fair market values as at the balance sheet date in accordance with Hong Kong GAAP.

Administrative Expenses

The Predecessor Operations' administrative expenses consisted primarily of audit fees, bank charges, charity donations and sundry expenses.

Other Operating Expenses

Other operating expenses include professional charges, building administration fees and sundry expenses.

Interest Expenses

During the Historical Periods, the Predecessor Operations' are financed by interest bearing related-party borrowings, and the loans are charged at floating interest rates of approximately best lending rate minus 2.25% to best lending rate plus 1.5%. The related parties are group companies of the

shareholders of the Property Companies, including Henderson Real Estate Finance Limited, Henderson Finance Company Limited, Henderson Real Estate Agency Limited and Greatzi Limited. For further information on related-party borrowings, see Section B of the Accountants' Report in Appendix I to this Offering Circular.

Income Tax

Profits received by the Property Companies from the Properties were assessable to Hong Kong profits tax at the then prevailing tax rate (which is currently 17.5%). Profit for these purposes was arrived at after deducting from the gross Rental Income (i) all expenses necessarily incurred in earning the Rental Income; (ii) any applicable tax allowances; (iii) tax losses brought forward and (iv) other tax deductible expenses.

Deferred tax was provided for all temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their tax bases, and includes the effects of (i) the increase in fair value in investment properties; (ii) accelerated tax depreciation; and (iii) taxation losses.

For further information, see the section headed "Taxation" in this Offering Circular for further information on taxation.

Results of Operations

The following discussion of results of operations of the Predecessor Operations should be read in conjunction with the Predecessor Operations' combined financial information and the accompanying notes thereto set out in Appendix I to this Offering Circular.

FY2006 Compared to FY2005

Turnover

Turnover increased by HK$3.0 million, or 1.2%, to HK$251.4 million for FY2006 from HK$248.4 million for FY2005. The change in turnover was due primarily to increase in Rental Income due to reasons discussed further below.

Rental Income. Rental Income increased by approximately HK$4.3 million, or 1.9% to HK$231.2 million for FY2006 from HK$226.9 million for FY2005. A majority of the Properties recorded higher Rental Income in FY2006 compared to FY2005. This was partially offset by increased vacancies in 248 Queen's Road East and Metro City Phase I Property for FY2006. 248 Queen's Road East recorded a drop in average occupancy rate due to the relocation of a large tenant in April 2005 (which had occupied six and a half floors) and the related subsequent vacancies. In addition, vacancies at a nearby competing building resulted in unfavorable leasing conditions for neighbouring properties. Higher rentals were achieved after the nearby building became close to fully occupied and has remained so. Metro City Phase I Property's increased vacancy rate was a result of the loss of a large tenant in September 2005. Rental Income contributed 92.0% of turnover for FY2006 compared to 91.4% for FY2005.

Car park income. Car park income decreased by HK$1.3 million, or 6.1% to HK$20.2 million for FY2006 from HK$21.5 million for FY2005. The decrease was due primarily to lower utilisation of car park spaces (with the number of monthly car park spaces under lease falling by 11.9% to an average occupancy rate (for monthly car park spaces) of 45.6% for Metro City Phase I Property and by 10.8% to an average occupancy rate (for monthly car park spaces) of 28.7% for Sheung Shui Centre Shopping Arcade for FY2006) as a result of increased competition, resulting from several new car parks having been opened near some of the Properties. Car park income contributed 8.0% of turnover for FY2006 compared to 8.6% for FY2005.

Rental Related Income

Rental related income decreased by HK$2.6 million, or 3.8%, to HK$66.5 million for FY2006 from HK$69.1 million for FY2005. The decrease was due primarily to lower property management fees and air-conditioning charges received from 248 Queen's Road East and Metro City Phase I Property, each of which lost one large tenant. In the case of 248 Queen's Road East, the decrease was also due to the loss of the naming right fees previously payable by the one large tenant but no longer paid for FY2006 after its relocation in April 2005.

Direct Costs

Direct costs increased by HK$5.1 million, or 5.0%, to HK$107.6 million for FY2006 from HK$102.5 million for FY2005. The increase was due primarily to increases in building management fees, rental commission, government rent and rates, repair and maintenance costs, legal and professional fees and stamp duty and registration fees, which were partially offset by decreases in car park operating costs and marketing expenses.

Building management fees. Building management fees increased by HK$1.3 million, or 2.5%, to HK$51.4 million for FY2006 from HK$50.1 million for FY2005. The increase was due primarily to higher costs of routine maintenance generally across the Properties. Building management fees contributed to 47.8% of total direct costs for FY2006 compared to 48.9% for FY2005.

Car park operating costs. Car park operating costs decreased by HK$1.2 million, or 16.2% to HK$6.2 million for FY2006 from HK$7.4 million for FY2005. The decrease was due primarily to a one-time waiver of building management fees relating to the Metro City Phase I Property car park for the four months from September to December 2005 due to an accumulated surplus in the building management account.

Rental commission. Rental commission increased by HK$1.1 million, or 6.9% to HK$17.0 million for FY2006 from HK$15.9 million for FY2005. The increase was due primarily to higher rental commission for the leasing of a large vacant space in 248 Queen's Road East, which was partially offset by lower rental commission paid for other Properties.

Government rent and rates. Government rent and rates increased by HK$1.0 million, or 7.5%, to HK$14.4 million for FY2006 from HK$13.4 million for FY2005. The increase was due to increases in rateable values of the Properties.

Marketing expenses. Marketing expenses decreased by approximately HK$0.4 million, or 4.7%, to HK$8.2 million for FY2006 from HK$8.6 million for FY2005. The decrease was due primarily to higher marketing expenses to attract shoppers to Metro City Phase I Property for FY2005.

Repairs and maintenance. Repairs and maintenance costs increased by HK$2.9 million, to HK$7.5 million for FY2006 from HK$4.6 million for FY2005. The increase was due primarily to costs involved in repartitioning and reinstatement of units for 248 Queen's Road East, repair of part of the air conditioning system and replacement of floor tiles for Metro City Phase I Property and reinstatement of units and repair of part of the air conditioning system for Righteous Centre.

Legal and professional fees. Legal and professional fees increased by HK$0.1 million to HK$1.6 million for FY2006 from HK$1.5 million for FY2005.

Stamp duty and registration fees. Stamp duty and registration fees increased by HK$0.1 million to HK$0.2 million for FY2006 from HK$0.1 million for FY2005 due to higher stamp duty and registration fees for 248 Queen's Road East.

Depreciation. Depreciation decreased by approximately HK$27,000, to nil for FY2006 from approximately HK$27,000 for FY2005. The decrease was due to the depreciable fixed asset being fully depreciated up to 30 June 2005.

Property miscellaneous expenses. Property miscellaneous expenses increased by HK$0.2 million to HK$1.0 million for FY2006 from HK$0.8 million for FY2005.

Gross Profit

Gross profit decreased by approximately HK$4.5 million, or 2.1%, to HK$210.4 million for FY2006 from HK$214.9 million for FY2005 as a result of the cumulative effect of the factors discussed above.

Other Income

Other income decreased by approximately HK$0.3 million to HK$0.6 million for FY2006 from HK$0.9 million for FY2005 as a result of a decrease in accounts payable written off.

Increase in Fair Value of Investment Properties

Increase in fair value of investment properties was HK$2.5 billion for FY2006. The increase in fair value of 248 Queen's Road East, Sheung Shui Centre Shopping Arcade, Metro City Phase I Property, 235 Wing Lok Street Trade Centre, Righteous Centre, On Loong Commercial Building Property, Yue Fai Commercial Centre Property and Everglory Centre were HK$793.0 million, HK$800.4 million, HK$660.7 million, HK$54.0 million, HK$51.0 million, HK$26.0 million, HK$44.0 million and HK$40.0 million respectively for FY2006. The increase in fair value was HK$0.7 billion for FY2005. The increase in fair value of investment properties for FY2006 compared to FY2005 was due to, amongst other factors, the improving economic conditions in Hong Kong, resulting in rising rents and property values in Hong Kong.

Write Back of Provision for Diminution in Value of Completed Properties for Sale

Net write back of provision for diminution in value of completed properties for sale was HK$21.1 million for Java Road 108 Commercial Centre, Sun Fai Commercial Centre Property, Winsome House Property, Wai Ching Commercial Building Property and Palatial Stand Property for FY2005. Net write back of provision for diminution in value of completed properties for sale was HK$18.3 million for FY2006. Provision for diminution in value of completed properties for sale was made for that year in relation to Palatial Stand Property, while write backs of provision for diminution in value of completed properties for sale were also made in relation to Java Road 108 Commercial Centre, Sun Fai Commercial Centre Property, Winsome House Property, Wai Ching Commercial Building Property and Beverley Commercial Centre Property.

Profit on Sale of Completed Properties for Sale

Profit on sale of completed properties for sale was HK$0.8 million for FY2005 (which related to one unit in Kwong Wah Plaza) and HK$0.2 million for FY2006 (which related to one car park at Royal Terrace).

Administrative Expenses

Administrative expenses decreased by HK$1.2 million, or 63.2%, to HK$0.7 million for FY2006 from HK$1.9 million for FY2005. The higher administrative expenses for FY2005 was primarily the result of HK$1,323,100 of donations to charity.

Other Operating Income/(Expenses)

Other operating expenses increased by HK$2.1 million to HK$1.3 million for FY2006 from an operating income of HK$0.8 million for FY2005. The increase was due primarily to bad debt written off of HK$1.1 million relating to Metro City Phase I Property for FY2006 and a bad debt recovery of HK$1.1 million relating to 248 Queen's Road East for FY2005.

Interest Expenses

Interest expenses increased by approximately HK$2.4 million, or 10.1%, to HK$26.2 million for FY2006 from HK$23.8 million for FY2005 due primarily to a higher interest rate environment in which best lending rate as quoted by HSBC increased from a range of 5.0% - 5.8% for FY2005 to a range of 5.8% - 8.0% for FY2006.

Income Tax

Income tax increased to HK$455.2 million for FY2006 from HK$128.7 million for FY2005 primarily as a result of taxation on revaluation gains on investment properties. The total amount of taxation of HK$455.2 million for FY2006 comprised HK$25.5 million of current taxation and HK$429.7 million of deferred taxation. Deferred tax liabilities of HK$701.2 million as at 30 June 2006 included deferred tax liabilities of HK$420.4 million for revaluation gain of HK$2.5 billion for FY2006. The total amount of taxation of HK$128.7 million comprised approximately HK$23.9 million of current taxation and approximately HK$104.8 million of deferred taxation for FY2005.

Net Profit

Net profit increased by HK$1.4 billion to HK$2.2 billion for FY2006 from HK$790.6 million for FY2005, as a result of the cumulative effect of the factors described above, primarily due to increase in fair value of investment properties.

FY2005 Compared to FY2004

Turnover

Turnover increased by HK$4.6 million, or 1.9%, to HK$248.4 million for FY2005 from HK$243.8 million for FY2004. The increase was due primarily to a HK$4.7 million increase in Rental Income as a result of increase in overall occupancy from 91.0% to 92.6%.

Rental Income. Rental Income increased by HK$4.7 million, or 2.1% to HK$226.9 million for FY2005 from HK$222.2 million for FY2004. The increase was due primarily to higher overall occupancy rates which increased from 91.0% for FY2004 to 92.6% for FY2005. Rental Income contributed to 91.4% and 91.1% of turnover for FY2005 and FY2004 respectively. The increase was primarily due to increase in rental income for Sheung Shui Centre Shopping Arcade, which recorded Rental Income increase of approximately HK$4.9 million, with average monthly rental per leased sq.ft. of Gross Rentable Area increasing from HK$43.3 for FY2004 to HK$46.3 for FY2005 and average occupancy rate increasing from 97.3% for FY2004 to 98.3% for FY2005.

Car park income. Car park income decreased by HK$0.2 million, or 0.9% to HK$21.4 million for FY2005 from HK$21.6 million for FY2004. Car park income contributed to 8.6% of turnover for FY2005 compared to 8.9% for FY2004.

Rental Related Income

Rental related income increased by HK$3.7 million, or 5.7%, to HK$69.1 million for FY2005 from HK$65.4 million for FY2004. The increase was due primarily to the increase in the overall occupancy rate from 91.0% for FY2004 to 92.6% for FY2005.

Direct Costs

Direct costs increased by HK$0.7 million, or 0.7%, to HK$102.5 million for FY2005 from HK$101.8 million for FY2004. The increase was due primarily to increases in building management fees, government rent and rates, marketing expenses and repair and maintenance costs offsetting decreases in car park operating costs, rental commission, legal and professional fees, stamp duty and registration fees, and property miscellaneous expenses.

Building management fees. Building management fees increased by HK$1.3 million, or 2.7%, to HK$50.1 million for FY2005 from HK$48.8 million for FY2004. The increase was due primarily to increases in building management fees paid to the property manager of 248 Queen's Road East and Sheung Shui Centre Shopping Arcade as a result of higher property management expenditure. Building management fees accounted for 48.9% of total direct costs for FY2005 compared to 47.9% for FY2004.

Car park operating costs. Car park operating costs decreased by HK$0.2 million, or 2.6% to HK$7.4 million for FY2005 from HK$7.6 million for FY2004.

Rental commission. Rental commission decreased by HK$2.5 million, or 13.6% to HK$15.9 million for FY2005 from HK$18.4 million for FY2004. The decrease was due primarily to a waiver of rental commission on the smaller Properties by Henderson Real Estate Agency Company Limited in FY2005, made in view of its long-term relationship with its customers.

Government rent and rates. Government rent and rates increased by HK$1.2 million, or 9.8%, to HK$13.4 million for FY2005 from HK$12.2 million for FY2004. The increase was due primarily to lower government rates in FY2004 due to one-time remission of government rates of approximately HK$1.7 million.

Marketing expenses. Marketing expenses increased by HK$1.0 million, or 13.2%, to HK$8.6 million for FY2005 from HK$7.6 million for FY2004. The increases was due primarily to increases in promotional activities, including bus panel, light box, banner advertising and other outdoor marketing expenses for Metro City Phase I Property and increased utilisation of free parking by visitors for Sheung Shui Centre Shopping Arcade.

Repairs and maintenance. Repairs and maintenance costs increased by HK$0.7 million, to HK$4.6 million for FY2005 from HK$3.9 million for FY2004. The increase was partly due to the repartitioning of units in Metro City Phase I Property.

Legal and professional fees. Legal and professional fees decreased by HK$0.3 million, or 16.7%, to HK$1.5 million for FY2005 from HK$1.8 million for FY2004. The decrease was due primarily to non-recurring consulting fees for public relation and research in FY2004.

Stamp duty and registration fees. Stamp duty and registration fees decreased by approximately HK$22,000, or 15.6%, to approximately HK$119,000 for FY2005 from approximately HK$141,000 for FY2004.

Depreciation. Depreciation remained unchanged from FY2004 to FY2005 at HK$27,000.

Property miscellaneous expenses. Property miscellaneous expenses decreased by HK$0.4 million, or 33.3%, to HK$0.8 million for FY2005 from HK$1.2 million for FY2004.

Gross Profit

Gross profit increased by HK$7.4 million, or 3.6%, to HK$214.9 million for FY2005 from HK$207.5 million for FY2004 as a result of the cumulative effect of the factors discussed above.

Other Income

Other income increased by HK$0.6 million to HK$0.9 million for FY2005 from HK$0.3 million for FY2004 as a result of an increase in sundry income.

Increase in Fair Value of Investment Properties

Increase in fair value of investment properties was HK$706.4 million for FY2005 compared to HK$519.4 million for FY2004. The increase in fair value of investment properties for FY2005 compared to the year ended 30 June 2004 was due to, amongst other factors, improving economic conditions in Hong Kong, resulting in rising rents and property values in Hong Kong. The increases in fair value of 248 Queen's Road East, Sheung Shui Centre Shopping Arcade, Metro City Phase I Property, Righteous Centre, 235 Wing Lok Street Trade Centre, Yue Fai Commercial Centre Property, Everglory Centre and On Loong Commercial Building Property were HK$324.4 million, HK$162.1 million, HK$37.8 million, HK$100.6 million, HK$13.0 million, HK$28.0 million, HK$25.8 million and HK$14.7 million respectively for FY2005.

Write Back of Provision for Diminution in Value of Completed Properties for Sale

Provision for diminution in value of completed properties for sale were made in relation to Bonham Trade Centre, Java Road 108 Commercial Centre, 135 Bonham Strand Trade Centre Property, Sun Fai Commercial Centre Property and Beverley Commercial Centre Property in FY2003. Write backs of provision for diminution in value of completed properties for sale were made to reflect the prevailing market conditions based on the buildings situated in the surrounding area. Net write back of provision for diminution in value of completed properties was HK$59.8 million for Bonham Trade Centre, Java Road 108 Commercial Centre, 135 Bonham Strand Trade Centre Property, Sun Fai Commercial Centre Property, Winsome House Property and Wai Ching Commercial Building Property in FY2004 and HK$21.1 million for Java Road 108 Commercial Centre, Sun Fai Commercial Centre Property, Winsome House Property, Wai Ching Commercial Building Property and Palatial Stand Property in FY2005.

Profit on Sale of Completed Properties for Sale

Profit on sale of completed properties for sale in 2005 related to profit from the sale of an office unit at Kwong Wah Plaza for HK$0.8 million compared to profit from the sale of car parks at Royal Terrace of HK$0.1 million in FY2004.

Administrative Expenses

Administrative expenses increased by approximately HK$0.1 million, or 5.6%, to HK$1.9 million for FY2005 from HK$1.8 million for FY2004.

Other Operating (Expenses)/Income

Other operating expenses decreased by HK$1.8 million from HK$1.0 million for FY2004 to an income of HK$0.8 million for FY2005. The decrease was due primarily to bad debt recovery in FY2005 of HK$1.1 million from 248 Queen's Road East and a general decrease in bad debts incurred from HK$0.8 million in FY2004 to HK$73,655 in FY2005.

Interest Expenses

Interest expenses increased by HK$8.3 million, or 53.6%, to HK$23.8 million for FY2005 from HK$15.5 million for FY2004 due primarily to an interest bearing related party loan borrowed at best lending rate minus 25 basis points during FY2005, which incurred interest expenses of approximately HK$5.5 million. The loan was changed to non-interest bearing prior to the end of FY2005. The higher interest expenses were also a result of the higher interest rate environment in which the best lending rate as quoted by HSBC increased from 5.0% for FY2004 to a range of 5.0%-5.8% for FY2005.

Income Tax

Income tax increased by HK$3.0 million to HK$128.7 million for FY2005 from HK$125.7 million for FY2004 primarily as a result of higher profits. The total amount of taxation of HK$128.7 million for FY2005 comprised HK$23.9 million of current taxation and HK$104.8 million of deferred taxation, compared to a total taxation of HK$125.7 million, which comprised HK$25.5 million of current taxation and HK$100.2 million of deferred taxation for FY2004. The increase in deferred taxation was due primarily to property revaluation gains offsetting prior year tax losses.

Net Profit

Net profit increased by HK$147.4 million to HK$790.6 million for FY2005 from HK$643.2 million for FY2004, as a result of the cumulative effect of the factors described above, primarily due to increase in fair value of investment properties.

Liquidity and Capital Resources

The principal sources of funding for the original acquisition or development and any subsequent expansion and renovation of the Properties have historically been from internally generated funds, equity injections and loans from various related parties.

Indebtedness

Historically, the indebtedness of the Predecessor Operations consisted of loans from various related parties. As at 30 June 2006, these related party loans amounted to approximately HK$1.8 billion out of which HK$381.4 million are interest bearing at floating interest rates ranging from best lending rate minus 2.25% to best lending rate plus 1.5%. The remaining HK$1.4 billion related party loans were not interest bearing as at 30 June 2006.

Capital Expenditure

Historically, capital expenditure in relation to the Properties has been limited as a majority of the Properties were relatively new having been completed between 1995 and 2003. Capital expenditure amounted to less than HK$1 million for each of FY2004, FY2005 and FY2006.

After the Acquisitions, there will be certain changes to Sunlight REIT's cost structure, level of indebtedness and operations as compared to the Predecessor Operations. The following discussion has been prepared to assist prospective investors' evaluation of the Acquisitions and the factors which may affect Sunlight REIT's future results of operations. The Manager considers the assumptions to be reasonable at the time of issue of this Offering Circular. These assumptions are subject to uncertainties, which may cause actual results to differ materially from those projected. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Joint Global Coordinators, the Manager, Sunlight REIT, the Trustee or any other person or that these results will be achieved or are likely to be achieved. Investors are cautioned not to place undue reliance on these forward-looking statements.

Background

The audited combined financial information of the Predecessor Operations set forth in Appendix I to this Offering Circular and the other historical financial information have been prepared by the Manager based on the historical operations of the Predecessor Operations. The cost structure of Sunlight REIT will differ in certain respects from those of the Predecessor Operations. For example, certain historical costs of the Predecessor Operations, such as management agency remuneration, will not be costs of Sunlight REIT. Similarly, certain costs, such as the fees to the Manager, the Property Manager and the Trustee, were not incurred by the Predecessor Operations in the Historical Periods but will be incurred by Sunlight REIT going forward. In addition, Sunlight REIT will have the benefit of certain arrangements which are intended to enhance the Annual Distributable Income of Sunlight REIT, such as the Adjustment Payments, that the Predecessor Operations did not benefit from as they were not in place prior to the Listing Date.

Further, the presentation format of Sunlight REIT's financial information may differ from that of the audited combined financial information set forth in Appendix I. Set forth below are details of the key income statement items and other financial statement items of the Predecessor Operations which may be affected by the Acquisitions.

Adjustment Payments

The Independent Property Valuer has estimated the prevailing average market rental for the Properties (on a weighted average basis by Gross Rentable Area) as at 30 September 2006 to be HK$26.10 per square foot of Gross Rentable Area per month. This is equivalent to HK$405.4 million per annum for the entire portfolio, assuming that the Properties are fully occupied (such amount being referred to below as the "Benchmark Prevailing Rental"). Based on the rent roll as at 30 September 2006, the actual average rental for the Properties (on a weighted average basis by Gross Rentable Area) was HK$18.38 per leased square foot of Gross Rentable Area per month, equivalent to HK$252.2 million per annum for the entire portfolio, based on the average actual occupancy rate of the Properties of 88.3% as at 30 September 2006.

Accordingly, there is currently a disparity between the current Consolidated Rental Income (as at 30 September 2006) and the Assured Minimum Rental per annum for the period from the Listing Date to 30 June 2007.

The disparity between the Benchmark Prevailing Rental and actual Rental Income is primarily a result of the fact that the average prevailing market rentals for the Properties have generally been increasing during the last three years.

The Market Consultant considers that the growth in prevailing market rentals has been underpinned by Hong Kong's positive macroeconomic environment, positive GDP growth, robust economic recovery since the SARS period, increased employment, favourable supply and demand dynamics in the property market and rising occupancy levels. In addition, the prevailing market rental rates for the retail sector have risen due to the growth in retail sales on the back of higher visitor arrivals in Hong Kong particularly from mainland China. For further information, please see the section headed "Overview of the Hong Kong Commercial Property Markets" in this Offering Circular.

The current lease expiry profile of the portfolio is as follows:

Period	Number of leases expiring[1]	Gross Rentable Area of leases expiring	Expiring leases as a percentage of total Gross Rentable Area	Monthly Rental Income of leases expiring[2]	Expiring leases as a percentage of total monthly Rental Income
		sq.ft.	%	HK$	%
From 30 Sep 2006 to 30 Jun 2007	373	364,058	28.1	5,875,683	27.7
Year ending 30 Jun 2008	408	384,431	29.7	8,435,034	39.8
Year ending 30 Jun 2009 and beyond	153	406,113	31.4	6,905,990	32.5
Vacant space	—	139,787	10.8	—	—
Total	934	1,294,389	100.0	21,216,707	100.0

Notes:

(1) Assuming that the options to renew are not exercised.

(2) Monthly Rental Income in respect of leases expiring for the respective periods is the sum of monthly Rental Income of such expiring leases as at 30 September 2006.

The Market Consultant forecasts market rental growth for the Properties of an average of 19.5% for the year ending 30 June 2007, 11.7% for the year ending 30 June 2008 and 6.1% for the year ending 30 June 2009 (on a weighted average basis by Gross Rental Area), see "Appendix VI — Letter from the Market Consultant in relation to its Hong Kong Grade A and Grade B office and retail property market analysis report". However, as 32.5% (by Rental Income and on a weighted average basis by Gross Rentable Area) of the existing leases will not expire until the year ending 30 June 2009 or later, the actual Rental Income generated by the Properties may continue to lag behind the prevailing market rentals over this period.

To a lesser extent, the disparity between the Benchmark Prevailing Rental and actual Rental Income is also a result of some leases being entered into at below the prevailing market rental at the time. This is predominately a function of property specific factors which include significant reductions in the occupancy level of a property and the leasing behaviour of competing properties. In particular, in April 2005, there was a reduction in occupancy rates at 248 Queen's Road East due to the relocation of a major tenant that had occupied six and a half floors, or approximately 20% of the total Gross Rentable Area, of the property. The reduction in occupancy coincided with vacancies at a nearby competing building, which also experienced a loss of tenants, and gave rise to temporary unfavorable leasing conditions. As a result of these factors, leases were entered into in respect of certain units in 248 Queen's Road East at rentals below the prevailing market rentals.

As a result of the above, the Vendors of the Target Company Shares have agreed to make certain Adjustment Payments pursuant to the Deeds of Adjustment Payments that have the effect of adjusting the consideration payable by Sunlight REIT and the REIT Group Companies to the Vendors. In respect of the period from the Listing Date to 30 June 2007 and each of the two financial years ending 30 June 2009, those Vendors will pay to Sunlight REIT in aggregate a sum equal to the amount by which the Consolidated Rental Income in respect of all of the Properties in the relevant period is less than the following amounts of Assured Minimum Rental per annum (pro rata in respect of the period from the Listing Date to 30 June 2007):

Period	Assured Minimum Rental per annum
	HK$ million
Year ending 30 Jun 2007	405.4
Year ending 30 Jun 2008	429.4
Year ending 30 Jun 2009	454.9

The Assured Minimum Rental per annum for the year ending 30 June 2007 is equal to the Benchmark Prevailing Rental. The Assured Minimum Rental for the period from the anticipated Listing Date until 30 June 2007 is HK$213.2 million. The Assured Minimum Rental for the years ending 30 June 2008 and 30 June 2009 is calculated by reference to the Benchmark Prevailing Rental plus a growth projection of 5.9% per annum which is the weighted average (by Gross Area and properties classified as Grade A office, Grade B office or retail) long-term average rental growth rates for the portfolio as determined by the Market Consultant. The long-term average growth rates of 6.2%, 6.0% and 5.6% for Hong Kong Grade A office, Grade B office and retail property respectively are based on the corresponding 20-year average annual growth of the Rating and Valuation Department HKSAR's rental indices between 1986 and 2005. — see "Appendix VI — Letter from the Market Consultant in relation to its Hong Kong Grade A and Grade B office and retail property market analysis report". All Assured Minimum Rentals are based on an assumed occupancy rate of 100%.

The long-term average rental growth rate forecast of 5.9% which has been used to calculate the Assured Minimum Rentals for each of the years ending 30 June 2008 and 30 June 2009 is less than the weighted average growth rate for the Properties for the same periods forecast by the Market Consultant for those years. If after 30 June 2009 the Consolidated Rental Income has not grown sufficiently in order to equal or exceed the Assured Minimum Rental, there may be a substantial drop in Annual Distributable Income.

Further details of the Deeds of Adjustment Payments are set out in the section headed "Deeds of Adjustment Payments" under "Material Agreements and Other Documents Relating to Sunlight REIT" in this Offering Circular. In the event of Force Majeure, the obligations of the Vendors of the Target Company Shares under the Deeds of Adjustment Payments (and the corresponding obligations of the guarantors) shall be subject to a cap of HK$300 million in respect of all payments under the Deeds of Adjustment Payments and the DPU Guarantees in respect of the period between the Listing Date and 30 June 2009. However, even if a Force Majeure event occurs, the total amounts payable by those Vendors and guarantors under the DPU Guarantees and Deeds of Adjustment Payments for the period from the Listing Date to 30 June 2007 will not be subject to the cap. For the purpose of the above, "**Force Majeure**" is defined to mean any of the following events taking place: (i) the World Health Organisation alert level being formally declared a "Pandemic" (Phase 6) (or any similar phase described in any different manner replacing the same) for Hong Kong; or (ii) the "Emergency Response Level" (or any similar level described in any different manner replacing the same) being activated under the Government's response system for Influenza Pandemic in Hong Kong; or (iii) riots leading to civil disorder taking place in Hong Kong on a widespread and ongoing or recurring basis for at least two weeks; or (iv) the occurrence of hostilities or the outbreak of war in Hong Kong; or (v) any event or events beyond the control of the Vendors of the Target Company Shares which cause(s) the destruction, damage or forced closure of one or more Properties (or any part thereof) or which cause(s) one or more Properties (or any part thereof) to become generally inaccessible to tenants, directly resulting in the loss of at least 20% of the then aggregate rental income (by comparing the monthly average aggregate rental income during a three-month period immediately after the event or the first of the events (as the case may be) against the monthly average aggregate rental income during a 12-month period immediately prior to the event or the first of the events (as the case may be)) in respect of the Properties. In the cases of (iii) and (v) above, an event of Force Majeure shall be deemed to occur on the first day of the period of two weeks or three months (as the case may be) referred to therein.

Worked examples on the operation of the cap have been included on pages (vi) and (vii) of this Offering Circular.

The Manager anticipates that Sunlight REIT will receive Adjustment Payments amounting to HK$46.4 million for the period from the anticipated Listing Date to 30 June 2007.

It is important to note that the Adjustment Payments should under no circumstance be construed as a forecast by the Manager of Rental Income over the period from the Listing Date until 30 June 2009.

Pursuant to the Deeds of Adjustment Payments, the Adjustment Payments are made effectively as adjustments to the consideration payable by Sunlight REIT and the REIT Group Companies to the Vendors of the Target Company Shares. Under HKFRS, when a business combination agreement provides for an

adjustment to the cost of the combination that is contingent on one or more future events and that adjustment represents a contingent liability, it should be included in the cost of the acquisition at the time of initially accounting for the acquisition if it is probable and can be measured reliably. If that adjustment represents a contingent asset, it will not be recognised in the financial statements until receipt is virtually certain. The recognition of such contingent asset will result in an adjustment to negative goodwill to be reflected in the income statement (assuming, as is the case under the profit forecast, that the acquisition of the Target Companies, the Finance Company and the Target Properties gives rise to negative goodwill).

The Adjustment Payments in respect of the period from the anticipated Listing Date to 30 June 2007 are expected to be received over the Profit Forecast Period, and the forecast Adjustment Payments are calculated based on the difference between the forecast Consolidated Rental Income receivable by the Properties and the Assured Minimum Rental for the period from the anticipated Listing Date to 30 June 2007. Accordingly, the adjustments to negative goodwill to reflect the Adjustment Payments will be recognised as income in the period in respect of which the Adjustment Payments are made.

Additional Cost Items

Sunlight REIT will incur fees and expenses associated with the REIT structure that were not previously incurred in respect of the Properties. Set out below are certain such additional cost items.

Property Management Fees

Under the Property Management Agreement, the Property Manager is entitled to receive from each property holding company, for each financial year, a fee of 3.0% per annum of the Gross Property Revenue of the relevant property for the property management services and lease management services provided by the Property Manager. Such fee will be paid by each property holding company to the Property Manager. For further information on these arrangements, see the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — Property Management Agreement" in this Offering Circular.

In addition to the above fee, the Property Manager will be fully reimbursed by the relevant Property Company for the employment costs, secondment costs (if any) and remuneration relating to the employees of the Property Manager and such other persons who are engaged by or under secondment (if any) to the Property Manager solely and exclusively in the management of any one single Property (including the property management services and the lease management services), as approved in each annual budget of the Properties by the Manager.

Commissions

Under the Property Management Agreement, the Property Manager is entitled to receive from the relevant Property Company a commission equivalent to:

- one month's base rent for securing a tenancy of three years or more;
- one-half month's base rent for securing a tenancy of less than three years;

- one-half month's base rent for securing a renewal of tenancy irrespective of the duration of the renewal term; and

- 10% of the total licence fee for securing a licence for a duration of less than 12 months.

Manager's Base Fee

Following the Acquisitions, the Manager will receive under the Trust Deed a Base Fee from Sunlight REIT, comprising up to 0.4% per annum of the Property Values. The Base Fee will accrue on a daily basis and is payable quarterly in arrears. For the period from the Listing Date until 30 June 2011, the Base Fee payable in respect of the initial Properties acquired by Sunlight REIT shall be paid to the Manager in the form of Units. The Base Fee payable in respect of the initial Properties (commencing from 1 July 2011) and of other properties (at any time after the Listing Date), shall be paid to the Manager in the form of cash and/or Units, as the Manager may elect. The Base Fee, whether paid in cash or in Units, will be treated as an expense item in the income statement. When the Base Fee is paid in the form of Units, this amount will be added back as an Adjustment when calculating the Annual Distributable Income of Sunlight REIT for distribution purposes. For further information on these arrangements and a detailed description of the Manager's fees, see the sections headed "The Manager — Management Fees payable to the Manager", "The Manager — Other Fees payable to the Manager" and "Distribution Policy" in this Offering Circular.

Manager's Variable Fee

In addition to the above fees, Sunlight REIT's non-property operating expenses will also include the Manager's Variable Fee. Under the Trust Deed, the Manager will receive a Variable Fee of 3.0% per annum of NPI (before deduction therefrom of the Variable Fee). For the Listing Date until 30 June 2011, the Variable Fee payable in respect of the initial Properties acquired by Sunlight REIT shall be paid to the Manager in the form of Units. The Variable Fee payable in respect of the initial Properties acquired by Sunlight REIT (commencing from 1 July 2011) and of other properties (at any time after the Listing Date) shall be paid to the Manager in the form of cash and/or Units, as the Manager may elect. The Variable Fee, whether paid in cash or in Units will be treated as an expense item in the income statement of the Property Companies. When the Variable Fee is paid in the form of Units, this amount will be added back as an Adjustment when calculating the Annual Distributable Income of Sunlight REIT for distribution purposes. For further information on these arrangements and a detailed description of the Manager's fees, see the sections headed "The Manager — Management Fees payable to the Manager", "The Manager — Other Fees payable to the Manager" and "Distribution Policy" in this Offering Circular.

Acquisition Fee and Divestment Fee

Under the Trust Deed, other than in respect of the acquisitions of the Properties in connection with the Offering, the Manager is also entitled to receive an acquisition fee not exceeding 1.0% of the acquisition price of any property acquired by Sunlight REIT. The acquisition fee will be paid to the Manager in the form of cash or, at the election of the Manager and with the prior approval of Unitholders by Ordinary Resolution, entirely in the form of Units or partly in cash and partly in the form of Units. Further, the Manager is entitled to receive a divestment fee not exceeding 0.5% of the sale price of any property sold or divested by Sunlight REIT. The divestment fee will be paid to the Manager in the form

of cash or, at the election of the Manager and with the prior approval of Unitholders by Ordinary Resolution, entirely in the form of Units or partly in cash and partly in the form of Units. For further information on these arrangements and a detailed description of the Manager's fees, see the section headed "The Manager — Management Fees payable to the Manager" in this Offering Circular.

Trustee's Fee

Under the Trust Deed, the Trustee is entitled to receive a remuneration of not more than 0.03% per annum of the value of the Deposited Property which may be increased to a maximum of 0.06% per annum of the value of Deposited Property, subject to minimum fees of HK$50,000 per month. In addition, Sunlight REIT will pay the Trustee a one-off inception fee of not more than HK$200,000. Additional fees are payable for services of an exceptional nature or otherwise outside the scope of the Trustee's normal duties in the ordinary and normal course of business of Sunlight REIT, including but not limited to the acquisition of or divestment or disposal of real estate by Sunlight REIT. For further information on these arrangements, see the section headed "The Trust Deed" in this Offering Circular.

Trust-related Expenses

The recurring operating expenses in respect of Sunlight REIT and other trust expenses include annual listing fees, registrar fees, audit and tax adviser's fees, costs associated with the preparation and distribution of reports to Unitholders and other miscellaneous expenses.

Change in Nature of Existing Costs

Rental Commissions

Historically, Predecessor Operations' rental commission comprised the fees paid to Henderson Real Estate Agency Limited and Henderson Property Agency Limited, each a wholly owned subsidiary of HLD, for marketing and leasing administration services, and leasing commissions paid to third party real estate agencies for marketing services in respect of the Properties. Following the Acquisitions the fees payable to Henderson Real Estate Agency Limited and Henderson Property Agency Limited will be replaced by fees and commissions payable to the Property Manager pursuant to the Property Management Agreement. Sunlight REIT will continue to pay leasing commissions to third party real estate agencies for marketing services.

Building Management Fees

Historically, Predecessor Operations' building management fees included the management fees payable under the relevant deeds of mutual covenant (for Properties with DMCs) and managing agency remuneration (for all Properties).

Following the Listing Date, for office and retail units and car parks in Properties which have DMCs, Sunlight REIT will continue to pay management fees payable under the relevant DMC for costs related to

the common areas. For all Properties, Sunlight REIT will no longer pay managing agency remuneration (including property management fees, government rates receivable from tenants, promotional levies and air conditioning charges, less bad debts) but will instead reimburse the Property Manager the building management expenses incurred by it in relation to the Properties.

Finance Costs and Interest Rate Swaps

Historically, finance costs of the Predecessor Operations consisted of interest payments on loans from related parties. By the Listing Date, the Finance Company is expected to have in place the Facility of HK$4,050 million, comprising a HK$3,950 million term loan and a HK$100 million revolving credit facility, subject to the satisfaction of certain conditions precedent. The Manager does not intend to draw down the revolving credit facility on the Listing Date. See the section headed "Material Agreements and Other Documents Relating to Sunlight REIT" in this Offering Circular.

Each of the term loan and the revolving credit facility will bear interest at a variable rate of HIBOR plus 45 basis points. The all-in-cost of the term loan and the revolving credit facility are both HIBOR plus 55 basis points including an upfront fee of 50 basis points amortised over the five-year term of the loan. In order to hedge against fluctuations in interest rates under the term loan, the Finance Company will hold interest rate swap agreements effective from the Listing Date until 30 June 2011, with the Swap Counterparty for a total notional amount equivalent to the amount of the term loan (i.e. HK$3,950 million). Under the interest rate swap arrangements, the interest rate of the term loan of the Facility will be effectively fixed from the Listing Date until 30 June 2011 at a flat rate of 3.50% per annum throughout the period of the interest rate swap, except that during the period from the Listing Date until 30 June 2007 the rate shall be 3.00% per annum. Consequently, the average interest rate during the period of the interest rate swap will be 3.44%. After 30 June 2011, the Manager may consider entering into further interest rate swap arrangements in respect of the remaining term of the term loan. The interest rate swaps have been entered into with the Swap Counterparty prior to the Listing Date by (i) the Finance Company, and (ii) an indirect wholly-owned subsidiary of HLD. Completion of the acquisition of the Finance Company by Sunlight REIT will take place on the Listing Date. Immediately following Completion, the interest rate swap entered into by the indirect wholly-owned subsidiary of HLD will be transferred to the Finance Company by way of the Novation. The total consideration for the purchase of the interest rate swap agreements is HK$195.2 million (the swap upfront fee), which is payable in full by the Finance Company to the Swap Counterparty on the Listing Date.

The following table summarises the terms of the interest rate swaps, which have equivalent terms, and their fair values as at the anticipated Listing Date.

Counterparty	Notional amount	Effective date	Expiration date	Fair value
The Hongkong and Shanghai Banking Corporation Limited	HK$3,950,000,000	Listing Date	30 June 2011	HK$195,200,000

Under the interest rate swap agreements, in exchange for the consideration paid to it, the Swap Counterparty will pay to the Finance Company on a regular basis an amount equal to the interest payable to the lending banks under the term loan during the period of the interest rate swap agreements (based on a floating rate of interest), which the Finance Company will use to meet the interest payments due under the term loan. In return, the Finance Company will pay to the Swap Counterparty fixed interest at rates as outlined in the table below.

	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$ million)	62.3	138.3	138.3	138.3	138.3
Cash finance costs in relation to the term loan as a percentage of 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.

As well as being an effective interest rate hedging arrangement in relation to the term loan during the period from the Listing Date until 30 June 2011, the interest rate swap agreements will also have the effect of enhancing the Annual Distributable Income for a limited period in a manner which is intended to be consistent with the Manager's key objective of providing Unitholders with regular and stable cash distributions. The fixed interest rate payable by the Finance Company to the Swap Counterparty is substantially lower than the rate which the Manager believes would generally be available on prevailing market terms for a hedging arrangement which did not include a yield enhancement element.

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 starting from the year ending 30 June 2008. They will remain fixed at 3.50% until the expiry of the interest rate swap agreements in 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.

For the period between 1 July 2011 and the expiry of the term loan on the fifth anniversary of the Listing Date, the interest rate payable under the term loan will be at the variable rate of HIBOR for the relevant period plus 0.45% unless the Manager enters into interest rate swap agreement(s) in respect of that period. Thereafter, the Manager may agree further borrowings with lenders, the cash finance costs of which may be materially greater than the cash finance costs during the period from the Listing Date until 30 June 2011 when the interest rate swap agreements are in effect. Any such increase in cash finance costs may have a material adverse effect on the Annual Distributable Income of Sunlight REIT such that distributions to Unitholders after the expiry of the interest rate swap agreements could be substantially less than those when the interest rate swap agreements are in effect. This is particularly the case should there be a significant decrease in Rental Income or should there be a major economic or property downturn. In a worst case scenario, such a downturn could have such a significant impact on Sunlight REIT's net property income that not only affects its ability to pay distributions to Unitholders but also its ability to service such cash finance costs. See the section headed "Risk Factors" in this Offering Circular.

The interest rate swaps structure mitigates the interest rate risk to Sunlight REIT. If Sunlight REIT did not enter into the interest rate swap agreements and instead were to pay interest on the term loan as well as the revolving credit facility at a variable rate, Annual Distributable Income would fluctuate more significantly with, amongst other things, changes in interest rates. Assuming that: (i) the interest rate swap arrangements had not been entered into; (ii) Sunlight REIT were to pay interest on the revolving credit facility and the term loan at variable rates; (iii) tax was payable at the rate of 17.5% on the profits of the Property Companies; and (iv) all other factors remain the same, Annual Distributable Income would decrease by approximately HK$3.3 million each year for every 10 basis point increase in HIBOR, based on three-month Hong Kong dollar HIBOR. Conversely, Annual Distributable Income would increase by approximately HK$3.3 million each year for every decrease of 10 basis points in HIBOR.

The aggregate of (a) the swap upfront fee and (b) the cash finance costs payable by the Finance Company to the Swap Counterparty during the life of the swaps, will be amortised throughout the term of the interest rate swap; and the upfront fee payable in respect of the term loan will be amortised throughout the five-year term of the term loan. The above amortised amount will be charged to the income statement of Sunlight REIT using the effective interest method.

The table below sets out the amount of accounting finance cost to be charged to the income statement in each respective financial year, such amount of accounting finance cost as a percentage of the term loan of HK$3,950 million, the cash finance costs and the amount effectively distributed to Unitholders as a return of equity for the Profit Forecast Period and for the four years ending 30 June 2011.

	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**
Accounting finance cost in relation to the term loan charged as part of "Interest Expenses" in the income statement (HK$ million)	94.3	180.7	182.5	184.4	186.4
Accounting finance cost in relation to the term loan as a percentage of the term loan of HK$3,950 million	4.54%[(1)]	4.58%	4.62%	4.67%	4.72%
Cash finance costs in relation to the term loan (HK$ million)	62.3	138.3	138.3	138.3	138.3
Amount of equity effectively returned to Unitholders[(2)(3)] (HK$ million)	32.0	42.6	44.4	46.3	48.3

Notes:

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

(2) Amortisation of upfront swap payments and debt establishment fees in relation to the term loan and the revolving credit facility.

(3) 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.

Profits Tax

The REIT Group Companies are subject to Hong Kong Profits Tax, which is currently levied at the rate of 17.5%. For further information on taxation, see the section headed "Taxation" in this Offering Circular.

Sunlight REIT, as a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO, is exempt from Hong Kong Profits Tax. Distributions made by Sunlight REIT to Unitholders are not subject to any withholding tax in Hong Kong. However, the Property Companies are subject to Hong Kong Profits Tax in respect of the profits derived from the leasing of the Properties, although they are not subject to Hong Kong profits tax on any capital gains derived from the disposal of the Properties provided the Properties are not held for trading purposes.

Sale of Completed Properties for Sale

During the Historical Periods, the Predecessor Operations had completed certain sales of stock of properties, including sales of car park spaces in Royal Terrace during FY2004, units in Kwong Wah Plaza during FY2005 and one car park space in Royal Terrace during FY2006. However, going forward, the Properties will be held as investment properties, and accordingly Sunlight REIT's results of operations will not include a category for sale of stock of properties.

Liquidity and Capital Resources

Upon completion of the Offering, net cash received from the operations of the Properties through the Property Companies will be Sunlight REIT's primary source of liquidity to fund distributions to Unitholders (which the Manager intends to be 100% of Sunlight REIT's total Annual Distributable Income for each financial year), debt servicing, repairs and maintenance and other recurring operating and capital costs. Where appropriate, Sunlight REIT may also seek to issue further Units and raise new credit facilities (under the REIT Code, Sunlight REIT is generally only allowed to borrow up to 45% of total gross asset value), particularly in relation to any proposal to acquire further properties.

The Manager will seek, wherever possible, to treat costs related to the maintenance of the Properties as deductible expenses for taxation purposes.

The Property Consultants' building survey report prepared by DTZ Debenham Tie Leung Project Services Ltd. and Savills Project Consultancy Limited and set out in Appendix VII to this Offering Circular includes a summary of cost estimates for remedial works as detailed in the ten-year forecasts of maintenance and capital expenditure.

From time to time, the Manager expects to undertake capital expenditure on certain of the Properties to enhance the long-term value of the portfolio. This capital expenditure will deplete cash resources and some of the expenditure may not be deductible for taxation purposes. In such circumstances, the Manager will only seek to incur such capital expenditure that will improve the yield of the relevant Property, for example by either improving rental rates or occupancy rates or otherwise increasing the Gross Rentable Area of the relevant Property.

The Manager has currently identified one potential capital expenditure item. In order to improve the comfort of patrons and shoppers to the mall, the owners of Metro City Phase I Property and the shopping arcades at Metro City Phases II and III are considering upgrading the existing four footbridges owned by MTR Corporation Limited connecting Po Lam MTR Station to Metro City Phases I, II and III into enclosed and air-conditioned footbridges, subject to approval by the Safety & Security Coordination Committee and MTR Corporation Limited. The owners of such shopping arcades may, after the Listing Date, appoint MTR Corporation Limited to carry out the works (which would in turn tender out the works and charge a project management fee), with the costs currently expected to be borne severally by such owners in specified proportions. The total construction costs and related expenses for upgrading the footbridge connecting Po Lam MTR Station to Metro City Phase I Property is currently estimated to be approximately HK$6 million. The Manager expects this cost to be treated as capital in nature and will be financed by available cash and working capital facilities.

Aside from the above item, as at the Latest Practicable Date, the Property Companies did not have any contractual commitments or obligations to make any capital expenditures.

Working Capital Statement

The Manager is of the opinion that taking into consideration the financial resources available to Sunlight REIT, including its internally generated funds, the available banking facilities and the estimated net proceeds of the Offering, Sunlight REIT will have sufficient working capital to satisfy its operating requirements for the 12 calendar months following the anticipated Listing Date. To the extent that Sunlight REIT makes any acquisitions, it would be required to rely on external borrowings and equity or debt securities offerings to finance such acquisitions. The issue of additional equity or equity-linked securities may result in dilution to Unitholders.

Indebtedness

By the Listing Date, the REIT Group Companies are expected to have in place the Facility of HK$4,050 million, comprising a HK$3,950 million term loan and a HK$100 million revolving credit facility. The all-in-cost of the term loan and the revolving credit facility are both HIBOR plus 55 basis points including an upfront fee of 50 basis points amortised over the five-year term of the loan. The term loan will be drawn down in full on Completion. The initial gearing of Sunlight REIT is approximately 41.2% (based on total assets, including investment properties using the Appraised Value of the Properties as at 30 September 2006, as determined by the Independent Property Valuer) whereas the limit currently prescribed under the REIT Code is 45.0%. (See the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — Facility Agreement" in this Offering Circular for further details in relation to the Facility.)

The Facility will be secured by a mortgage over the Properties, a charge on bank accounts, an assignment of rents and leases, an assignment of insurance policies, an assignment of the Property Management Agreement and a joint and several guarantee by Sunlight REIT and Holding Company in favour of the lenders. In addition, the Property Companies and the Finance Company will enter into a

subordination deed whereby the liabilities of the Finance Company and the Property Companies to Sunlight REIT will be subordinated to the liabilities of the Finance Company and the Property Companies to the lenders, except in certain circumstances. See the section headed "Material Agreements and other Documents Relating to Sunlight REIT — The Loan Facility" in this Offering Circular.

In order to hedge against fluctuations in interest rates under the term loan, Finance Company has entered into interest rate swap agreements effective from the Listing Date until 30 June 2011 for a total notional amount equivalent to the amount of the term loan, or HK$3,950 million.

The Manager intends to fund its current planned capital expenditures through drawdown on the Facility and/or internally generated funds.

No Material Adverse Change

The Manager confirms that, having performed reasonable due diligence on Sunlight REIT and the Property Companies, there has been no material adverse change in Sunlight REIT's financial or trading position or prospects since 30 June 2006, which is the end of the period covered by the Accountants' Report included in Appendix I to this Offering Circular.

Statements contained in this "Profit Forecast" section that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set forth in this section and are subject to certain risks and uncertainties which may cause actual results to differ materially from those projected in this section and elsewhere in this Offering Circular. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction by the Vendors, Sunlight REIT, the Manager, the Trustee, the Underwriters or any other person involved in the Offering that the underlying assumptions will materialise, nor that these results will be achieved or are likely to be achieved.

Other than with respect to the DPU Guarantees, none of the Vendors, Sunlight REIT, the Manager, the Trustee or the Underwriters guarantees the performance of Sunlight REIT or the payment of any (or any particular) return on the Units. Investors in Units are cautioned not to place undue reliance on any forward-looking statements, which are made only as at the date of this Offering Circular. See the section headed "Risk Factors" in this Offering Circular.

The profit forecast, which was prepared by the Manager and for which the Directors are solely responsible, has been approved by the Board. The profit forecast has been prepared on the bases and assumptions set out below and in accordance with accounting principles generally accepted in Hong Kong (and is consistent in all material respects with those accounting policies adopted by Sunlight REIT in the preparation of the Accountants' Report as set out in Appendix I to this Offering Circular). The profit forecast of Sunlight REIT on the following pages of this Offering Circular has been prepared on a consolidated basis, reflecting the forecast income statements of Sunlight REIT and its consolidated entities, including the Finance Company and the Property Companies for the Profit Forecast Period.

Investors are cautioned that the profit forecast is prepared for the Profit Forecast Period only. The audited financial results in this Offering Circular only cover the three years ended 30 June 2004, 2005 and 2006. In preparing this profit forecast, the Manager has made certain assumptions, which the Manager considers to be reasonable, with respect to the operations of Sunlight REIT as set out below. To the extent that the Manager has not identified events which have occurred or may occur in respect of the Properties during the period from 1 July 2006 to the anticipated Listing Date, the impact of such events on the future results of Sunlight REIT has not been taken into account in this profit forecast.

Investors should note that since the extent of any changes in the valuation of the Properties in the future will be established by reference to the market at the end of each financial year, the Manager has not made any assumption as to property valuation movements in arriving at the forecast net profit of Sunlight REIT for the period from the anticipated Listing Date to 30 June 2007. Should the valuation of the Properties as at 30 June 2007 drop below/rise above the market values of the Properties as at Completion, the resulting gain or loss less the effect of the related goodwill (if any) would be credited/charged to the income statement. Any resulting property valuation gain would be adjusted for and excluded from the calculation of Annual Distributable Income.

Investors should also note that the format and individual items in Sunlight REIT's future financial reports and statements may differ from those used for the purposes of this profit forecast. Such items should not be viewed as individual forecasts but form part of the overall bases and assumptions used in arriving at the profit forecast of HK$62.8 million for the period from the anticipated Listing Date to 30 June 2007. This profit forecast, for which the Directors are solely responsible, should be read in conjunction with the letters set out in Appendix III and Appendix IV headed "Profit Forecast" and "Letter from the independent property valuer in relation to rental income" respectively and Appendix V headed "Independent Property Valuer's Valuation Report", to this Offering Circular and the principal bases and assumptions set out below. This forecast assumes that the anticipated Listing Date will be 21 December 2006 and will vary if the actual Listing Date is different.

Moreover, the property management fee structures, certain taxes and certain other expenses previously applicable to the Properties will no longer be applicable, and different management and property management fee structures and taxes will apply to the Properties. Also, Sunlight REIT will incur expenses at the trust level (such as the Manager's fees, Trustee's fees and annual listing fees), which expenses were not incurred while the Properties were owned by and managed by the Vendors (see the section headed "Management Discussion and Analysis of Future Results of Operations" in this Offering Circular).

Having regard to the various factors noted above, investors should exercise caution in relying on this profit forecast generally and, in particular, (i) investors should exercise the highest caution in making any comparison, whether as to individual line items or overall financial performance, as between the Manager's projected income statement appearing below and any historic financial results (whether contained in this Offering Circular or in the audited financial statements of the Properties as set out in Appendix I to this Offering Circular), and (ii) investors should not treat any individual line item in the Manager's projected income statement as a forecast in its own right.

Profit Forecast for the period from the anticipated Listing Date to 30 June 2007

The following table sets forth the historical profit and loss data of the Predecessor Operations for the year ended 30 June 2006, and Sunlight REIT's forecast consolidated profit and loss data and distribution for the period from the anticipated Listing Date to 30 June 2007.

	Historical	Forecast
	For the year ended 30 June 2006	For the period from the anticipated Listing Date to 30 June 2007[(2)]
	HK$'000	HK$'000
Rental Income	231,223	166,876
Car park income	20,196	10,340
Total turnover	251,419	177,216
Rental related income	66,516	39,395
Property Management Fee	—	(5,006)
Government rent and rates	(14,392)	(9,110)
Car park operating costs	(6,249)	(3,416)
Other direct costs	(86,932)	(47,606)
Total direct costs	(107,573)	(65,138)
Total net property income	210,362	151,473

	Historical	Forecast
	For the year ended 30 June 2006	For the period from the anticipated Listing Date to 30 June 2007[2]
	HK$'000	HK$'000
Other income	588	175
Adjustment Payments[3]	—	46,361
Write back of provision for diminution in value of completed properties for sale	18,342	—
Profit on sale of completed properties for sale	164	—
Manager's fee	—	(23,799)
Trustee's fee	—	(1,516)
Administrative expenses	(714)	—
Trust-related expenses	—	(6,910)
Other operating expenses	(1,320)	—
Increase in fair value of investment properties[1]	2,469,077	—
Interest expenses	(26,164)	(94,458)
Profit before tax and transactions with Unitholders	2,670,335	71,326
Current tax	(25,482)	(5,164)
Deferred tax	(429,767)	(3,327)
Net profit, before transactions with Unitholders[4]	2,215,086	62,835
Net profit, before transactions with Unitholders[4]		62,835
Adjustments[5]		59,171
Annual Distributable Income		122,006

	Forecast	
	For the period from the anticipated Listing Date to 30 June 2007[2]	
	Min	Max
Offer Price (HK$)[6]	2.45	2.60
Number of units in issue (million)[7]	1,492	1,492
Number of units in issue excluding Base Distribution Waiver Units (million)[7][8]	1,050	1,050
Distributions per unit excluding Base Distribution Waiver Units (HK$)[8]	**0.1161**	**0.1162**
Forecast annualised distribution yield[8]	**9.01%**	**8.49%**
Forecast annualised distribution yield[9]		
Excluding Adjustment Payments, excluding effective return of equity and before taking into account the effect of the Distribution Waiver[3][7][10]	2.27%	2.14%
Including Adjustment Payments, excluding effective return of equity and before taking into account the effect of the Distribution Waiver[3][7][10]	4.68%	4.41%
Including Adjustment Payments, including effective return of equity and before taking into account the effect of the Distribution Waiver[3][7][10]	6.34%	5.98%
Including Adjustment Payments, including effective return of equity and after taking into account the effect of the Distribution Waiver[3][7][10]	**9.01%**	**8.49%**

Notes:

(1) Since the extent of any changes in the valuation of the Properties in the future will be established by reference to the market valuation at the end of each financial year, the Manager has not made any assumption as to property valuation movements in arriving at the forecast net profit of Sunlight REIT for the period from the anticipated Listing Date to 30 June 2007. Should the valuation of the Properties as at 30 June 2007 drop below/rise above the market values of the Properties as at Completion, the resulting gain or loss less the effect of the related goodwill (if any) would be credited/charged to the income statement. Any resulting property valuation gain would be adjusted for and excluded in the calculation of Annual Distributable Income.

(2) In preparing the profit forecast for the period from the anticipated Listing Date to 30 June 2007, the Manager has excluded any excess of the fair value of identifiable assets and liabilities of the Target Companies and Finance Company as at Completion over the cost of the acquisition of these companies before taking into account the effect of any purchase price adjustment for the assets/liabilities of the Target Companies and Finance Company on Completion and before taking into account any Adjustment Payments (refer to note (3) below) since the amounts of such excess will be determined in part by reference to the market value of the Properties as at Completion and the Manager has not made any assumption as to property valuation movements in any future date as mentioned in note (1) above.

(3) Pursuant to the Deeds of Adjustment Payments, the Vendors of the Target Company Shares have agreed to make Adjustment Payments to Sunlight REIT, further details of which are described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — Deeds of Adjustment Payments". The Manager forecasts that Sunlight REIT will receive Adjustment Payments amounting to HK$46.4 million for the period from the anticipated Listing Date to 30 June 2007. The Adjustment Payments are subject to a cap in the event of Force Majeure in respect of payments relating to the years ending 30 June 2008 and 30 June 2009.

Pursuant to the Deeds of Adjustment Payments, the Adjustment Payments are made effectively as adjustments to the consideration payable by Sunlight REIT and the REIT Group Companies to the Vendors of the Target Company Shares for the acquisition. Accordingly, under HKFRS, the recognition of such Adjustment Payments will result in an adjustment to goodwill arising on acquisition.

If the acquisition of the Target Companies gives rise to an excess of fair value of identifiable assets and liabilities acquired over the cost of acquisition of businesses, i.e. negative goodwill, such amount will be credited to Sunlight REIT's consolidated income statement upon acquisition under HKFRS. Accordingly, any subsequent adjustment to negative goodwill to reflect the Adjustment Payments will be recognised as income in the period in which the Adjustment Payments are received (assuming, as is the case under the profit forecast, that the acquisition of the Target Companies gives rise to negative goodwill).

(4) The net profit for the year ended 30 June 2006, excluding the increase in fair value of investment properties and the related tax effect for that period, is HK$166,435,000.

(5) Refers to the following adjustments:

	Forecast
	For the period from the anticipated Listing Date to 30 June 2007
	HK$'000
Manager's fee paid in units	23,799
Amortisation of upfront fee in relation to the interest rate swaps	29,914
Amortisation of debt establishment fees:	
— in relation to the term loan	2,036
— in relation to the revolving credit facility	95
Deferred taxation in respect of property valuation movements and commercial building allowances/capital allowances claimed	3,327
Total Adjustments	59,171

Certain of the adjustments detailed above (namely, the Manager's fee paid in Units and the amortisation of upfront fee in relation to the interest rate swaps), as well as the Adjustment Payments described in note 3 above and the Distribution Waiver described in note 8 below, are yield enhancement arrangements of Sunlight REIT which are designed to enhance Annual Distributable Income and DPU for a limited period to a level which is higher than that which would exist based solely on the results of the operating activities of Sunlight REIT. The arrangement for payment of the Manager's fee in Units is described in more detail in the sections below headed "Non-Property Operating Expenses — Manager's Base Fee" and "Non-Property Operating Expenses — Manager's Variable Fee".

(6) Assuming an Offer Price range of HK$2.45 and HK$2.60 per Unit, being the Minimum Offer Price and Maximum Offer Price, respectively.

(7) Number of units in issue is the number of Units assumed to be outstanding as at 30 June 2007. 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 30 June 2007 and assumes the Manager distributes 100% of Annual Distributable Income. The Units outstanding as at 30 June 2007 do 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 distribution for the period from the Listing Date to 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.

(8) The SKFE Subscribers and the HLD Subscribers have agreed, under the Deeds of Distribution Waiver, to waive certain proportions of their entitlements to receive distributions of Sunlight REIT in respect of the period from the Listing Date until 30 June 2011, further details of which are described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — Deeds of Distribution Waiver" in this Offering Circular.

For the purposes of the profit forecast, it is assumed that as at the relevant Record Date in relation to the distribution in respect of the Profit Forecast Period, the number of Units held by each of the SKFE Subscribers and the HLD Subscribers will be no less than the number of Base Distribution Waiver Units applicable to it. Accordingly, in the profit forecast it has been assumed that no Distribution Waiver Payments will be payable.

(9) The forecast annualised distribution yields for the period from the anticipated Listing Date to 30 June 2007 are provided for illustrative purposes only and may differ from the annualised distribution yield after taxation set out in this table based on the number of Units outstanding for the period/year. Forecast annualised distribution yields have been calculated with reference to the Minimum Offer Price and Maximum Offer Price only.

(10) 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.

No forecast of profits or DPU whatsoever is made in respect of any period ending after 30 June 2007. Except as provided under the DPU Guarantees, none of Sunlight REIT, the Manager, the Trustee, SKFE, HLD nor any of the Underwriters guarantees the performance of Sunlight REIT, the repayment of capital or the payment of any dividends, or any particular return on the Units.

The forecast and projected yields stated in the table above are calculated based on the maximum and minimum subscription prices of the Offer Price range. Such yields will vary accordingly for investors who purchase Units in the secondary market at a price that differs from the maximum and minimum subscription prices of the Offer Price range.

Investors should note that distribution yield for the Profit Forecast Period includes the impact of yield enhancement mechanisms as described in footnotes (3), (5) and (8). Please see the section headed "Important: Information on Distribution Components" in this Offering Circular.

Rental Income by Property Category

The historical and forecast contribution of the Office and Retail property category in Sunlight REIT's initial portfolio to Rental Income is as follows:

	Contribution to Rental Income[1]	
Property Category[2]	**For the year ended 30 June 2006**	**For the period from anticipated Listing Date to 30 June 2007**
	(%)	**(%)**
Office	41.5	45.4
Retail	58.5	54.6
Total	100.0	100.0

Notes:

(1) Rental Income excludes car park income.

(2) This table presents information by categorising each Property as either office or retail. The categorisations were determined by the nature of the source of the majority of the income generated by the relevant Property. Consequently, for any Property that has a mixed office and retail usage but is categorised as office, a portion of its total Rental Income will actually be referable to retail usage, and vice versa for any mixed use Property which is categorised as retail.

Total Net Property Income by Property Category

The historical and forecast contribution of the Office and Retail property category in Sunlight REIT's initial portfolio to net property income is as follows:

	Contribution to net property income	
Property Category[1]	**For the year ended 30 June 2006**	**For the period from anticipated Listing Date to 30 June 2007**
	(%)	**(%)**
Office	42.3	45.9
Retail	57.7	54.1
Total	100.0	100.0

Note:

(1) This table presents information by categorising each Property as either office or retail. The categorisations were determined by the nature of the source of the majority of the income generated by the relevant Property. Consequently, for any Property that has a mixed office and retail usage but is categorised as office, a portion of its net property income will actually be referable to retail usage, and vice versa for any mixed use Property which is categorised as retail.

Bases and Assumptions

The Manager has prepared the profit forecast for the period from the anticipated Listing Date to 30 June 2007 based on the assumptions set out below. The Manager considers these assumptions to be appropriate and reasonable as at the date of this Offering Circular. This information is intended to assist prospective investors in assessing the reasonableness and likelihood of the profit forecast being achieved, and is not intended to be a representation that the assumptions represent events that will occur. Recipients of this Offering Circular and all prospective investors in the Units should consider these assumptions as well as the profit forecast and make their own assessment of the future performance of Sunlight REIT.

Total Turnover

Total turnover is the aggregate of Rental Income and car park income. A summary of the assumptions used in calculating total turnover is set out below.

Rental Income

Rental Income comprises rental income due from tenants and license fees due from licensees. Rents paid under Sunlight REIT's lease agreements are generally fixed for a period of two to three years from their original commencement date, consistent with general market practice for retail and office lease agreements in Hong Kong.

The forecast Rental Income is calculated based on the contracted rents payable under existing lease agreements and the Manager's expectations of market demand and inflation which include the following:

Rental Income by Categories of Tenants

The following table sets forth a breakdown of Rental Income attributable to the different categories of tenants for the period indicated:

	Percentage of Rental Income
	For the period from anticipated Listing Date to
Categories of Tenants	**30 June 2007**
	(%)
Existing lease commitments[(1)]	76.3
Expected lease renewals	15.6
Expected new tenants	8.1
Total	100.0

Note:

(1) Rental Income from existing lease commitments includes Rental Income projected to be received during the Profit Forecast Period due to leases in place as at 30 September 2006 and from contracted tenancies assessed as at the Latest Practicable Date that have commenced/are to commence after 30 September 2006. For any such leases which expire prior to the end of a relevant forecast period, rental up to the expiry date has been taken into account as existing lease commitments.

Occupancy Rates Assumptions

The following table sets forth the historical and forecast occupancy rates for the Properties by property category for the periods indicated. The Manager has assessed forecast occupancy rates based on the historic occupancy rates of the Properties, the occupancy rate of the Properties as at 30 September 2006 and contracted and projected tenancies starting after that date.

	Proportion of Total Gross Rentable Area	Average occupancy rates		
		Historical		Forecast
Property Category[1]	As at 30 June 2006	For the year ended 30 June 2006	For the three months ended 30 September 2006	For the period from anticipated Listing Date to 30 June 2007
	(%)	(%)	(%)	(%)
Office	68.1	89.8	89.9	96.6
Retail	31.9	90.5	87.9	97.5
Total	100.0	90.0	89.3	96.9

Note:

(1) This table presents information by categorising each Property as either office or retail. The categorisations were determined by the nature of the source of the majority of the income generated by the relevant Property. Consequently, for any Property that has a mixed office and retail usage but is categorised as office, a portion of its occupancy rate will actually be referable to retail usage, and vice versa for any mixed use Property which is categorised as retail.

Forecast average occupancy rates take into account a projected vacancy period, which differ from property to property but is generally between two to three months with a resulting average (weighted by Gross Rentable Area) vacancy period of 2.5 and 2.0 months for the Properties categorised as Office and Retail respectively. See the section "Renewal of tenancies by Existing Tenants and Procurement of New Leases" below.

Average Lease Length

Lease agreements are generally fixed for a period of two to three years, consistent with general market practice for retail and office lease agreements in Hong Kong. The Manager projects a future average lease length of 2.2 years and 2.0 years based on historical leasing activity for the Properties categorised as Office and Retail respectively.

Renewal of Tenancies by Existing Tenants and Procurement of New Leases

Sunlight REIT's lease agreements generally entitle new tenants to enjoy rent-free periods, of between 1.7 and 0.5 months for office and retail Properties respectively during which the tenants will not be required to pay any base rent. Based on an average historical renewal rate of 72% (by Gross Rentable Area) from 1 January 2005 to 31 December 2005, recent leasing activities and the Manager's assessment of future leasing activities, the Manager has assumed that on average approximately 70% of the existing tenancies (by Gross Rentable Area) will be renewed and the remaining 30% of the tenancies will expire and not be renewed. In respect of the non-renewed tenancies, the Manager will generally experience a 2 to 3 months leasing up period prior to a new lease being entered into, during which no rent will be paid. In preparing the profit forecast, the Manager has assumed that all leases expiring subsequent to the anticipated Listing Date, will follow this same pattern.

Growth of Rental Rates

The Manager has assessed the market rent for each unit in each of the Properties as at 30 September 2006. The market rent is the rent which the Manager believes could be achieved if each lease was renegotiated as at the expiry date and is estimated with reference to (amongst other things) (i) the base rent payable pursuant to comparable leases for tenancies in the respective property that have been negotiated subsequent to 30 September 2006 and (ii) the rent for comparable retail and office buildings. In forecasting the market rent for each of the Properties, the Manager has also taken into account a variety of property-specific factors, including but not limited to (i) the location of the property; (ii) property type (retail, office); (iii) age of the building; (iv) occupancy level of the property; (v) economic and demographic attributes; and (vi) projected future developments in the area immediately surrounding the Property and the associated catchment area.

Future market rent for each of the Properties has been estimated by the Manager based on the market rent for each unit in each of the Properties as at 30 September 2006 and the Manager's assessment of growth in market rent for each of the Properties. The Market Consultant in relation to the Hong Kong Grade A and Grade B office and retail property market has provided the Manager with projections as to the future growth rates of the market rent for each of the Properties — see the section headed "Appendix VI — Letter from the Market Consultant in relation to its Hong Kong Grade A and Grade B office and retail property markets analysis report". The Manager has considered this information in determining the future market rental for each of the Properties.

If a tenancy is scheduled to expire during the forecast period, the base rent payable under the new lease or renewed lease is assumed by the Manager to be the market rent projected as at the commencement of the following lease, which is calculated based on the expiry date of the previous lease adjusted for the projected leasing up period.

Since the lease agreements are generally fixed for two to three years, the relevant market rent projected in the forecast period will effectively incorporate the cumulative increase/decrease of the prevailing market rental rate since the commencement of the previous (expiring) lease.

Car Park Income

Car park income includes income accruing or resulting from car park operations in certain Properties.

Adjustment Payments

In addition to the Rental Income and car park income, the Manager anticipates that Sunlight REIT will receive Adjustment Payments during the forecast period under the Deeds of Adjustment Payments.

The Manager anticipates that the Adjustment Payments will amount to HK$46.4 million for the period from the anticipated Listing Date to 30 June 2007.

For further information on the Adjustment Payments, see the section headed "Management Discussion and Analysis of Future Results of Operations — Adjustment Payments" in this Offering Circular.

Rental Related Income

Rental related income includes expenses incurred in the operations of the Properties that are recoverable from tenants and licensees. The recoverable expenses include recovery of rates expenses, recovery of air conditioning running costs, promotional levies and management fees payable by the tenants.

Direct Costs

Direct costs comprise the aggregate of property management fee, Government rent and rates, car park operating costs and other direct costs.

Property Management Fee

Under the Property Management Agreement, the Property Manager is entitled to receive from each property holding company, for each financial year, a fee of 3.0% per annum of the Gross Property Revenue of the relevant property for the property management services and lease management services provided by the Property Manager. Such fee will be paid by each property holding company to the Property Manager. For further information on these arrangements, see the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — Property Management Agreement" in this Offering Circular. The property management fee for the Profit Forecast Period is calculated on the basis of the terms of the Property Management Agreement.

Government Rent and Rates

It is assumed that the current level of Government rates, of 5.0% of the applicable ratable value per annum of the relevant property, and Government rent payable by each of the relevant Properties, will continue to be levied on each of the Properties.

Car Park Operating Costs

Car park operating costs comprise car park management fee, car park operating expenses and promotional expenses.

Other Direct Costs

Other direct costs comprise building management fees, commissions, marketing expenses, professional services charges, registration fees, company charges, stamp duty, insurance fees and other miscellaneous direct costs.

Building Management Fee

Building management fees have been estimated based on the historic building management fees and the property manager's assessment of future building management costs.

Commissions

Under the Property Management Agreement, the Property Manager is entitled to receive from the relevant Property Company a commission equivalent to:

- one month's base rent for securing a tenancy of three years or more;
- one-half month's base rent for securing a tenancy of less than three years;
- one-half month's base rent for securing a renewal of tenancy irrespective of the duration of the renewal term; and
- 10.0% of the total license fee for securing a license for a duration of less than 12 months.

Non-Property Operating Expenses

These comprise Manager's Base Fee, Manager's Variable Fee, acquisition and divestment fee and Trustee's Fee. For further information see the section headed "Management Discussion and Analysis of Future Results of Operations — Additional Cost Items" in this Offering Circular.

Trust-related expenses

For the Profit Forecast Period, trust-related expenses include annual listing fees, registrar fees, audit and tax adviser's fees, costs associated with the preparation and distribution of reports to Unitholders and other miscellaneous expenses.

The Manager has assessed that during the Profit Forecast Period, a proportion of the Trust-related expenses will be non-tax deductible due to the nature of services provided.

Finance Costs

For profit forecast purposes, finance costs of Sunlight REIT will comprise primarily "effective interest" on the term loan and commitment fee in respect of the revolving credit facility.

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 starting from the year ending 30 June 2008. They will remain fixed at 3.50% until the expiry of the interest rate swap agreements in 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.

For further information on the interest rate swap agreements and their impact upon finance costs of Sunlight REIT, see the section headed "Management Discussion and Analysis of Future Results of Operations — Finance Costs and Interest Rate Swaps" in this Offering Circular.

Hong Kong Taxation

Tax expense is determined on the basis of tax effect accounting using the liability method. Tax expense has two components namely, current tax expense and deferred tax expense. Current tax expense is the amount of tax payable to the Inland Revenue Department in Hong Kong based on the relevant year's taxable profits at the prevailing applicable tax rate. The current applicable tax rate is 17.5%.

Deferred taxation is provided for all temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their tax bases, and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised. The temporary differences comprise available tax losses, commercial building allowance and other tax depreciation for the purpose of the profit forecast.

Non-deductible expenses include the Trustee's fee, a proportion of the Manager's fee and other miscellaneous non-deductible items.

Liquidity and Capital Resources

The proceeds from the issue of Units will be received from investors at the time the Units are issued. Following receipt of the proceeds of such subscriptions, the Trustee will complete the acquisition of the Properties in accordance with the terms of the Sale and Purchase Agreements as described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT" in this Offering Circular.

Fair Value of Investment Properties

The Appraised Value of the Properties is HK$9,090 million (as at 30 September 2006) as assessed by Savills Valuation and Professional Services Limited, the Independent Property Valuer. While it is expected that the Properties will be revalued at least annually on 30 June each year, commencing during 2007, the Manager considers that there is no reliable basis to forecast the market values for the Properties as of any future date. Accordingly, the Manager has made no assumption as to changes in the values of the Properties and accordingly the profit forecast for the Profit Forecast Period contains no property valuation movements.

Capital Expenditure

From time to time, the Manager expects to undertake capital expenditure on certain of the Properties to enhance the long-term value of the portfolio. This capital expenditure will deplete cash resources and some of the expenditure may not be deductible for taxation purposes. In such circumstances, the Manager will only seek to incur such capital expenditure that will improve the yield of the relevant Property, for example by either improving rental rates or occupancy rates or otherwise increasing the Gross Rentable Area of the relevant Property. The Manager has currently identified one potential capital expenditure item. For further information, see the section headed "Management Discussion and Analysis of Future Results of Operations — Liquidity and Capital Resources" in this Offering Circular.

Accounting Standards

The Manager has assumed no change in applicable accounting standards or other financial reporting requirements that may have a material effect on the forecast or projected net operating profit over the Profit Forecast Period.

Other Assumptions

In preparing the profit forecast, the Manager has made the following additional assumptions over the Profit Forecast Period:

- the property portfolio remains unchanged;
- no further capital will be raised;
- there is no change in taxation legislation or other applicable legislation;
- there is no change to the REIT Code;

- all leases and licences are enforceable and will be performed in accordance with their contracted terms;
- based on historical trends, provision for bad debts and doubtful debts will not be material;
- there is no material change in existing political, legal, fiscal, market or economic conditions in Hong Kong;
- there is no change in legislation, regulations or rules in Hong Kong, or any other country or territory which materially adversely affect the business of Sunlight REIT;
- there is no reliable basis to forecast change in fair value of financial instruments as of any future date (as such no assumption has been made);
- the SKFE Subscribers and the HLD Subscribers will each hold no less than the number of Base Distribution Waiver Units applicable to them on the Record Date for the distribution in respect of the Profit Forecast Period; and
- the Manager will distribute 100% of Annual Distributable Income to Unitholders.

Distribution Reinvestment Arrangement

The Trust Deed allows the Manager, where appropriate, the option of activating an arrangement whereby Unitholders may elect to re-invest all or part of their distribution entitlement in return for an issue of additional Units in Sunlight REIT. It has been assumed that the Manager will not activate the distribution reinvestment arrangement for the period ending 30 June 2007.

Sensitivity Analysis

The profit forecast and projected distributions included in this Offering Circular are based on a number of assumptions which are outlined in this section and are subject to a number of risks as outlined in the section headed "Risk Factors" in this Offering Circular. Prospective investors should be aware that future events cannot be predicted with any certainty and deviations from the figures forecast in this Offering Circular are to be expected.

In order to assist prospective investors in assessing the impact of some but not all assumptions on the distribution yield, the following tables demonstrate the sensitivity of the DPU yield to certain changes in assumptions as set forth below. It should also be noted that distribution yield as discussed below assumes that the Manager will distribute to Unitholders 100% of Annual Distributable Income for the period from the anticipated Listing Date to 30 June 2007 and will distribute no additional amounts out of capital. Accordingly, the sensitivity illustrations are based exclusively on movements in Annual Distributable Income resulting from the circumstances considered. The sensitivity illustrations do not take account of the impact of the DPU Guarantees which provide that, subject to the further terms and conditions combined therein, the distributions per Unit will be no less than HK$0.1161.

Prospective investors should be aware that the sensitivity analysis is not intended to be exhaustive and is limited in scope in that not all principal assumptions or other assumptions which are relevant to the figures forecast or projected in this Offering Circular have been examined or reviewed in this sensitivity analysis.

Care should be taken in interpreting these sensitivities. These sensitivities treat each movement in the variables in isolation whereas, in practice, the movements could be interdependent. The effects of movements may offset or compound each other. Accordingly, the effect on the profit forecast presented for each sensitivity is not intended to indicate the likely range of outcomes with respect to each sensitivity. No attempt is made to identify the cause of any potential variation, or to identify or quantify any consequential or related changes or variations in other lines.

	For the period from the anticipated Listing Date to 30 June 2007[1]			
	Annualised distribution yield[2] based on the Maximum Offer Price	**Annualised profit yield[2] based on the Maximum Offer Price**	**Annualised distribution yield[2] based on the Minimum Offer Price**	**Annualised profit yield[2] based on the Minimum Offer Price**
	(%)	**(%)**	**(%)**	**(%)**
Rental Income				
5.0% decrease in Rental Income	8.53	3.12	9.05	3.31
Current assumptions[3]	8.49	3.08	9.01	3.27
5.0% increase in Rental Income	8.45	3.04	8.97	3.23
Operating expenses				
5.0% increase in operating expenses	8.28	2.93	8.78	3.11
Current assumptions[3]	8.49	3.08	9.01	3.27
5.0% decreases in operating expenses	8.71	3.23	9.24	3.42
Property valuation				
5.0% decrease in the fair value of the Properties (HK$8,636 million)	nil[4]	(19.10)	nil[4]	(20.27)
Current assumptions (HK$9,090 million)[3]	8.49	3.08	9.01	3.27
5.0% increase in the fair value of the Properties (HK$9,545 million)	8.49[5]	25.26	9.01[5]	26.80

Notes:

(1) The annualised distribution yields and annualised profit yields for the period from the anticipated Listing Date to 30 June 2007 are provided for illustrative purposes only. Investors should note that the Vendors of the Target Company Shares will enter into DPU Guarantees pursuant to which they will guarantee that the DPU of Sunlight REIT for the period from the anticipated Listing Date to 30 June 2007 will not be less than HK$0.1161 (after taking into account the Distribution Waiver (assuming the Minimum Offer Price is HK$2.45) and subject to certain conditions and adjustments), severally in the proportions of the respective Appraised Values of the Properties (or parts thereof or interests therein) sold by the Vendors to the REIT Group Companies.

(2) Annualised distribution yields are inclusive of Adjustment Payments and effective return of equity and take into account the Distribution Waiver, but do not take into account any payments that may be made under the DPU Guarantees referred to in note 1 above. Annualised profit yields are inclusive of Adjustment Payments and effective return of equity, but do not take into account any payments that may be made under the DPU Guarantees referred to in note 1 above.

(3) Current assumptions used for preparing this profit forecast.

(4) A decrease in the value of the Properties may reduce Annual Distributable Income (excluding any payments received under the DPU Guarantees) to nil, which means that a distribution may not be made except out of payments received under the DPU Guarantees.

(5) The effects of property revaluation gains are eliminated in the calculation of Annual Distributable Income.

Where Annual Distributable Income is reduced in consequence of non-cash items such as property revaluation losses, cash flow for the period in question may potentially exceed Annual Distributable Income.

The Manager 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. For further information see the section headed "Distribution Policy" in this Offering Circular.

Sensitivity to Interest Rates

In order to hedge against fluctuations in interest rates under the term loan, the Finance Company will hold interest rate swap agreements effective from Listing Date until 30 June 2011. As a result, the Manager expects that, from the Listing Date until 30 June 2011, the entire principal amount of the term loan or approximately 100% of Sunlight REIT's total indebtedness will be subject to fixed interest rates.

The interest rate swaps mitigate interest rate risk to Sunlight REIT. If Sunlight REIT did not enter into the interest rate swap agreements and instead were to pay interest on the term loan as well as the revolving credit facility at a variable rate, Annual Distributable Income would fluctuate with, amongst other things, changes in interest rates. Assuming that: (i) the interest rate swap arrangements had not been entered into; (ii) Sunlight REIT were to pay interest on the revolving credit facility and the term loan at variable rates; (iii) tax was payable at a rate of 17.5% on the profits of the Property Companies; and (iv) all other factors remain the same, Annual Distributable Income would decrease by approximately HK$3.3 million each year for every 10 basis point increase in HIBOR. Conversely, Annual Distributable Income would increase by approximately HK$3.3 million each year for every decrease of 10 basis points in HIBOR.

Except as provided under the DPU Guarantees, none of the Vendors, Sunlight REIT, the Manager, the Property Manager, SKFE, HLD, the Trustee or the Underwriters guarantees the performance of Sunlight REIT, the repayment of capital or the payment of any (or any particular) return on the Units. See also the risk factors headed "Yield enhancement mechanisms, which will have the effect of increasing distributions per Unit, have been put in place for a limited period. When such mechanisms come to an end, distributions per Unit and/or the price of Unit may be adversely affected" and "Insufficient cash flows or distributable income of the REIT Group Companies or Sunlight REIT may adversely affect Sunlight REIT's ability to pay or maintain distributions to Unitholders"

Sunlight REIT intends to achieve distributions per Unit (after taking into account the Distribution Waiver) of not less than HK$0.1161 based on the Minimum Offer Price and HK$0.1162 based on the Maximum Offer Price in respect of the period from the anticipated Listing Date to 30 June 2007, representing an annualised distribution yield of 9.01% based on the Minimum Offer Price and 8.49% based on the Maximum Offer Price (excluding other transaction costs). See the section headed "Profit Forecast" in this Offering Circular for a detailed calculation of the distribution yield based on the Minimum Offer Price and Maximum Offer Price.

In the event the distributions per Unit paid, after taking into account the Distribution Waiver, exceed the consolidated net profit per Unit for that period, part of the distribution will be paid out of the capital of Sunlight REIT.

The following table sets forth certain distribution data and forecasted yields for the period from the anticipated Listing Date to 30 June 2007.

	Forecast	
	For the period from 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$2.60**
Forecast DPU (after taking into account the Distribution Waiver) (HK$)	0.1161	0.1162
Forecast annualised distribution yield[(1)]		
Excluding Adjustments Payments, excluding effective return of equity and before taking into account the effect of the Distribution Waiver[(2)(3)(4)]	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)(4)]	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)(4)]	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)(4)]	**9.01%**	**8.49%**

Notes:

(1) The forecast annualised distribution yields for the period from the anticipated Listing Date to 30 June 2007 are provided for illustrative purposes only and may differ from the annualised distribution yield after taxation set out in this table based on the number of Units outstanding for the period/year. Annualised distribution yields have been calculated with reference to the Minimum Offer Price and Maximum Offer Price only.

(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) See Note (8) to the profit forecast in the section headed "Profit Forecast" of this Offering Circular.

Bases and Assumptions

The above projected distribution yields are calculated based on the Maximum Offer Price and Minimum Offer Price (excluding other transaction costs). The yield obtained by investors who purchase Units in the secondary market at a market price that differs from the Maximum Offer Price or Minimum Offer Price (excluding other transaction costs), calculated using such secondary market purchase price, will accordingly differ from the distribution yields stated above.

DPU Guarantees

The Vendors of the Target Company Shares (other than HIL) have entered into DPU Guarantees with the Trustee and the Manager and HLD or HD or SKFE as guarantor (as the case may be). HIL, being a Vendor of the Target Company Shares, also entered into a DPU Guarantee with the Trustee and the Manager. Pursuant to the DPU Guarantees, those Vendors will, severally in the proportions of the respective Appraised Values of the Properties (or parts thereof or interest therein) sold by those Vendors to the REIT Group Companies, guarantee 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 and assuming the Minimum Offer Price is HK$2.45) for that period. They will also guarantee, on the same basis but subject to a cap in the event of Force Majeure, 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 (after taking into account the Distribution Waiver and assuming the Minimum Offer Price is HK$2.45) for the period from the anticipated Listing Date until 30 June 2007 on an annualised basis). No forecast of profits or DPU whatsoever is made in respect of the years ending 30 June 2008 and 30 June 2009. There will be no guarantee of DPU for periods after 30 June 2009. These guarantees are subject to the terms of the DPU Guarantees, and assume that the Manager distributes 100% of Annual Distributable Income for the relevant periods and that there are no further issues of Units (save for the payment of the Manager's Base Fee and Variable Fee, but not other fees, in Units) prior to the Record Dates for those relevant periods. If any additional Units are issued (other than payment of the Manager's Base Fee and Variable Fee in Units), the

Guaranteed DPU will be adjusted downwards. The guarantee may cease in some circumstances if the Manager makes any acquisition or disposal of properties for which the prior approval of the guarantors is not obtained. For further details about the DPU Guarantees, see the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — DPU Guarantees" in this Offering Circular.

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, as described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — DPU Guarantees" in this Offering Circular.

Investors should note that distributions may be made out of capital. No amounts will be payable under the DPU Guarantees if the actual DPU is equal to or greater than the Guaranteed DPU, even if the actual DPU includes distributions paid out of capital.

Distribution Waiver

The SKFE Subscribers and the HLD Subscribers have agreed, under the Deeds of Distribution Waiver, to waive certain proportions of their entitlements to receive distributions of Sunlight REIT in respect of periods from the Listing Date until 30 June 2011, further details of which are described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — Deeds of Distribution Waiver" in this Offering Circular.

The following table sets out the unaudited pro forma balance sheets of Sunlight REIT as at the date of establishment of Sunlight REIT assuming that 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, the Target Properties and the Finance Company Share as if they had taken place on the same day. The table is prepared based on the unaudited pro forma balance sheets of Sunlight REIT in Appendix II to this Offering Circular and should be read conjunction with the basis of preparation, the pro forma adjustments and the letter from the Reporting Accountants therein, as well as the section headed "Material Agreements and Other Documents Relating to Sunlight REIT" in this Offering Circular.

	Based on Maximum Offer Price of HK$2.60	Based on Minimum Offer Price of HK$2.45
	HK$'000	HK$'000
Assets		
Investment properties[(1)]	9,090,000	9,090,000
Interest rate swaps[(2)]	195,200	195,200
Reimbursement right[(3)]	207,741	207,741
Deferred tax assets	3,276	3,276
Accounts receivable, deposits and prepayments	20,874	20,874
Cash and cash equivalents[(4)]	65,159	65,159
Liabilities		
Tenants' deposits	(72,738)	(72,738)
Other liabilities[(5)]	(51,666)	(51,666)
Bank loans — secured[(6)]	(3,929,800)	(3,929,800)
Deferred tax liabilities[(7)]	(1,418,717)	(1,418,717)
Net assets attributable to Unitholders	4,109,329	4,109,329
Represented by:		
Proceeds from issuance of Units[(8)]	3,866,300	3,643,200
Cost of issuance of Units[(9)]	(171,900)	(167,200)
Excess of fair values of the acquirees' identifiable net assets over cost of business combination[(10)]	414,929	633,329
	4,109,329	4,109,329

Notes:

1. Investment properties are stated at market valuation based on the valuations performed by the Independent Property Valuer, Savills Valuation and Professional Services Limited on 30 September 2006.

2. The interest rate swaps represent interest rate swap agreements entered into by the Finance Company with The Hongkong and Shanghai Banking Corporation Limited and are accounted for on the balance sheet based on their fair values.

3. This refers to 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.

4. Cash and cash equivalents represent:

   (a) proceeds from the issuance of Units of Sunlight REIT;

   (b) drawn down of Facility by the Finance Company;

   less

   (c) 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; and

   (d) payment of the acquisition of the Target Companies and settlement of the current accounts with related companies and amounts due to existing properties' owners.

5. Other liabilities include rent receipts in advance, creditors, accrued expenses and current taxation.

6. This refers to the amount of HK$3,950 million drawn down under the Facility by the Finance Company, net of attributable transaction costs of HK$20 million in respect of the Facility.

7. Deferred tax liabilities primarily represent the tax effect in respect of the temporary differences between the fair values of the assets and liabilities acquired and their tax bases in the business combination, and are calculated in full on such temporary differences under the liability method using a principal taxation rate of 17.5%.

8. This refers to the proceeds received from the issuance of 1,487,013,000 Units of Sunlight REIT based on the Maximum Offer Price and the Minimum Offer Price of HK$2.60 and HK$2.45 respectively.

9. The issuance costs comprise 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.

10. This represents the fair values of the identifiable assets and liabilities over the costs of acquisitions of the Target Companies amounting to HK$415 million (based on the Maximum Offer Price) and HK$633 million (Based on the Minimum Offer Price).

The NAV per Unit is expected to be HK$2.76 based on the Maximum Offer Price, and HK$2.76 based on the Minimum Offer Price based on the assumptions set out above and on the 1,487,013,000 Units expected to be in issue immediately following completion of the Offering.

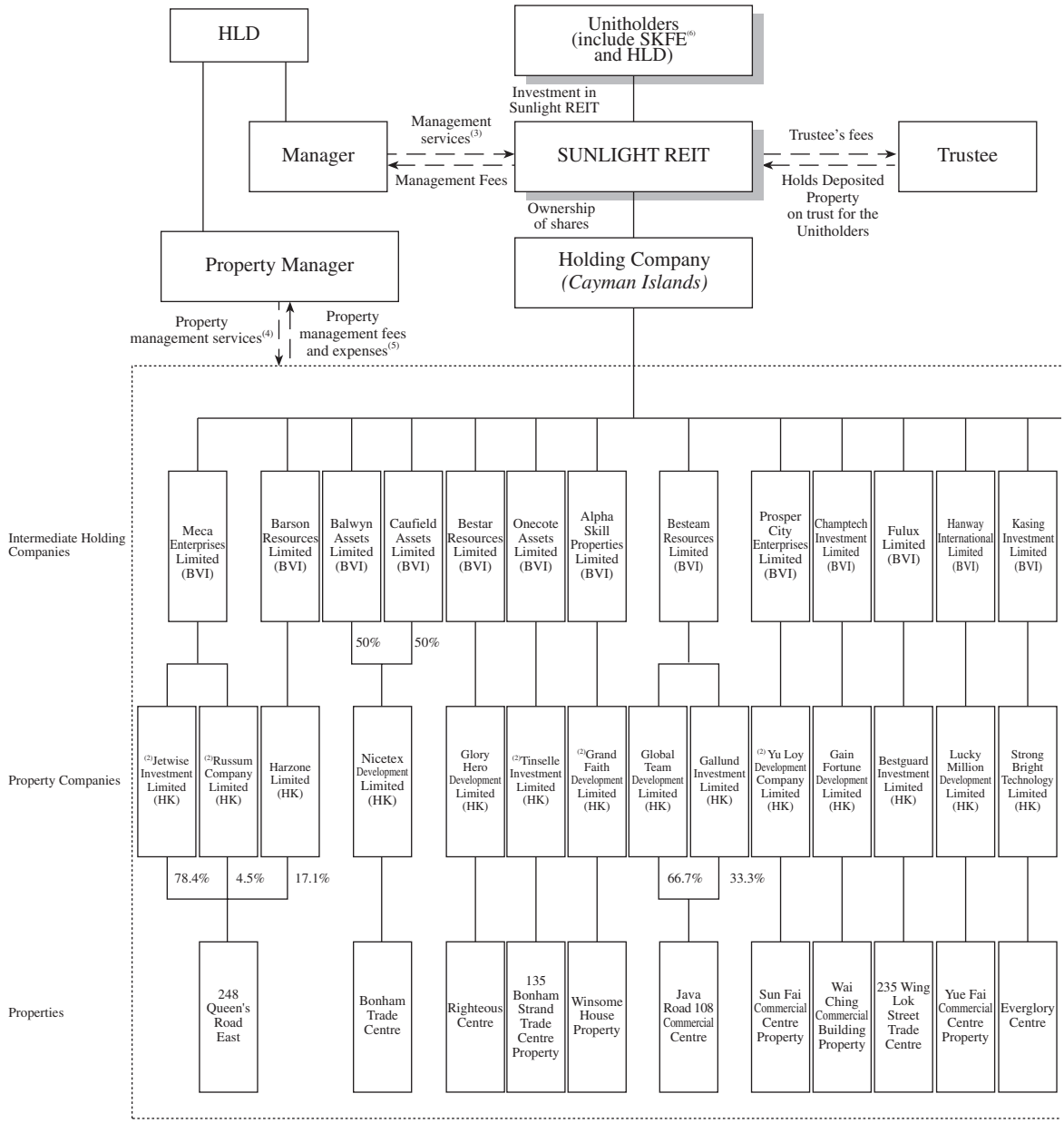
By excluding the net deferred tax liabilities [(i)], the NAV as adjusted (i.e. the Adjusted NAV) per Unit is expected to be HK$3.58 based on the Maximum Offer Price, and HK$3.58 based on the Minimum Offer Price based on the assumptions set out above and on the 1,487,013,000 Units expected to be in issue immediately following completion of the Offering. The Maximum Offer Price of HK$2.60 and the Minimum Offer Price of HK$2.45 represent a discount of 27% and a discount of 32% respectively to the Adjusted NAV per Unit.

Note:

(i) Net deferred tax liabilities represent deferred tax assets and liabilities less related reimbursement right pursuant to the tax indemnity provided by the Vendors.

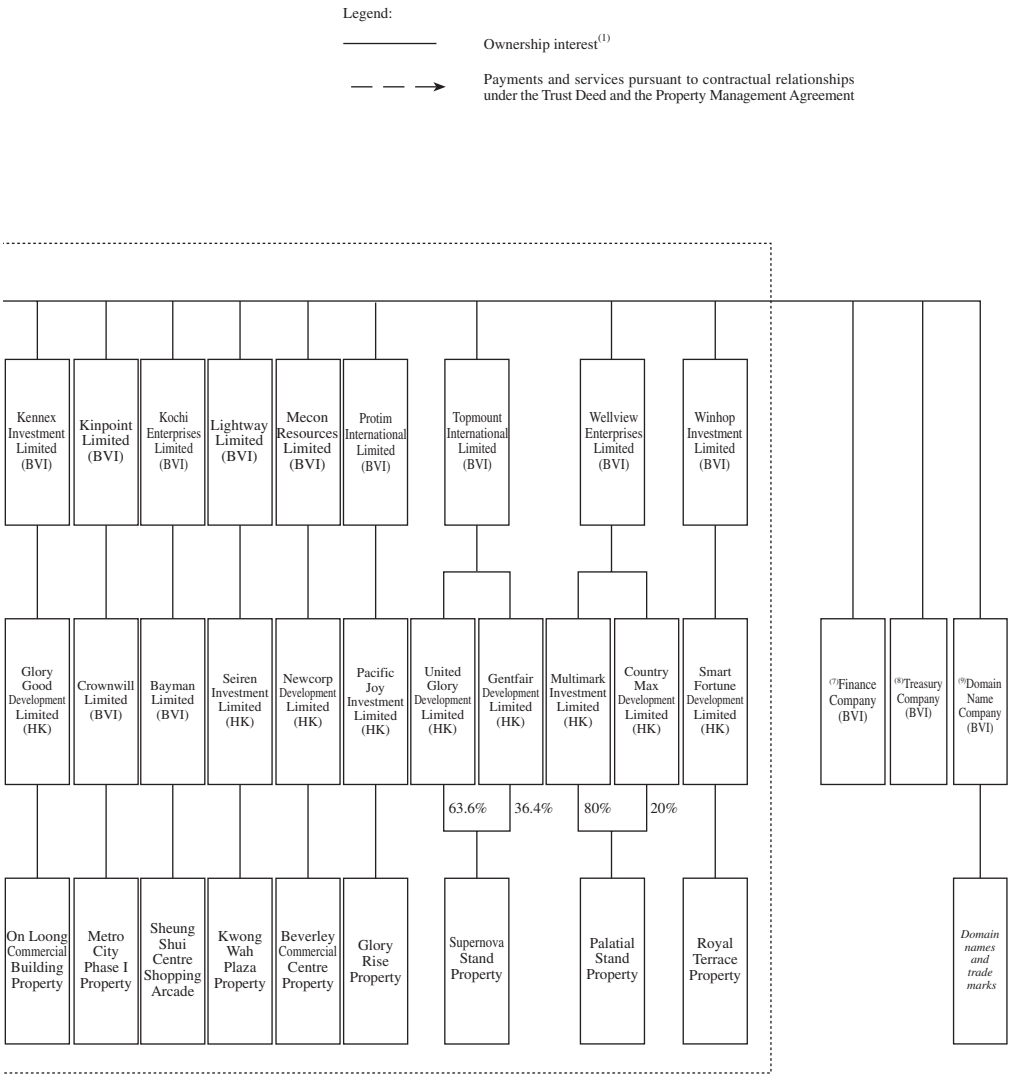
STRUCTURE, MANAGEMENT AND AGREEMENTS

Sunlight REIT will acquire direct or indirect beneficial ownership of all of the Properties through the Sale and Purchase Agreements on the Listing Date. For details of the Sale and Purchase Agreements, see the section headed "Material Agreements and Other Documents Relating to Sunlight REIT" in this Offering Circular. The following diagram illustrates the ownership structure of Sunlight REIT and the primary structural and contractual relationships between, amongst others, Sunlight REIT, the Unitholders, the Manager, the Trustee and the Property Manager, upon completion of the Offering.



Notes:

(1) Unless otherwise specified, all shareholdings are wholly-owned
(2) Non-voting deferred shares will be held outside Sunlight REIT after Completion
(3) The Manager will provide management services to Sunlight REIT and will, in return, receive the Base Fee, Variable Fee, Divestment Fee and Acquisition Fee from Sunlight REIT
(4) Property management services will be provided to each Property Company by the Property Manager
(5) Property management fees and expenses will be payable by each Property Company to the Property Manager
(6) The entire issued share capital of SKFE is held by a family trust of Dr. Lee Shau Kee, the chairman of HLD
(7) The Finance Company is the borrower under the Facility, from whom all or part of the funds borrowed are to be on-lent to other REIT Group Companies
(8) The Treasury Company performs treasury functions for Sunlight REIT
(9) The Domain Name Company holds a number of domain names used by the REIT Group Companies and may register other domain names from time to time, and it has also made a number of applications for registration of trade marks (some of which have been granted) used or to be used by the REIT Group Companies in Hong Kong and may apply for registration of other words or devices as trade marks from time to time


Legend:
Ownership interest(1)
Payments and services pursuant to contractual relationships under the Trust Deed and the Property Management Agreement
Kennex Investment Limited (BVI)
Kinpoint Limited (BVI)
Kochi Enterprises Limited (BVI)
Lightway Limited (BVI)
Mecon Resources Limited (BVI)
Protim International Limited (BVI)
Topmount International Limited (BVI)
Wellview Enterprises Limited (BVI)
Winhop Investment Limited (BVI)
Glory Good Development Limited (HK)
Crownwill Limited (BVI)
Bayman Limited (BVI)
Seiren Investment Limited (HK)
Newcorp Development Limited (HK)
Pacific Joy Investment Limited (HK)
United Glory Development Limited (HK)
Gentfair Development Limited (HK)
Multimark Investment Limited (HK)
Country Max Development Limited (HK)
Smart Fortune Development Limited (HK)
(7)Finance Company (BVI)
(8)Treasury Company (BVI)
(9)Domain Name Company (BVI)
63.6%
36.4%
80%
20%
On Loong Commercial Building Property
Metro City Phase I Property
Sheung Shui Centre Shopping Arcade
Kwong Wah Plaza Property
Beverley Commercial Centre Property
Glory Rise Property
Supernova Stand Property
Palatial Stand Property
Royal Terrace Property
Domain names and trade marks

Overview

Sunlight REIT is organised and managed in a manner which is consistent with the provisions and requirements of the REIT Code, subject as described in the section headed "Modifications, Waivers and Licensing Conditions" in this Offering Circular. The Manager is functionally independent of the Trustee and possesses the skill and resources to discharge its functions in relation to Sunlight REIT effectively and responsibly. In discharging such functions, the Manager is required to observe high standards of corporate governance. For details of the corporate governance policies and procedures of the Manager, see the section headed "Corporate Governance" in this Offering Circular.

The Manager

The Manager, Henderson Sunlight Asset Management Limited, was incorporated in Hong Kong on 18 August 2005 and is an indirect wholly-owned subsidiary of HLD. In order to assist the Manager to fulfill its role as manager of Sunlight REIT, HLD has made certain commitments to the Manager, details of which are set out in the section headed "Strategy — Investment and Acquisition Growth Strategy" in this Offering Circular. The Manager has a paid-up capital of HK$38,800,000 and its registered office is located at 30th Floor, 248 Queen's Road East, Wanchai, Hong Kong.

The Manager has general power of management over the assets of Sunlight REIT. The Manager's main responsibility is to manage Sunlight REIT and the Deposited Property in accordance with the Trust Deed in the sole interest of the Unitholders. Under its current licensing conditions, the Manager cannot manage any other REIT. The Manager will establish the investment, strategic direction and risk management policies of Sunlight REIT and will manage the assets of Sunlight REIT in accordance with the Manager's investment strategy as stated in the section headed "Strategy" in this Offering Circular and in accordance with the provisions of the Trust Deed and the compliance procedures set forth in this Offering Circular. The Manager is licensed by the SFC to conduct the regulated activity of asset management, as required by the REIT Code.

The Manager will be responsible for ensuring compliance with the applicable provisions of the REIT Code, the SFO and all other relevant legislation, the Listing Rules, the Trust Deed and all relevant contracts. The Manager will also be responsible for all regular communications with Unitholders in relation to Sunlight REIT.

The Manager may, subject to the provisions of the Trust Deed, instruct the Trustee in writing to borrow or raise moneys on behalf of Sunlight REIT by the Trustee directly or through REIT Group Companies (upon such terms and conditions as the Manager thinks fit and in particular charging or mortgaging all or any of the assets forming for the time being a part of, or being considered for acquisition to form part of the Deposited Property) whenever the Manager considers, amongst other things, that such borrowings or raisings are necessary or desirable in the interests of Unitholders to do so or considers it necessary to enable Sunlight REIT to meet any liabilities. However, the Manager must not direct the Trustee to incur a borrowing or money raising if to do so would mean that Sunlight REIT's total borrowings or other raisings for the account of Sunlight REIT (directly or indirectly through REIT Group Companies) exceed 45% (or such other higher or lower percentage as may be permitted by the REIT Code or as may be specifically permitted by the relevant authorities) of the total gross asset value of the Deposited Property.

The Board

The Board is responsible for the overall governance of the Manager, including establishing goals for management and monitoring the achievement of these goals. The Board has established a framework for the management of Sunlight REIT, including a system of internal controls and business risk management processes.

The Board currently comprises six Directors, consisting of the Chief Executive Officer, two non-executive Directors (including the Chairman) and three independent non-executive Directors. Mr. Wu Shiu Kee, Keith, the Chief Executive Officer, together with Mr. Leung Kwok Hoe, Kevin, the Investment and Investor Relations Manager and Mr. Leung Pei Sai, Bruce, the Asset Management Manager are currently licensed by the SFC as responsible officers of the Manager for the purposes of the SFO.

For further information on the Board and its committees, see the section headed "Corporate Governance" in this Offering Circular.

Directors

The following sets forth information regarding the Directors:

Name	Age	Position
Non-executive Directors		
Mr. Kan Fook Yee	70	Chairman and Non-executive Director
Mr. Kwok Ping Ho	54	Non-executive Director
Executive Director and responsible officer		
Mr. Wu Shiu Kee, Keith	43	Chief Executive Officer and Executive Director
Independent Non-executive Directors		
Mr. Kwan Kai Cheong	57	Independent Non-executive Director
Mr. Ma Kwong Wing	61	Independent Non-executive Director
Dr. Tse Kwok Sang	50	Independent Non-executive Director

Information on the business and working experience of the Directors is set out below:

Chairman and Non-executive Director

Mr. Kan Fook Yee, aged 70, is the Chairman of the Manager. Mr. Kan has over 30 years of experience in the real estate and property field and also had a legal practice as a Barrister-at-law in Hong Kong. Mr. Kan joined the board of HLD in 1997 as a non-executive director and the board of Henderson China Holdings Limited in 1997 as an executive director, and was redesignated as a non-executive director in February 2003. Mr. Kan resigned from both directorships in May 2006.

Mr. Kan received his estate surveying training while working with the Government and continued with his service in the Government for a short period after he became a qualified estate surveyor. Mr. Kan then joined the private sector as a property manager. In 1976, Mr. Kan set up his sole proprietor practice in estate surveying, valuation and property consultancy. The practice grew in size and increased its exposure amongst local and international firms of surveyors in Hong Kong. In 1983, the business formed a joint-venture partnership with an international firm, Knight Frank & Rutley (the United Kingdom international surveying practice and property consultancy firm) and its Australian partner, Baillieu Real Estate (an Australian property consultancy firm), forming Knight Frank Kan and Baillieu. Under the leadership of Mr. Kan as a senior partner, it became one of the few international surveying practice and property consultancy firms in Hong Kong, and besides property valuation and consultancy, expanded into the areas of property management and agency. Within a few years, Knight Frank Kan and Baillieu grew substantially in size. At all times, Mr. Kan was responsible to his partners for the overall performance of the practice and for the performances of each business area. In 1996, the firm underwent an equity restructuring, pursuant to which Mr. Kan transferred his majority interest to an incoming partner and renamed itself as Knight Frank (Hong Kong). In 1997, Mr. Kan joined the boards of HLD and Henderson China Holdings Limited. He became non-executive director of both companies in 2003. Mr. Kan then became more active in his legal practice which was set up in October 2002. In May 2006, he resigned from both directorships of HLD and Henderson China Holdings Limited and in August 2006 closed his legal practice.

During his long career in the property business, Mr. Kan was a highly respected member of the surveying profession, and was elected the Founding President of the Hong Kong Institute of Surveyors in 1984. Mr. Kan holds an LL.B. degree from the University of London and an LL.M. degree from The University of Hong Kong. Mr. Kan is also a fellow of the Chartered Institute of Arbitrators and the Hong Kong Institute of Surveyors. He was a fellow of the Royal Institute of Chartered Surveyors until he resigned in 2005.

Mr. Kan is also currently a director of Beijing-Hong Kong Exchange of Personnel Centre, F.Y. Kan Investment Limited, Just Best Limited, FYK Property Development Strategics Limited, World Circus Development Limited, Hong Kong Former Senior Civil Servants Association Limited, The University of Hong Kong School of Professional and Continuing Education Alumni Limited and certain REIT Group Companies. Mr. Kan is also currently an independent non-executive director of Winfoong International Limited, a company listed on the Main Board of the Hong Kong Stock Exchange.

In addition, Mr. Kan is currently a member of the National People's Congress and is also an adviser to the Heung Yee Kuk, a statutory advisory body established under the Heung Yee Kuk Ordinance (Chapter 1097 of the Laws of Hong Kong).

Mr. Kan believes that his directorships in the other companies listed above and his position in the other organisations listed above, do not affect his abilities to perform his duties as Chairman and a non-executive Director of the Manager.

Chief Executive Officer and Executive Director

Mr. Wu Shiu Kee, Keith, aged 43, is the Chief Executive Officer, an Executive Director and a responsible officer of the Manager. Mr. Wu has over 18 years of experience in the property, corporate finance and research related fields.

From 1997 to 2005, Mr. Wu was an executive director of Lai Sun Development Company Limited ("Lai Sun Development"), a company listed on the Main Board of the Hong Kong Stock Exchange, where he was responsible for overseeing corporate finance related matters of the group companies of Lai Sun Development including the initial public offerings of Lai Fung Holdings Limited and SUNDAY Communications Limited in 1997 and 2000 respectively. As a member of its executive committee, Mr. Wu was involved in the property leasing and sale activities of the group companies of Lai Sun Development with responsibility for approving or amending proposals tabled by the sales and leasing team providing strategic direction and approving material development plans and tenders. As director and owner representative of the Ritz Carlton Hotel (Hong Kong) and of Furama Hotel Enterprises Limited, Mr. Wu was responsible for managing the disposal and refinancing of the group companies of Lai Sun Development's hotel portfolio, in particular, Mr. Wu played a leading role in the disposal of Furama Danang Hotel, Vietnam during 2004 to 2005. Mr. Wu was also responsible for investor relations, origination and execution of corporate transactions, as well as managing Lai Sun Development's in-house equity securities portfolio.

Prior to joining Lai Sun Development, Mr. Wu was director and Head of Hong Kong/China Research at Peregrine Brokerage Limited between 1996 and 1997, where he oversaw the equity research team for Hong Kong and the PRC; director and Head of Hong Kong/China Research at Crosby Securities (Hong Kong) Limited between 1995 and 1996, where he oversaw its equity analyst team covering Hong Kong and the PRC markets; director and general manager of Dao Heng Fund Management Ltd. between 1991 and 1995, where he was responsible for heading up an investment team to manage funds and launch new investment unit trust products; senior research manager at Citicorp Vickers Hong Kong Limited between 1989 and 1991; assistant research manager at Hoare Govett Asia Ltd. between 1988 and 1989; and economic officer with Hang Seng Bank Ltd. between 1987 and 1988.

Mr. Wu holds a Bachelor of Science degree in Economics and Statistics (High Distinction) from the University of Toronto in Canada and an M.S. degree in Engineering-Economic Systems (being renamed Management Science and Engineering) from Stanford University, the United States.

Mr. Wu is also currently a 30 per cent shareholder and a director of TeamOne Economist Limited ("TeamOne"), which carries on the business of economic consultancy, in which Mr. Wu has no active involvement. The Manager has confirmed that it has no intention to engage TeamOne to provide services to the Manager or to Sunlight REIT and that there are no actual or perceived conflicts of interests arising from Mr. Wu's interest and position in TeamOne. He is also a 50 per cent shareholder and a director of Jade Honest Investment Limited, which holds a corporate debenture of a social club in Hong Kong, and a 50 per cent shareholder and a director of Le Mans Limited, a company which carried on a restaurant business in the past and has now ceased business. The time spent by Mr. Wu on each of these three companies is nominal. Mr. Wu is also a director of certain REIT Group Companies.

Mr. Wu believes that his directorships in the other companies listed above do not affect his abilities to perform his duties as Chief Executive Officer and an executive Director of the Manager.

Non-executive Director

Mr. Kwok Ping Ho, aged 54, has been an executive director of HLD since December 1993 and an executive director of HIL since September 1988. Mr. Kwok has over 25 years of experience in the finance and business management areas which include responsibilities in the corporate investment, finance and treasury and project management activities of both the HLD Group and the HIL group of companies since 1987, including group re-organisation, privatisation proposals and corporate acquisitions.

Mr. Kwok has also been actively involved in the project assessment, negotiation and project management of a number of large scale property development projects in Hong Kong and in the PRC, including, amongst others, the ifc project (International Finance Centre), the West Kowloon Cultural District project (for the proposed development of a cultural complex along with extensive office, retail and hotel components, as well as a monorail system) and the Gateway Office Tower II project in Shanghai (37-storey office building comprising 70,000 square metres), the latter of which was completed at the end of 2005. Prior to that, Mr. Kwok was involved in the corporate banking and project finance, credit and marketing activities of a number of well-known financial institutions, including Standard Chartered Bank, Hong Kong, Sun Hung Kai Bank Limited, Hong Kong and Lloyds Bank International Limited, head office as well as overseas postings.

Mr. Kwok holds a Bachelor of Science (Engineering) (Civil Engineering Group) Honours degree from the University of London, an M.Sc. degree in Administrative Sciences from the City University Graduate Business School, London and a Post-Graduate Diploma in Surveying (Real Estate Development) from The University of Hong Kong. Mr. Kwok is also an Associate Member of the Chartered Institute of Bankers (A.C.I.B.) of London, United Kingdom and had previously been a part-time lecturer for the MBA programme of The University of Hong Kong.

Mr. Kwok is also currently a director of Ambergates Investments Limited, Camleigh Investment Limited, China Investment Group Limited *(alternate director to Mr. Lee Ka Kit)*, Evercot Enterprise Company Limited, Fullwise Finance Limited, Goodwill Investment Property Management Limited, Hency Finance Limited, Henderson (China) Investment Company Limited, Henderson China Holdings Limited,

Henderson Club Limited, Henderson Cyber Finance Limited, Henderson Cyber Management Services Limited, Henderson Investment Agency Limited, Henderson Investment Credit (1997) Limited, Henderson Investment Credit (2000) Limited, Henderson Investment Credit (2004) Limited, Henderson Investment Finance (2000) Limited, Henderson Investment Limited, Henderson Land Credit (2001) Limited, Henderson Land Credit (2004) Limited, Henderson Land Credit (2006) Limited, Henderson Land Development Company Limited, Henderson Land Finance (2000) Limited, Henderson Provident Fund Limited, Henderson Real Estate Finance Limited, Henson International Finance Limited, Hong Kong World City Arts and Culture Limited, Join Fortune Development Limited, Jones Hugh Investment Limited, Jones Hugh Properties Limited, Noble View Enterprises Limited, Shung King Development Company Limited, St. Helena Holdings Co. Limited, Transmart Enterprises Limited, Triworld Investment Limited, Union Crown International Limited, Union Stable Investment Limited, West Chelsea Holdings Co. Limited, Wide Union Limited, World City Museums Limited, World City Theatres Limited and certain REIT Group Companies. Currently, Mr. Kwok is also a member of the management committee of the Union Hospital, Hong Kong.

Mr. Kwok believes that his directorships in the other companies listed above and his position in the other organisations listed above, do not affect his abilities to perform his duties as a non-executive Director of the Manager.

Independent Non-executive Directors

Mr. Kwan Kai Cheong, aged 57, is an independent non-executive Director appointed on 17 February 2006. Mr. Kwan holds a Bachelor of Accountancy (Honours) degree from the University of Singapore and is a member of the Institute of Chartered Accountants in Australia. He is also a Fellow of the Hong Kong Institute of Directors and completed the Stanford Executive Program in 1992. He worked for Merrill Lynch & Co. Inc. for over 10 years during the period from 1982 to 1993. His last position with Merrill Lynch & Co. Inc. was president of the Asia Pacific region. Mr. Kwan joined the Pacific Concord Holding Limited group of companies in March 1993 and retired from the group in August 2002 as joint managing director. Mr. Kwan is presently president of Morrison & Company Limited, which is a business consultancy firm.

Mr. Kwan is also currently an executive director of China Medical Science Limited, a company listed on the Growth Enterprise Market of the Hong Kong Stock Exchange and also an independent non-executive director of several listed companies in Hong Kong, namely Hutchison Telecommunications International Limited, Hutchison Harbour Ring Limited, Soundwill Holdings Limited, J F Household Furnishings Limited and T.S. Telecom Technologies Limited, the last two companies mentioned being listed on the Growth Enterprise Market of the Hong Kong Stock Exchange.

Mr. Kwan is also currently a director of Beauty Rich Enterprises Ltd., CCB-Principal Asset Management Limited, Cemax Limited, Champ World Company Limited, Concord Bank Limited, Concord Land Development Company Limited, Concord Oil & Petrochemicals (Holdings) Limited, Concord Property Development Limited *(alternate director to Dr. George Shih Chang Wang)*, Globalnet Asia Pacific Limited, Pacific Concord Holding Limited and Yaohan International Holdings Limited (currently in liquidation).

Mr. Kwan believes that his directorships in the other companies listed above and his position in the other organisations listed above, do not affect his abilities to perform his duties as an independent non-executive Director of the Manager.

Mr. Ma Kwong Wing, aged 61, is an independent non-executive Director appointed on 17 February 2006. Mr. Ma is a Fellow of the Association of Chartered Certified Accountants ("ACCA") and a Certified Public Accountant of the HKICPA. Mr. Ma is also a Fellow of the Hong Kong Institute of Chartered Secretaries, a Fellow of The Institute of Chartered Secretaries and Administrators, an Associate of the Chartered Institute of Bankers and The Hong Kong Institute of Bankers and a Member of the Hong Kong Securities Institute.

Mr. Ma served with Hang Seng Bank Limited ("Hang Seng") for over 30 years in various business areas and functions. He was appointed Company Secretary of Hang Seng in 1988 and Assistant General Manager (while remaining Company Secretary) in January 1993. He retired from Hang Seng in October 2005. These positions enabled him to oversee, amongst others, the compliance functions of Hang Seng ensuring that Hang Seng complied with laws, regulations and guidelines which are applicable to it and its related subsidiaries. During his time with Hang Seng, Mr. Ma also held directorships in Hang Seng's subsidiaries for property holding and also in Hang Seng Bank (Trustee) Limited, Hang Seng's subsidiary for trust business.

Mr. Ma is also currently a director of Fook Pui Investment Company Limited, Great Guide Investment Limited and Wealth King Investment Limited. In addition, Mr. Ma is a director of Tai Kwong Yuen Limited and Buddhist Tai Kwong Yuen Foundation Limited, both of which are charitable bodies under Section 88 of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong).

Mr. Ma is also a Member of the Executive Board and the Honorary Secretary of The Hong Kong Heart Foundation Limited, a charitable body under Section 88 of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) and serves as Secretary (on an honorary basis) to the Board of Trustees of the Ho Leung Ho Lee Foundation, which is a charitable trust.

Mr. Ma believes that his directorships in the other companies listed above and his position in the other organisations listed above, do not affect his abilities to perform his duties as an independent non-executive Director of the Manager.

Dr. Tse Kwok Sang, aged 50, is an independent non-executive Director appointed on 17 February 2006. Dr. Tse is currently Associate Professor of Finance, Associate Dean (Development), and the director of the Centre for Asian Entrepreneurship and Business Values of the Faculty of Business and Economics of The University of Hong Kong. Before joining The University of Hong Kong in January 1997, Dr. Tse was Assistant Professor of Finance at the Hong Kong University of Science and Technology; prior to that he was Assistant Professor of Finance & Insurance at Indiana University (1989 — 1995). Dr. Tse has published widely on the subject of real estate finance and economics, financial regulations and capital markets and investments. Dr. Tse has served on the examination panel of the Estate Agents Authority of

Hong Kong since 1999 and has been a member of the Citizens Advisory Committee on Community Relations of the Independent Commission Against Corruption since 2004. Dr. Tse has also been engaged in a consulting capacity by the Estate Agents Authority of Hong Kong on the feasibility of an alternative funding mechanism for the authority, by the Hong Kong Monetary Authority to help develop a "Crisis Indicator" for gauging the Hong Kong economy, by Merrill Lynch (Asia Pacific) Ltd. on equity valuation to analysts, by the State of Indiana, the United States to prepare the Housing Affordability Report for the Housing Finance Authority of the State of Indiana, 1991.

Dr. Tse holds a B.Sc. degree in Chemistry from The University of Hong Kong, an MBA degree, an M.Sc in Statistics degree and a Ph.D. in Finance, all from Michigan State University, the United States. Dr. Tse has also been an associate of the Society of Actuaries (ASA) since 1991.

Currently, Dr. Tse is also an independent non-executive director of Ajia Partners Asia Absolute Return Master Fund Limited and Ajia Partners Asia Absolute Return Fund Limited, the latter being listed on the Irish Stock Exchange.

Dr. Tse believes that his directorships in the other companies listed above and his positions in the other organisations listed above, do not affect his abilities to perform his duties as an independent non-executive Director of the Manager.

Independence of Independent Non-executive Directors

In assessing the independence of an independent non-executive Director, the Board will take into account the following factors, none of which is necessarily conclusive. Independence is more likely to be questioned if the Director:

(i) holds more than 1% of the total issued Units or more than 1% of the total issued share capital of the Manager. Any candidate for appointment as an independent non-executive Director who holds an interest of more than 1% must satisfy the Board, prior to such appointment, that he or she is independent. A candidate holding an interest of 5% or more will normally not be considered independent. When calculating the 1% limit, the Board must take into account the total number of Units held legally or beneficially by the Director, together with the total number of Units which may be issued to the Director or his nominee upon the exercise of any outstanding options, convertible securities and other rights (whether contractual or otherwise) to call for the issue of Units;

(ii) has received an interest in the Units as a gift, or by means of other financial assistance, from a connected person or Sunlight REIT itself (however, subject to the limit set out in paragraph (i) above). The Director will still be considered independent if he or she receives an interest in Units as part of his or her Director's fee or pursuant to any option schemes established by Sunlight REIT or the Manager;

(iii) is a director, partner or principal of a professional adviser which currently provides (or has, within one year immediately prior to the date of his proposed appointment, provided) services, or is an employee of such professional adviser who is or has been involved in providing such services during the same period, to:

(a) Sunlight REIT or any connected person of Sunlight REIT; or

(b) any person who was a significant holder (as defined in the REIT Code) or, where there was no such significant holder, any person who was the chief executive officer or a Director (other than an independent non-executive Director) of the Manager within one year immediately prior to the date of the proposed appointment, or any of their associates;

(iv) has a material interest in any principal business activity of, or is involved in any material business dealings with Sunlight REIT or with any connected persons of Sunlight REIT;

(v) is on the Board specifically to protect the interests of an entity whose interests are not the same as those of the Unitholders as a whole;

(vi) is or was connected with a Director or the Chief Executive Officer of the Manager or with a significant holder of Sunlight REIT within two years immediately prior to the date of his or her proposed appointment;

(vii) is, or has at any time during the two years immediately prior to the date of his or her proposed appointment been, an executive or director (other than an independent non-executive director) of the Manager or of any other connected persons of Sunlight REIT; and

(viii) is financially dependent on Sunlight REIT or any connected persons of Sunlight REIT.

The factors set out above are for guidance only and are not intended to be exhaustive. The Board may take into account any factors relevant to a particular candidate in assessing independence.

Investors should refer to the full details of the assessment of the independence of independent non-executive Directors set out in the corporate governance policy of the Manager (a copy of which is available for inspection in accordance with Appendix VIII to this Offering Circular).

Organisational and Reporting Structure of the Manager

The Manager has separated its operational management functions into the following principal functional divisions:

(i) investment and investor relations;

(ii) asset management;

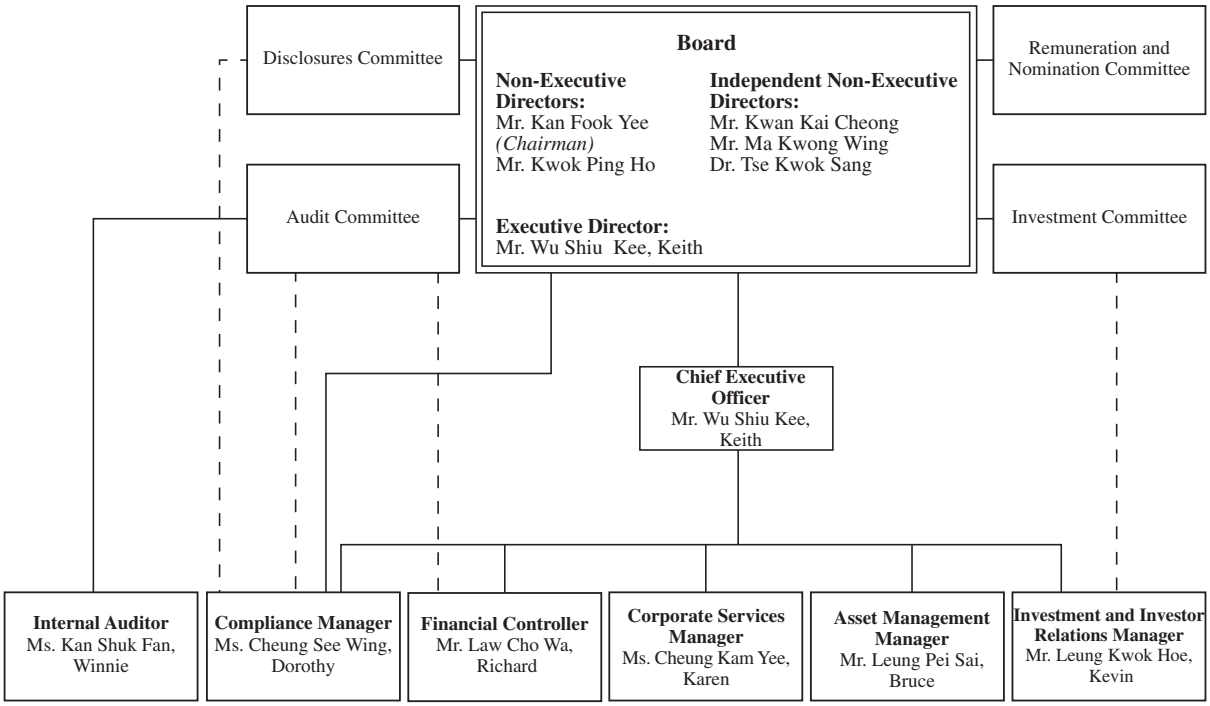
(iii) corporate services;

(iv) financial control;

(v) internal audit; and

(vi) compliance,

as shown in the organisational structure below:



Note: Dotted lines represent ad-hoc reporting on a case-by-case basis

Roles of the Executive Officers of the Manager

The **Chief Executive Officer**, Mr. Wu Shiu Kee, Keith is an Executive Director of the Manager. The Chief Executive Officer is responsible for implementation of the strategy and objectives as set by the Board and takes charge of the day-to-day management of the business of the Manager. He takes leadership of the management team of the Manager to ensure that Sunlight REIT is operated in accordance with the investment strategy as determined by the Manager.

The Executive Officers report directly to the Chief Executive Officer (except for the Internal Auditor who will report directly to the Audit Committee, and the Compliance Manager who will also report directly to the Board), who will supervise the business and operations of the Manager on a day-to-day basis.

The **Investment and Investor Relations Manager**, Mr. Leung Kwok Hoe, Kevin, is responsible for, amongst other matters,

(i) formulating and implementing the Manager's investment management plans (including acquisition and divestment strategies, financing strategies and overall management policies) for Sunlight REIT;

(ii) formulating and implementing fund investment strategy and policy;

(iii) identifying, researching and evaluating potential acquisitions or divestments consistent with Sunlight REIT's investment strategy with a view to enhancing the property portfolio or divestments where a property is no longer strategic or fails to enhance the value of the property portfolio; and

(iv) developing a research platform that facilitates the investment management function and managing the research function output of the research group to be used as inputs into the investment process.

The Investment and Investor Relations Manager will also be responsible for all communications with Unitholders and other key stakeholders of Sunlight REIT as well as media and investor market relations, developing public relation strategies and assisting the Chief Executive Officer and the Corporate Services Manager in the communication of strategy and results to Unitholders.

The **Asset Management Manager**, Mr. Leung Pei Sai, Bruce, is responsible for, amongst other matters,

(i) driving the performance for Sunlight REIT's entire property portfolio in line with the strategy and objectives of Sunlight REIT;

(ii) planning and developing strategies for recommendation to the Chief Executive Officer and to the Board to meet profit targets for Sunlight REIT and to enhance profitability; and

(iii) directing the development and implementation of marketing strategies and business development plans. The Asset Management Manager will primarily be responsible for,

(a) the operational aspects of the property portfolio of Sunlight REIT, including strategic asset planning, marketing and development, leasing and property and tenancy management, and oversight of the delegates of the Manager, including the Property Manager; and

(b) overseeing property maintenance and asset improvement aspects of the property portfolio of Sunlight REIT and conducting property due diligence on properties proposed to be acquired by Sunlight REIT while playing a supporting role to the Chief Executive Officer and to the Board in formulating the asset enhancement strategies and plans of Sunlight REIT.

The **Corporate Services Manager**, Ms. Cheung Kam Yee, Karen, is responsible for, amongst other matters,

(i) company secretarial functions;

(ii) analysing and seeking external legal advice on the business and operations of the Manager;

(iii) human resources management, procurement and administrative support;

(iv) supporting the Manager's core asset management and investment management functions through the provision of ancillary back-office services such as legal and corporate secretarial support; and

(v) ensuring the optimal efficiency and operation of the information technology systems.

The **Financial Controller**, Mr. Law Cho Wa, Richard, is responsible for, amongst other matters, effective and efficient financial management, including statutory reporting, financial and management accounting, taxation, and cash flow management, reviewing and making recommendations on any financing matters, overseeing preparation of budgets, maintaining the integrity of the accounting systems and maintaining capital expenditure controls including overseeing the development of the annual plan and monitoring approved expenditures against the same.

The **Internal Auditor**, Ms. Kan Shuk Fan, Winnie, is responsible for, amongst other things, reviewing whether the internal control policies and procedures described in the Compliance Manual are operating as expected (including making recommendations to the Audit Committee for improvements to internal controls) and for reporting to the Board through the Audit Committee on any deficiencies discovered.

The **Compliance Manager**, Ms. Cheung See Wing, Dorothy, is responsible for, amongst other things, ensuring that the Manager has implemented adequate internal systems and controls to ensure compliance by the Manager with the Compliance Manual, the Trust Deed, the REIT Code, the Listing Rules, the codes of conduct published by the SFC which are applicable to the Manager, the SFO, and other applicable laws, rules and regulations and is kept up-to-date with any changes in applicable laws, rules and regulations that relate to compliance matters.

Executive Officers

Information on the working experience of the Executive Officers is set out below:

Mr. Leung Kwok Hoe, Kevin, aged 36, is the Investment and Investor Relations Manager and one of the responsible officers of the Manager for the purposes of the SFO. Mr. Leung has over 12 years of experience in the finance and treasury, investment and fund management fields.

Prior to joining the Manager in April 2006, Mr. Leung had since July 2004 been the investment manager and a responsible officer of The Link Management Limited, where he was involved in the finance, property and financing aspects of the initial public offering of units of The Link Real Estate Investment Trust ("Link REIT") in November 2005. Mr. Leung was also responsible for the structuring and negotiation of the HK$12.5 billion debt financing and interest rate hedging.

Following the initial public offering of Link REIT, Mr. Leung was responsible for investor relations, treasury, and the investment management functions of its large and diversified portfolio. As investment manager, Mr. Leung was responsible for, amongst other things, maintaining the research platform which provided historical and forward-looking analysis on the movement of the property portfolio, as well as providing feasibility analysis and making recommendation on new investment opportunities and related funding strategies. In relation to treasury operations, Mr. Leung was responsible for managing the term and revolving debt structure, as well as daily cash management. In addition, Mr. Leung was responsible for communicating with both the equity and debt investment communities and enforcing guidelines in relation to dissemination of information to investors. Prior to joining The Link Management Limited, Mr. Leung had over 10 years of experience in investment management and had worked with a number of international investment and fund management companies including Tiger Asia Capital Limited (Hong Kong/South Korea), Kingsway Fund Management Limited and HSBC Asset Management (Hong Kong) Limited.

Mr. Leung holds a Bachelor of Economics degree and a Bachelor of Law degree from the University of Sydney, Australia, and a Master of Applied Science in Biopharmaceutical from the University of New South Wales, Australia. Mr. Leung is also a Chartered Financial Analyst.

Mr. Leung Pei Sai, Bruce, aged 42, is the Asset Management Manager and one of the responsible officers of the Manager for the purposes of the SFO, who joined the Manager in May 2006. Mr. Leung has over 16 years of sales and leasing experience in the property industry. Mr. Leung joined HLD in July 2003 as the Assistant General Manager of the Portfolio Leasing Department, responsible for the leasing and marketing activities of major retail and office properties including, amongst others, Miramar Shopping Centre, Miramar Tower and Metro City Phases I, II and III.

Prior to joining HLD, Mr. Leung was a director of China Golden View Holdings Limited between 2002 and 2003 where he was responsible for business development, site acquisition and marketing for its investment property portfolio in Guangzhou, the PRC. Prior to that, Mr. Leung was the director of Retail Services, Greater China at CB Richard Ellis between 1999 to 2002 where he was responsible for leading a sizeable agency team in Hong Kong and China, and concluded a number of major leasing transactions in China including the Xintiandi in Shanghai, Pacific Century Centre in Beijing, Guang Ming Plaza in Guangzhou and Peace Square in Dalian. During that period, Mr. Leung was also involved in the successful revamping and repositioning of a number of retail premises in Hong Kong such as the Sanlitun in Wanchai.

Mr. Leung holds a Diploma (Honours) in Applied Biology from the Hong Kong Baptist University and a Hong Kong Estate Agent's Licence (Individual).

Ms. Cheung Kam Yee, Karen, aged 31, is the Corporate Services Manager, who joined the Manager in March 2006. Ms. Cheung has over six years of leasing, accounting and audit experience. This includes a period of two and a half years when Ms. Cheung served as a senior leasing officer of the portfolio leasing department of HLD where she was responsible for the leasing matters of Metro Harbour Plaza and Sunshine City Plaza. Prior to joining the HLD Group in August 2003, Ms. Cheung was a senior accountant at Wong Brothers & Co., Certified Public Accountants.

Ms. Cheung holds a Bachelor of Arts degree in Accountancy (Honours) from the Hong Kong Polytechnic University where she also obtained a Post-Graduate Diploma in Corporate Administration. Ms. Cheung is an associate member of the ACCA, the HKICPA, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

Mr. Law Cho Wa, Richard, aged 41, is the Financial Controller, who joined the Manager in May 2006. Prior to joining the Manager, Mr. Law worked in the company secretarial department of the HLD Group where he was primarily responsible for company secretarial and compliance matters. Among his other duties, he was the Company Secretary of Henderson China Holdings Limited, which was privatised by HLD in 2005. Mr. Law has over 19 years of experience in financial and management reporting, auditing, company secretarial practice, compliance, finance and general management.

Prior to his transfer to the HLD Group in April 2005, Mr. Law worked for Hong Kong Ferry (Holdings) Company Limited, an associated company of HLD, for over 12 years. He was the Company Secretary and Group Accounting Manager of Hong Kong Ferry (Holdings) Company Limited responsible for the finance, accounting and company secretarial functions. Prior to that, Mr. Law was an assistant accounting manager of Allied Group Limited between 1990 and 1992 where he was responsible for financial and management reporting, accounting and treasury functions of a listed subsidiary. From 1987 to 1990, Mr. Law worked in the audit department and the corporate advisory services department of Ernst & Young in Hong Kong.

Currently, Mr. Law is an independent non-executive director as well as the chairman of the audit committee of Capital Publications Limited, a company listed on the Growth Enterprise Market of the Hong Kong Stock Exchange since 2002.

Mr. Law holds a Master of Business Administration from The University of Hong Kong and a Post-graduate Diploma in Corporate Administration from The Hong Kong Polytechnic University. Mr. Law is a fellow member of the ACCA, the HKICPA, The Institute of Chartered Secretaries and Administrators, and The Hong Kong Institute of Chartered Secretaries.

Ms. Kan Shuk Fan, Winnie, aged 35, is the Internal Auditor. Ms. Kan has over 12 years of experience in the audit and finance field. Prior to joining the Manager in May 2006, Ms. Kan was a senior internal auditor of the Airport Authority Hong Kong, where she was responsible for planning and conducting audits on compliance, operational control and reporting functions and facilitating design and operation of the internal control system. Prior to joining Airport Authority Hong Kong in 2001, Ms. Kan worked in the audit department and Financial Advisory Services department of KPMG Hong Kong.

Ms. Kan holds a Bachelor of Arts (Honours) degree in Accountancy from the City University of Hong Kong, a Master of Business Administration from the University of Manchester and a Bachelor of Laws (Honours) degree from the Manchester Metropolitan University.

Ms. Kan is a fellow member of the ACCA and a Certified Public Accountant of the HKICPA. She is a Certified Internal Auditor and a Certified Information Systems Auditor awarded by The Institute of Internal Auditors and the Information Systems Audit and Control Association (ISACA) respectively.

Ms. Cheung See Wing, Dorothy, aged 39, is the Compliance Manager, who joined the Manager in May 2006. Prior to joining the Manager, Ms. Cheung was a director of INCU Corporate Finance Limited, where she was responsible for corporate finance advisory work and advising clients on compliance with the Listing Rules. Prior to that, Ms. Cheung was an associate director of Phoenix Capital Asia Limited and New Horizon Associates Limited between 2000 and 2002. From 1999 to 2000, Ms. Cheung was a manager in the corporate finance division of China Motion Telecom Holdings Limited. Prior to that, Ms. Cheung was in charge of the company secretarial and legal department of Tomei International (Holdings) Limited, where she was involved in corporate finance projects and various company secretarial and legal functions.

Ms. Cheung holds a Bachelor of Arts (Honours) degree in Accountancy and a Higher Diploma in Legal Studies from the City University of Hong Kong and a Master of Business Administration from McGill University, Canada. Ms. Cheung is also an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

Management Fees payable to the Manager

The Manager is entitled to the following Management Fees commencing on and from the Listing Date:

(i) **Base Fee**

In each financial year, Base Fee not exceeding 0.4% per annum (the Manager currently charges 0.4% Base Fee per annum) of the Property Values as per the published audited accounts of Sunlight REIT for the relevant financial year, which accrues on a daily basis and is payable quarterly in arrears

within 30 days after the last day of every calendar quarter based on the published audited accounts of Sunlight REIT for the immediately preceding financial year (or, in respect of the first financial year, the aggregate acquisition value of the Properties as stated in this Offering Circular), subject to adjustment according to the provisions of the Trust Deed; and

(ii) **Variable Fee**

In each financial year, Variable Fee of 3% per annum of NPI of Sunlight REIT (before the deduction therefrom of the Variable Fee) as per audited accounts of Sunlight REIT for the relevant financial year, which accrues on a daily basis and is payable quarterly in arrears within 30 days after the last day of every calendar quarter based on the unaudited management accounts of Sunlight REIT for the relevant quarter, subject to adjustment according to the provisions of the Trust Deed.

The Base Fee and Variable Fee payable to the Manager for a broken period shall be pro-rated on a time basis.

Forms of Payment of Base Fee and Variable Fee

For the period from the Listing Date to 30 June 2011, the Base Fee and the Variable Fee referable to the Properties shall be paid to the Manager in the form of Units. Afterwards, each of the Base Fee and the Variable Fee referable to the Properties shall be paid to the Manager in the form of cash and/or Units (as the Manager may elect). The Base Fee and the Variable Fee referable to relevant real estate other than the Properties shall be paid in the form of cash and/or Units (as the Manager may elect). The Manager shall make the elections for the payment of the Base Fee and the Variable Fee in cash and/or Units and (if applicable) the respective percentages of each of the Base Fee and the Variable Fee to be paid in cash and in Units, annually on or before 15 July of each year by way of notice in writing to the Trustee, and a public announcement, such election to be irrevocable during the financial year in respect of which it was made. In the event that the Manager fails to make such an election in respect of any financial year, the most recent valid election made by the Manager in respect of a prior financial year (if any) shall apply and, to the extent that there is no such prior financial year election by the Manager, the Base Fee and the Variable Fee shall be paid in cash.

When the Base Fee or the Variable Fee is paid in the form of Units, the Manager shall be entitled to receive such number of Units as may be purchased for the relevant amount of the Base Fee and/or the Variable Fee attributable at the prevailing Market Price as at (i) in the case of quarterly payments, the last day of the relevant calendar quarter; and (ii) in the case of adjustments after the end of a financial year, the trading day of the Hong Kong Stock Exchange immediately following the date of the announcement of the audited annual results of Sunlight REIT for such financial year, rounded down to the nearest whole number of Units and with any remaining amount to be paid in cash. The maximum number of Units that may be issued to the Manager in a financial year as payment for the Base Fee and the Variable Fee (including any adjustments thereto) shall be limited to such number of Units as represents 3% of the number of Units outstanding as at the last day of the immediately preceding financial year plus the number of Units, if any, issued in that financial year for the purposes of financing any acquisition of real estate. If the relevant thresholds for issue of Units without Unitholders' approval are exceeded (including the threshold of 20% or such other percentage as permitted by the REIT Code) and the Unitholders' approval is not obtained, then payment of that excess part of the Base Fee will be paid to the Manager in the form

of cash. Where the adjustment made to the Base Fee or the Variable Fee in accordance with the provisions of the Trust Deed is positive and the relevant amount of the Base Fee or the Variable Fee (as the case may be) has been elected to be paid in Units, Sunlight REIT shall pay the difference to the Manager in Units based on the prevailing Market Price as at the time referred to above. Where the adjustment made to the Base Fee or the Variable Fee in accordance with the provisions of the Trust Deed is negative, notwithstanding that the relevant amount of the Base Fee or the Variable Fee (as the case may be) has been elected to be paid in Units, the Manager shall pay the difference to Sunlight REIT in cash. Where any part of the Management Fees is to be paid in Units in respect of the last calendar quarter of a financial year, such Units will not be issued until after the Record Date for the final distribution for that financial year. Where any part of the Management Fees is to be paid in Units in respect of the last calendar quarter of a distribution period for which an interim distribution will be paid, such Units will not be issued until after the Record Date for such interim distribution. Where any such distribution period is shorter than three months, all Units to be issued by way of payment of the Base Fee or the Variable Fee to the extent referable to such distribution period will not be issued until after the Record Date for such distribution.

Other Fees payable to the Manager

The Manager is also entitled to:

Acquisition Fee

Other than in respect of the acquisition of the Properties in connection with the Offering, Acquisition Fee not exceeding the rate of 1.0% (the Manager currently charges a 1.0% Acquisition Fee) of the acquisition price for any real estate purchased directly or indirectly by Sunlight REIT (pro-rated if applicable to the proportion of Sunlight REIT's interest in the real estate acquired) which shall be paid as soon as practicable after (and in any event within 14 days after) the completion of the acquisition.

The Acquisition Fee will be paid to the Manager in the form of cash or, at the election of the Manager and with the prior approval of Unitholders by an Ordinary Resolution, entirely in the form of Units or partly in cash and partly in the form of Units. When paid in the form of Units, the Manager shall be entitled to receive such number of Units as may be purchased for the relevant amount of the Acquisition Fee at the same issue price of Units used to finance or part finance the acquisition in respect of which the Acquisition Fee is payable or, where Units are not issued to finance or part finance such acquisition, at the issue price that is equal to the highest of:

(a) the average closing price of the Units for the 10 trading days on the Hong Kong Stock Exchange immediately prior to the date of entry into of the agreement for the acquisition of the real estate,

(b) the average closing price of the Units for the 10 trading days on the Hong Kong Stock Exchange immediately prior to the date of the announcement in respect of the acquisition of the real estate, and

(c) the average closing price of the Units for the 10 trading days on the Hong Kong Stock Exchange immediately prior to the date of completion of the acquisition of the real estate,

in each case rounded down to the nearest whole number of Units and with any remaining amount to be paid in cash.

Divestment Fee

Divestment Fee not exceeding the rate of 0.5% (the Manager currently charges a 0.5% Divestment Fee) of the sale price of any real estate directly or indirectly sold or divested by Sunlight REIT (pro-rated if applicable to the proportion of Sunlight REIT's interest in the real estate sold) which shall be paid as soon as practicable after (and in any event within 14 days after) the completion of the divestment.

The Divestment Fee will be paid to the Manager in the form of cash or, at the election of the Manager and with the prior approval of Unitholders by an Ordinary Resolution, entirely in the form of Units or partly in cash and partly in the form of Units. When paid in the form of Units, the Manager shall be entitled to receive such number of Units as may be purchased at the issue price that is equal to the highest of:

(a) the average closing price of the Units for the 10 trading days on the Hong Kong Stock Exchange immediately prior to the date of entry into of the agreement for the divestment of the real estate;

(b) the average closing price of the Units for the 10 trading days on the Hong Kong Stock Exchange immediately prior to the date of the announcement in respect of the divestment of the real estate; and

(c) the average closing price of the Units for the 10 trading days on the Hong Kong Stock Exchange immediately prior to the date of completion of the divestment of the real estate,

in each case rounded down to the nearest whole number of Units and with any remaining amount to paid in cash.

The Manager may lower the rate of the Base Fee, Acquisition Fee or Divestment Fee to some smaller percentage than the relevant maximum percentage prescribed above from time to time by written notice to the Trustee. The Manager may increase the rate of the Base Fee, Acquisition Fee or Divestment Fee to a higher percentage that the Manager proposes to charge from time to time provided it is within the relevant permitted level prescribed above by giving at least one month's prior written notice to all Unitholders and the Trustee. Any increase of any of the maximum percentages prescribed above or any change to the structure of the Manager's remuneration may only be permitted by Special Resolution at a Unitholders' meeting duly convened under the provisions of the Trust Deed.

Any payment to third party agents or brokers in connection with the acquisition or divestment of any real estate for Sunlight REIT shall be paid by the Manager to such persons out of the Acquisition Fee or Divestment Fee received by the Manager and not additionally out of the assets of Sunlight REIT or the assets of the relevant Property Company.

The Manager may sell Units issued to it as fees in the market from time to time.

Expenses incurred by the Manager

Subject to the REIT Code and all applicable laws, rules and regulations, the Manager is entitled to apply, or to be reimbursed from, the Deposited Property (at such times and over such periods as the Trustee and the Manager may determine in any particular case) for all liabilities, fees, costs, charges and expenses, that may be properly suffered or incurred by the Manager in the performance of its obligations or the exercise of its powers under the Trust Deed, or otherwise arising out of or in connection with the Trust Deed or other constitutive documents (as defined in the REIT Code) of Sunlight REIT (including but not limited to the costs of insurance in relation to the liabilities of the directors and officers of the REIT Group Companies and all costs, fees and expenses (including but not limited to all roadshow, advertising, promotion and marketing-related expenses) in connection with any offering or issue of Units).

Retirement or Removal of the Manager

The Manager may retire, at any time after giving 90 days' written notice to the Trustee provided that, and subject to:

(i) the Manager selecting a new manager duly qualified under the REIT Code, licensed under the SFO and acceptable to the Trustee, the SFC and for so long as Sunlight REIT is listed on the Hong Kong Stock Exchange and if so required by applicable laws, rules and regulations, the Hong Kong Stock Exchange; and

(ii) the requirement in the REIT Code that such retirement will not adversely affect the interests of the Unitholders in any material respect.

The retirement of the Manager will not be effective until the appointment of the new manager is effective pursuant to a deed of retirement and appointment among the Trustee, the Manager and the new manager.

The Manager may be removed by prior notice (except in relation to (v) below which requires 30 days' prior notice) given in writing by the Trustee:

(i) if for good and sufficient reason(s), the Trustee, is of the opinion, and states in writing with such reason that a change of Manager is desirable in the interests of the Unitholders;

(ii) if the Unitholders representing at least 75% in value of the Units issued and outstanding (excluding those held or deemed to be held by the Manager, as well as any Unitholders who may have an interest in retaining the Manager) deliver to the Trustee a written request to dismiss the Manager or a Special Resolution is passed to dismiss the Manager;

(iii) if the Manager goes into liquidation, becomes bankrupt or if a receiver is appointed over any of its assets or any part thereof (or any such analogous process occurs or any analogous person is appointed in respect of the Manager);

(iv) if the Manager ceases to carry on business;

(v) if the Manager fails or neglects after reasonable notice from the Trustee to carry out or satisfy any material obligation imposed on the Manager by the Trust Deed; or

(vi) if the SFC withdraws its approval of the Manager to act as the manager of Sunlight REIT (including without limitations to the foregoing where the SFC revokes the Manager's licence to conduct the regulated activity of asset management in respect of Sunlight REIT).

In the event that the Manager is removed and no new manager duly qualified under the REIT Code and acceptable to the SFC is willing to take the place of the existing Manager within 60 days of the removal of the Manager (or such longer period as the Trustee considers appropriate), the Trustee may terminate Sunlight REIT.

Exclusion of Liability of the Manager

In the absence of fraud, negligence, wilful default or breach of the Trust Deed, the constitutive documents (as defined in the REIT Code) of Sunlight REIT, the REIT Code or any relevant laws and regulations, by the Manager (including its directors, employees, agents and delegates), the Manager shall not incur any liability by reason of any error of judgement or any matter or thing done or suffered or omitted to be done by it in good faith under the Trust Deed.

In the absence of fraud, negligence, wilful default or breach of the Trust Deed, the constitutive documents (as defined in the REIT Code) of Sunlight REIT, the REIT Code or any relevant laws and regulations, by the Manager (including its directors, employees, agents and delegates), the Manager shall have no liability for any act or omission of the Trustee, the Unit Registrar or the approved valuer.

The Manager has taken out prospectus liability insurance in relation to the publication of this Offering Circular, the premium for which has been paid for by the Manager itself and not by Sunlight REIT. Such insurance was arranged by HSBC Insurance Brokers Limited (a Trustee Connected Person (as defined in the section headed "Connected Party Transactions" in this Offering Circular) and an affiliate of The Hongkong and Shanghai Banking Corporation Limited, one of the Joint Global Coordinators) acting as agent for the Manager.

Right of Indemnity of the Manager

Subject as expressly provided in the Trust Deed and without prejudice to any right of indemnity at law given to the Manager, the Manager and any director, employee, servant and agent of the Manager shall be indemnified out of, and shall be entitled for the purpose of indemnity to have recourse to, the Deposited Property or any part thereof against any actions, costs, claims, damages, expenses or demands to which it may be put as the Manager and as director, employee, servant and agent of the Manager save where such action, cost, claim, damage, expense or demand is occasioned by the fraud, negligence, wilful default or breach of the Trust Deed, other constitutive documents (as defined in the REIT Code) of Sunlight REIT, the REIT Code or relevant law and regulations by the Manager or any director, employee, servant, agent or delegate of the Manager.

Manager's Right of Delegation

The Manager may, in managing Sunlight REIT and in carrying out and performing its duties and obligations under the Trust Deed, so far as permitted by applicable regulatory requirements at its absolute discretion, delegate to any person, the selection of which shall be at its sole discretion, the performance of any act or the exercise of any power to manage and administer the authorised investments as defined in the Trust Deed and the exercise of any of the rights, trusts and discretions granted to the Manager by the Trust Deed as it thinks fit (including authorise the delegate to sub-delegate), such as certain back-office support services.

The Manager shall be solely responsible for such delegate or agent and shall be fully liable to Sunlight REIT for all losses, liabilities, damages, costs and expenses suffered or incurred by Sunlight REIT as a result of the appointment of such delegate or agent as if the relevant act or omission had been performed by the Manager itself.

The Manager/Property Manager and the rest of the HLD Group share the use of one mainframe computer. However, the Manager has its own IT personnel and infrastructure, including personal computers and IT peripherals. The data of the Manager/Property Manager and that of the rest of the HLD Group are kept under two separate databases on two separate systems. Users from the Manager/Property Manager and the rest of the HLD Group have individual user names and passwords for accessing their respective data. Users are provided with security guidelines for the use of IT infrastructure and systems. The disaster recovery plan of the HLD Group also covers the system and database of the Manager on the mainframe computer.

The Property Manager, Henderson Sunlight Property Management Limited was incorporated in Hong Kong on 30 September 2005 with its registered office at Room 3101-3, 31st Floor, 248 Queen's Road East, Wanchai, Hong Kong. It was formed to manage the properties owned or to be owned by Sunlight REIT from time to time. The Property Manager is an indirect wholly-owned subsidiary of HLD and will commence management of the Properties for Sunlight REIT immediately upon Completion.

Pursuant to the terms and conditions of the Property Management Agreement entered into between the Manager and the Property Manager, the Property Manager has been appointed to provide the following services solely and exclusively for properties of Sunlight REIT located in Hong Kong, subject to the overall management and supervision of the Manager:

- *Property management services.* These include facilitating the hand-over/taking over of premises, co-ordinating tenants' fitting out requirements, management of customer relationship, maintenance management, supervising the performance of service providers and contractors, arranging for adequate insurance, ensuring compliance with building and safety regulations and financial cost management.

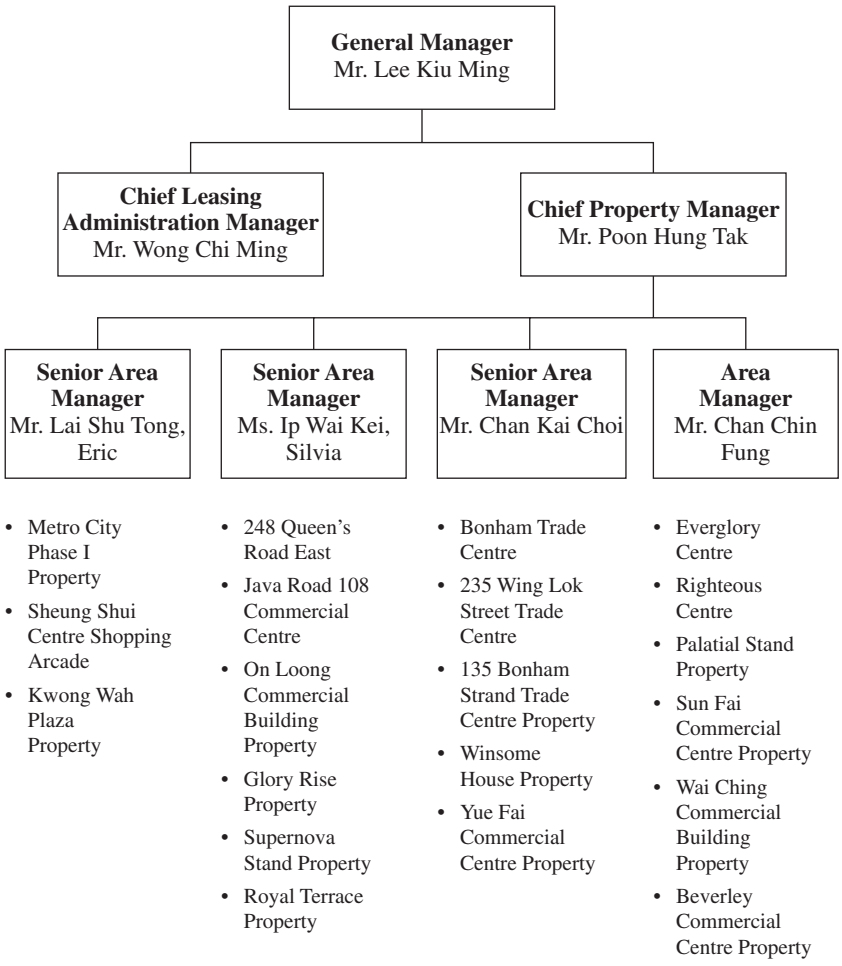
- *Lease management services.* These include tenants' expansion and tenancy related matters, rental collection and arrears management, evaluating government rates assessments, budget forecasting and planning, and initiating lease renewals and negotiation of terms.

- *Marketing services.* These include providing marketing and marketing co-ordination services, acting as a non-exclusive marketing agent for the marketing and selling of property and advising on marketing conditions.

For further details about the Property Management Agreement, see the section headed "Material Agreements and Other Documents Relating to Sunlight REIT" in this Offering Circular.

Notwithstanding that the Property Manager is a subsidiary of HLD, which is also involved in the business of owning and investing in properties in Hong Kong, the Property Manager has confirmed to the Manager that it is capable of performing, and shall perform, its duty to Sunlight REIT independently of HLD's related businesses and in the best interests of Sunlight REIT and the Unitholders.

Reporting structure of the executive officers of the Property Manager



Executive Officers of the Property Manager

Information on the working experience of the executive officers of the Property Manager is set out below:

Mr. Lee Kiu Ming is the General Manager of the Property Manager with responsibility for formulating and implementing business plans and strategies and business development of the Property Manager. Mr. Lee joined the Property Manager in May 2006 on a full-time basis having previously worked for the HLD Group since April 2000. As a leasing manager within the HLD Group, Mr. Lee was responsible for the leasing and marketing of shopping malls and office projects with a total portfolio size of over 1 million sq.ft. Mr. Lee was also involved in marketing, leasing and project planning of the HLD Group's properties and development sites in Beijing, Shanghai and Guangzhou, the PRC.

Mr. Lee has 15 years of experience in the property field in Hong Kong. Prior to joining the HLD Group in 2000, Mr. Lee worked for Hysan Development Co. Ltd from 1992 to 2000 and was its assistant manager in the leasing and marketing of commercial, retail and residential properties and in property management from 1994 to 2000.

Mr. Lee holds a Bachelor of Social Science degree from the Chinese University of Hong Kong and a Bachelor of Science degree (Estate Management) from the University of Reading in the United Kingdom.

Mr. Poon Hung Tak is the Chief Property Manager of the Property Manager, who will work with the General Manager to oversee the building operations of the Property Manager. Mr. Poon joined the Property Manager in May 2006 on a full-time basis, having previously worked for the HLD Group since October 2004 as the Estate Manager of Goodwill Management Limited overseeing commercial, retail and residential properties with a total portfolio size of approximately 4.9 million sq.ft.

Mr. Poon started his career in property management after graduation from The University of Hong Kong in 1986 and, to date, he has had 20 years of experience. Prior to joining the HLD Group, Mr. Poon worked for Colliers Jardine (Hong Kong) Limited, Chesterton Petty Limited and Hysan Development Company Limited.

Mr. Poon holds a Professional Diploma in Real Estate Administration from the School of Professional and Continuing Education of The University of Hong Kong and a Master of Business Administration in Construction and Real Estate from the University of Reading in the United Kingdom. Mr. Poon is also a Member of the Hong Kong Institute of Real Estate Administration.

Mr. Wong Chi Ming is the Chief Leasing Administration Manager of the Property Manager, with responsibility for supervising the leasing management functions of the Property Manager. Mr. Wong joined the Property Manager in May 2006 on a full-time basis, having previously worked for the HLD Group since July 2005 as a leasing manager responsible for leasing and marketing of a portfolio of retail and office properties.

Prior to joining the HLD Group, Mr. Wong worked for Hang Lung Properties Limited from 1990 to 2005 and was its property manager from 1994 to 2005. Mr Wong's main duties with Hang Lung Properties Limited included leasing and marketing of commercial and office properties, property management, car park management and arcade promotions.

Mr. Wong holds a Bachelor of Engineering degree from The University of Hong Kong and a Master of Corporate Governance degree from the Open University of Hong Kong. Mr. Wong is also an associate of The Institute of Chartered Secretaries and Administrators and an associate of The Hong Kong Institute of Chartered Secretaries.

Mr. Lai Shu Tong, Eric is a Senior Area Manager of the Property Manager, with responsibility for overseeing the management of Metro City Phase I Property, Sheung Shui Centre Shopping Arcade and Kwong Wah Plaza Property. Mr. Lai joined the Property Manager in June 2006 on a full-time basis, having

previously worked in the property management field for various types of properties for more than 18 years. He joined Goodwill Management Limited, a member of the HLD Group in 1998 and previously worked for Gold Court Property Management Ltd., Colliers Jardine Property Services (China) Ltd. and Solarlite Property Management Ltd.

Mr. Lai holds a Professional Diploma in Housing Management from the School of Professional and Continuing Education of the The University of Hong Kong and is also a member of the Hong Kong Institute of Housing and a corporate member of the Chartered Institute of Housing Asian Pacific Branch.

Ms. Ip Wai Kei, Silvia is a Senior Area Manager of the Property Manager with responsibility for overseeing the management of 248 Queen's Road East, Java Road 108 Commercial Centre, On Loong Commercial Building Property, Glory Rise Property, Supernova Stand Property and Royal Terrace Property. Ms. Ip joined the Property Manager in June 2006 on a full-time basis. Ms. Ip has seven years of experience in the property management field. Previously, Ms. Ip worked for Goodwill Management Limited (a member of the HLD Group), Jones Lang LaSalle Limited and Jones Lang LaSalle Management Services Limited.

Ms. Ip holds a Bachelor's degree in Real Estate from the Hong Kong Polytechnic University and is a member of the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors (General Practice Division and Property and Facility Management Division).

Mr. Chan Kai Choi is a Senior Area Manager of the Property Manager with the responsibility of overseeing the management of Bonham Trade Centre, 235 Wing Lok Street Trade Centre, 135 Bonham Strand Trade Centre Property, Winsome House Property and Yue Fai Commercial Centre Property. Mr. Chan joined the Property Manager in August 2006 on a full-time basis. Mr. Chan has worked in the property management field for various types of properties for more than 20 years. He joined Goodwill Management Limited (a member of the HLD Group) in 1997 and previously worked for Citybase Property Management Ltd., Colliers Jardine (H.K.) Ltd. and Goodwell Property Management Ltd.

Mr. Chan holds a Professional Diploma in Housing Management from the School of Professional and Continuing Education of The University of Hong Kong and is a Corporate Member of the Chartered Institute of Housing.

Mr. Chan Chin Fung is an Area Manager of the Property Manager with responsibility for overseeing the management of Everglory Centre, Righteous Centre, Palatial Stand Property, Sun Fai Commercial Centre Property, Wai Ching Commercial Building Property and Beverley Commercial Centre Property. Mr. Chan joined the Property Manager in June 2006 on a full-time basis, having previously worked for Hang Yick Properties Management Limited, a member of the HLD Group since October 2005. Mr. Chan has over 8 years working experience, having previously worked for Protech Property Management Limited, Sino Estates Management Limited and Citybase Property Management Limited before joining the HLD Group.

Mr. Chan is a holder of a certificate in Housing Practice and a diploma in Housing Management from the School of Professional and Continuing Education of The University of Hong Kong. In addition, Mr. Chan holds a Bachelor's degree in Housing Management from The University of Hong Kong in 2005 and is also a member of the Hong Kong Institute of Housing and a corporate member of the Chartered Institute of Housing Asian Pacific Branch.

Fees of the Property Manager

Under the Property Management Agreement (which will be ratified and acceded to by each property holding company), the Property Manager will be entitled to receive from each property holding company the following fees in relation to the management of the property owned by that property holding company:

(i) *Property Management and Lease Management Services*

For property and lease management services, the property holding company will pay the Property Manager a fee of 3.0% per annum of the Gross Property Revenue of the relevant property owned by the property holding company for each financial year.

(ii) *Marketing Services*

For marketing services which will be provided by the Property Manager on a non-exclusive basis, the property holding company will pay the Property Manager the following commissions:

- A commission equivalent to one month's base rent, for securing a tenancy of three years or more;
- A commission equivalent to one-half month's base rent, for securing a tenancy of less than three years;
- A commission equivalent to one-half month's base rent, for securing a renewal of tenancy irrespective of the duration of the renewal term; and
- A commission equivalent to 10.0% of the total licence fee for securing a licence for a duration of less than 12 months.

If the tenancy, renewal of tenancy or licence is secured by a third party agent appointed by the relevant property holding company, upon the recommendation of the Manager, the Property Manager will not be entitled to any of the above commissions for such tenancy, renewal of tenancy or licence.

Operating Expenses of the Property Manager

The Property Manager will be fully reimbursed by the relevant Property Company for the employment costs, secondment costs and remuneration of (i) the employees of the Property Manager; and (ii) persons who are engaged by or under secondment to the Property Manager, solely and exclusively in the management of any one single property (including the property management services and the lease management services), as approved in each annual budget of the properties by the Manager or (if not covered in an approved annual budget) in accordance with any pre-approved expenditure limit from time to time approved by the Manager.

The Property Manager, as agent for the relevant property holding company, will enter into contracts with third party service providers on arm's length normal commercial terms for the provision of cleaning, maintenance, security, utilities, car park management, design services, administrative and technical services, legal services, coach and other vehicle leasing and other ancillary services for the relevant property, and the costs and expenses under such contracts will form part of the operating expenses to be paid by the property holding company provided that these have been approved by the Manager in each annual budget.

Other operating expenses to be incurred in connection with the operation, maintenance, management and marketing of the properties include, but are not limited to, government rent and rates, adjudication fees and/or stamp duty, government registration fees, utility charges, advertising and public relations expenses, commission and expenses for leasing or licensing of premises in the properties, maintenance and other contributions required under the DMC, property insurance expenses, audit and valuation fees, professional fees, expenses for purchase and replacement of Operating Equipment and bad debts or doubtful account expenses in relation to the properties.

Mechanism of Payment of Fees and Expenses

The Property Manager will be given certain authorisations to utilise funds deposited in an operating account for the properties to be opened and maintained in the name of the Treasury Company to (a) make payment of all costs and expenses incurred or to be incurred in the operation, maintenance, management and marketing of the properties, including but are not limited to, the property management fees, the government rent and rates, adjudication fees and/or stamp duty, government registration fees, utility charges, marketing and public relations expenses, commissions and expenses for leasing or licensing of premises in the property, maintenance and other contributions required under the DMC, property insurance expenses, audit and valuation fees, professional fees, expenses for purchase and replacement of Operating Equipment and bad debts or doubtful account expenses in relation to the properties, within each annual budget approved by the Manager and by the board of directors of the relevant property holding company or; (b) refund deposits to occupants of the properties.

After the completion of the Offering, SKFE will, through its wholly-owned subsidiaries, hold 25.2% (or 19.2% if the Over-allotment Option is exercised in full) of the issued Units. SKFE is a company incorporated in BVI with limited liability.

SKFE is an investment holding company wholly owned by a family trust of Dr. Lee Shau Kee, the Chairman of HLD. SKFE owns a number of sizeable investment property projects in major cities around the world. Other investments of SKFE, which are primarily held for long-term purposes, encompass international investments in financial instruments as well as business corporations. These include investments in investment funds, bonds, high-yield bonds, publicly-traded shares, IPO underwriting, foreign exchange, commodities, options, structured equity-linked notes and investments in private enterprises.

As at 30 June 2006, the audited consolidated net assets of SKFE were approximately US$8,257 million (equivalent to approximately HK$64,404 million), the audited consolidated total assets of SKFE amounted to approximately US$12,902 million (equivalent to approximately HK$100,635 million), and the consolidated net current assets of SKFE were approximately US$6,341 million (equivalent to approximately HK$49,459 million).

After the completion of the Offering, HLD will, through its wholly-owned subsidiaries, hold 4.5% (or 3.5% if the Over-allotment Option is exercised in full) of the issued Units. HLD is a company incorporated in Hong Kong with limited liability and its shares have been listed on the Main Board of the Hong Kong Stock Exchange and its predecessors since 1981 with secondary listing on The Tokyo Stock Exchange. The market capitalisation of HLD was approximately HK$73.2 billion as of 30 June 2006.

HLD is an investment holding company and the principal business activities of its subsidiaries are property development and investment, project management, building construction, property management, infrastructure, hotel operation, department store operation and finance and investment holding.

In order to assist the Manager in its role as manager of Sunlight REIT, HLD has made certain commitments to the Manager, details of which are set out in the section headed "Strategy — Investment and Acquisition Growth Strategy" in this Offering Circular.

As at 30 June 2006, HLD owns (either directly, or indirectly through its subsidiaries and associates) a diverse portfolio of properties throughout Hong Kong for development or investment purposes, with an attributable gross floor area of approximately 20.6 million sq. ft. HLD's portfolio in Hong Kong includes completed income-producing properties held for investment purposes with an attributable gross floor area of approximately 8.3 million sq. ft., of which 2.5 million sq. ft. comprises office properties and 4.1 million sq. ft. comprises retail properties. Of these properties, 2.7 million sq. ft. of gross floor area is located on Hong Kong Island, 1.1 million sq. ft. in Kowloon and 4.5 million sq. ft. in the New Territories.

The following selected financial information has been extracted and summarised from HLD's audited financial statements for the year ended 30 June 2006:

Extract and Summary from Consolidated Profit and Loss Account

	Year ended 30 June 2006
	HK$'000
Turnover	6,773,000
Profit attributable to shareholders of HLD	13,548,700

Extract and Summary from Consolidated Balance Sheet

	As at 30 June 2006
	HK$'000
Non-current assets	
Fixed assets	56,868,000
Toll highway operation rights	171,100
Interests in leasehold land held for own use under operating leases	223,300
Interest in associates	16,962,600
Interest in jointly controlled entities	16,026,100
Other financial assets	1,456,100
Deferred tax assets	163,200
	91,870,400
Current assets	
Deposits for acquisition of properties	1,245,400
Inventories	21,036,000
Trade and other receivables	3,386,200
Cash held by stakeholders	23,400
Pledged bank deposits	20,200
Cash and cash equivalents	7,638,900
	33,350,100
Assets classified as held for sale	702,800
	34,052,900
Current liabilities	
Trade and other payables	2,730,100
Bank loans and overdrafts	7,029,200
Current taxation	635,000
	10,394,300
Liabilities classified as held for sale	171,500
	10,565,800

	As at 30 June 2006
	HK$'000
Net current assets	23,487,100
Total assets less current liabilities	115,357,500
Non-current liabilities	
Bank loans	13,665,300
Amount due to a fellow subsidiary	1,858,900
Deferred tax liabilities	6,050,400
	21,574,600
Net assets	93,782,900
Capital and reserves	
Share capital	3,629,200
Reserves	74,334,900
Total equity attributable to equity shareholders of HLD	77,964,100
Minority interests	15,818,800
Total equity	93,782,900

For further details, please refer to HLD's Annual Report 2006.

With the objectives of establishing and maintaining high standards of corporate governance, certain policies and procedures have been put in place to promote the operation of Sunlight REIT in a transparent manner and with built-in checks and balances. Set out below is a summary of the key components of the corporate governance policies that have been adopted and will be followed by the Manager and Sunlight REIT. The corporate governance policies may be amended by the Board from time to time.

Authorisation Structure

Sunlight REIT is a collective investment scheme authorised by the SFC under section 104 of the SFO and regulated by the provisions of the REIT Code. The Manager has been authorised by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. Pursuant to sections 104(2) and 105(2) of the SFO, the Financial Controller of the Manager, Mr. Law Cho Wa, Richard has been appointed as the approved person. The Manager has three persons who are approved as responsible officers pursuant to the requirements of section 125 of the SFO and paragraph 5.4 of the REIT Code, being Mr. Wu Shiu Kee, Keith, the Chief Executive Officer and an executive Director of the Manager, Mr. Leung Kwok-Hoe, Kevin, the Investment and Investor Relations Manager of the Manager and Mr. Leung Pei Sai, Bruce, the Asset Management Manager of the Manager.

The Trustee is registered as a trust company under section 77 of the Trustee Ordinance and is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code.

Roles of the Trustee and the Manager

The Trustee is responsible under the Trust Deed for, amongst other things, the safe custody of the assets of Sunlight REIT held by it on behalf of Unitholders. The Manager's role under the Trust Deed is to manage Sunlight REIT in accordance with the Trust Deed and, in particular, to ensure that the financial and economic aspects of Sunlight REIT's assets are professionally managed in the sole interests of the Unitholders. The Trustee and the Manager are independent of each other.

Roles and Functions of the Board

The Board currently comprises six members, consisting of the Chief Executive Officer, two non-executive Directors (including the Chairman) and three independent non-executive Directors.

The role of the Board is to lead and guide the corporate strategy and direction of Sunlight REIT. The Board principally oversees (rather than performs) the day-to-day management and corporate governance of the Manager and the conduct of its business. The Board and management functions will largely be separate. Day to day management functions and certain supervisory functions will be delegated to relevant management teams and committees of the Board. The matters which are specifically reserved to the full Board is set out in the Manager's corporate governance policy. The full Board, including independent non-executive Directors, will be responsible to the Unitholders and will govern the Manager. In accordance with the REIT Code, the Manager is required to act in the best interests of the Unitholders, to whom it owes a fiduciary duty.

Board Composition

The composition of the Board is determined using the following principles:

- the Chairman of the Board will be a non-executive Director;
- the right to appoint and remove Directors ultimately rests with the Board and the shareholders of the Manager in accordance with the provisions of the Articles of Association;
- the composition of the Board will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience;
- at least one-third of the Directors will be independent non-executive Directors (with a minimum of three Directors being independent non-executive Directors). In assessing the independence of a Director, the Board will take into account the factors set out in the Manager's corporate governance policy, none of which is necessarily conclusive. Each independent non-executive Director will be required to confirm his independence as and when requested by the Board, and at least an annual confirmation is required;
- the Chief Executive Officer will be a member of the Board; and
- following the listing of Sunlight REIT, the ongoing review of the Board's composition and recommendations on the appointment and re-appointment of Directors will be matters within the terms of reference of the Remuneration and Nomination Committee.

Board Committees

Subject to matters specifically reserved to the full Board which are set out in the corporate governance policy of the Manager, the Board has the power to delegate its responsibility and accountability to committees, in particular if there are any issues or items which require extensive discussion. Various committees have been established to assist the Board in discharging its responsibilities. The committees of the Board have been established with terms of reference to review specific issues or items and (if applicable) to then submit their findings and recommendations to the full Board for consideration and approval. Unless the decision making power has been vested in the relevant committee by the Board, the ultimate responsibility of making final decisions will rest with the full Board and not the committees. The Board as a whole is held ultimately accountable.

The committees of the Board are currently as follows:

Audit Committee

The Audit Committee comprises non-executive Directors only and shall have at least three members, with a majority being independent non-executive Directors and at least one of the independent non-executive Directors having appropriate professional qualifications or accounting or related financial management expertise. Mr. Kwan Kai Cheong, an independent non-executive Director has been appointed as the chairman of the Audit Committee. The Audit Committee shall be responsible for reviewing the

completeness, accuracy, clarity and fairness of Sunlight REIT's financial statements and will consider the scope, approach and nature of both internal and external audit reviews. It will be responsible for overall risk management, and it will review and monitor connected party transactions. The Audit Committee will also be responsible for the appointment and recommendation of the remuneration of external auditors, reviewing their reports and guiding management to take appropriate actions to remedy faults or deficiencies in any issues of internal control which may be identified. It will review Sunlight REIT's compliance with legal, ethical and regulatory requirements on a regular basis and oversee Sunlight REIT's compliance with applicable laws and regulations.

Investment Committee

The Investment Committee comprises three Directors, including the Chairman, the Chief Executive Officer and one independent non-executive Director. It will invite the Investment and Investor Relations Manager and the Financial Controller to its meetings. It will be responsible for evaluating and making recommendations on proposed acquisitions and disposals of assets, approving budgets, reviewing actual expenses on all key expenditures and reviewing the quarterly financial performance, forecasts and annual financial plan of the Manager and Sunlight REIT. The Investment Committee will also review and recommend changes to the authorisation limits on the Chief Executive Officer and any changes to policies or procedures in areas such as accounting, taxes, distribution payout, investment appraisal, management and statutory reporting.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises the Chairman and two independent non-executive Directors. The Remuneration and Nomination Committee will be responsible for reviewing the terms and conditions of employment of senior executives and Directors and recommending the manpower deployment plan (including the succession plan for the management of the Manager and the Board), remuneration and retirement policies and packages. It will also be responsible for reviewing the structure, size and composition of the Board and its committees on an ongoing basis and for nominating (and providing recommendations on) persons for appointment and re-appointment as Directors to, and to propose Directors for removal from, the full Board. If a member of the Remuneration and Nomination Committee is subject to re-appointment or removal, then such Director will abstain from participating in such discussions. The Remuneration and Nomination Committee will also ensure that no Director is involved in deciding his own remuneration. The Board will decide on the remuneration of those Directors in this committee.

Disclosures Committee

The Disclosures Committee comprises the Chief Executive Officer and at least one independent non-executive Director. It will invite the Compliance Manager and the Financial Controller to its meetings. It will be responsible for reviewing matters relating to the regular, urgent and forward-looking disclosure of information to Unitholders and public announcements and circulars. It will also be responsible for ensuring compliance with applicable legal requirements and the continuity, accuracy, clarity and completeness of information disseminated by the Manager and Sunlight REIT to the public and applicable regulatory authorities.

Risk Management

The Board will meet on a regular basis and normally no less frequently than four times each financial year at approximately quarterly intervals and will review the financial performance of the Manager and Sunlight REIT against a previously approved budget. The Board will also review any risks to the assets of Sunlight REIT, examine liability management and will act upon any advice or comments from the auditors of Sunlight REIT.

The Manager has appointed experienced and well-qualified management to handle the day-to-day operations of the Manager and Sunlight REIT. In assessing business risk, the Board will consider the economic environment and the property industry risk. In addition, the Board will review management reports and feasibility studies on individual properties prior to approving any major transactions.

Conflicts of Interest

All conflicts of interest shall be managed by the Board in accordance with the Articles of Association and applicable laws, rules and regulations. In general, the Manager shall ensure that all conflicts of interest relating to Sunlight REIT shall be managed and avoided. The Manager has instituted a number of measures to deal with conflicts of interest issues, such as:

(i) the Manager will not manage any REIT other than Sunlight REIT nor manage any other real estate assets other than those owned by Sunlight REIT;

(ii) the Manager shall have its own functional units and systems and function independently from its shareholders, with a majority of executive Directors not being executive directors of any of its holding companies;

(iii) all written resolutions of the Directors shall be signed by all Directors;

(iv) at least one-third of the Board shall be independent non-executive Directors, with a minimum of three independent non-executive Directors and each independent non-executive Director will be required to confirm his independence at least annually;

(v) the Compliance Manager shall keep a register of other directorships and senior positions (e.g. appointment as consultants or advisers) held by the Directors;

(vi) each Director shall inform the Board in accordance with the Articles of Association and the Compliance Manual if he has a conflict of interest;

(vii) a Director with a conflict of interest shall abstain from voting on the relevant matter and not be counted in the quorum at which any resolution in relation to that item is proposed; and

(viii) the Manager will arrange sufficient training for its officers on their obligations in relation to conflicts of interest under the SFO and the Compliance Manual and in relation to other obligations under the SFO.

Notwithstanding that the Manager is a subsidiary of HLD, which is also involved in the business of owning and investing in properties in Hong Kong, the Manager confirms that it is capable of performing, and shall perform, its duties to Sunlight REIT independently of HLD's related businesses and in the best interests of Sunlight REIT and the Unitholders.

General Meetings

The Manager will in each financial year convene a general meeting of Unitholders as an annual general meeting in addition to any other meetings in that particular financial year. In addition, the Trustee or the Manager may at any time convene a meeting of Unitholders. The Manager will also convene a meeting if requested in writing by not less than two Unitholders registered as together holding not less than 10% of the issued and outstanding Units. At least 14 days' notice of a meeting will be given to Unitholders, except that 21 days' notice will be given to Unitholders where a Special Resolution is proposed for consideration at such meeting, and the notice will specify the time and place of the meeting and the resolutions to be proposed.

Two or more Unitholders present in person or by proxy registered as holding not less than 10% of the Units for the time being in issue and outstanding will form a quorum for the transaction of all business, except for the purpose of passing a Special Resolution. The quorum for passing a Special Resolution will be two or more Unitholders present in person or by proxy registered as holding together not less than 25% of the Units in issue and outstanding. No business shall be transacted at any meeting unless the requisite quorum is present at the commencement of business. The quorum for an adjourned meeting shall be such number of Unitholders who are present in person or by proxy regardless of the number of Unitholders present or number of Units held by them.

Reporting and Transparency

Sunlight REIT will prepare its accounts in accordance with Hong Kong GAAP with a financial year-end of 30 June and a financial half-year of 31 December. In accordance with the REIT Code, the annual report and accounts for Sunlight REIT will be published and sent to Unitholders no later than four months following each financial year end and the semi-annual reports no later than two months following each financial half-year end.

As required by the REIT Code, the Manager will ensure that public announcements of material information and developments with respect to Sunlight REIT will be made in a timely and transparent manner in order to keep Unitholders appraised of the position of Sunlight REIT. Announcements will be made by publishing them in at least one leading Hong Kong English language and one Chinese language daily newspaper.

Issues of Further Units after Listing

To minimise the possible material dilution of holdings of Unitholders, any further issue of Units, other than in payment of the Management Fees to the Manager as detailed in the section headed "The Manager" in this Offering Circular, will need to comply with the pre-emption provisions contained in the REIT Code. Such provisions require that further issues of Units shall be first offered on a pro rata pre-emptive basis to existing Unitholders except that Units may be issued: (i) free of such pre-emption

rights up to an aggregate maximum in any financial year of 20% of the number of Units in issue at the end of the previous financial year (or such other percentage of outstanding Units as may, from time to time, be prescribed in the REIT Code or otherwise by the SFC); and (ii) free of pre-emption rights in other circumstances provided that the approval of Unitholders by way of an Ordinary Resolution is obtained. Subject thereto, Units may be issued as consideration for the acquisition of additional real estate, except that any such issue to connected persons will require Unitholders' approval.

Interests of, and Dealings in Units by, the Directors, the Manager or the Significant Unitholders

To monitor and supervise any dealings of Units, the Manager has adopted a code containing rules on dealings by the Directors and their associates equivalent to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules. Pursuant to the code adopted by the Manager, any Director wishing to deal in any securities of Sunlight REIT must first have regard to the provisions of Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct, as if those provisions of the SFO applied to the securities of Sunlight REIT. In addition, a Director must not make any unauthorised disclosure of confidential information or make any use of such information for the advantage of himself or others.

Directors who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are significant transactions or any price-sensitive information must refrain from dealing in any securities of Sunlight REIT as soon as they become aware of them or become privy to them until proper disclosure of the information in accordance with the REIT Code and any applicable Listing Rules. Directors who are privy to relevant negotiations or agreements or any price-sensitive information should caution those Directors who are not so privy that there may be unpublished price-sensitive information and that they must not deal in the securities of Sunlight REIT for a similar period.

The Manager is subject to the same dealing requirements as the Directors (mutatis mutandis). Such dealing requirements may also be extended to senior executives, officers and other employees of the Manager or of any REIT Group Companies as the Board may determine.

The Manager has also adopted procedures for monitoring of disclosure of interests by Directors, the chief executive officer of the Manager, and the Manager. The provisions of Part XV of the SFO are deemed to apply to the Manager, the Directors and chief executive officer of the Manager and each Unitholder and all persons claiming through or under him.

Under the Trust Deed, Unitholders with a holding of 5% or more of the Units in issue, and the Manager, and directors and chief executive officer of the Manager with an interest in the Units in issue, will have a notifiable interest and will be required to notify the Hong Kong Stock Exchange and the Manager of their holdings in Sunlight REIT. The Manager shall promptly send a copy of any notification received by it to the Trustee. The Manager shall keep a register for these purposes at the place at which the register of Unitholders is kept and the Manager is under a duty to inscribe in the register, against a person's name, the particulars provided pursuant to the notification and the date of entry of such inscription. The said register will be available for inspection by Unitholders without charge during such hours as the register of Unitholders is available for inspection. The Manager will create a website for

Sunlight REIT on the Listing Date and maintain it for the duration of Sunlight REIT. Copies of all disclosure notices received by the Manager will be posted on the website. Alternatively, investors may refer to the disclosure of interests section of the website of the Hong Kong Stock Exchange. For further details of the Trust Deed, see the section headed "The Trust Deed" in this Offering Circular.

Matters to be decided by Unitholders by Special Resolution

Pursuant to the Trust Deed, decisions with respect to certain matters require specific prior approval of Unitholders by way of Special Resolution. For further details of such matters, see the section headed "The Trust Deed — Meeting of Unitholders" in this Offering Circular.

The Trust Deed is a complex document and the following is a summary only. Investors should refer to the Trust Deed itself to confirm specific information or for a detailed understanding of Sunlight REIT. The Trust Deed is available for inspection at the registered office of the Manager at 30th Floor, 248 Queen's Road East, Wanchai, Hong Kong.

The Trust Deed

Sunlight REIT is a real estate investment trust constituted by the Trust Deed and regulated by the SFO, the REIT Code, Chapter 20 of the Listing Rules and the Listing Agreement.

The Trust Deed was entered into on 26 May 2006 between Uplite Limited as settlor, Henderson Sunlight Asset Management Limited as the manager of Sunlight REIT and HSBC Institutional Trust Services (Asia) Limited as the trustee of Sunlight REIT, and the same parties entered into two supplemental deeds to amend the Trust Deed on 1 June 2006 and 28 November 2006 respectively. Sunlight REIT was constituted by the Trustee holding HK$100 in cash as assets of Sunlight REIT (settled by the settlor on the date of the Trust Deed) on trust for the benefit of the settlor and upon the issue of Units, the settlor shall cease to have any interests of any nature whatsoever in the assets of Sunlight REIT and the Trustee shall thereafter hold the assets of Sunlight REIT for the benefit of the Unitholders pari passu according to the number of Units held by each Unitholder.

The terms and conditions of the Trust Deed and any supplemental deed are binding on the Trustee and the Manager, as well as each Unitholder (and any other person with an interest in Sunlight REIT and any persons claiming through or under any such Unitholder) as if such Unitholder had been a party to and had executed the Trust Deed and any supplemental deed and had thereby covenanted for such Unitholder and all such other persons to observe and be bound by all the provisions of the Trust Deed and had authorised and required the Manager and the Trustee respectively to do all such acts and things as the Trust Deed may require or authorise the Trustee or the Manager (as the case may be) to do.

The provisions of the REIT Code prescribe certain terms of the Trust Deed and certain rights, duties and obligations of the Manager, the Trustee and the Unitholders under the Trust Deed.

REIT Structure

Sunlight REIT is established in the form of an unit trust under Hong Kong law to invest in real estate (either directly or indirectly through REIT Group Companies). The Manager must manage Sunlight REIT so that the principal investments of Sunlight REIT are real estate. For further details of the investment policy and objective of Sunlight REIT, see the section headed "Strategy" in this Offering Circular. The assets of Sunlight REIT will be held by the Trustee on trust for the benefit of the Unitholders.

The Units and Unitholders

The rights and interests of Unitholders are set out in the Trust Deed. Under the Trust Deed, the Trustee must exercise all due diligence and vigilance in protecting the rights and interests of Unitholders.

The beneficial interest in Sunlight REIT is divided into Units. However, a Unitholder is not entitled to the transfer to it of or claim or exercise any right in respect of any asset (or any part thereof) or of any estate or interest in any assets (or any part thereof) of Sunlight REIT. Further, a Unitholder is not entitled to interfere or seek to interfere with the rights, powers, authority or discretion of the Trustee or the Manager to the extent those are exercised in accordance with the terms of the Trust Deed.

Issue of Units and Issue Price

The Units will be listed and quoted in Hong Kong dollars. The following is a summary of the provisions of the Trust Deed relating to the issue of Units in Sunlight REIT.

The Manager has the exclusive right to effect for the account of Sunlight REIT, the creation and issue of Units in accordance with the Trust Deed. The issue of Units on the Listing Date for the purpose of the Offering shall be at an issue price determined on the basis disclosed in this Offering Circular.

After the Listing Date, new Units may be offered on a pro rata basis as a Rights Issue without the prior approval of Unitholders other than where any such issue increases the market capitalisation of Sunlight REIT by more than 50%, in which case such issue shall require the prior approval of Unitholders by Ordinary Resolution at a meeting to be convened by the Manager in accordance with the provisions of the Trust Deed. For this purpose, a "**Rights Issue**" means an offer on a pro rata basis to all existing Unitholders which, to the extent that such exclusion without obtaining the prior approval of Unitholders referred to above is not prohibited under the REIT Code, excludes for that purpose any Unitholder that is resident in a place outside Hong Kong provided the Manager considers such exclusion to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place.

Subject to restrictions on new issues to connected persons, Units may be issued, or agreed (conditionally or unconditionally) to be issued, in any financial year (whether directly or pursuant to any Convertible Instruments), otherwise than pursuant to a Rights Issue as referred to above, without the approval of Unitholders, if:

(i) the total number of new Units issued, or agreed (conditionally or unconditionally) to be issued, in that financial year pursuant to the general mandate, without taking into account:

(A) any new Units issued or issuable in that financial year pursuant to any Convertible Instruments issued (whether in that or any prior financial year) pursuant to and in compliance with the general mandate, to the extent that such new Units are covered by the aggregate number of new Units contemplated under paragraph (ii) below at the Relevant Date applicable to the relevant Convertible Instruments or were previously taken into account in the calculation made under this paragraph (i) (whether in that or any prior financial year) at any time after such Relevant Date;

(B) such number of new Units issued or issuable pursuant to any such Convertible Instruments or any agreement referred to in paragraph (i)(C) below, in each case as a result of adjustments arising from the consolidation or sub-division or re-designation of Units;

(C) any new Units issued in that financial year pursuant to any agreement for the issuance of Units, to the extent that such new Units were previously taken into account in the calculation made under this paragraph (i) (whether in that or any prior financial year) at the Relevant Date applicable to that agreement; and/or

(D) any new Units issued, or agreed (conditionally or unconditionally) to be issued, otherwise than pursuant to a Rights Issue as referred to above and in respect of which the specific prior approval of Unitholders in accordance with the relevant requirements hereunder and under applicable laws and regulations (including the REIT Code) has been obtained;

plus (to the extent not included in paragraph (i) above):

(ii) (A) the maximum number of new Units issuable at the Initial Issue Price (as defined below) pursuant to any Convertible Instruments issued, or agreed (conditionally or unconditionally) to be issued, otherwise than pursuant to a Rights Issue as referred to above and whose Relevant Date falls within that financial year; and

(B) the maximum number of any other new Units which may be issuable pursuant to any such Convertible Instruments as at the Relevant Date thereof as estimated or determinable by the Manager in good faith and using its best endeavours and based on such assumptions as may be considered appropriate by the Manager and confirmed in writing to the Trustee and the SFC, having regard to the relevant terms and conditions of such Convertible Instruments (including any additional new Units issuable under any adjustment mechanism thereunder other than adjustments arising from the consolidation or sub-division or re-designation of Units),

does not increase the number of Units that were outstanding at the end of the previous financial year (or, in the case of an issue of, or an agreement (whether conditional or unconditional) to issue, Units or Convertible Instruments during the first financial year, the number of Units that were outstanding as at the Listing Date) by more than 20% (or such other percentage of outstanding Units as may, from time to time, be prescribed by the SFC) (the "**Percentage Threshold**"), provided that such threshold in terms of number of Units shall in the event of any consolidation or sub-division or re-designation of Units during that financial year be proportionally adjusted to give effect to such consolidation, sub-division or re-designation of Units.

Any issue of, or any agreement (whether conditional or unconditional) to issue, new Units exceeding the Percentage Threshold shall require specific prior approval of Unitholders by Ordinary Resolution, except that agreements to issue new Units exceeding such Percentage Threshold which are conditional upon specific prior approval of Unitholders by Ordinary Resolution may be entered into without first obtaining such prior approval.

After the Listing Date, and for so long as the Units are admitted for trading on the Hong Kong Stock Exchange, the Manager, subject to the provisions in the Trust Deed regarding Rights Issue as referred to above, may effect or agree to effect the issue of Units (whether directly, or pursuant to any Convertible Instruments) on behalf of Sunlight REIT (either for cash or other consideration) on any Business Day at an Issue Price per Unit that is equal to the market price or, in its discretion, at a discount of no more than

20% (or such other percentage as may, from time to time, be prescribed by the SFC) to the market price or at a premium (of any amount) to the market price. The Issue Price shall, in the case of any Convertible Instruments or agreements, mean the initial price per Unit at which Units are to be issued pursuant to such Convertible Instruments or agreements, before any adjustments which may apply thereunder (the "**Initial Issue Price**"). An issue of new Units at an issue price that is at a discount of more than 20% (or such other percentage as may, from time to time, be prescribed by the SFC) to the market price shall require specific prior approval of Unitholders by Ordinary Resolution. These restrictions do not apply to (a) any rights issue, bonus issue on a pro-rata basis or issue of Units in lieu of the payment of fees to the Manager pursuant to the Trust Deed; or (b) any issue of Units for cash consideration where the Manager can satisfy the SFC that Sunlight REIT is in a serious financial position and that the only way it can be saved is by an urgent rescue operation which involves an issue of Units at a discount of more than 20% (or such other percentage as may, from time to time, be prescribed by the SFC) to the market price or that there are other exceptional circumstances. For these purposes, "market price" means the price as determined by the Manager, being the higher of:

(i) the closing price of the Units on the Hong Kong Stock Exchange on the date of the relevant agreement or other instrument for (A) the proposed issue of Units, or (B) the proposed issue of any Convertible Instruments; and

(ii) the average of the closing prices of the Units on the Hong Kong Stock Exchange in the ten (10) trading days immediately prior to the earliest of:

  (A) the date of announcement of (1) the proposed issue of Units, or (2) the proposed issue of any Convertible Instruments;

  (B) the date of the relevant agreement or other instrument for (1) the proposed issue of Units, or (2) the proposed issue of any Convertible Instruments; and

  (C) the date on which the issue price is fixed.

Repurchase or Redemption of Units

Unitholders have no right to demand for the repurchase or redemption of their Units. The Trust Deed does not permit the Manager to repurchase or redeem any Units on behalf of Sunlight REIT until permitted to do so by the relevant codes and guidelines issued by the SFC from time to time. The Manager shall only effect any repurchase of Units in accordance with applicable codes and guidelines as may be issued by the SFC.

Minimum Prescribed Public Holdings

The Manager shall use best efforts to ensure that a minimum of 25% (or such lower percentage as may be permitted by the SFC) of the outstanding Units are held in public hands. In the event that the Manager becomes aware that such percentage has fallen below 25% (or such lower percentage as may be permitted by the SFC) of outstanding Units, the Manager shall use its best efforts to restore the percentage of Units held in public hands to a minimum of 25% (or such lower percentage as may be permitted by the SFC) of outstanding Units.

Rights and Liabilities of Unitholders

The key rights of Unitholders include rights to:

(a) receive income and other distributions attributable to the Units held;

(b) receive audited financial statements and annual reports of Sunlight REIT; and

(c) participate in the distribution of assets on the termination of Sunlight REIT by receiving 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 termination of Sunlight REIT in accordance with the provision of the Trust Deed.

The Trust Deed contains provisions that are designed to limit the liability of a Unitholder to the amount paid or payable for any Unit. The provisions seek to ensure that if the consideration to acquire the Units held by a Unitholder has been fully paid, no such Unitholder, by reason alone of being a Unitholder, will be personally liable to indemnify the Trustee or any creditor of Sunlight REIT in the event that the liabilities of Sunlight REIT exceed its assets.

Investment Restrictions

Subject to the restrictions and requirements of the REIT Code, the Manager shall ensure that investment restrictions are complied with by Sunlight REIT and by each REIT Group Company. Such restrictions include but are not limited to the following:

(a) Sunlight REIT shall not invest in vacant land or engage or participate in any property development activities (excluding, for the avoidance of doubt, refurbishment, retrofitting and renovations);

(b) Sunlight REIT shall not lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person, nor shall any part of the Deposited Property be used to secure the indebtedness of any person or any obligations, liabilities or indebtedness, without the prior written consent of the Trustee; and

(c) Sunlight REIT shall not acquire any investment which involves the assumption of any liability that is unlimited.

Amendment of the Trust Deed

The Trustee and the Manager shall be entitled by any supplemental deed and, if so required, with the prior approval of the SFC, amend, vary, modify, alter or add to the provisions of the Trust Deed in such manner and to such extent as they may consider expedient for any purpose, provided that:

(a) unless the Trustee certifies in writing that, in its opinion, such amendment, variation, modification, alteration or addition:

(i) does not materially prejudice the interests of the Unitholders, does not operate to release to any material extent the Trustee or the Manager from any responsibility to the Unitholders under the Trust Deed and does not increase the costs and charges payable out of the Deposited Property;

(ii) is necessary in order to comply with applicable fiscal, statutory or official requirements (whether or not having the force of law); or

(iii) is necessary to correct a manifest error,

no such amendment, variation, modification, alteration or addition shall be made without the sanction of a Special Resolution; and

(b) no such amendment, variation, modification, alteration or addition shall impose upon any Unitholder any obligation to make any further payments in respect of his Units or to accept any liability in respect thereof.

Meeting of Unitholders

Under the provisions of the Trust Deed, the Manager will at least once in every calendar year convene a general meeting of Unitholders as the annual general meeting of Sunlight REIT.

In addition, the Trustee or the Manager may respectively (and the Manager shall, at the request in writing of not less than two Unitholders registered as together holding not less than 10% of the Units for the time being in issue and outstanding) at any time convene a meeting of Unitholders at such time or place in Hong Kong in accordance with the provisions of the Trust Deed.

A meeting of Unitholders when convened may, by Special Resolution and in accordance with the Trust Deed:

(a) sanction any modification, variation, alteration or addition to the Trust Deed which shall be agreed by the Trustee and the Manager as provided in the Trust Deed;

(b) remove the Trustee;

(c) remove the Manager;

(d) approve the disposal of an investment within two years from the date of its acquisition;

(e) approve the termination of Sunlight REIT;

(f) approve the merger of Sunlight REIT;

(g) change the investment policies and objective of Sunlight REIT; and

(h) approve any change to the maximum remuneration under the Trust Deed which are payable to the Trustee or the Manager (other than the Trustee's Additional Fee referred to below), or any change to the structure of the Trustee's or Manager's remuneration.

Any decision to be made by resolution of Unitholders other than the above shall be made by Ordinary Resolution, unless a Special Resolution is required by the REIT Code or the provisions of the Trust Deed.

At least 14 days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of the meeting shall be given to Unitholders in the manner provided in the Trust Deed, except that at least 21 days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of the meeting shall be given to the Unitholders where a Special Resolution is proposed for consideration at such meeting. Each notice shall specify the place, day and hour of the meeting and the terms of any resolution to be proposed. A copy of the notice shall be sent by post to the Trustee, unless the meeting is convened by the Trustee in which case a copy of the notice shall be sent by post to the Manager. No resolution passed or proceedings at any meeting shall be invalidated by the accidental omission to give notice to or the non-receipt of notice by any of the Unitholders.

Voting on resolutions at a meeting shall be by way of a poll. On a poll, every Unitholder who is present, by corporate representative or by proxy shall have one vote for each Unit of which he is a Unitholder provided such Unit(s) is (are) fully paid up. However, (a) Unitholder(s) shall be prohibited from voting his (their) own Unit(s) at, or being counted in the quorum for, a meeting at which he (they) has (have) a material interest in the business to be conducted and that interest is different from the interests of other Unitholders as determined by the Manager (where the Unitholder(s) concerned is (are) not connected persons of the Manager under the REIT Code) or the Trustee (where the Unitholder(s) concerned is (are) connected persons of the Manager under the REIT Code) in accordance with the provisions of the Trust Deed. The Trust Deed does not contain any limitation on non-Hong Kong residents or foreign Unitholders holding Units or exercising the voting rights with respect to their unitholdings.

The instrument appointing a proxy and (if required by the Manager) the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be deposited at the place specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith (or, if no such place is specified, at the registered office of the Unit Registrar) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date stated in

it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a Unitholder from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked. A person appointed to act as a proxy need not be a Unitholder.

Powers, Duties and Obligations of the Trustee

Under the Trust Deed, the powers, duties and obligations of the Trustee include (but are not limited to):

(a) upon directions by the Manager (which direction shall not conflict with the Trust Deed, the REIT Code or any applicable laws or regulations), acquiring property as authorised investments on behalf of Sunlight REIT in accordance with the powers of investment contained in the Trust Deed;

(b) holding the Deposited Property on trust for the benefit of the Unitholders;

(c) overseeing the activities of the Manager for compliance with, amongst others, the Trust Deed; and

(d) ensuring that all the investment activities carried out by the Manager are in line with the investment policy and objective of Sunlight REIT and the constitutive documents (as defined in the REIT Code) of Sunlight REIT, and are in the interests of the Unitholders.

The Trustee shall exercise all due diligence and vigilance in carrying out its functions and duties, and in protecting the rights and interests of Unitholders.

The Trustee may, upon the Manager's direction, arrange and incur liabilities (including but not limited to borrowings) and obligations on behalf of Sunlight REIT (and so as to bind the Deposited Property), and to create and grant security of any form or nature for or in respect of such liabilities and obligations and to perform and discharge such liabilities and obligations from the Deposited Property on behalf of Sunlight REIT, in all cases subject to the restrictions under applicable law and in the REIT Code and the Trust Deed.

The Trustee may also appoint an agent to exercise all or any of the trusts, powers and discretions vested in it by the Trust Deed provided that such delegation or appointment of an agent shall be approved by the Manager in advance and subject to such terms and conditions of the delegation or appointment as the Trustee may think fit.

Although the Trustee may, upon the written request of the Manager, borrow or raise money for the purpose of Sunlight REIT both on a secured and unsecured basis, the Manager must not direct the Trustee to incur any borrowing if to do so would mean that the aggregate borrowings of Sunlight REIT exceed 45% (or such other higher or lower percentage as may be permitted by the REIT Code or as may be specifically permitted by the relevant authorities) of the total gross asset value of the Deposited Property as set out in Sunlight REIT's latest published audited accounts immediately prior to such borrowing being effected (subject to adjustments contemplated by the Trust Deed).

Trustee's Right to Reimbursement

Subject to the REIT Code and all applicable laws, rules and regulations, the Trustee is entitled to apply, or to be reimbursed from, the Deposited Property (at such times and over such periods as the Trustee and the Manager may determine in any particular case) for all liabilities, fees, costs, charges and expenses that may be properly suffered or incurred by the Trustee in the performance of its obligations or the exercise of its powers under the Trust Deed, or otherwise arising out of or in connection with, amongst others, the Trust Deed or other constitutive documents (as defined in the REIT Code) of Sunlight REIT (including but not limited to the costs of insurance in relation to the liabilities of the directors and officers of the REIT Group Companies and all costs, fees and expenses (including but not limited to all roadshow, advertising, promotion and marketing-related expenses) in connection with any offering or issue of Units).

Limitation of Trustee's Liability

In the absence of fraud, negligence, wilful default, breach of trust or breach of the Trust Deed, the constitutive documents (as defined in the REIT Code) to which the Trustee is a party, the REIT Code, or relevant law and regulations by the Trustee (including its directors, employees, agents and delegates), the Trustee shall not be in any way responsible to Sunlight REIT, the Unitholders, the Manager or any person for any loss, costs, damage or inconvenience that may result from the exercise or non exercise of its powers. In addition, save to the extent where the resulting loss or damage arises out of or is caused by or is attributable to the fraud, negligence, wilful default, breach of the Trust Deed, or a breach of trust, the constitutive documents (as defined in the REIT Code) to which the Trustee is a party, the REIT Code, or relevant law and regulations by the Trustee (including its directors, employees, agents and delegates), the Trustee shall have no liability for any act or omission of the Manager, the Unit Registrar, any approved valuer or any REIT Group Company or any directors of the foregoing, provided that any such liability of the Trustee shall not exculpate the Manager, the Unit Registrar, any approved valuer or any REIT Group Company or any directors of the foregoing from their own liabilities to Sunlight REIT for any act or omission provided herein. Further, in the absence of fraud, negligence, wilful default, breach of the Trust Deed, or breach of trust, the constitutive documents (as defined in the REIT Code) to which the Trustee is a party, the REIT Code, or relevant law and regulations by the Trustee (including its directors, employees, agents and delegates), any liability incurred and any indemnity to be given by the Trustee shall be limited to the Deposited Property over which the Trustee has recourse.

Trustee's Right of Indemnity out of Deposited Property

Subject to the provisions of the Trust Deed and without prejudice to any right of indemnity at law given to the Trustee, the Trustee and any director, employee, servant and agent of the Trustee will be indemnified out of, and shall be entitled for the purpose of indemnity to have recourse to, the Deposited Property or any part thereof against any actions, costs, claims, damages, expenses or demands to which it may be put as Trustee and as director, employee, servant and agent of the Trustee save where such action, cost, claim, damage, expense or demand is occasioned by the fraud, negligence, wilful default, breach of trust or breach of the Trust Deed, the constitutive documents (as defined in the REIT Code) to which the Trustee is a party, the REIT Code, or relevant law and regulations by the Trustee or any director, employee, servant, agent or delegate of the Trustee.

Retirement or Removal of the Trustee

The Trustee may retire or be removed under the following circumstances:

(a) The Trustee shall not be entitled to retire except upon the appointment (with, for so long as Sunlight REIT is authorised by the SFC, the prior written consent of the SFC) of a new trustee. The retirement of the Trustee shall take effect at the same time as the appointment of the new trustee.

(b) The Trustee may be removed by prior notice in writing to the Trustee by the Manager:

(i) if the Trustee goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Manager) or if a receiver is appointed over any of its assets or if a judicial manager is appointed in respect of the Trustee (or any analogous process occurs or any analogous person is appointed in respect of the Trustee);

(ii) if the Trustee ceases to carry on business; or

(iii) if the Unitholders by a Special Resolution duly passed at a meeting of Unitholders held in accordance with the provisions of the Trust Deed and of which not less than 21 days' notice has been given to the Trustee and the Manager shall so decide.

Trustee's Fees

Sunlight REIT will pay the Trustee an one-off inception fee of not more than HK$200,000 and, in each financial year, an annual fee of such amount as agreed between the Manager and the Trustee from time to time of not more than 0.03% per annum of the value of the Deposited Property as at the end of such financial year (which may be increased to a maximum of 0.06% per annum of the value of the Deposited Property), subject to a minimum of HK$50,000 per month ("Trustee's Annual Fee"). Such remuneration of the Trustee will be payable out of the Deposited Property quarterly in arrears within 30 days after the last day of every calendar quarter by reference to the unaudited quarterly management accounts of Sunlight REIT, subject to adjustment according to the provisions of the Trust Deed.

The Trustee's Annual Fee for a broken period will be pro-rated on a time basis. The Trustee's Annual Fee for the period from the date of commencement of Sunlight REIT to the day immediately before the Listing Date (both days inclusive) shall be the minimum fee of HK$50,000 per month pro-rated on a time basis.

If the Trustee finds it expedient or necessary or is requested by the Manager to undertake duties of an exceptional nature or otherwise outside the scope of the Trustee's normal duties in the ordinary and normal course of business of Sunlight REIT, including but not limited to any services in relation to the acquisition of or divestment or disposal of any real estate by Sunlight REIT after the Offering, the Trustee is entitled to charge, out of the Deposited Property, such fees on a time cost basis as agreed with the Manager ("Trustee's Additional Fees"), provided that, unless otherwise approved by the Unitholders by way of an Ordinary Resolution:

(i) the aggregate amount of Trustee's Additional Fees that may be charged by the Trustee in relation to each transaction to be entered into by Sunlight REIT shall not exceed 0.05% of (a) the acquisition price (in the case of an acquisition of real estate whether directly or indirectly by Sunlight REIT); or (b) the sale price (in the case of a sale or disposal of real estate whether directly or indirectly held by Sunlight REIT); and

(ii) the aggregate amount of Trustee's Additional Fees that are not related to any acquisition or sale or disposal of real estate as referred to in (i) above that may be charged by the Trustee for each financial year shall not exceed an amount equal to 20% of the Trustee's Annual Fee for that financial year.

Such fees in connection with the Offering and related acquisition of the Properties form part of the inception fee as mentioned above and the Trustee shall not charge any additional fees for services provided in connection therewith.

The Trustee and the Manager may, by giving not less than one month's prior written notice to Unitholders, increase the rate of the Trustee's Annual Fee up to and including the maximum percentage of 0.06% per annum of the value of the Deposited Property without obtaining Unitholders' approval. Any increase in the maximum rate of the Trustee's Annual Fee or any change to the structure of the Trustee's remuneration may only be permitted by Special Resolution at a Unitholders' meeting convened in accordance with the provisions of the Trust Deed.

Termination of Sunlight REIT

Sunlight REIT will terminate without Unitholders' approval in the event that the Units are not listed on the Hong Kong Stock Exchange by 31 January 2007 or such later date as may be agreed in writing between the Manager and the Trustee. Otherwise, Sunlight REIT will continue until the expiration of 80 years less one day from the date of commencement of Sunlight REIT as provided in the Trust Deed, being 25 May 2086, or until it is terminated in the manner described below or as set out in the sub-section headed "Merger of Sunlight REIT" below unless it is wound up by a court order or otherwise terminated by the operation of law.

Under the provisions of the Trust Deed, Sunlight REIT may be terminated by Special Resolution in accordance with the provisions of the Trust Deed.

Where a proposal to terminate Sunlight REIT is recommended by the Manager, the Manager and its connected persons shall abstain from voting if they hold interests in the Units and if their interest (as determined by the Trustee) in terminating Sunlight REIT is different from that of all other Unitholders, except where the Manager and its connected persons are the only Unitholders. The Trustee will have no liability for any consequences arising out of such termination recommended by the Manager and approved by Special Resolution in the absence of fraud, negligence, wilful default or breach of trust, the Trust Deed or relevant law. The Manager will inform Unitholders as soon as reasonably practicable of the intention to terminate Sunlight REIT by way of an announcement.

The Manager will serve on the Unitholders, within 21 days of the announcement of the termination of Sunlight REIT, a circular convening an extraordinary general meeting containing the following information:

(a) the rationale for the termination of Sunlight REIT;

(b) the effective date of the termination;

(c) the manner in which the Deposited Property is to be dealt with;

(d) the procedures and timing for the distribution of the proceeds of the termination;

(e) a valuation report of Sunlight REIT prepared by an approved valuer which is dated not more than three months before the date of the circular;

(f) the alternatives available to Unitholders;

(g) the estimated costs of the termination and the bearer of such costs; and

(h) such other material information that the Manager determines that the Unitholders should be informed of.

Upon approval of the proposal to terminate Sunlight REIT, the Trustee will oversee the realisation of the assets of Sunlight REIT by the Manager (which the Manager shall effect as soon as practicable). Following such disposal and the distribution of the proceeds (if any) thereof, Sunlight REIT will terminate.

In the event that the Manager is removed and no new manager duly qualified under the REIT Code and acceptable to the SFC is willing to take the place of the existing Manager within 60 days of the removal of the Manager (or such longer period as the Trustee considers appropriate), the Trustee may terminate Sunlight REIT.

Merger of Sunlight REIT

Sunlight REIT can be merged subject to specific prior approval of the Unitholders by Special Resolution at a meeting to be convened by the Manager in accordance with the provisions of the Trust Deed.

Where the proposal to merge Sunlight REIT is recommended by the Manager, the Manager and its connected persons who hold interests in the Units shall abstain from voting if their interest (at the sole determination of the Trustee) in merging Sunlight REIT is different from that of all other Unitholders. Where upon any such merger the Trustee retires, any deed effecting the merger by which the Deposited Property and liabilities of Sunlight REIT are so merged shall include indemnification of the Trustee to its satisfaction. The Trustee shall cease to be liable for obligations and liabilities of Sunlight REIT subsisting at the time of merger to the extent such obligations and liabilities are subsequently discharged from and

out of the merged entity, and shall have no other liability for the consequences arising out of any merger of Sunlight REIT which is recommended by the Manager and approved by Special Resolution (other than any liability arising from the fraud, negligence, wilful default or breach of trust, the Trust Deed or relevant law by the Trustee).

The Manager will inform Unitholders by way of an announcement as soon as reasonably practicable of the intention to merge Sunlight REIT. The Manager will send a circular to the Unitholders within 21 days of such announcement, including the following information therein:

(1) the rationale for the merger of Sunlight REIT;

(2) the effective date of the merger;

(3) the manner in which the Deposited Property is to be dealt with;

(4) the procedures and timing for the issuance or exchange of new Units arising from the merger;

(5) a valuation report of Sunlight REIT prepared by an approved valuer which is dated not more than three months before the date of the circular;

(6) the alternatives available to Unitholders;

(7) the estimated costs of the merger and the bearer of such costs; and

(8) such other material information that the Manager determines that Unitholders should be informed of.

Any merger pursuant to the provisions of the Trust Deed may only take effect upon the successor entity assuming responsibility for the performance and discharge of all obligations and liabilities of Sunlight REIT subsisting at the time of merger.

Deemed Application of Part XV of the SFO

Subject to certain exceptions and modifications, the Trust Deed deems the provisions of Part XV of the SFO to have effect, *mutatis mutandis*, and binding on the Manager, the directors and chief executive officer of the Manager and on each Unitholder and all persons claiming through or under such person (including, without limitation, each CCASS participant to whose account any Units are for the time being credited by HKSCC) as if:

(a) Sunlight REIT is a "listed corporation" for the purposes of Part XV of the SFO;

(b) the references in Part XV of the SFO to the "relevant share capital" of such listed corporation were references to:

  (i) the Units which are issued and outstanding from time to time; and

(ii) the Units which the Manager has agreed to issue, either conditionally or unconditionally, from time to time;

(c) a Unit is a share comprised in the relevant share capital of such listed corporation;

(d) a person who is interested in a Unit is interested in a share in the relevant share capital of such listed corporation;

(e) the Manager itself is a director of such listed corporation;

(f) the Directors and chief executive of the Manager are the directors and chief executive respectively of such listed corporation;

(g) "**percentage level**", in relation to a notifiable interest, means the percentage figure found by expressing the aggregate number of Units in which the person is interested immediately before or (as the case may be) immediately after the relevant time as a percentage of all the Units in issue at the relevant time as published by the Manager and rounding that figure down (if it is not a whole number) to the next whole number;

(h) "**percentage level**", in relation to a short position, means the percentage figure found by expressing the aggregate number of Units in which the person has a short position immediately before or (as the case may be) immediately after the relevant time as a percentage of all the Units in issue at the relevant time as published by the Manager and rounding that figure down (if it is not a whole number) to the next whole number.

A reference to:

(a) an interest in Units of a person shall be construed in the same manner as an interest in shares under section 322 of the SFO;

(b) a short position in Units of a person shall be construed in the same manner as a short position in shares under sections 308 and 322 of the SFO;

(c) an interest in Units of the Manager or a director or chief executive of the Manager (as the case may be) shall be construed in the same manner as an interest in shares under section 346 of the SFO;

(d) a short position in Units of the Manager or a director or chief executive of the Manager (as the case may be) shall be construed in the same manner as a short position in shares under sections 308 and 346 of the SFO.

Where a duty of disclosure arises by virtue of the deemed application of Part XV of the SFO, the relevant person shall give notice to the Manager and the Hong Kong Stock Exchange.

If a person who has a duty of disclosure under the code for disclosure of interests in the Units adopted by the Manager and the relevant provisions of the Trust Deed fails to comply with such notification

requirements in accordance with the code for disclosure of interests in the Units adopted by the Manager and the provisions of the Trust Deed, irrespective of whether that person is a Unitholder or not, the Units in which that person is (or is deemed to be) interested in (''Affected Units'') shall be subject to the relevant provisions of the code for disclosure of interests and the Trust Deed. When the person interested in the Affected Units is a person other than the Manager, the Manager may, in its absolute discretion, take any or all of the following actions in respect of any or all of the Affected Units:

(a) declare that the voting rights attached to any or all of the Affected Units to be suspended (and, upon such declaration, such voting rights shall be suspended for all purposes in connection with Sunlight REIT);

(b) suspend the payment of any distributions in respect of any or all of the Affected Units (and, upon such suspension, any such distributions shall be retained in a trust account in the name of Sunlight REIT pending the application of such distributions);

(c) impose an administrative fee of up to HK$0.10 per Affected Unit for each day of non-compliance from the date on which disclosure is due to be made by the person; and

(d) suspend registration and/or decline to register any transfer of part or all of the Affected Units, until the relevant provisions of the Trust Deed are fully complied with to the satisfaction of the Manager.

The administrative fee referred to above shall be retained by the Manager for its use as it sees fit. If such fee is not paid by the relevant Unitholder or any other person, the Manager may (in its absolute discretion) withhold and deduct such fee from any distributions to be made in respect of the relevant Affected Units (and, pending the recovery of such fee, the Manager may (in its absolute discretion) exercise any of its rights set out above). To the extent that any money is held in the trust account referred to above, the Manager may apply such money against any such fee imposed in respect of the relevant Affected Units.

Irrespective of whether any Unitholder is in default of the relevant provisions of the Trust Deed, each Unitholder shall be bound by the decision of the Manager and his/her Units shall be bound by such decision if the Manager declares (in its absolute discretion) that any or all of such Units are (or are deemed to be) Affected Units.

Where the person interested in the Affected Units is the Manager:

(a) the Trustee may exercise the powers of the Manager in sub-paragraphs (a) to (d) above in respect of any or all of the Affected Units;

(b) the Trustee may exercise the powers of the Manager above to retain the administrative fee for the benefit of Sunlight REIT and to take action if the fee is not paid; and

(c) irrespective of whether the Manager is in default of the relevant provisions of the Trust Deed, the Manager shall be bound by the decision of the Trustee and its Units shall be bound by such decision if the Trustee declares (in its absolute discretion) that any or all of such Units are (or are deemed to be) Affected Units.

Under the Trust Deed, each Unitholder and all persons claiming through or under him expressly acknowledge and agree to the grant of the rights and powers set out above to the Manager and the Trustee and agree to be bound by any action taken by the Manager or the Trustee (as the case may be) pursuant thereto in good faith.

Investors are urged to familiarise themselves with the provisions in relation to their duty of disclosure in the Trust Deed and the deemed application of Part XV of the SFO. The forms for notification shall be the same as those required with respect to "interests" and "short positions" under Part XV of the SFO (subject to any modification as may be prescribed by the Trustee and the Manager from time to time, which modification shall also be subject to the prior consent of the SFC).

The agreements described in this section are complex documents and the following is a summary only. Investors should refer to the agreements themselves to confirm specific information or for a detailed understanding of Sunlight REIT. The agreements are available for inspection at the registered office of the Manager at 30th Floor, 248 Queen's Road East, Wanchai, Hong Kong during normal business hours up to and including the Listing Date (up to 12:00 noon).

Description of the agreements to acquire the Target Company Shares, the Target Properties, the Finance Company Share and the Domain Name Company Share

On 10 November 2006 and 2 December 2006, the Purchaser Companies entered into the Sale and Purchase Agreements with the relevant Vendors pursuant to which the Purchaser Companies conditionally agreed to acquire the Target Company Shares, the Target Properties, the Finance Company Share and the Domain Name Company Share from the relevant Vendors.

Sale and Purchase Agreements and Deeds of Tax Covenant for the Target Company Shares

The purchase consideration for each Target Company (other than that in relation to Metro City Phase I Property and Sheung Shui Centre Shopping Arcade) is based on the Acquisition Value (based on the Minimum Offer Price) of the Property owned by that Target Company directly or indirectly, after adjustment (on bases agreed between the relevant Purchaser Companies and Vendors) for the assets and liabilities of that Target Company (and its subsidiary or subsidiaries, where applicable) on Completion and a specified percentage of the Adjustment Sum. Any deferred tax liabilities of the Target Companies (and their subsidiaries, where applicable) will not be taken into account in the computation of the purchase consideration but Deeds of Tax Covenant will be given in favour of the relevant REIT Group Companies in respect of any tax liability arising from re-classification upon Completion of the relevant Property from a trading stock to an investment asset. Any deferred tax assets of the Target Companies (and their subsidiaries, where applicable) will not be taken into account in the computation of the purchase consideration payable on Completion, but will be paid for by the REIT Group Companies 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 Acquisition Value of 248 Queen's Road East will be HK$1,817.2 million, plus an amount equivalent to 25.75% of the Adjustment Sum. Prior to Completion, SKFE has an approximate 82.9% attributable interest in the Property and HLD has an approximate 17.1% attributable interest in the Property.

The Acquisition Value of Bonham Trade Centre will be HK$327.6 million, plus an amount equivalent to 4.64% of the Adjustment Sum. Prior to Completion, the Property is indirectly wholly-owned by SKFE.

The Acquisition Value of Righteous Centre will be HK$255.4 million, plus an amount equivalent to 3.62% of the Adjustment Sum. Prior to Completion, the Property is indirectly wholly-owned by HLD.

The Acquisition Value of 135 Bonham Strand Trade Centre Property will be HK$178.5 million, plus an amount equivalent to 2.53% of the Adjustment Sum. Prior to Completion, the Property is indirectly wholly-owned by SKFE.

The Acquisition Value of Winsome House Property will be HK$197.2 million, plus an amount equivalent to 2.79% of the Adjustment Sum. Prior to Completion, the Property is indirectly wholly-owned by SKFE.

The Acquisition Value of Java Road 108 Commercial Centre will be HK$114.1 million, plus an amount equivalent to 1.62% of the Adjustment Sum. Prior to Completion, Perfect Bright and Furnline have an indirect aggregate attributable interest of approximately 66.7% in the Property and HIL has an indirect approximately 33.3% attributable interest in the Property.

The Acquisition Value of Sun Fai Commercial Centre Property will be HK$77.6 million, plus an amount equivalent to 1.10% of the Adjustment Sum. Prior to Completion, the Property is indirectly wholly-owned by SKFE.

The Acquisition Value of Wai Ching Commercial Building Property will be HK$20.2 million, plus an amount equivalent to 0.29% of the Adjustment Sum. Prior to Completion, each of Perfect Bright and Furnline has an indirect 50% attributable interest in the Property.

The Acquisition Value of 235 Wing Lok Street Trade Centre will be HK$130.4 million, plus an amount equivalent to 1.85% of the Adjustment Sum. Prior to Completion, the Property is indirectly wholly-owned by HLD.

The Acquisition Value of Yue Fai Commercial Centre Property will be HK$96.3 million, plus an amount equivalent to 1.36% of the Adjustment Sum. Prior to Completion, the Property is indirectly wholly-owned by HLD.

The Acquisition Value of Everglory Centre will be HK$95.5 million, plus an amount equivalent to 1.35% of the Adjustment Sum. Prior to Completion, the Property is indirectly wholly-owned by HLD.

The Acquisition Value of On Loong Commercial Building Property will be HK$83.1 million, plus an amount equivalent to 1.18% of the Adjustment Sum. Prior to Completion, the Property is indirectly wholly-owned by HLD.

The Acquisition Value of Kwong Wah Plaza Property will be HK$355.5 million, plus an amount equivalent to 5.04% of the Adjustment Sum. Prior to Completion, the Property is indirectly wholly-owned by HD.

The Acquisition Value of Beverley Commercial Centre Property will be HK$43.5 million, plus an amount equivalent to 0.62% of the Adjustment Sum. Prior to Completion, each of Perfect Bright and Furnline has an indirect 50% attributable interest in the Property.

The Acquisition Value of Glory Rise Property will be HK$50.5 million, plus an amount equivalent to 0.72% of the Adjustment Sum. Prior to Completion, each of Perfect Bright and Furnline has an indirect 50% attributable interest in the Property.

The Acquisition Value of Supernova Stand Property will be HK$35.7 million, plus an amount equivalent to 0.51% of the Adjustment Sum. Prior to Completion, Perfect Bright and Furnline have an indirect aggregate attributable interest of approximately 63.6% in the Property and HLD has an indirect attributable interest of approximately 36.4% in the Property.

The Acquisition Value of Palatial Stand Property will be HK$15.5 million, plus an amount equivalent to 0.22% of the Adjustment Sum. Prior to Completion, each of Perfect Bright and Furnline has an indirect 50% attributable interest in the Property .

The Acquisition Value of Royal Terrace Property will be HK$56.7 million, plus an amount equivalent to 0.80% of the Adjustment Sum. Prior to Completion, the Property is indirectly wholly-owned by HLD.

In each of the above adjustments to the Acquisition Value, the addition of a percentage of the Adjustment Sum may result in an increase or a decrease, depending on whether the Adjustment Sum is positive or negative.

The relevant Sale and Purchase Agreements for the acquisition of the Target Companies (other than Crownwill Limited and Bayman Limited) also provide that, if the total sum of all fees, commissions and other expenses payable by Sunlight REIT or by the Manager (either on Sunlight REIT's behalf or agreed to be reimbursed by Sunlight REIT) in connection with the Offering (the "**Offer Expenses**") is less than or exceeds the amount retained by the Manager on Sunlight REIT's behalf out of the proceeds of the Offering for the purpose of paying the Offer Expenses (the "**Reserved Sum**"), then adjustments will be made to the purchase consideration under those Sale and Purchase Agreements in respect of a percentage of any such excess or shortfall amount, such percentage to be the same as that applied to the Adjustment Sum as set out in the above adjustments.

The Metro City Phase I Property Share Sale and Purchase Agreement provides that, if the total sum of Offer Expenses is less than or exceeds the Reserved Sum, then an adjustment will be made to the purchase consideration under that Sale and Purchase Agreement in respect of 19.92% of any such excess or shortfall amount.

The Sheung Shui Centre Shopping Arcade Share Sale and Purchase Agreement provides that, if the total sum of Offer Expenses is less than or exceeds the Reserved Sum, then an adjustment will be made to the purchase consideration under that Sale and Purchase Agreement in respect of 24.09% of any such excess or shortfall amount.

Pursuant to the relevant Sale and Purchase Agreements for the acquisition of the Target Companies, a pro forma balance sheet for each Target Company (and its subsidiaries on a combined basis, where applicable) ("Pro Forma Completion Accounts") will be prepared, and adjustments to the Acquisition

Value of the Property determined on bases agreed between the Purchaser Companies and the Vendors shall be computed. Payment of the purchase consideration for the relevant Target Company will be made by reference to such Pro Forma Completion Accounts for that Target Company (and its subsidiaries, where applicable).

The Existing Borrowings in respect of the Target Companies comprise a combination of loans from companies affiliated to SKFE, Perfect Bright, Furnline, HD, HLD and HIL.

On Completion, the Existing Borrowings will be assigned to the Finance Company, upon which the Finance Company will pay to the relevant lenders principally on a dollar for dollar basis (based on the Pro Forma Completion Accounts) for such assignment.

Completion of each Sale and Purchase Agreement for the acquisition of the Target Companies is to take place on the Listing Date. Within 60 days of the date of Completion, an unaudited balance sheet of the relevant Target Company and its subsidiaries (on a combined basis, where applicable) as at the date of Completion ("Completion Accounts") will be delivered by the Vendors. The Completion Accounts of each Target Company will be audited within 90 days after Completion. Adjustment payments shall be made by or to the relevant Vendors and/or lenders, to address any overstatement or understatement (as the case may be) of the assets and liabilities and Existing Borrowings of the Target Company (and its subsidiaries, where applicable) as at Completion as shown in the Pro Forma Completion Accounts, subject to certain caps on understatements. Such adjustment payments shall be made within 14 days of the receipt of the results of the audit.

Each Sale and Purchase Agreement for the acquisition of the Target Companies provides, amongst others, for the relevant Vendors to procure that prior to Completion, the Target Company must (i) dispose of all assets of the Target Company (and its subsidiaries, where applicable), other than its Property and associated plant, equipment and chattels, and other than the current assets which are to be reflected in the audited Completion Accounts, and (ii) discharge all liabilities of the Target Company (and its subsidiaries, where applicable), other than the Existing Borrowings, and other than the current liabilities and the provision for deferred tax liability which are to be reflected in the audited Completion Accounts and is to be covered by the relevant Deed of Tax Covenant respectively.

Completion of the acquisition of each of the Target Company Shares and the assignment of the Existing Borrowings will be subject to the satisfaction of a number of conditions including, but not limited to:

(i) the Hong Kong Stock Exchange granting the listing of, and permission to deal in, all the Units to be issued upon the terms and conditions set out in this Offering Circular;

(ii) the SFC having authorised Sunlight REIT, this Offering Circular and the application forms relating thereto pursuant to the SFO;

(iii) the Underwriting Agreements having become unconditional and not having been terminated in each case in accordance with their respective terms and any applicable rules and law;

(iv) there being no material damage to the relevant Properties and no material breach of the warranties; and

(v) the obtaining of all relevant third party consents or approvals as are necessary for the purpose of transferring any of the Target Company Shares and/or the Existing Borrowings in accordance with the terms of the relevant Sale and Purchase Agreement.

In the event that any of the above conditions has not been fulfilled (or otherwise waived by the respective parties) on or before the Listing Date or 31 January 2007 (whichever is earlier), each of the Sale and Purchase Agreements will be determined and be of no further effect.

Each Sale and Purchase Agreement for the acquisition of the Target Companies contains certain representations, warranties and indemnities made by the relevant Vendors in respect of the relevant Target Company Shares, the Target Company (and its subsidiaries, where applicable) and the Property.

SKFE, HLD and HD (in each case, in relation to interests or loan being sold or assigned by it or its subsidiaries other than HIL in the case of HLD), and HD (as procured by Perfect Bright and Furnline in relation to interests being sold by them and loans being assigned by companies affiliated with them) have severally guaranteed the relevant Vendors' and loan assignors' obligations under the Sale and Purchase Agreements for the acquisition of the Target Companies Shares and the assignment of the Existing Borrowings. Each such Sale and Purchase Agreement also sets out certain limitations on the liability of the relevant Vendors, loan assignors and guarantors in respect of breaches, including provisions for maximum liability and limitation periods for claims.

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, the Holding Company and the Trustee, on Completion, covenanting to pay to the Purchaser Company, the Holding Company and the Trustee (as directed and as trustee of Sunlight REIT) in respect of certain liability to taxation falling on the Target Company (and its subsidiaries, where applicable) including, amongst others:

(i) any liability to taxation (other than those provided in (ii) and (iii) below) resulting from or by reference to income, profits, transactions and events earned, accrued, effected or occurred on or before Completion;

(ii) 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

(iii) 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.

In this connection the relevant Vendors may direct the conduct of any taxation proceeding subject, amongst others, to an indemnity for costs from the relevant Vendors and other provisions.

The limitation period for claims under paragraph (i) above is seven years from the date of Completion. The limitation period for claims under paragraph (ii) and paragraph (iii) above is seven years from the sale of the relevant Property by the relevant Property Company. The Purchaser Companies' right of claim is not prejudiced by any taxation action or proceeding in respect of the relevant tax liability which is the subject matter of the claim not being finally resolved before expiry of the applicable limitation period.

The Sale and Purchase Agreements in respect of a number of Target Companies will also provide for the relevant Purchaser Company to pay to the relevant Vendors additional consideration for the purchase of shares in the relevant Target Company, in an amount equivalent to the tax loss benefits of such Target Company (and its subsidiaries, where applicable) at Completion which are utilised by Sunlight REIT or the REIT Group Companies to offset tax liabilities which would otherwise arise. Such additional consideration will be payable in the future when, and to the extent, such tax loss benefit is so utilised.

Under the respective Sale and Purchase Agreements for the acquisition of the Target Companies and Deeds of Tax Covenant:

(i) SKFE will be the relevant guarantor in relation to the Property Companies (and relevant Target Companies) which hold 248 Queen's Road East (to the extent of its interest of approximately 82.9% in that Property), Bonham Trade Centre, 135 Bonham Strand Trade Centre Property, Winsome House Property and Sun Fai Commercial Centre Property, and in relation to Metro City Phase I Property and Sheung Shui Centre Shopping Arcade;

(ii) HLD will be the relevant guarantor in relation to the Property Companies (and relevant Target Companies) which hold 248 Queen's Road East (to the extent of its interest of approximately 17.1% in that Property), Righteous Centre, 235 Wing Lok Street Trade Centre, Yue Fai Commercial Centre Property, Everglory Centre, On Loong Commercial Building Property and Royal Terrace Property;

(iii) HD will be the relevant guarantor in relation to the loan assignor under the Kwong Wah Plaza Property Sale and Purchase Agreement; and

(iv) HD (as procured by Perfect Bright and Furnline) will be the relevant guarantor in relation to the Property Companies (and relevant Target Companies) which hold Java Road 108 Commercial Centre (to the extent of approximately 66.7% interest of Perfect Bright and Furnline in that Property), Wai Ching Commercial Building Property, Beverley Commercial Centre Property, Glory Rise Property, Supernova Stand Property (to the extent of approximately 63.6% interest of Perfect Bright and Furnline in that Property) and Palatial Stand Property.

Information on the non-voting deferred shares

In the case of a number of Sale and Purchase Agreements for the acquisition of the Target Companies which are Intermediate Holding Companies, the Property Companies under the Intermediate Holding Companies have an issued share capital comprising certain non-voting deferred shares, in addition to the

ordinary shares held by the Intermediate Holding Companies. The Target Companies concerned are those indirectly holding (i) Bonham Trade Centre and Palatial Stand Property; and (ii) 248 Queen's Road East (as to approximately 82.9%), 135 Bonham Strand Trade Centre Property, Winsome House Property and Sun Fai Commercial Centre Property.

(i) Bonham Trade Centre and Palatial Stand Property

Nicetex Development Limited is the sole owner of Bonham Trade Centre and Multimark Investment Limited directly owns the Palatial Stand Property as to 80% upon Completion. The issued share capital of each of Nicetex Development Limited and Multimark Investment Limited comprises ordinary shares and non-voting deferred shares. Upon Completion, all the ordinary shares and the non-voting deferred shares in each of Nicetex Development Limited and Multimark Investment Limited will be held by Sunlight REIT through the Holding Company and the relevant Intermediate Holding Company.

The rights and restrictions of such non-voting deferred shares in Nicetex Development Limited and Multimark Investment Limited are summarised below:

(a) *As regards income.* The profits which Nicetex Development Limited or Multimark Investment Limited (as the case may be) may determine to distribute in respect of any financial year shall be distributed among the holders of ordinary shares according to the amounts paid up on the ordinary shares held by them respectively and no part of the profits shall be distributed among the holders of the non-voting deferred shares.

(b) *As regards capital.* On a return of assets on winding up or otherwise, the assets of Nicetex Development Limited or Multimark Investment Limited (as the case may be) to be returned shall be distributed as regards the first HK$100,000,000,000 thereof among the holders of ordinary shares in proportion to the nominal amounts of ordinary shares held by them respectively and one half of the balance of such assets shall belong to and be distributed among the holders of the non-voting deferred shares and the other half thereof to and among the holders of the ordinary shares, in proportion in each case to the nominal amounts of the shares held by them respectively.

(c) *As regards voting.* On a show of hands every holder of ordinary shares who (being an individual) is present in person or (being a corporation) is represented by its authorised representative shall have one vote, and on a poll every holder of ordinary shares present in person or by proxy or, in the case of a corporation, by its authorised representative, shall have one vote for every ordinary share held by him but the non-voting deferred shares shall not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of Nicetex Development Limited or Multimark Investment Limited (as the case may be).

(ii) 248 Queen's Road East, 135 Bonham Strand Trade Centre Property, Winsome House Property and Sun Fai Commercial Centre Property

Jetwise Investment Limited and Russum Company Limited directly own 248 Queen's Road East as to approximately 82.9%, in aggregate. Tinselle Investment Limited, Grand Faith Development Limited and Yu Loy Development Company Limited are the sole owners of 135 Bonham Strand Trade Centre Property, Winsome House Property and Sun Fai Commercial Centre Property, respectively.

The issued share capital of each of Jetwise Investment Limited, Russum Company Limited, Tinselle Investment Limited, Grand Faith Development Limited and Yu Loy Development Company Limited comprises ordinary shares and non-voting deferred shares. Upon Completion, the non-voting deferred shares in each of these Property Companies will not be held by Sunlight REIT whether through the Holding Company and the Intermediate Holding Companies or otherwise.

The rights and restrictions of such non-voting deferred shares in each of Jetwise Investment Limited, Russum Company Limited, Tinselle Investment Limited, Grand Faith Development Limited and Yu Loy Development Company Limited are summarised below:

(a) *As regards income*. The profits which Jetwise Investment Limited, Russum Company Limited, Tinselle Investment Limited, Grand Faith Development Limited or Yu Loy Development Company Limited (as the case may be) may determine to distribute in respect of any financial year or other financial period shall be distributed among the holders of ordinary shares according to the amounts paid up on the ordinary shares held by them respectively and no part of the profits shall be distributed among the holders of the non-voting deferred shares.

(b) *As regards capital*. On a return of assets on winding up or otherwise, the assets of Jetwise Investment Limited, Russum Company Limited, Tinselle Investment Limited, Grand Faith Development Limited or Yu Loy Development Company Limited (as the case may be) to be returned shall be distributed as regards the first HK$100,000,000,000,000 thereof among the holders of ordinary shares in proportion to the nominal amounts of ordinary shares held by them respectively and one half of the balance of such assets (if any) shall belong to and be distributed among the holders of the non-voting deferred shares and the other half thereof to and among the holders of the ordinary shares, in each case in proportion to the nominal amounts of the shares held by them respectively.

(c) *As regards voting*. On a show of hands every holder of ordinary shares who (being an individual) is present in person or (being a corporation) is represented by its authorised representative shall have one vote, and on a poll every holder of ordinary shares present in person or by proxy or, in the case of a corporation, by its authorised representative or by proxy, shall have one vote for every ordinary share held by him/it but the non-voting deferred shares shall not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of Jetwise Investment Limited, Russum Company Limited, Tinselle Investment Limited, Grand Faith Development Limited or Yu Loy Development Company Limited (as the case may be).

Sale and Purchase Agreements for the Target Properties

Metro City Phase I Property

In respect of Metro City Phase I Property, under the Metro City Phase I Property Sale and Purchase Agreement entered into on 10 November 2006 (as supplemented by a supplemental agreement dated 2 December 2006), Crownwill Limited (as purchaser), an indirect wholly-owned subsidiary of SKFE incorporated in BVI whose primary purpose was to acquire and own Metro City Phase I Property, will

purchase from Shung King Development Company Limited, Camleigh Investment Limited and Join Fortune Development Limited (as vendors) Metro City Phase I Property. The Acquisition Value of Metro City Phase I Property will be HK$1,405.8 million, plus an amount equivalent to 19.92% of the Adjustment Sum (which may result in an increase or a decrease, depending on whether the Adjustment Sum is positive or negative). In addition, Kinpoint Limited, a REIT Group Company entered into the Metro City Phase I Property Share Sale and Purchase Agreement as purchaser, to purchase from Crown Faith Enterprises Ltd. (a wholly-owned subsidiary of SKFE) the entire issued share capital of Crownwill Limited, which will be completed immediately before the completion of the Metro City Phase I Property Sale and Purchase Agreement, with the effect that upon Completion, Kinpoint Limited will, through Crownwill Limited, indirectly own Metro City Phase I Property. Prior to Completion, Metro City Phase I Property is indirectly wholly-owned by SKFE.

Sheung Shui Centre Shopping Arcade

In respect of Sheung Shui Centre Shopping Arcade, under the Sheung Shui Centre Shopping Arcade Sale and Purchase Agreement entered into on 10 November 2006 (as supplemented by a supplemental agreement dated 2 December 2006), Bayman Limited (as purchaser), an indirect wholly-owned subsidiary of SKFE incorporated in BVI whose primary purpose was to acquire and own Sheung Shui Centre Shopping Arcade will purchase from Evercot Enterprise Company Limited and Shung King Development Company Limited (as vendors) Sheung Shui Centre Shopping Arcade. The Acquisition Value of Sheung Shui Centre Shopping Arcade will be HK$1,700.0 million, plus an amount equivalent to 24.09% of the Adjustment Sum (which may result in an increase or a decrease, depending on whether the Adjustment Sum is positive or negative). In addition, Kochi Enterprises Limited, a REIT Group Company entered into the Sheung Shui Centre Shopping Arcade Share Sale and Purchase Agreement as purchaser, to purchase from Crown Faith Enterprises Ltd. (a wholly-owned subsidiary of SKFE) the entire issued share capital of Bayman Limited, which will be completed immediately before the completion of the Sheung Shui Centre Shopping Arcade Sale and Purchase Agreement, with the effect that upon Completion, Kochi Enterprises Limited will, through Bayman Limited, indirectly own Sheung Shui Centre Shopping Arcade. Prior to Completion, Sheung Shui Centre Shopping Arcade, through Bayman Limited, is indirectly wholly-owned by SKFE.

Finance Company Sale and Purchase Agreement and Deed of Tax Covenant for the Finance Company Share

Pursuant to the Finance Company Sale and Purchase Agreement, Sunlight REIT will purchase the Finance Company Share from Corpson (a wholly-owned subsidiary of SKFE). The Finance Company will be used as the financing vehicle for Sunlight REIT. It is envisaged that the primary functions of the Finance Company will include (i) entering into external borrowing arrangements with third party financial institutions, which funds are then on-lent to the individual Property Companies in the form of related-party loans, and (ii) engaging in interest rate hedging arrangements with third-party counterparties for the external borrowing arrangements. The Finance Company has entered into the term loan agreement and the revolving credit facility agreement (as detailed below under the section headed "The Loan Facility"). In addition, it has also entered into interest rate swap agreements and agreements in relation to the Novation (as detailed below under the section headed "Interest Rate Swaps"). None of the amounts payable under such agreements by the Finance Company are required to be paid prior to Completion.

The consideration for the sale of the Finance Company Share shall be an amount equal to the NTA of the Finance Company on the date of Completion, without making any adjustment for this purpose to the value of the benefit or liabilities of the Finance Company under the agreements relating to the interest rate swaps. The Loans, which are owed by the Finance Company to the Vendor of the Finance Company Share, will also be assigned to the Holding Company on Completion on a dollar for dollar basis.

Completion of the acquisition of the Finance Company Share will be subject to the satisfaction of a number of conditions, which are similar to the conditions to which Completion of the acquisition of the Target Company Shares are subject as mentioned above.

In the event that each of such conditions has not been fulfilled (or otherwise waived by the respective parties) on or before the Listing Date or 31 January 2007 (whichever is earlier), the Finance Company Sale and Purchase Agreement will determine and be of no further effect.

The Finance Company Sale and Purchase Agreement contains certain representations and warranties made by the Vendor in respect of the Finance Company Share and the Finance Company. SKFE has guaranteed the obligations of the Vendor under the Finance Company Sale and Purchase Agreement. The Finance Company Sale and Purchase Agreement also sets out certain limitations on the liability of the relevant Vendor in respect of breaches, including a limitation periods for claims.

A Deed of Tax Covenant will be entered into by the Vendor and SKFE as the guarantor in favour of the Holding Company and the Trustee (as trustee of Sunlight REIT), on Completion, covenanting to pay the Holding Company and the Trustee (as directed) in respect of any liability for taxation falling on the Finance Company resulting from or by reference to any income, profits, gains, transactions or events earned, accrued, received, effected or occurred on or before Completion.

Further Arrangements in relation to the Facility

Pending Completion, the relevant Vendors will make all necessary arrangements for:

(i) the Target Company (and its subsidiaries, where applicable) to provide, as security for the Facility, security over the assets of the relevant Target Company (including, but not limited to, a first legal charge over the relevant Property); and

(ii) the Finance Company to draw down, on Completion, the term loan Facility in the aggregate amount of HK$3,950 million, with the proceeds to be used to finance the Finance Company's purchase of the Existing Borrowings and for on-lending to the Purchaser Companies to pay the consideration for the acquisition of the Target Properties.

Domain Name Company Sale and Purchase Agreement and Deed of Tax Covenant for the Domain Name Company Share

Pursuant to the Domain Name Company Sale and Purchase Agreement, Sunlight REIT will purchase the Domain Name Company Share from Corpson (a wholly-owned subsidiary of SKFE). The Domain Name Company holds a number of domain names used by the REIT Group Companies and may register

other domain names from time to time, and it has also made a number of applications for registration of trade marks (some of which have been granted) used or to be used by the REIT Group Companies in Hong Kong and may apply for registration of other words or devices as trade marks from time to time. The consideration for the sale of the Domain Name Company Share shall be an amount equal to the NTA of the Domain Name Company on the date of Completion, without making any adjustment for this purpose to the value of its domain names and trade marks. Any amount owed by the Domain Name Company to the Vendor of the Domain Name Company Share will also be assigned to the Finance Company on Completion on a dollar for dollar basis.

Completion of the acquisition of the Domain Name Company Share will be subject to the satisfaction of a number of conditions, which are similar to the conditions to which Completion of the acquisition of the Target Company Shares are subject as mentioned above.

In the event that each of such conditions has not been fulfilled (or otherwise waived by the respective parties) on or before the Listing Date or 31 January 2007 (whichever is earlier), the Domain Name Company Sale and Purchase Agreement will determine and be of no further effect.

The Domain Name Company Sale and Purchase Agreement contains certain representations and warranties made by the Vendor in respect of the Domain Name Company Share and the Domain Name Company. SKFE has guaranteed the obligations of the Vendor under the Domain Name Company Sale and Purchase Agreement. The Domain Name Company Sale and Purchase Agreement also sets out certain limitations on the liability of the relevant Vendor in respect of breaches, including a limitation periods for claims.

A Deed of Tax Covenant will be entered into by the Vendor and SKFE as the guarantor in favour of the Holding Company and the Trustee (as trustee of Sunlight REIT), on Completion, covenanting to pay the Holding Company and the Trustee (as directed) in respect of any liability for taxation falling on the Domain Name Company resulting from or by reference to any income, profits, gains, transactions or events earned, accrued, received, effected or occurred on or before Completion.

Deed of Undertaking and Indemnity in relation to Beverley Commercial Centre Property

Deed of Undertaking and Indemnity in favour of the Trustee and Newcorp Development Limited

SKFE will at Completion enter into a deed of undertaking and indemnity in favour of the Trustee (as trustee of Sunlight REIT) and Newcorp Development Limited whereby SKFE shall (I) indemnify Newcorp Development Limited against all the related costs and expenses to be borne by Newcorp Development Limited and any share of the additional contribution attributable to the Beverley Commercial Centre Property with respect to the compliance with the Directions (as defined below) and any other directions relating to any part of the Beverley Commercial Centre Property or the common areas of Beverley Commercial Centre which have been issued by the relevant governmental authorities under the provisions of the Fire Safety (Commercial Premises) Ordinance (Chapter 502 of the Laws of Hong Kong) and that are in existence and subsisting on or prior to the date of Completion during the Beverley Indemnity Period (as defined below); (II) indemnify Newcorp Development Limited against all actions, proceedings, claims, demands, losses, liabilities, damages, costs, charges and expenses of whatever nature (including legal and

other fees on a full indemnity basis) which may result or which Newcorp Development Limited may suffer, incur or sustain, directly or indirectly, in connection with or arising out of the non-compliance with the Directions and the said other directions, including but not limited to any loss of profit or rental of the Beverley Commercial Centre Property or any part thereof, during the Beverley Indemnity Period; and (III) indemnify the Trustee (as trustee of Sunlight REIT) against all actions, proceedings, claims, demands, losses, liabilities, damages, costs, charges and expenses of whatever nature (including legal and other fees on a full indemnity basis) which may result the Trustee (as trustee of Sunlight REIT) may suffer incur or sustain directly or indirectly in connection with or arising out of the non-compliance with the Directions and the said other directions during the Beverley Indemnity Period. Beverley Indemnity Period means the period from the Completion to (i) the date on which the Fire Services Department and the Buildings Department respectively have certified in writing that the Directions and the said other directions have been complied with and (ii) the date on which the manager of the Beverley Commercial Centre has confirmed in writing that all the costs and expenses thereof to be borne by Newcorp Development Limited and any share of the additional contribution attributable to the Beverley Commercial Centre Property have been fully paid and settled (whichever shall be the later date).

With the undertaking and indemnity given by SKFE under the deed of undertaking and indemnity to pay all the related costs and expenses and any share of the additional contribution attributable to the Beverley Commercial Centre Property for compliance with the Directions, counsel's opinion has been obtained by the Manager that there is no real risk of any claim or charge being imposed upon the Beverley Commercial Centre Property and the Directions do not constitute nor render the title of Beverley Commercial Centre Property to be defective.

The relevant insurance company has also confirmed that the validity of cover for the relevant insurance policies will not be adversely affected despite the existence of the Directions.

"**Directions**" means the two Fire Safety Directions (Direction Nos. BD FS/2/00041/05 and FSD 166/2005) and the two Fire Safety Improvement Directions (Direction Nos. FSD/FSI/1331/2005 and BD FSI/01377/05) respectively issued by the Director of Fire Services and the Director of Buildings all dated 31 March 2005 addressed to the co-owners of Beverley Commercial Centre relating to common areas of basement floor to second floor, all A.C. plant rooms (including those A.C. plant rooms which do not form part of the common areas) and other common areas of Beverley Commercial Centre.

For further details about the Directions, see the section headed "The Properties and Business — Legal and Regulatory Compliance" in this Offering Circular.

Deed of Undertaking and Indemnity in relation to On Loong Commercial Building Property

Deed of Undertaking and Indemnity in favour of the Trustee and Glory Good Development Limited

HLD will at Completion enter into a deed of undertaking and indemnity in favour of the Trustee (as trustee of Sunlight REIT) and Glory Good Development Limited whereby HLD will undertake to indemnify (I) Glory Good Development Limited against (i) all the related costs and expenses borne by Glory Good Development Limited and any share of the contribution attributable to the On Loong Commercial Building Property with respect to the compliance with the Directions (as defined below) and

any other directions with respect to the On Loong Commercial Building Property or any part thereof or to the common areas of On Loong Commercial Building which have been issued by the relevant governmental authorities pursuant to the provisions of the Fire Safety (Commercial Premises) Ordinance (Chapter 502 of the Laws of Hong Kong) and that are in existence and subsisting on or prior to the date of Completion of the relevant Sale and Purchase Agreement and (ii) all the related costs and expenses borne by Glory Good Development Limited for the demolition of the unauthorised cockloft which was at that time erected on the ground floor of the On Loong Commercial Building Property in accordance with a notice dated 17 November 2005 from the Director of Buildings ("Cockloft Notice"); and (iii) all actions, proceedings, claims, demands, losses, liabilities, damages, costs, charges and expenses of whatever nature (including legal and other fees on a full indemnity basis) which may result or which Glory Good Development Limited may suffer, incur or sustain directly or indirectly in connection with or arising out of the non-compliance with the Directions or the said other directions or the Cockloft Notice during the On Loong Indemnity Period (as hereinafter defined) including but not limited to any loss of profit or rental of the On Loong Commercial Building Property or any part thereof; and (II) the Trustee (as trustee of Sunlight REIT) against all actions, proceedings, claims, demands, losses, liabilities, damages, costs, charges and expenses of whatever nature (including legal and other fees on a full indemnity basis) which may result or which the Trustee (as trustee of Sunlight REIT) may suffer, incur or sustain directly or indirectly in connection with or arising out of the non-compliance with the Directions or the said other directions or the Cockloft Notice during the On Loong Indemnity Period including but not limited to any loss of profit or rental of the On Loong Commercial Building Property or any part thereof.

With the undertaking and indemnity given by HLD under the deed of undertaking and indemnity to pay all the related costs and expenses and any share of the contribution attributable to the On Loong Commercial Building Property for compliance with the Directions, counsel's opinion has been obtained by the Manager that there is no real risk of any claim or charge being imposed upon the On Loong Commercial Building Property and the Directions do not constitute nor render the title to the On Loong Commercial Building Property to be defective.

The relevant insurance companies have also confirmed that the validity of cover for the relevant insurance policies will not be adversely affected notwithstanding the existence of the Directions and other similar directions in relation to fire safety and the Cockloft Notice.

"**Directions**" means:

(a) 21 Fire Safety Improvement Directions (Nos. BD FSI/03077/05 to BD FSI/03081/05 and BD FSI/03083/05 to BD FSI/03097/05 and BD FSI/03099/05) in respect of 41 respective individual units of the On Loong Commercial Building Property all dated 17 November 2005 issued by the Director of Buildings to Glory Good Development Limited as registered owner of the On Loong Commercial Building Property;

(b) 18 Fire Safety Improvement Directions (Nos. FSD/FSI/5826/2005 to FSD/FSI/5828/2005, FSD/FSI/5831/2005, FSD/FSI/5833/2005, FSD/FSI/5837/2005, FSD/FSI/5838/2005, FSD/FSI/5841/2005 to FSD/FSI/5843/2005, FSD/FSI/5845/2005, FSD/FSI/5848/2005,

FSD/FSI/5849/2005, FSD/FSI/1144/2006, FSD/FSI/1148/2006, FSD/FSI/1149/2006, FSD/FSI/1151/2006 and FSD/FSI/1158/2006) in respect of 22 individual units of the On Loong Commercial Building Property dated 17 November 2005 and 20 April 2006 respectively issued by the Director of Fire Services to the occupiers of the said units;

(c) Two other Fire Safety Improvement Directions (Nos. BD FSI/03076/05 and FSD/FSI/5819/2005) both dated 17 November 2005 respectively issued by the Director of Buildings and the Director of Fire Services to the co-owners of On Loong Commercial Building and Glory Good Development Limited relating to the common areas of On Loong Commercial Building.

As at the Latest Practicable Date, the following Letters of Compliance/letters have been issued:

(i) 18 letters of compliance dated 26 May 2006, 26 June 2006 and 7 August 2006 respectively confirming compliance with the requirements of the 18 Fire Safety Improvement Directions as set out in (b) above issued by the Fire Services Department;

(ii) Letters dated 12 June 2006 and 1 August 2006 issued by the Buildings Department confirming that the fire safety improvement works required under the 21 Fire Safety Improvement Directions issued by the Director of Buildings as set out in (a) above had been completed and the unauthorized cockloft as mentioned in the Cockloft Notice had been removed; and

(iii) two letters of compliance dated 11 October 2006 and 7 November 2006 respectively confirming compliance with the requirements of the Fire Safety Improvement Directions as set out in (c) above issued by the Buildings Department and the Fire Services Department.

"**On Loong Indemnity Period**" means:

(I) In relation to those Directions and the said other directions with respect to the On Loong Commercial Building Property or any part thereof (including but not limited to such Fire Safety Improvement Directions as set out in (a) and (b) above) and the Cockloft Notice, for the period from the date of Completion to the date on which the compliance works as required under the relevant Directions and the said other directions (including but not limited to such Fire Safety Improvement Directions as set out in (a) and (b) above) and the Cockloft Notice have been duly completed as certified in writing by the relevant governmental authorities; and

(II) In relation to those Directions and the said other directions with respect to the common areas of the On Loong Commercial Building (including but not limited to such Fire Safety Improvement Directions as set out in (c) above), for the period from the date of Completion to (i) the date on which all the compliance works as required under the relevant Directions and the said other directions (including but not limited to such Fire Safety Improvement Directions as set out in (c) above) have been duly completed as certified in writing by the relevant governmental authorities; and (ii) the date on which the manager of the On Loong Commercial Building has confirmed in writing that all the costs and expenses for the compliance with the

relevant Directions and the said other directions (including but not limited to such Fire Safety Improvement Directions as set out in (c) above) to be borne by Glory Good Development Limited and any share of the contribution attributable to the On Loong Commercial Building Property have been fully paid and settled (which shall be the later date).

For further details about the Directions, see the section headed "The Properties and Business" in this Offering Circular.

Deed of Undertaking and Indemnity in relation to Kwong Wah Plaza Property

Deed of Undertaking and Indemnity in favour of the Trustee and Seiren Investment Limited

HD will at Completion enter into a deed of undertaking and indemnity in favour of the Trustee (as trustee of Sunlight REIT) and Seiren Investment Limited ("Seiren Investment") whereby HD will undertake to indemnify (I) Seiren Investment against (i) all and any amount finally judicially determined by the Lands Tribunal or the higher courts to be payable by Seiren Investment to the Government in the government rent proceedings as described in the section headed "The Properties and Business — General — Litigation" in this Offering Circular ("Government Rent Case") and in any appeal(s) therefrom ("Government Rent"); (ii) all and any amount which may be agreed by Seiren Investment and the Government to be payable by Seiren Investment in full and final settlement of the Government Rent Case provided that such full and final settlement of the Government Rent has been approved by HD (such approval not to be unreasonably withheld or delayed); (iii) all monies and liabilities whatsoever which may from time to time be claimed against or demanded from Seiren Investment or which Seiren Investment shall pay or become liable to pay or may suffer or incur under or by reason of or in connection with the Government Rent Case; and (iv) all costs, charges and expenses (including without limitation legal costs and expenses), loss, liability or damages reasonably incurred or suffered by Seiren Investment in connection with or arising out of the Government Rent Case; and (II) the Trustee (as trustee of Sunlight REIT) against all reasonable costs and expenses properly incurred by the Trustee as a result of or in connection with the Government Rent Case.

Information Regarding the Leasehold Title to the Properties

Government Grants

Land tenure in Hong Kong is essentially leasehold. Title to a property is derived from long-term government leases and conditions for lease (as the case may be) granted by the Government. Owners of property in Hong Kong are effectively long leaseholders. The Properties are held under certain Government Grants containing terms and conditions usually found in government leases or agreements and conditions for leases (as the case may be) granted by the Government.

Usually a government lease would consist of the following provisions:

- the term of years granted under the government lease;
- a covenant to pay Government rent, taxes, rates, charges and assessments;

- an exception and reservation in respect of mines, minerals, mineral oils and quarries of stone;
- an exception and reservation in respect of easements or rights of way which may be required for public purposes with full liberty of ingress, egress and regress;
- an exception in respect of public or common sewers, drains or watercourses;
- a covenant to repair, uphold and maintain the land and the buildings to be created thereon;
- a covenant to deliver up the land and the buildings on expiry of the lease term;
- a covenant to pay a share of the costs of certain facilities;
- either a restrictive covenant against carrying on certain "offensive trades" and businesses without a licence, or a "user clause" setting out the only users which the land is permitted to be used;
- a covenant to register any alienation;
- a forfeiture of land tenure clause; and
- a provision for resumption of the land for public purpose.

Usually an agreement and conditions for lease would consist of the following provisions:

- the term of years granted;
- to pay the yearly Government rent and discharge all taxes, rates, charges and assessments imposed on the land;
- to develop or redevelop the land in compliance with the buildings and town planning legislation and regulations;
- not to exceed the permitted Gross Floor Area or permitted plot ratio and site coverage;
- to use the land and buildings erected on the land for the permitted use;
- to maintain all buildings erected on the land in good and substantial repair and condition;
- to maintain and repair any slopes, retaining walls, supports, foundations or other structures whether on the land or on adjoining land and in accordance with the relevant guidelines issued from time to time by the relevant authorities; and
- not to encroach upon or occupy any adjoining Government land.

The Government can exercise its right as land-grantor to terminate the term granted under the Government Grant and re-enter the land if the land-grantee or its successors and assigns fails to observe or perform the terms and conditions of the Government Grant.

Some Government Grants may contain special provisions imposing certain specific obligations or restrictions on the land-grantee. A description of the Government Grant for each of the Properties together with details of any special provisions, are as follows:

248 Queen's Road East

The Property is held from the Government for the residue of the respective terms of 999 years commencing from 16 November 1855 and 999 years commencing from 16 March 1855 created therein by:

(1) a Government Lease of Inland Lot No.506 dated 24 September 1857 and made between Queen Victoria of the one part and Tung A Lok of the other part as varied or modified by a No-Objection Letter registered in the Land Registry by Memorial No.UB7657292; and

(2) a Government Lease of Inland Lot No.387 dated 26 April 1855 and made between Queen Victoria of the one part and Tung A Lok of the other part as varied or modified by a Deed of Variation of Crown Lease registered in the Land Registry by Memorial No.UB2190879 and a No-Objection Letter registered in the Land Registry by Memorial No.UB7657280,

as varied or modified by a Modification Letter dated 29 June 2006 and registered in the Land Registry by Memorial No.06070402100231.

Bonham Trade Centre

The Property is held from the Government for the residue of the respective terms of 999 years, 981 years and 981 years all commencing from 26 December 1860 created therein by:

(1) a Government Lease of Inland Lot No.15 dated 7 January 1875 and made between Queen Victoria of the one part and Chun A Shing of the other part;

(2) a Government Lease of Marine Lot No.142 dated 26 November 1861 and made between Queen Victoria of the one part and Joao Joaquim dos Remedios of the other part and subject to a Licence dated 27 June 1989 granted by the Assistant Registrar General for and on behalf of the Governor of Hong Kong to Billygain Investment Limited and its successors or assigns in respect of Section A and the Remaining Portion of Marine Lot No.142; and

(3) a Government Lease of Marine Lot No.144 dated 26 November 1861 and made between Queen Victoria of the one part and Joao Joaquim dos Remedios of the other part and subject to a Licence dated 27 June 1989 granted by the Assistant Registrar General for and on behalf of the Governor of Hong Kong to Billygain Investment Limited and its successors or assigns in respect of Section A and the Remaining Portion of Marine Lot No.144,

as varied or modified by a Modification Letter dated 27 April 2006 and registered in the Land Registry by Memorial No.06051703040083.

Righteous Centre

The Property is held from the Government for the residue of the respective terms of 150 years and 150 years both commencing from 25 December 1887 created therein by:

(1) a Government Lease of Kowloon Inland Lot No.6827 deemed to have been issued under and by virtue of Section 14(2) of the CPO upon compliance with the conditions precedent contained in certain Agreement and Conditions of Renewal dated 12 March 1957 and made between Chan Chak Yan of the one part and the Director of Public Works for and on behalf of the Governor of Hong Kong of the other part and registered in the Land Registry as Conditions of Regrant No.5654; and

(2) a Government Lease of Kowloon Inland Lot No.7097 deemed to have been issued under and by virtue of Section 14(2) of the CPO upon compliance with the conditions precedent contained in certain Agreement and Conditions of Renewal dated 29 June 1957 and made between Kwan Siu Man of the one part and the Director of Public Works for and on behalf of the Governor of Hong Kong of the other part and registered in the Land Registry as Conditions of Regrant No.5759.

135 Bonham Strand Trade Centre Property

The Property is held from the Government by:

(1) a Government Lease of Marine Lot No.173 dated 31 March 1876 and made between Queen Victoria of the one part and Lee Choy of the other part for the residue of the term of 999 years commencing from 26 December 1860; and

(2) a Government Lease of Inland Lot No.6896 dated 24 July 1958 and made between Queen Elizabeth II of the one part and Nam Pak Hong Association of the other part for the residue of the term of 75 years commencing from 14 November 1952 with a right to renew for a further term of 75 years,

as varied by a No-Objection Letter dated 26 June 2006 and registered in the Land Registry by Memorial No.06070301330122.

Winsome House Property

The Property is held from the Government for the residue of the respective terms of 999 years, 999 years and 999 years commencing from 26 June 1843, 22 January 1844 and 26 June 1843 respectively created therein by:

(1) a Government Lease of Inland Lot No.5025 dated 28 February 1938 and made between King George VI of the one part and Siu Ki Pak of the other part;

(2) a Government Lease of Inland Lot No.7968 deemed to have been issued under and by virtue of Section 14 of the CPO upon compliance of the conditions precedent contained in certain Agreement and Conditions of Exchange deposited and registered at the Land Registry as Conditions of Exchange No.8224 dated 26 September 1963 and made between the Governor of Hong Kong of the one part and Jhamatmal Boolchand of the other part; and

(3) a Government Lease of Inland Lot No.994 dated 4 May 1888 and made between Queen Victoria of the one part and William Hallis Luce of the other part,

as varied by a No-Objection Letter dated 21 June 2006 and registered in the Land Registry by Memorial No.06063002170029.

Java Road 108 Commercial Centre

The Property is held from the Government for the residue of 75 years commencing from 12 June 1933 with a right to renew for a further term of 75 years created therein by a Government Lease in respect of Inland Lot No.3539 dated 27 June 1939 and made between King George VI of the one part and Lee Hysan Estate Company Limited of the other part as varied or modified by a Modification Letter dated 15 June 2006 and registered in the Land Registry by Memorial No.06061900020013.

Sun Fai Commercial Centre Property

The Property is held from the Government under three Conditions of Lease Extension each for a term commencing from 28 June 1985 to 30 June 2047 created therein by:

(1) certain Agreement and Conditions of Lease Extension registered in the Land Registry as Conditions of Lease Extension No.12068 in respect of Kowloon Inland Lot No.10813 dated 5 September 1989 and made between Lai Nai Hunk also known as Lai Nai Hang and Lai Nai Yim also known as Lai Nai Im (as tenants in common in equal shares) of the one part and the Governor of Hong Kong of the other part as varied or modified by two Modification Letters respectively registered in the Land Registry by Memorial Nos.UB7109281 and UB7542467 under which the owner(s) for the time being of Kowloon Inland Lot No.10813 are entitled to a lease thereof;

(2) certain Agreement and Conditions of Lease Extension registered in the Land Registry as Conditions of Lease Extension No.12269 in respect of Kowloon Inland Lot No.10814 dated 3

September 1993 and made between Yu Loy Development Company Limited of the one part and the Governor of Hong Kong of the other part as varied or modified by a Modification Letter registered in the Land Registry by Memorial Nos.UB7109279 under which the owner(s) for the time being of Kowloon Inland Lot No.10814 are entitled to a lease thereof; and

(3) certain Agreement and Conditions of Lease Extension registered in the Land Registry as Conditions of Lease Extension No.12259 in respect of Kowloon Inland Lot No.10815 dated 3 September 1993 and made between Yu Loy Development Company Limited of the one part and the Governor of Hong Kong of the other part as varied or modified by a Modification Letter registered in the Land Registry by Memorial Nos.UB7109280 under which the owner(s) for the time being of Kowloon Inland Lot No.10815 are entitled to a lease thereof,

as varied by two No-Objection Letters dated 21 June 2006 and 24 October 2006 and registered in the Land Registry by Memorial Nos.06062801930027 and 06102702010040 respectively.

Wai Ching Commercial Building Property

The Property is held from the Government for the residue of the terms of years of 75 years commencing from 18 September 1974 created therein by:

(1) a Government Lease of Kowloon Inland Lot No.6167 dated 19 December 1977 and made between Queen Elizabeth II of the one part and Tse Leung Shu and Kwan Ming Chi of the other part; and

(2) a Government Lease of Kowloon Inland Lot No.6168 dated 21 January 1978 and made between Queen Elizabeth II of the one part and Cheung Wah Biu and Mui Kam Fung of the other part,

as varied by a No-Objection Letter dated 21 June 2006 and registered in the Land Registry by Memorial No.06062900860078.

235 Wing Lok Street Trade Centre

The Property is held from the Government for the residue of 979 years commencing from 26 December 1863 created therein by a Government Lease in respect of Marine Lot No.37A dated 17 July 1865 and made between Queen Victoria of the one part and Cheang Sing Yeong and Tsoo Wing Yeong of the other part as varied or modified by a Modification Letter dated 29 June 2006 and registered in the Land Registry by Memorial No.06070502310029.

Yue Fai Commercial Centre Property

The Property is held from the Government for the residue of 999 years commencing from 26 December 1860 created therein by a Government Lease in respect of Aberdeen Inland Lot No.62 dated 24 September 1917 and made between King George V of the one part and Chung Muk Sin of the other part as varied by a No-Objection Letter dated 21 June 2006 and registered in the Land Registry by Memorial No.06063002170018.

Everglory Centre

The Property is held from the Government for the residue of the respective terms of 150 years and 150 years both commencing from 25 December 1892 by:

(1) a Government Lease of Kowloon Inland Lot No.9455 deemed to have been issued under and by virtue of Section 14 of the CPO upon compliance of the conditions precedent contained in certain Agreement and Conditions of Regrant deposited and registered at the Land Registry as Conditions of Regrant No.9401 dated 6 April 1968 and made between the Governor of Hong Kong of the one part and Mok Wai Fong, Yip Sau Ching, Nancy Cheng, Hung Chau Hong alias Peter Hung, Fung Chong Kit and Leung Wai Tsang of the other part; and

(2) a Government Lease of Kowloon Inland Lot No.9639 deemed to have been issued under and by virtue of Section 14 of the CPO upon compliance of the conditions precedent contained in certain Agreement and Conditions of Regrant deposited and registered at the Land Registry as Conditions of Regrant No.9502 dated 14 February 1969 and made between the Governor of Hong Kong of the one part and Wu Wai Ching, Chan Siu Jam, Quon Fung Yew, Li Pui Chun and Lam Yuen Cheung of the other part.

On Loong Commercial Building Property

The Property is held from the Government for the residue of the respective terms of 99 years and 99 years both commencing from 11 May 1928 with a right of renewal for a further term of 99 years created therein by:

(1) a Government Lease of Inland Lot No.7061 dated 9 September 1953 and made between Queen Elizabeth II of the one part and Fung Ping Fan of the other part; and

(2) a Government Lease of Inland Lot No.7062 dated 9 September 1953 and made between Queen Elizabeth II of the one part and Fung Ping Fan of the other part,

as varied by a No-Objection Letter dated 21 June 2006 and registered in the Land Registry by Memorial No.06062900860062.

Metro City Phase I Property

The Property is held from the Government for the residue of the terms of years commencing from 29 November 1993 until 30 June 2047 under a Government Lease of Tseung Kwan O Town Lot No.36 deemed to have been issued under and by virtue of Section 14(3) of the CPO upon compliance with the conditions precedent contained in certain Agreement and Conditions of Grant dated 29 November 1993 and made between Camleigh Investment Limited, Join Fortune Development Limited and Shung King Development Company Limited (as tenants in common as to approximately 34.7% of the interest in Camleigh Investment Limited, as to approximately 26.6% of the interest in Join Fortune Development Limited and as to approximately 38.7% of the interest in Shung King Development Company Limited) of the one part and District Lands Officer, Sai Kung on behalf of the Governor of Hong Kong of the other

part deposited and registered in the Land Registry as New Grant No.8275 as varied or modified by two Modification Letters and a No-Objection Letter respectively registered in the Land Registry by Memorial Nos.SK220858, SK250379 and 06102702010034 (such compliance being evidenced by a Certificate of Compliance dated 21 April 1997 and registered in the Land Registry by Memorial No.SK274824).

Under Special Condition No.(17) (c), the car-parking spaces, the bicycle-parking spaces and the motorcycles-parking spaces as required under Special Condition Nos.(17) (a) and (b) shall not be used for any purpose other than for the parking of motor vehicles licensed under the Road Traffic Ordinance and bicycles belonging to the residents or occupiers of Metro City Phase I and their bona fide guests and visitors.

Sheung Shui Centre Shopping Arcade

The Property is held from the Government for the residue of the terms of years commencing from 16 October 1989 until 30 June 2047 under a Government Lease of Fanling Sheung Shui Town Lot No.55 deemed to have been issued under and by virtue of Section 14(3) of the CPO upon compliance with the conditions precedent contained in certain Agreement and Conditions of Grant dated 16 October 1989 and made between Evercot Enterprise Company Limited and Shung King Development Company Limited (as tenants in common as to approximately 50.6% of the interest in Evercot Enterprise Company Limited and as to approximately 49.4% of the interest in Shung King Development Company Limited) of the one part and District Lands Officer, North on behalf of the Governor of Hong Kong of the other part deposited and registered in the Land Registry as New Grant No.12406 as varied or modified by two Modification Letters and a No-Objection Letter respectively registered in the Land Registry by Memorial Nos.N246642, N277363 and 06102702010051 (such compliance being evidenced by a Certificate of Compliance dated 25 February 1994 and registered in the Land Registry by Memorial No.N303791).

There is a provision on prohibition of advertisement under Special Condition No.(16) (d) of New Grant No.12406 as varied and modified by two Modification Letters registered in the Land Registry by Memorial Nos.N246642 and N277363 (collectively "Sheung Shui Centre Land Grant") under which Evercot Enterprise Company Limited and Shung King Development Company Limited ("Sheung Shui Centre Shopping Arcade Owners") (as grantee) shall not exhibit or allow or suffer to be exhibited on the said lot or any part thereof or on the exterior of any building or buildings or other structure erected or to be erected on the said lot or on the interior thereof so as to be visible from the exterior or any part thereof any placard poster sign or advertisement except in accordance with an advertising plan approved by the Director of Lands (save as such notices prohibiting hawkers as permitted under Special Condition No.(17) of the Sheung Shui Centre Land Grant). On approval the Sheung Shui Centre Shopping Arcade Owners shall adhere thereto and no amendment shall be made thereto without the consent of the Director of Lands.

Under Special Condition No.(30) (a) (i) and (ii) of the Sheung Shui Centre Land Grant, it is provided that there shall be not less than 160 and not more than 230 private motor cars parking spaces for parking of private motor cars belonging to the residents of Sheung Shui Centre and there shall be not more than 130 private car parking spaces for parking of private motor vehicles belonging to members of the public.

Under Special Condition No.(30) (b) of the Sheung Shui Centre Land Grant, there shall be spaces for parking, loading, unloading and manoeuvring of service vehicles serving the retail shops within the said lot at the rate specified therein.

Under Special Condition No.(30) (d) of the Sheung Shui Centre Land Grant, there shall be spaces for the parking, loading and unloading of goods vehicles at the rate specified therein. There shall be at a minimum of one loading/unloading bay for each residential block, such loading/unloading bay to be located adjacent to or within each residential block.

Kwong Wah Plaza Property

The Property is held from the Government for the residue of the term of years commencing from 25 May 1993 until 30 June 2047 under a Government Lease of Lot No.4015 in Demarcation District No.120 deemed to have been issued under and by virtue of Section 14(3) of the CPO upon compliance with the conditions precedent contained in certain Agreement and Conditions of Exchange dated 25 May 1993 and made between Seiren Investment Limited of the one part and the District Lands Officer, Yuen Long on behalf of the Governor of Hong Kong of the other part deposited and registered in the Land Registry as New Grant No.4135 as varied or modified by two Modification Letters respectively registered in the Land Registry by Memorial Nos.YL650683 and YL811797 and two No-Objection Letters both dated 7 July 2006 and registered in the Land Registry by Memorial Nos.06071102360057 and 06081401010185 respectively (such compliance being evidenced by a Letter of Compliance dated 12 June 1998 and registered in the Land Registry by Memorial No. YL 819829).

Beverley Commercial Centre Property

The Property is held from the Government for the residue of the terms of 150 years commencing from 25 December 1902 created therein by:

(1) a Government Lease of Kowloon Inland Lot No.10574 deemed to have been issued under and by virtue of Section 14(3) of the CPO upon compliance with the conditions precedent contained in certain Agreement and Conditions of Regrant dated 13 June 1977 and made between the Governor of Hong Kong of the one part and Tam Shui Hee of the other part and registered in the Land Registry as Conditions of Re-grant No.11117 as varied or modified by a Modification Letter registered in the Land Registry by Memorial No.UB1765380 (such compliance being evidenced by a Letter of Compliance dated 19 April 1985 and registered in the Land Registry by Memorial No.UB2869152);

(2) a Government Lease of Kowloon Inland Lot No.10211 deemed to have been issued under and by virtue of Section 14(3) of the CPO upon compliance with the conditions precedent contained in certain Agreement and Conditions of Regrant dated 13 October 1972 and made between the Governor of Hong Kong of the one part and Tam Shui Hee of the other part and registered in the Land Registry as Conditions of Re-grant No.10318 (such compliance being evidenced by a Letter of Compliance dated 19 April 1985 and registered in the Land Registry by Memorial No.UB2869152);

(3) a Government Lease of Kowloon Inland Lot No.10575 deemed to have been issued under and by virtue of Section 14(3) of the CPO upon compliance with the conditions precedent contained in certain Agreement and Conditions of Regrant dated 13 June 1977 and made between the Governor of Hong Kong of the one part and Tam Shui Hee of the other part and registered in the Land Registry as Conditions of Re-grant No.11118 as varied or modified by a Modification Letter registered in the Land Registry by Memorial No.UB1765381 (such compliance being evidenced by a Letter of Compliance dated 19 April 1985 and registered in the Land Registry by Memorial No.UB2869152);

(4) a Government Lease of Kowloon Inland Lot No.10518 deemed to have been issued under and by virtue of Section 14(3) of the CPO upon compliance with the conditions precedent contained in certain Agreement and Conditions of Regrant dated 27 September 1977 and made between the Governor of Hong Kong of the one part and Tso Yee Sun of the other part and registered in the Land Registry as Conditions of Re-grant No.11125 as varied or modified by a Modification Letter registered in the Land Registry by Memorial No.UB1782036 (such compliance being evidenced by a Letter of Compliance dated 19 April 1985 and registered in the Land Registry by Memorial No.UB2869152);

(5) a Government Lease of Kowloon Inland Lot No.10580 deemed to have been issued under and by virtue of Section 14(3) of the CPO upon compliance with the conditions precedent contained in certain Agreement and Conditions of Regrant dated 20 July 1977 and made between the Governor of Hong Kong of the one part and Kam Kwong Ki of the other part and registered in the Land Registry as Conditions of Re-grant No.11098 (such compliance being evidenced by a Letter of Compliance dated 19 April 1985 and registered in the Land Registry by Memorial No.UB2869152);

(6) a Government Lease of Kowloon Inland Lot No.10160 deemed to have been issued under and by virtue of Section 14(3) of the CPO upon compliance with the conditions precedent contained in certain Agreement and Conditions of Regrant dated 6 October 1972 and made between the Governor of Hong Kong of the one part and Tam Shui Hee of the other part and registered in the Land Registry as Conditions of Regrant No.10312 (such compliance being evidenced by a Letter of Compliance dated 19 April 1985 and registered in the Land Registry by Memorial No.UB2869152);

(7) a Government Lease of Kowloon Inland Lot No.10503 deemed to have been issued under and by virtue of Section 14(3) of the CPO upon compliance with the conditions precedent contained in certain Agreement and Conditions of Regrant dated 12 October 1977 and made between the Governor of Hong Kong of the one part and Chiang Chi Hui of the other part and registered in the Land Registry as Conditions of Re-grant No.11134 as varied or modified by a Modification Letter registered in the Land Registry by Memorial No.UB1782035 (such compliance being evidenced by a Letter of Compliance dated 19 April 1985 and registered in the Land Registry by Memorial No.UB2869152);

(8) a Government Lease of Kowloon Inland Lot No.10526 deemed to have been issued under and by virtue of Section 14(3) of the CPO upon compliance with the conditions precedent contained in certain Agreement and Conditions of Regrant dated 21 March 1977 and made between the Governor of Hong Kong of the one part and Sun Tak Development Company Limited of the other part and registered in the Land Registry as Conditions of Regrant No.11053 (such compliance being evidenced by a Letter of Compliance dated 19 April 1985 and registered in the Land Registry by Memorial No.UB2869152);

(9) a Government Lease of Kowloon Inland Lot No.10247 deemed to have been issued under and by virtue of Section 14(3) of the CPO upon compliance with the conditions precedent contained in certain Agreement and Conditions of Regrant dated 23 December 1972 and made between the Governor of Hong Kong of the one part and Pihan Chang of the other part and registered in the Land Registry as Conditions of Regrant No.10404 (such compliance being evidenced by a Letter of Compliance dated 19 April 1985 and registered in the Land Registry by Memorial No.UB2869152); and

(10) a Government Lease of Kowloon Inland Lot No.10616 deemed to have been issued under and by virtue of Section 14(3) of the CPO upon compliance with the conditions precedent contained in certain Agreement and Conditions of Regrant dated 17 August 1978 and made between the Governor of Hong Kong of the one part and Sze Teh Ling of the other part and registered in the Land Registry as Conditions of Regrant No.11243 as varied or modified by a Modification Letter registered in the Land Registry by Memorial No.UB1776569 (such compliance being evidenced by a Letter of Compliance dated 19 April 1985 and registered in the Land Registry by Memorial No.UB2869152),

as varied by a No-Objection Letter dated 29 June 2006 and registered in the Land Registry by Memorial No.06070502310010.

Glory Rise Property

The Property is held from the Government for the residue of the renewed term of 75 years commencing from 5 September 1996 created therein by the new Government Leases of Inland Lots Nos. 6715, 6716, 6717 and 6718 which are deemed to have been granted under and by virtue of the Government Leases Ordinance (Chapter 40 of the Laws of Hong Kong) upon expiration of the original term of 75 years commencing from 5 September 1921 with a right of renewal for a further term of 75 years created therein by:

(1) a renewable Government Lease of Inland Lot No.6715 dated 28 January 1959 and made between Queen Elizabeth II of the one part and Chan Gee of the other part;

(2) a renewable Government Lease of Inland Lot No.6716 dated 10 December 1958 and made between Queen Elizabeth II of the one part and Loo Fook of the other part;

(3) a renewable Government Lease of Inland Lot No.6717 dated 4 December 1958 and made between Queen Elizabeth II of the one part and Ng Kit Yuk of the other part; and

(4) a renewable Government Lease of Inland Lot No.6718 dated 24 March 1959 and made between Queen Elizabeth II of the one part and Lee Tsang and Lai Ki Lan of the other part,

as varied by two No-Objection Letters dated 1 April 2003 and 21 June 2006 and respectively registered in the Land Registry by Memorial Nos.UB8914721 and 06062900860089.

Supernova Stand Property

The Property is held from the Government for the residue of 999 years commencing from 24 February 1896 created therein by a Government Lease in respect of Inland Lot No.1366 dated 20 May 1897 and made between Queen Victoria of the one part and Dirk Cordes, Geldolph Adriaan de Lange and Abraham Capadose of the other part as varied by two No-Objection Letters dated 8 May 2002 and 29 June 2006 and respectively registered in the Land Registry by Memorial Nos.UB8684383 and 06070501730069.

Palatial Stand Property

The Property is held from the Government for the residue of the term of 150 years commencing from 14 September 1897 created therein by:

(1) a Government Lease of Hung Hom Inland Lot No.522 dated 6 December 1976 and made between Queen Elizabeth II of the one part and the Colonial Treasurer Incorporated of the other part as varied or modified by a Modification Letter registered in the Land Registry by Memorial No.UB7616977;

(2) certain Agreement and Conditions of Regrant registered in the Land Registry as Conditions of Regrant No.10274 in respect of Hung Hom Inland Lot No.509 dated 11 August 1972 and made between Yee Kon Pine of the one part and the Governor of Hong Kong of the other part as varied or modified by a Modification Letter registered in the Land Registry by Memorial No.UB7616972 under which the owner(s) for the time being of Hung Hom Inland Lot No.509 are entitled to a lease thereof;

(3) certain Agreement and Conditions of Regrant registered in the Land Registry as Conditions of Regrant No.10340 in respect of Hung Hom Inland Lot No.517 dated 1 November 1972 and made between Yee Seng Chee of the one part and the Governor of Hong Kong of the other part as varied or modified by a Modification Letter registered in the Land Registry by Memorial No.UB7616976 under which the owner(s) for the time being of Hung Hom Inland Lot No.517 are entitled to a lease thereof;

(4) a Government Lease of Hung Hom Inland Lot No.510 deemed to have been issued under and by virtue of Section 14(3) of the CPO upon compliance with the conditions precedent contained

in certain Agreement and Conditions of Regrant dated 18 August 1972 and made between Lau Chun of the one part and the Governor of Hong Kong of the other part and registered in the Land Registry as Conditions of Regrant No.10273 as varied or modified by Modification Letter registered in the Land Registry by Memorial No.UB7616973;

(5) certain Agreement and Conditions of Regrant registered in the Land Registry as Conditions of Regrant No.10579 in respect of Hung Hom Inland Lot No.514 dated 28 January 1974 and made between Au Ching Keung, Chan Kwai Fong, Wong Choi Tong and Wong Choi of the one part and the Governor of Hong Kong of the other part as varied or modified by a Modification Letter registered in the Land Registry by Memorial No.UB7616974 under which the owner(s) for the time being of Hung Hom Inland Lot No.514 are entitled to a lease thereof;

(6) certain Agreement and Conditions of Regrant registered in the Land Registry as Conditions of Regrant No.10356 in respect of Hung Hom Inland Lot No.515 dated 1 November 1972 and made between Tjon Joe Ken of the one part and the Governor of Hong Kong of the other part as varied or modified by a Modification Letter registered in the Land Registry by Memorial No.UB7616975 under which the owner(s) for the time being of Hung Hom Inland Lot No.515 are entitled to a lease thereof; and

(7) a Government Lease of Hung Hom Inland Lot No.504 deemed to have been issued under and by virtue of Section 14(3) of the CPO upon compliance with the conditions precedent contained in certain Agreement and Conditions of Regrant dated 8 May 1972 and made between Wong Tze, Chong Lin, Ng Kam Hung and Ma Shu Kai of the one part and the Governor of Hong Kong of the other part and registered in the Land Registry as Conditions of Regrant No.10224 as varied or modified by a Modification Letter registered in the Land Registry by Memorial No.UB7616978,

as varied by a No-Objection Letter dated 7 July 2006 and registered in the Land Registry by Memorial No.06071201800015.

Royal Terrace Property

The Property is held from the Government for the residue of the term of 75 years commencing from 27 April 1931 (which term has been deemed renewed in 2006 for a further term of 75 years) by a Government Lease in respect of Quarry Bay Marine Lot No.4 dated 31 December 1932 and made between King George V of the one part and The Taikoo Sugar Refining Company Limited of the other part as varied or modified by two No-Objection Letters dated 9 May 2002 and 29 June 2006 and respectively registered in the Land Registry by Memorial Nos.UB8684382 and 06071801450029.

Certain Matters Relating to the Leasehold Title to the Properties

In relation to Sheung Shui Centre Shopping Arcade, the following matter has been noted in relation to the Government Grant:

Under Special Condition No.(16)(d) of New Grant No.12406 (as varied or modified by two Modification Letters registered in the Land Registry by Memorial Nos.N246642 and N277363), it was provided that in the event of any placard poster sign or advertisement being exhibited on (amongst others) the interior of any building erected on Fanling Sheung Shui Town Lot No.55 (on which Sheung Shui Centre Shopping Arcade is erected) so as to be visible from the exterior or any part thereof, such exhibition shall be in accordance with an advertising plan approved by the Director of Lands.

Some of the tenants or licensees of the retail shops (within the interior of Sheung Shui Centre Shopping Arcade) situating along and facing the two levels of open pedestrian shopping arcades (on Podium Levels 1 and 2) have exhibited their name signages or advertising placards or other materials at their shop-fronts which are or may be (through the transparent shop-fronts) visible from the exterior or any part thereof. An "advertising plan" of Sheung Shui Centre Shopping Arcade was approved by the Director of Lands under Special Condition No.(16)(d) of New Grant No.12406, with drawings generally indicating the locations of those shops situated along and facing the two levels of open pedestrian shopping arcades (on Podium Levels 1 and 2), but without explicit written stipulations specifying where the name signages of those shops should be located or where any advertising placards or other materials usually expected to be displayed at retail shops (visible from outside through transparent glass partitions or shop-fronts) should be placed. Counsel's opinion has been obtained by the Manager that such an exhibition of the name signages of the said retail shops or the advertising placards or other materials displayed at or inside the said retail shops which are or may be (through the transparent shop-fronts) visible from the outside, although technically not explicitly specified in writing in the said approved advertising plan, does not amount to any breach of Special Condition No.(16)(d) of New Grant No.12406 such as to render an otherwise good marketable title defective or defeasible.

Deeds of Mutual Covenant

Instead of owning an entire piece of land, it is usual in Hong Kong for a property owner to own just a unit in a multi-storey building. Where units in a multi-storey building are owned by different persons or entities, they are essentially co-owners as tenants in common of the entire land and the building erected on it. A DMC, a sub-deed of mutual covenant or an instrument of a similar nature is the document used in Hong Kong to define and regulate such co-ownership.

The DMC notionally divides the land and the building into a number of undivided shares. Each individual unit in a multi-storey building is allocated a number of undivided shares and to these shares the exclusive right and privilege to hold, use, occupy and enjoy the unit is attached. The allocation of undivided shares is usually done by the developer of the building. The number of undivided shares in the land and the building allocated to a unit in a multi-storey building represents the proportion of the interest that the owner of such unit has in the land and the building and, as a corollary, the share of responsibility in respect thereof. It is also the objective of a DMC to regulate other mutual rights and obligations among the co-owners, for example, the mutual rights to subjacent and lateral support and free passage and running

of utilities services; and to provide for the management, maintenance, repair, and the common use and easements of, the common parts and facilities of the building. Each co-owner is required under the DMC to contribute a proportionate share of the management expenses. Such contributions may be determined according to the undivided shares, or alternatively, the DMC may provide for management shares to be allocated to each unit for the purpose of calculating a co-owner's contribution to the management expenses. A DMC may also require a co-owner to pay management deposits and contributions to the sinking funds.

The modern form of DMC usually contains provisions regarding the employment of a building manager and setting out the relevant rights and duties of the building manager. It may also provide for the formation of an owners' committee to represent individual owners in relations between the co-owners and the building manager, and to decide on various matters including the reappointment of the building manager, approval of annual budgets and approval of house rules. To remedy certain inadequacies in older DMCs, the Building Management Ordinance (Chapter 344 of the Laws of Hong Kong) has now implied certain mandatory provisions into all DMCs, such as determination of the total amount of management expenses, the keeping of accounts, the building manager to maintain bank accounts, special fund (for non-recurrent expenditure), restrictions and guidelines in respect of contracts entered into by the building manager, resignation of the building manager, termination of the building manager's appointment by owner's corporation and obligations of the building manager after ending its appointment. A DMC binds not only the original parties thereto but also binds all the co-owners and their successors-in-title and assigns of the land and the building.

Six of the Properties, namely 248 Queen's Road East, Bonham Trade Centre, Righteous Centre, Java Road 108 Commercial Centre, 235 Wing Lok Street Trade Centre and Everglory Centre, consist of the entire building or development.

For the other fourteen Properties, the relevant Property Company owns an undivided interest representing a portion of the entire building or development with the remaining interest. With respect to these Properties, each of the Property Companies is a co-owner of the building or development and is bound by the terms of the relevant deed of mutual covenant applicable to the Property owned by it. For six Properties among those fourteen Properties, namely Metro City Phase I Property, Sheung Shui Centre Shopping Arcade, Glory Rise Property, Supernova Stand Property, Palatial Stand Property and Royal Terrace Property, the relevant Property Company owns the commercial and retail portion but not the entire development, which also consists of residential development. Another seven Properties amongst those fourteen Properties are office buildings with the lower levels being used for retail purposes while the upper levels are used for office purposes. Such seven Properties include 135 Bonham Strand Trade Centre Property, Winsome House Property, Sun Fai Commercial Centre Property, Wai Ching Commercial Building Property, Yue Fai Commercial Centre Property, On Loong Commercial Building Property and Kwong Wah Plaza Property. The relevant Property Company owns certain percentage of the undivided ownership interests in both the office portion and retail portion of these properties. As for the remaining property, namely Beverley Commercial Centre Property, the relevant Property Company owns interests in various shop units.

For a description of the ownership structure of the Properties generally, see the section headed "Structure and Organisation of Sunlight REIT" in this Offering Circular.

The Property Companies, as co-owner of the Properties in which they hold an interest under the relevant deeds of mutual covenant, will have the right to use and enjoy those areas and facilities which are designated as common areas and facilities. They will also have the obligation to pay management expenses if so required under the deeds of mutual covenant and to contribute a proportionate share of the costs and expenses relating to the maintenance, management and repair of the common areas and facilities by reference to the undivided shares or management shares allocated to the relevant Property.

The following is a description of the deeds of mutual covenant for each of the buildings and developments in which the relevant Properties are located.

248 Queen's Road East

No deed of mutual covenant has been entered into relating to the maintenance and management of the development now known as 248 Queen's Road East ("248 Queen's Road East Development") erected on the Remaining Portion of Section A of Inland Lot No.506, the Remaining Portion of Sub-Section 1 of Section B of Inland Lot No.506, the Remaining Portion of Section B of Inland Lot No.506, the Remaining Portion of Section E of Inland Lot No.506, the Remaining Portion of Section F of Inland Lot No.506, the Remaining Portion of Section F of Inland Lot No.387, the Remaining Portion of Section E of Inland Lot No.387, the Remaining Portion of Section D of Inland Lot No.387, the Remaining Portion of Section C of Inland Lot No.387, Section G of Inland Lot No.387, the Remaining Portion of Section B of Inland Lot No.387, Section H of Inland Lot No.387, the Remaining Portion of Section A of Inland Lot No.387, the Remaining Portion of Inland Lot No.387, Sub-Section 3 of Section C of Inland Lot No.506, the Remaining Portion of Section C of Inland Lot No.506, the Remaining Portion of Inland Lot No.506, Sub-Section 1 of Section C of Inland Lot No.506, Sub-Section 2 of Section C of Inland Lot No.506, Sub-Section 5 of Section C of Inland Lot No.506, Sub-Section 4 of Section C of Inland Lot No.506 and the Remaining Portion of Sub-Section 2 of Section B of Inland Lot No.506 ("248 Queen's Road East Land"). Jetwise Investment Limited, Russum Company Limited and Harzone Limited being the owners of the 248 Queen's Road East Development and the 248 Queen's Road East Land, can decide on all matters relating to the management and maintenance of the 248 Queen's Road East Development and the 248 Queen's Road East Land. The entire issued share capital of Meca Enterprises Limited, the immediate holding company of Jetwise Investment Limited and Russum Company Limited, will be acquired by the Holding Company upon Completion and the entire issued share capital of Harzone Limited will be acquired by an Intermediate Holding Company under Sunlight REIT upon Completion.

Bonham Trade Centre

No deed of mutual covenant has been entered into relating to the maintenance and management of the development now known as Bonham Trade Centre ("Bonham Trade Centre Development") erected on the Remaining Portion of Inland Lot No.15, the Remaining Portion of Section A of Marine Lot No.142, Sub-Section 2 of Section A of Marine Lot No.142, the Remaining Portion of Marine Lot No.142, the Remaining Portion of Section A of Marine Lot No.144, the Remaining Portion of Sub-Section 2 of Section A of Marine of No.144, the Remaining Portion of Section C of Marine Lot No.144 and the Remaining Portion of Marine Lot No.144 ("Bonham Trade Centre Land"). Nicetex Development Limited, being the sole owner of the Bonham Trade Centre Development and the Bonham Trade Centre Land, can decide on

all matters relating to the management and maintenance of the Bonham Trade Centre Land and the Bonham Trade Centre Development. The entire issued share capital of Balwyn Assets Limited and Caufield Assets Limited, companies which together hold the entire issued share capital of Nicetex Development Limited, will be acquired by the Holding Company upon Completion.

Righteous Centre

No deed of mutual covenant has been entered into relating to the maintenance and management of the development now known as Righteous Centre ("Righteous Centre Development") erected on the Remaining Portion of Section A of Kowloon Inland Lot No.6827 and the Remaining Portion of Kowloon Inland Lot No.7097 ("Righteous Centre Land"). Glory Hero Development Limited, being the sole owner of the Righteous Centre Development and the Righteous Centre Land (which will be acquired by Sunlight REIT upon Completion), can decide on all matters relating to the management and maintenance of the Righteous Centre Land and the Righteous Centre Development.

135 Bonham Strand Trade Centre Property

The deed of mutual covenants and grant dated 23 June 2000, was made between Tinselle Investment Limited (as first owner), Nam Pak Hong Association (as second owner) and Hang Yick Properties Management Limited (as manager) and registered in the Land Registry by Memorial No.UB8137180 ("135 Bonham Strand Trade Centre DMC").

The purpose of the 135 Bonham Strand Trade Centre DMC is to make provision for the proper management, operation, maintenance, repair, insurance and servicing of the development now known as 135 Bonham Strand Trade Centre ("135 Bonham Strand Trade Centre Development") erected on The Remaining Portion of Section A of Marine Lot No.173, The Remaining Portion of Section B of Marine Lot No.173, The Remaining Portion of Marine Lot No.173 and Inland Lot No.6896 ("135 Bonham Strand Trade Centre Land") and the common areas and facilities of the 135 Bonham Strand Trade Centre Development and to define and regulate the rights, interests and obligations of the owners in respect of the 135 Bonham Strand Trade Centre Land and the 135 Bonham Strand Trade Centre Development and to provide for a due proportion for the relevant expenses to be borne by the owners.

Tinselle Investment Limited holds approximately 79% of the undivided shares of and in the 135 Bonham Strand Trade Centre Land and the 135 Bonham Strand Trade Centre Development. As Tinselle Investment Limited holds a majority interest of the 135 Bonham Strand Trade Centre Development, it will be able to decide on all matters relating to the management and maintenance of the 135 Bonham Strand Trade Centre Development. The entire issued share capital of Onecote Assets Limited, the immediate holding company of Tinselle Investment Limited, will be acquired by the Holding Company upon Completion.

Under the 135 Bonham Strand Trade Centre DMC, the total management expenses payable by Tinselle Investment Limited in respect of the 135 Bonham Strand Trade Centre Property comprised in the 135 Bonham Strand Trade Centre Development for the year ended 30 June 2006 were approximately HK$1,345,944.

Under the 135 Bonham Strand Trade Centre DMC, the right to the exclusive use and possession of that part of each floor as shown and coloured yellow on the 1st and 2nd Floor Plan and the 4th to 24th Floor Plan annexed thereto ("Relevant Part") shall be reserved to an owner and his servants, agents, tenants and licensees in the event that such owner shall be and for so long as such owner shall remain the owner of all the units on that floor. During such time, no other owners shall have the right to use or to have access to the Relevant Part which shall for the time being cease to be part of the building common areas of 135 Bonham Strand Trade Centre Development provided that such owner shall be responsible for the cleaning and maintenance of the Relevant Part as if the same were part of the units on that floor and if such owner shall subsequently cease to be the sole owner of all units on that floor, such owner shall at his own costs and expenses reinstate the Relevant Part to its original state and condition to the reasonable satisfaction of the manager of 135 Bonham Strand Trade Centre Development within such time limit as shall be reasonably imposed by the manager and upon completion of the reinstatement work the Relevant Part shall revert to form part of the building common areas under the 135 Bonham Strand Trade Centre DMC. If such owner fails to carry out the reinstatement work within the time limit, the manager shall be entitled to carry out such work and recover the costs thereof from such owner as if the same were management expenses payable by such owner under the 135 Bonham Strand Trade Centre DMC.

Winsome House Property

The deed of mutual covenant and grant dated 3 July 1999, was made between Goodstech Development Limited (as first owner), Grand Faith Development Limited (as second owner) and Hang Yick Properties Management Limited (as manager) and registered in the Land Registry by Memorial No.UB7828660 ("Winsome House DMC").

The purpose of the Winsome House DMC is to make provision for the proper management, operation, maintenance, repair, insurance and servicing of the development now known as Winsome House ("Winsome House Development") erected on Inland Lot No.5025, Inland Lot No. 7968 and The Remaining Portion of Subsection B of Section A of Inland Lot No.994 ("Winsome House Land") and the common areas and facilities of the Winsome House Development and to define and regulate the rights, interests and obligations of the owners in respect of the Winsome House Land and the Winsome House Development and to provide for a due proportion for the relevant expenses to be borne by the owners.

Grand Faith Development Limited holds approximately 65% of the undivided shares of and in the Winsome House Land and the Winsome House Development. As Grand Faith Development Limited holds a majority interest of the Winsome House Development, it will be able to decide on all matters relating to the management and maintenance of the Winsome House Development. The entire issued share capital of Alpha Skill Properties Limited, the intermediate holding company of Grand Faith Development Limited, will be acquired by the Holding Company upon Completion.

Under the Winsome House DMC, the total management expenses payable by Grand Faith Development Limited in respect of the Winsome House Property comprised in the Winsome House Development for the year ended 30 June 2006 were approximately HK$852,384.

Java Road 108 Commercial Centre

No deed of mutual covenant has been entered into relating to the maintenance and management of the development now known as Java Road 108 Commercial Centre ("Java Road 108 Commercial Centre Development") erected on Section C of Inland Lot No.3539 and Section D of Inland Lot No.3539 ("Java Road 108 Commercial Centre Land"). Global Team Development Limited and Gallund Investment Limited being the joint owners of the Java Road 108 Commercial Centre Development and the Java Road 108 Commercial Centre Land (which will be acquired by Sunlight REIT upon Completion), can decide on all matters relating to the management and maintenance of the Java Road 108 Commercial Centre Land and the Java Road 108 Commercial Centre Development.

Sun Fai Commercial Centre Property

The deed of mutual covenant, dated 22 June 1998, was made between Yu Loy Development Company Limited (as the developer), Tung Pak Ming and Wong Lai Fun Shirley (as the first purchaser) and Hang Yick Properties Management Limited (as the manager) and registered in the Land Registry by Memorial No.UB7529196 ("Sun Fai Commercial Centre DMC").

The purpose of the Sun Fai Commercial Centre DMC is to make provision for the proper management, operation, maintenance, repair, insurance and servicing of the development now known as Sun Fai Commercial Centre ("Sun Fai Commercial Centre Development") erected on The Remaining Portion of Kowloon Inland Lot No.10813, The Remaining Portion of Kowloon Inland Lot No.10814 and The Remaining Portion of Kowloon Inland Lot No.10815 ("Sun Fai Commercial Centre Land") and the common areas and facilities of the Sun Fai Commercial Centre Development and to define and regulate the rights, interests and obligations of the owners in respect of the Sun Fai Commercial Centre Land and the Sun Fai Commercial Centre Development and to provide for a due proportion for the relevant expenses to be borne by the owners.

Yu Loy Development Company Limited holds all the shops on the Ground Floor, certain office units on the upper floors, Reserved Portion A and the Reserved Portion B of the Sun Fai Commercial Centre Development , which is approximately 80% of the undivided shares of and in the Sun Fai Commercial Centre Land and the Sun Fai Commercial Centre Development. As Yu Loy Development Company Limited holds a majority interest of the Sun Fai Commercial Centre Development, it will be able to decide on all matters relating to the management and maintenance of the Sun Fai Commercial Centre Development. The entire issued share capital of Prosper City Enterprises Limited, the immediate Holding Company of Yu Loy Development Company Limited, will be acquired the Holding Company upon Completion.

Under the Sun Fai Commercial Centre DMC, the total management expenses payable by Yu Loy Development Company Limited in respect of Sun Fai Commercial Centre Property comprised in the Sun Fai Commercial Centre Development for the year ended 30 June 2006 were approximately HK$641,688.

Under Clause 12 of Section I of the Sun Fai Commercial Centre DMC, it is provided in the event that an owner owns all the units of the entire floor of any floor from the first floor to the fourteenth floor, such owner shall be responsible for the cleaning and maintenance of those parts of the Building Common Areas

(as defined in the Sun Fai Commercial Centre DMC) on such floor as coloured yellow on the 1st floor plan, the 2nd floor plan, the 3rd floor plan and the 4th to the 14th floor plan annexed to the Sun Fai Commercial Centre DMC ("Relevant Parts") but the rights to the exclusive use of the Relevant Parts shall be reserved to such owner, his servants, agents, tenants and licensees for so long as such owner shall remain owning all such units on the relevant floors. It is further provided that no other owners shall have the right to the use or any right of access to the Relevant Parts which shall cease to be Building Common Areas for so long as such owner shall remain owning all such units of a particular floor.

It is further provided in the same clause that if such owner shall subsequently cease to be the sole owner of all the units on any floor of the first floor to the fourteenth floor, such owner shall at his own expense reinstate the Relevant Parts to their original state and condition to the satisfaction of the manager within such time limit as shall be reasonably imposed by the manager.

Under Clause 2 of Section III of the Sun Fai Commercial Centre DMC, it is provided that the owner for the time being of any flat roof appertaining to any unit or any part thereof shall ensure that access thereto shall at all times remain open and unobstructed and shall allow occupiers of the Sun Fai Commercial Centre Development to have access thereto in case of fire or emergency. It is further stated that without prejudice to the rights reserved unto the developer under Clause 8 of Section I of the Sun Fai Commercial Centre DMC, the owner for the time being of any flat roof appertaining to any unit or any part thereof shall not erect construct install or affix or permit any person or persons to erect construct install or affix any telecommunication system, sign or signboard or other structure or fixture on or to such flat roof.

Under Clause 3 of Section III of the Sun Fai Commercial Centre DMC, it is provided that the owner of Shop B or Shop C on the ground floor shall not alter the external elevation thereof. It is the intention that the external elevation of Shop B, the main entrance of the Sun Fai Commercial Centre Development and Shop C shall remain unchanged as originally built.

Wai Ching Commercial Building Property

The deed of mutual covenant and management agreement, dated 22 June 1998, was made between Gain Fortune Development Limited (as the developer), Lai Yun Wing and Wong Mei Ling (as the first purchaser) and Hang Yick Properties Management Limited (as the manager) and registered in the Land Registry by Memorial No.UB7527284 ("Wai Ching Commercial Building DMC").

The purpose of the Wai Ching Commercial Building DMC is to make provision for the proper management, operation, maintenance, repair, insurance and servicing of the development now known as Wai Ching Commercial Building ("Wai Ching Commercial Building Development") erected on The Remaining Portion of Kowloon Inland Lot No.6167 and The Remaining Portion of Kowloon Inland Lot No.6168 ("Wai Ching Commercial Building Land") and the common areas and facilities of Wai Ching Commercial Building Development and to define and regulate the rights, interests and obligations of the owners in respect of the Wai Ching Commercial Building Land and the Wai Ching Commercial Building Development and to provide for a due proportion for the relevant expenses to be borne by the owners.

Gain Fortune Development Limited (which will be acquired by Sunlight REIT upon Completion) holds certain shops on the Ground Floor and 1st Floor, certain office units on the upper floors of the Wai Ching Commercial Building Development. Wai Chung Commercial Building Property which represents approximately 83% of the undivided shares of and in the Wai Ching Commercial Building Land and the Wai Ching Commercial Building Development. As Gain Fortune Development Limited holds a majority of the Wai Ching Commercial Building Development, it will be able to decide on all matters relating to the management and maintenance of the Wai Ching Commercial Building Development.

Under the Wai Ching Commercial Building DMC, the total management expenses payable by Gain Fortune Development Limited in respect of Wai Ching Commercial Building Property comprised in the Wai Ching Commercial Building Development for the year ended 30 June 2006 were approximately HK$634,452.

235 Wing Lok Street Trade Centre

No deed of mutual covenant has been entered into relating to the maintenance and management of the development now known as 235 Wing Lok Street Trade Centre ("235 Wing Lok Street Trade Centre Development") erected on The Remaining Portion of Section A of Marine Lot No.37A and The Remaining Portion of Section B of Marine Lot No.37A ("235 Wing Lok Street Trade Centre Land"). Bestguard Investment Limited, being the sole owner of the 235 Wing Lok Street Trade Centre Development and the 235 Wing Lok Street Trade Centre Land (which will be acquired by Sunlight REIT upon Completion), can decide on all matters relating to the management and maintenance of the 235 Wing Lok Street Trade Centre Land and the 235 Wing Lok Street Trade Centre Development.

Yue Fai Commercial Centre Property

The deed of mutual covenant and management agreement dated 25 August 1998, was made between Lucky Million Development Limited (as first owner), Bonsan Development Limited (as first assignee) and Hang Yick Properties Management Limited (as manager) and registered in the Land Registry by Memorial No.UB7564143 ("Yue Fai Commercial Centre DMC").

The purpose of the Yue Fai Commercial Centre DMC is to make provision for the proper management, operation, maintenance, repair, insurance and servicing of the development now known as Yue Fai Commercial Centre ("Yue Fai Commercial Centre Development") erected on Section A of Aberdeen Inland Lot No.62, Section B of Aberdeen Inland Lot No.62, Section C of Aberdeen Inland Lot No.62 and The Remaining Portion of Aberdeen Inland Lot No.62 ("Yue Fai Commercial Centre Land") and the common areas and facilities of the Yue Fai Commercial Centre Development and to define and regulate the rights, interests and obligations of the owners in respect of the Yue Fai Commercial Centre Land and the Yue Fai Commercial Centre Development and to provide for a due proportion for the relevant expenses to be borne by the owners.

Lucky Million Development Limited (which will be acquired by Sunlight REIT upon Completion) holds approximately 72% of the undivided shares of and in the Yue Fai Commercial Centre Land and the

Yue Fai Commercial Centre Development. As Lucky Million Development Limited holds a majority interest of the Yue Fai Commercial Centre Development, it will be able to decide on all matters relating to the management and maintenance of the Yue Fai Commercial Centre Land and the Yue Fai Commercial Centre Development.

Under the Yue Fai Commercial Centre DMC, the total management expenses payable by Lucky Million Development Limited in respect of the Yue Fai Commercial Centre Property comprised in the Yue Fai Commercial Centre Development for the year ended 30 June 2006 were approximately HK$1,039,428.

Under the Yue Fai Commercial Centre DMC, the right to the exclusive use and possession of such areas and disabled lavatories on the first to the third floors and the fifth to the twenty-fifth floors of Yue Fai Commercial Centre Development as shown on the 1st-3rd and the 5th-25th floor plan annexed to the Yue Fai Commercial Centre DMC and thereon coloured yellow ("Incidental Portion") shall be reserved to the owner of Yue Fai Commercial Centre Development and his servants, agents, tenants and licensees in the event that such owner owns all the units on any one of such floors and for so long as such units shall remain so owning by such owner, no other owners shall have the right to the use or the right of access to the Incidental Portion on that particular floor which shall for the time being cease to be part of the common areas of Yue Fai Commercial Centre Development provided that such owner shall in such event be solely responsible for the cleaning and maintenance of the Incidental Portion on that particular floor and provided further that if such owner shall subsequently cease to be the sole owner of all the units, such owner shall at his own cost and expense reinstate the Incidental Portion on that particular floor to its original state and condition to the satisfaction of the manager of Yue Fai Commercial Centre Development within such time limit as shall be reasonably imposed by the manager and the Incidental Portion on that particular floor shall revert to become part of the common areas of Yue Fai Commercial Centre Development and be controlled and managed by the said manager in accordance with the provisions of the Yue Fai Commercial Centre DMC.

Everglory Centre

No deed of mutual covenant has been entered into relating to the maintenance and management of the development now known as Everglory Centre ("Everglory Centre Development") erected on The Remaining Portion of Kowloon Inland Lot No.9455 and The Remaining Portion of Kowloon Inland Lot No.9639 ("Everglory Centre Land"). Strong Bright Technology Limited, being the sole owner of the Everglory Centre Development and the Everglory Centre Land (which will be acquired by Sunlight REIT upon Completion), can decide on all matters relating to the management and maintenance of the Everglory Centre Land and the Everglory Centre Development.

On Loong Commercial Building Property

The deed of mutual covenant, dated 22 September 1984, was made between On Loong Investment Company Limited (as first owner) and Ken-Wealth Limited (as second owner) and registered in the Land Registry by Memorial No.UB2662695 and the management agreement, dated 1 September 1994, was made

between Glory Good Development Limited (as first owner), Hongkong & Kowloon Brick-Laying & Construction Trade Workers Union (as second owner), Ken-Wealth Limited (as third owner) and Goodwill Management Limited (as manager) and registered in the Land Registry by Memorial No.UB6130985 ("On Loong Commercial Building DMC").

The purpose of the On Loong Commercial Building DMC are to make provision for the proper management, operation, maintenance, repair, insurance and servicing of the development now known as On Loong Commercial Building ("On Loong Commercial Building Development") erected on the Remaining Portion of Inland Lot No.7061 and the Remaining Portion of Inland Lot No.7062 ("On Loong Commercial Building Land") and the common areas and facilities of the On Loong Commercial Building Development and to define and regulate the rights, interests and obligations of the owners in respect of the On Loong Commercial Building Land and the On Loong Commercial Building Development and to provide for a due proportion for the relevant expenses to be borne by the owners.

Glory Good Development Limited (which will be acquired by Sunlight REIT upon Completion) holds approximately 94% of the undivided shares of and in the On Loong Commercial Building Land and the On Loong Commercial Building Development. As Glory Good Development Limited holds a majority interest of the On Loong Commercial Building Development, it will be able to decide on all matters relating to the management and maintenance of the On Loong Commercial Building Development.

Under the On Loong Commercial Building DMC, the total management expenses payable by Glory Good Development Limited in respect of the On Loong Commercial Building Property comprised in the On Loong Commercial Building Development for the year ended 30 June 2006 were approximately HK$911,442.

Metro City Phase I Property

The deed of mutual covenant and management agreement, dated 26 April 1997, was made between Camleigh Investment Limited, Join Fortune Development Limited and Shung King Development Company Limited ("Metro City Phase I Property Owners") (as the registered owner), Chiu Ching Sum Annie (as the first purchaser) and Metro City Management Limited (as the manager) and registered in the Land Registry by Memorial No.SK275563 ("Metro City Phase I DMC").

The purpose of the Metro City Phase I DMC is to make provision for the proper management, operation, maintenance, repair, insurance and servicing of the development known as Metro City Phase I ("Metro City Phase I Development") erected on Tseung Kwan O Town Lot No.36 ("Metro City Phase I Land") and the common areas and facilities of the Metro City Phase I Development and to define and regulate the rights, interests and obligations of the owners in respect of the Metro City Phase I Land and the Metro City Phase I Development and to provide for a due proportion for the relevant expenses to be borne by the owners.

As the Metro City Phase I Property Owners, which will transfer to Crownwill Limited prior to Completion all their title, interests and rights in the Metro City Phase I Property, hold the entire commercial development and the entire car parks in the Metro City Phase I Development, Sunlight REIT, which will acquire the entire issued share capital of Crownwill Limited on Completion, has the right to

decide on all matters relating exclusively to the management and maintenance of the commercial development and all the car parks without interference from the owners of the other parts of the Metro City Phase I Development. However, as the Metro City Phase I Property Owners do not own a majority of the Metro City Phase I Development, including the six-tower residential development, after Completion, Sunlight REIT will not be able to decide on all matters relating to the management and maintenance of the Metro City Phase I Development.

Under the Metro City Phase I DMC, the total management expenses payable by the Metro City Phase I Property Owners in respect of the Metro City Phase I Property comprised in the Metro City Phase I Development for the year ended 30 June 2006 were approximately HK$1,165,744.

Under Clause 1 Part D of Section IV of the Metro City Phase I DMC, it is provided that the car-parking spaces may not be used for any purpose other than for the parking of motor vehicles, motor-cycles and bicycles belonging to the residents their tenants, licensees or their bona fide visitors of the Metro City Phase I Development and in accordance with the house rules. Clause 2 of Part D of Section IV of the Metro City Phase I DMC provides that no owner of the car parking spaces and other owners and occupiers of the car parks shall use or permit or suffer to be used any car parking space otherwise than for the purpose of parking of motor vehicles, motor cycles or bicycles at any one time.

Sheung Shui Centre Shopping Arcade

The deed of mutual covenant and management agreement, dated 3 March 1994, was made between Evercot Enterprise Company Limited and Shung King Development Company Limited (as the registered owner), Tse Sik Kwan Rosanna and Yeung Sze Kuen Arnold (as the first purchaser) and Sheung Shui Centre Management Limited (as the manager) and registered in the Land Registry by Memorial No.N304584 and re-registered by Memorial No.N312301 ("Sheung Shui Centre DMC").

The purpose of the Sheung Shui Centre DMC is to make provision for the proper management, operation, maintenance, repair, insurance and servicing of the development now known as Sheung Shui Centre ("Sheung Shui Centre Development") erected on Fanling Sheung Shui Town Lot No.55 ("Sheung Shui Centre Land") and the common areas and facilities of Sheung Shui Centre Development and to define and regulate the rights, interests and obligations of the owners in respect of the Sheung Shui Centre Land and the Sheung Shui Centre Development and to provide for a due proportion for the relevant expenses to be borne by the owners.

Evercot Enterprise Company Limited and Shung King Development Company Limited (which will transfer to Bayman Limited prior to Completion all their title, interests and rights in Sheung Shui Centre Shopping Arcade) hold the entire Commercial Development (all shops, the restaurant and the kindergarten) and the entire car parks in the podium and basement, which is approximately 26% of the undivided shares of and in the Sheung Shui Centre Land and the Sheung Shui Centre Development. After Completion, Sunlight REIT, which will acquire the entire issued share capital of Bayman Limited on Completion, does not own a majority of the whole of the Sheung Shui Centre Development and will not be able to decide on all matters relating to the management and maintenance of the Sheung Shui Centre Development. Considering that the Sheung Shui Centre Shopping Arcade Property represents in effect the entirety of the Commercial Development in the Sheung Shui Centre Development, together with all the car parks in the

podium and basement, and taking into account the various rights and entitlements which the relevant REIT Group Company will have in respect of the Sheung Shui Centre Shopping Arcade Property including those under the Sheung Shui Centre DMC, the Manager is satisfied with the degree of control which Sunlight REIT will upon Completion have over the management and strategic development of the Sheung Shui Centre Shopping Arcade Property and over its estate management issues. Further, currently no sub-deed of mutual covenant is required to be entered into in respect of the Sheung Shui Centre Shopping Arcade Property, as it is in effect owned by one single owner only.

As the Sheung Shui Centre DMC binds all owners of undivided shares of and in the Sheung Shui Centre Land and the Sheung Shui Centre Development, Sunlight REIT, after Completion, is bound by the Sheung Shui Centre DMC.

The car parks in the podium and basement consist of 269 car-parking spaces (of which 160 car parking spaces are for private motor vehicles belonging to the residents of the Sheung Shui Centre Development and 109 car-parking spaces are for private motor vehicles belonging to members of the public), 226 bicycle-parking spaces (for storage of bicycles), 28 lorry-parking spaces (for parking, loading, unloading and manoeuvring of service vehicles serving the retail shops of the Sheung Shui Centre Development) and six loading and unloading spaces (with one of such loading and unloading space for each residential block for parking, loading and unloading of goods vehicles).

Under the Sheung Shui Centre DMC, the total management expenses payable by Evercot Enterprise Company Limited and Shung King Development Company Limited in respect of the Sheung Shui Centre Shopping Arcade comprised in the Sheung Shui Centre Development for the year ended 30 June 2006 were approximately HK$897,732.

Kwong Wah Plaza Property

The deed of mutual covenant incorporating management agreement, dated 3 July 1998, was made between Seiren Investment Limited (as registered owner), Joy Advance Limited (as first purchaser) and Hang Yick Properties Management Limited (as management company) and registered in the Land Registry by Memorial No.YL824169 ("Kwong Wah Plaza DMC") and the sub-deed of mutual covenant, dated 30 September 1999, was made between Seiren Investment Limited (as registered owner), Man Fu Wan (as first purchaser) and Hang Yick Properties Management Limited (as management company) and registered in the Land Registry by Memorial No.YL881603 ("Kwong Wah Plaza Sub-DMC").

The purpose of the Kwong Wah Plaza DMC is to make provision for the proper management, operation, maintenance, repair, insurance and servicing of the development now known as Kwong Wah Plaza ("Kwong Wah Plaza Development") erected on Lot No.4015 in Demarcation District No.120 ("Kwong Wah Plaza Land") and the common areas and facilities of the Kwong Wah Plaza Development and to define and regulate the rights, interests and obligations of the owners in respect of the Kwong Wah Plaza Land and the Kwong Wah Plaza Development and to provide for a due proportion for the relevant expenses to be borne by the owners.

The purpose of the Kwong Wah Plaza Sub-DMC is to make provision for the sub-allocation of undivided shares and management units to the 10th, 11th and 12th Floors of the Kwong Wah Plaza Development and to define and regulate the rights, interest and obligations of owners of the said floors of the Kwong Wah Plaza Development.

Seiren Investment Limited (which will be acquired by Sunlight REIT upon Completion) holds approximately 80% of the undivided shares of and in the Kwong Wah Plaza Land and the Kwong Wah Plaza Development. As Seiren Investment Limited holds a majority interest of the Kwong Wah Plaza Development, it will be able to decide on all matters relating to the management and maintenance of the Kwong Wah Plaza Development.

Under the Kwong Wah Plaza DMC and the Kwong Wah Plaza Sub-DMC, the total management expenses payable by Seiren Investment Limited in respect of the Kwong Wah Plaza Property comprised in the Kwong Wah Plaza Development for the year ended 30 June 2006 were approximately HK$2,088,504.

Under Clause 9 of Section I of the Kwong Wah Plaza DMC, in the event of all the office units in any one item as set out in the first column of the table below on any floor from the third to the seventh floors (both inclusive) of the Kwong Wah Plaza Development are owned by the same owner or owners, then such owner or owners shall have the right to the exclusive use occupation and enjoyment of all that/those part(s) of that particular floor as set out in the second column of the table below opposite to the office units in the same item ("Incidental Portion") (whether or not the Incidental Portion has been specifically assigned) and the Incidental Portion shall cease to be part of the office common areas as defined in the Kwong Wah Plaza DMC provided that such owner or owners shall pay and discharge all rates and other outgoings in respect of the Incidental Portion during the period it is entitled to the exclusive use thereof. However, if such owner or owners shall subsequently cease to be the sole owner of all the office units in the item as set out in the first column of the table below on that particular floor, he/they shall forthwith at his/their own expenses convert the Incidental Portion into its original state and condition to the satisfaction of the manager and such Incidental Portion so reverted shall be deemed to form part of the office common areas and be controlled and managed by the manager in accordance with the provisions of the Kwong Wah Plaza DMC.

It is also provided that if at any time the office units in any one item as set out in the first column of the table below on any floor from the third to the seventh floors (both inclusive) are separately owned by different owners, then such owners shall have the right to use the Incidental Portion in the same item of that particular floor in common with each other and such Incidental Portion shall be deemed to form part of the office common areas and be controlled and managed by the manager in accordance with the provisions of the Kwong Wah Plaza DMC.

Office Unit Nos.	Incidental Portion
1, 2 and 3	All that portion of the corridor as shown and coloured pink on the floor plan of that floor annexed to the Kwong Wah Plaza DMC.
1, 2, 3 and 4	All those portions of the corridor as respectively shown and coloured pink and orange on the floor plan of that floor annexed to the Kwong Wah Plaza DMC.
1 to 9 (both inclusive)	All those portions of the corridor as respectively shown and coloured pink, orange and yellow on the floor plan of that floor annexed to the Kwong Wah Plaza DMC and all those lavatories as shown and coloured yellow on the floor plan.

Beverley Commercial Centre Property

The deed of mutual covenant, dated 8 November 1982, was made between Golden Dragon Development Company Limited (as the first owner), Kiu Kwong Investment Corporation Limited (as the second owner) and Chick Mo Wan Lundberg (as third owner) and registered in the Land Registry by Memorial No.UB2350768 ("Beverley Commercial Centre DMC").

The purpose of the Beverley Commercial Centre DMC is to make provision for the proper management, operation, maintenance, repair, insurance and servicing of the development now known as Beverley Commercial Centre ("Beverley Commercial Centre Development") erected on Kowloon Inland Lot No.10574, Kowloon Inland Lot No.10211, Kowloon Inland Lot No.10575, Kowloon Inland Lot No.10518, Kowloon Inland Lot No.10580, Kowloon Inland Lot No.10160, Kowloon Inland Lot No.10503, Kowloon Inland Lot No.10526, Kowloon Inland Lot No.10247 and Kowloon Inland Lot No.10616 ("Beverley Commercial Centre Land") and the common areas and facilities of the Beverley Commercial Centre Development and to define and regulate the rights, interests and obligations of the owners in respect of the Beverley Commercial Centre Land and the Beverley Commercial Centre Development and to provide for a due proportion for the relevant expenses to be borne by the owners.

Newcorp Development Limited (which will be acquired by Sunlight REIT upon Completion) holds certain shops on the Ground Floor of the Beverley Commercial Centre Development. The Beverley Commercial Centre Property which represents approximately 9% of the undivided shares of and in the Beverley Commercial Centre Land and the Beverley Commercial Centre Development. As Newcorp Development Limited does not own a majority of the Beverley Commercial Centre Development, it will not be able to decide on all matters relating to the management and maintenance of the Beverley Commercial Centre Development.

As the Beverley Commercial Centre DMC binds all owners of undivided shares of and in the Beverley Commercial Centre Land and the Beverley Commercial Centre Development, Newcorp Development Limited is bound by the Beverley Commercial Centre DMC.

Under the Beverley Commercial Centre DMC, the total management expenses payable by Newcorp Development Limited in respect of Beverley Commercial Centre Property comprised in the Beverley Commercial Centre Development for the year ended 30 June 2006 were approximately HK$504,856.

Glory Rise Property

The deed of mutual covenant incorporating management agreement dated 15 April 2003, was made between Pacific Joy Investment Limited (as registered owner), Chan Pui Ha (as first purchaser) and Hang Yick Properties Management Limited (as manager) and registered in the Land Registry by Memorial No.UB8922210 ("Glory Rise DMC").

The purpose of the Glory Rise DMC is to make provision for the proper management, operation, maintenance, repair, insurance and servicing of the development now known as Glory Rise ("Glory Rise Development") erected on Inland Lot No.6715, Inland Lot No.6716, Inland Lot No.6717 and Inland Lot No.6718 ("Glory Rise Land") and the common areas and facilities of the Glory Rise Development and to define and regulate the rights, interests and obligations of the owners in respect of the Glory Rise Land and the Glory Rise Development and to provide for a due proportion for the relevant expenses to be borne by the owners.

As Pacific Joy Investment Limited (which will be acquired by Sunlight REIT upon Completion) holds all the undivided shares of the commercial development (which includes the advertising spaces and those part of the ground floor and first floor for commercial use), all matters relating to the management and maintenance of the commercial development can be decided by Pacific Joy Investment Limited alone. However, as Pacific Joy Investment Limited does not own a majority of the Glory Rise Development, including the domestic development, it will not be able to decide on all matters relating to the management and maintenance of the Glory Rise Development.

Under the Glory Rise DMC, the total management expenses payable by Pacific Joy Investment Limited in respect of the Glory Rise Property comprised in the Glory Rise Development for the year ended 30 June 2006 were approximately HK$96,041.

Supernova Stand Property

The deed of mutual covenant incorporating management agreement dated 15 December 2001, was made between Gentfair Development Limited and United Glory Development Limited ("Supernova Stand Property Owners") (as registered owner), Kwok Yiu Kwan (as first purchaser) and Hang Yick Properties Management Limited (as manager) and registered in the Land Registry by Memorial No.UB8572726 ("Supernova Stand DMC").

The purpose of the Supernova Stand DMC is to make provision for the proper management, operation, maintenance, repair, insurance and servicing of the development now known as Supernova Stand ("Supernova Stand Development") erected on The Remaining Portion of Section E of Sub-Section 2 of Section F of Inland Lot No.1366, The Remaining Portion of Section A of Sub-Section 2 of Section F of Inland Lot No.1366, The Remaining Portion of Sub-Section 2 of Section F of Inland Lot No.1366 and The Remaining Portion of Section C of Sub-Section 2 of Section F of Inland Lot No.1366 ("Supernova Stand Land") and the common areas and facilities of the Supernova Stand Development and to define and regulate the rights, interests and obligations of the owners in respect of the Supernova Stand Land and the Supernova Stand Development and to provide for a due proportion for the relevant expenses to be borne by the owners.

As the Supernova Stand Property Owners (which will be acquired by Sunlight REIT upon Completion) hold all the undivided shares of the commercial development and the commercial common areas and facilities, all matters relating to the management and maintenance of the commercial development and the commercial common areas and facilities can be decided by the Supernova Stand Property Owners alone. However, as the Supernova Stand Property Owners do not own a majority of the Supernova Stand Development, including the domestic development, they will not be able to decide on all matters relating to the management and maintenance of the Supernova Stand Development.

Under the Supernova Stand DMC, the total management expenses payable by the Supernova Stand Property Owners in respect of the Supernova Stand Property comprised in the Supernova Stand Development for the year ended 30 June 2006 were approximately HK$23,844.

According to the Supernova Stand DMC, so long as the registered owner as appeared therein remains the sole owner of all commercial units in Supernova Stand Development, the registered owner shall be entitled and have the right to manage, maintain and control the commercial development as defined in the Supernova Stand DMC to the exclusion of the manager of Supernova Stand Development and consequently the commercial common areas and facilities shall cease to be part of the communal areas of Supernova Stand Development. Provided that if the registered owner shall at any time dispose of one or more commercial units, upon entering into of the first assignment of a commercial unit, the commercial common areas and facilities shall revert to and form part of the communal areas and the registered owner shall as soon as practicable assign, free of costs or consideration, the commercial common areas and facilities together with the undivided shares allocated thereto under the Supernova Stand DMC to the manager of Supernova Stand Development who shall hold the same on trust for the benefit of all owners of Supernova Stand Development.

Palatial Stand Property

The deed of mutual covenant and management agreement, dated 16 March 2001, was made between Multimark Investment Limited and Country Max Development Limited ("Palatial Stand Property Owners") and Oasis Investment Company Limited (all as registered owner), Sin Ka Lun and Lam So Ngor (as first purchaser) and Hang Yick Properties Management Limited (as manager) and registered in the Land Registry by Memorial No.UB8348438 ("Palatial Stand DMC").

The purpose of the Palatial Stand DMC is to make provision for the proper management, operation, maintenance, repair, insurance and servicing of the development now known as Palatial Stand ("Palatial Stand Development") erected on Hung Hom Inland Lot No.522, Hung Hom Inland Lot No.509, Hung Hom Inland Lot No.517, Hung Hom Inland Lot No.510, Hung Hom Inland Lot No.514, Hung Hom Inland Lot No.515 and Hung Hom Inland Lot No.504 ("Palatial Stand Land") and the common areas and facilities of the Palatial Stand Development and to define and regulate the rights, interests and obligations of the owners in respect of the Palatial Stand Land and the Palatial Stand Development and to provide for a due proportion for the relevant expenses to be borne by the owners.

As Multimark Investment Limited and Country Max Development Limited (both of which will be acquired by Sunlight REIT upon Completion) hold all the undivided shares of the commercial units (which includes units on the ground, the 1st and the 2nd floors for commercial use and the advertising spaces, private staircase and landing, the reserved portion) all matters relating to the management and maintenance of the commercial units can be decided by the Palatial Stand Property Owners alone. However, as the Palatial Stand Property Owners do not own a majority of the Palatial Stand Development, including the residential development, they will not be able to decide on all matters relating to the management and maintenance of the Palatial Stand Development.

In relation to the commercial common areas and facilities of Palatial Stand Property, it is provided in Clause 7 of Section I of the Palatial Stand DMC that, so long as Multimark Investment Limited, Country Max Development Limited and Oasis Investment Company Limited (hereinafter collectively "Registered Owner") remain the sole owner of all commercial units of the Palatial Stand Development, the Registered Owner shall be entitled and have the right to manage, maintain and control the commercial development (which includes those parts of the ground, the 1st and the 2nd floors for commercial use, the reserved portion, the advertising spaces and the private staircase and landing) of the Palatial Stand Development to the exclusion of the manager but subject to the manager's management and control of the whole Palatial Stand Development including the commercial development (to the extent as allowed under the Palatial Stand DMC) and consequently the commercial common areas and facilities shall cease to be part of the communal areas of the Palatial Stand Development.

However, in the event of the Registered Owner shall at any time dispose of one or more commercial units, the commercial common areas and facilities shall, upon entering into of the first assignment of a commercial unit, revert to form part of the communal areas of the Palatial Stand Development and the Registered Owner shall forthwith assign, free of costs or consideration, the commercial common areas and facilities, to the manager who shall hold the same on trust for the benefit of all owners and transfer the management responsibilities of the commercial common areas and facilities to the manager who shall manage, maintain and control the same in accordance with the provisions of the Palatial Stand DMC.

Under the Palatial Stand DMC, the total management expenses payable by the Palatial Stand Property Owners and Oasis Investment Company Limited in respect of the Palatial Stand Property comprised in the Palatial Stand Development for the year ended 30 June 2006 were approximately HK$137,736.

Royal Terrace Property

The deed of mutual covenant incorporating management agreement, dated 30 September 2002, was made between Smart Fortune Development Limited (as the registered owner), Shuttleworth David Ian and Hung Yuk Fong (as the first purchaser) and Hang Yick Properties Management Limited (as the manager) and registered in the Land Registry by Memorial No.UB8791686 ("Royal Terrace DMC").

The purpose of the Royal Terrace DMC is to make provision for the proper management, operation, maintenance, repair, insurance and servicing of the development now known as Royal Terrace ("Royal Terrace Development") erected on The Remaining Portion of Subsection 1 of Section C of Quarry Bay Marine Lot No.4, Section B of Subsection 1 of Section C of Quarry Bay Marine Lot No.4, The Remaining Portion of Section A of Subsection 1 of Section C of Quarry Bay Marine Lot No.4, Subsection 1 of Section

A of Subsection 1 of Section C of Quarry Bay Marine Lot No.4 and Section E of Quarry Bay Marine Lot No.4 ("Royal Terrace Land") and the common areas and facilities of the Royal Terrace Development and to define and regulate the rights, interests and obligations of the owners in respect of the Royal Terrace Land and the Royal Terrace Development and to provide for a due proportion for the relevant expenses to be borne by the owners.

Smart Fortune Development Limited (which will be acquired by Sunlight REIT upon Completion) holds all the shops on G/F (some shops with A/C spaces on G/F and 1/F), all 24 car-parking spaces on 1/F, all 25 car-parking spaces on 2/F and all 10 motorcycle-parking spaces on 3/F and the signage space and island of the Royal Terrace Development. The Royal Terrace Property represents approximately 9.65% of the undivided shares of and in the Royal Terrace Land and the Royal Terrace Development. As Smart Fortune Development Limited does not hold a majority interest of the Royal Terrace Development, it will not be able to decide on all matters relating to the management and maintenance of the Royal Terrace Development.

Under the Royal Terrace DMC, the total management expenses payable by Smart Fortune Development Limited in respect of Royal Terrace Property comprised in the Royal Terrace Development for the year ended 30 June 2006 were approximately HK$233,631.

Under Clause 8 of Part C of Section IV of the Royal Terrace DMC, the fire-rated glass panels provided for Shops 4, 5, 9 and 10 on the ground floor of the Royal Terrace Property are for safety and fire-prevention purposes in compliance with the relevant ordinances and regulations. Such glass panels must not be removed for the lifetime of the Royal Terrace Development. The owners of the relevant shops shall at their own expense maintain and repair such glass panels and if any of them shall be broken, replace the same by the same or equivalent quality to the satisfaction of the relevant government authorities.

Under Clause 1 of Part D of Section IV of the Royal Terrace DMC, owners of the car parking spaces and/or the motorcycle parking spaces shall not use or permit or suffer to be used any car parking spaces and/or the motorcycle parking spaces for the storage, display or exhibition of motor vehicles for sale purpose.

Property Management Agreement

The Properties comprising the initial portfolio of Sunlight REIT and any subsequent properties located in Hong Kong whether directly or indirectly acquired or wholly or partly owned by Sunlight REIT will be managed by the Property Manager solely and exclusively pursuant to the Property Management Agreement.

The Property Management Agreement was entered into on 29 November 2006 by the Manager and the Property Manager pursuant to which the Property Manager was appointed to operate, maintain, manage and market solely and exclusively all the properties of Sunlight REIT located in Hong Kong, subject to the overall management and supervision of the Manager.

The Manager will use its best endeavours to procure each property holding company will enter into a deed of ratification and accession in favour of the Manager and the Property Manager confirming that it will be bound by the provisions of the Property Management Agreement as soon as practicable after signing of the Property Management Agreement.

The initial term of appointment of the Property Manager under the Property Management Agreement will commence on the date of Completion and end on 30 June 2009. Not more than nine months but not less than six months prior to expiry of the initial term and subject to there being no outstanding or unremedied breach by the Property Manager of its obligations and duties under the Property Management Agreement, the Property Manager may request to extend its appointment for a further term to be agreed between the Manager and the Property Manager on the same terms and conditions except for the provision on option to extend for a further term and the revision of all fees payable to the Property Manager to the prevailing market rates, whereby the fee payable may increase or decrease depending on market conditions.

The Manager will decide the prevailing market rates for the extended term not later than two months before the expiry of the initial term and if the Property Manager disagrees with the Manager's decision on the prevailing market rates for the extended term, this will be referred to an independent expert whose determination of the prevailing market rates shall be final and binding on the parties.

The Manager will agree to extend the appointment of the Property Manager for the extended term on the revised fees based on the prevailing market rates determined as aforesaid provided that such extension shall be subject to the approval of the Unitholders if such approval is required pursuant to any applicable regulatory requirements relating to connected party transactions relating to REITs (including, without limitation, any requirements under the REIT Code).

If the above conditions are not fulfilled, the Manager is not obliged to extend the appointment of the Property Manager and the appointment of the Property Manager shall terminate upon expiry of the initial term provided that the Manager may, by giving not less than 30 days' written notice prior to the expiry of the initial term, require the appointment of the Property Manager to be extended on the same terms and conditions, save and except for the provision on option to extend for a further term, for up to six (6) months after the expiry of the initial term in order to enable a replacement property manager to be appointed.

Property Manager's Services

With regard to each property under its management, the Property Manager shall provide, including but not limited to, the following services:

- property management services, including co-ordinating tenants' fitting out requirements, recommending third party contracts for provision of property management services (including parking facilities management), maintenance services, supervising the performance of service providers and contractors, arranging for adequate insurances and ensuring compliance with building and safety regulations;

- lease management services, including administration of rental collection, management of rental arrears, initiating lease renewals and negotiation of terms; and

- marketing and marketing co-ordination services.

In addition, the Property Manager will co-ordinate with the relevant service providers under all existing contracts entered into by or on behalf of the relevant Property Company as at Completion, in relation to the provision of services for the relevant Property, and use reasonable endeavours to arrange for the (i) termination, (ii) continuation on same terms as those existing as at Completion or (iii) replacement on such terms as the Manager may agree with such service providers, to ensure continuity in the provision of such services to the relevant Property Company after Completion.

Property Manager's Fees

Under the Property Management Agreement, the Property Manager will be entitled to receive from each Property Company, the following fees in relation to the management of the Property owned by the Property Company:

(i) Property Management Services and Lease Management Services

For the property management services and lease management services to be provided by the Property Manager, the Property Manager will receive a fee of 3.0% per annum of the Gross Property Revenue of the relevant property owned by each property holding company.

(ii) Marketing Services

For the marketing services to be provided by the Property Manager on a non-exclusive basis, each property holding company will pay the Property Manager, the following commissions:

- a commission equivalent to one month's base rent, for securing a tenancy of three years or more;

- a commission equivalent to one-half month's base rent, for securing a tenancy of less than three years;

- a commission equivalent to one-half month's base rent, for securing a renewal of tenancy irrespective of duration of the renewal terms; and

- a commission equivalent to 10% of the total licence fee for securing a licence for a duration of less than 12 months.

If the tenancy, renewal of tenancy or licence is secured by a third party agent appointed by the relevant property holding company, upon the recommendation of the Manager, the Property Manager will not be entitled to any of the above commissions for such tenancy, renewal of tenancy or licence.

Property Manager's Operating Expenses

The Property Manager will be fully reimbursed by the relevant property holding company for the employment costs, secondment costs (if any) and remuneration relating to (i) the employees of the Property Manager; and (ii) persons who are engaged by or (if any) under secondment to the Property Manager, solely and exclusively in the management of any one single property (including the property management services and the lease management services), as approved in each annual budget of the properties by the Manager or (if not covered in an approved annual budget) in accordance with any pre-approved expenditure limit from time to time approved by the Manager.

The Property Manager, as agent for the relevant property holding company, will enter into contracts with third party service providers on arms' length normal commercial terms for the provision of cleaning, maintenance, security, utilities, car park management, design services, administrative and technical services, legal services, coach and other vehicle leasing and other ancillary services for the relevant property, and the costs and expenses under such contracts will form part of the operating expenses to be paid by the property holding company provided that these have been approved by the Manager in each annual budget or (if not covered in an approved annual budget) in accordance with any pre-approved expenditure limit from time to time approved by the Manager.

Other operating expenses to be incurred in connection with the operation, maintenance, management and marketing of the properties include, but are not limited to, government rent and rates, adjudication fees and/or stamp duty, government registration fees, utility charges, advertising and public relations expenses, commissions and expenses for leasing or licensing of premises in the properties, maintenance and other contributions required under the DMC, property insurance expenses, audit and valuation fees, professional fees, expenses for purchase and replacement of Operating Equipment and bad debts or doubtful account expenses in relation to the properties.

Mechanism of Payment of Fees and Expenses

The Manager will arrange for an operating account for the properties to be opened and maintained in the name of the Treasury Company. The Property Manager will be given certain authorisations to utilise funds deposited in such account, to (a) make payment of all costs and expenses incurred or to be incurred in the operation, maintenance, management and marketing of the properties, including but not limited to, the property management fees, the government rent and rates, adjudication fees and/or stamp duty, government registration fees, utility charges, advertising, promotion and public relations expenses, commissions and expenses for leasing or licensing of premises in the Property, maintenance and other contributions required under the DMC, property insurance expenses, audit and valuation fees, professional fees, expenses for purchase and replacement of Operating Equipment and bad debts or doubtful account expenses in relation to the property, within each annual budget approved by the Manager and by the board of directors of the relevant property holding company; or (b) refund deposits to occupants of the properties.

Use of spaces by the Property Manager

The Property Manager may use such spaces in such properties free of charge as may be agreed by the Manager from time to time as leasing offices for the purposes of provision of the lease management services and related services in relation to the properties at which such respective leasing offices are located.

Termination by Manager/property company

The Manager may terminate the appointment of the Property Manager for all properties under its management or the relevant property holding company may terminate the appointment of the Property Manager for the property under its management, in each case on the occurrence of certain specified events, which include liquidation or cessation of business of the Property Manager. The Manager or the relevant property holding company may also terminate the appointment of the Property Manager specifically in relation to a property under its management, in the event of a sale of such property or the sale of the relevant property holding company which owns such property by not less than 30 days' prior written notice to the Property Manager. The Manager or the relevant property holding company may also terminate the appointment of the Property Manager in relation to a property by giving 10 days' written notice, if the Property Manager after receipt of such written notice fails within 90 days of receipt of the same (or such other period as may be agreed between the Manager and the Property Manager) to remedy any breach of its obligations in relation to such property. The Manager may also terminate the appointment of the Property Manager if there is any change in the ownership or control, direct or indirect, of shares carrying 50% or more of the voting rights attached to the issued share capital of the Property Manager, save and except for any changes in ownership or control within the group of companies of which the Property Manager is a member. The appointment of the Property Manager shall immediately terminate on the occurrence of (i) the Manager ceasing to be the manager of Sunlight REIT; or (ii) Sunlight REIT being merged, wound up or otherwise terminated. The Manager may terminate the appointment of the Property Manager immediately by giving written notice to the Property Manager in the event that the continuing performance of the Property Management Agreement is or will be in breach of the REIT Code and/or applicable laws or regulations to which the Manager or Sunlight REIT is subject.

Termination by Property Manager

The Property Manager may only terminate its appointment in relation to a property in the event that the Manager or a relevant property holding company is in breach of any of its obligations under the Property Management Agreement in relation to the property. Under such event, the Property Manager may by giving 10 days' written notice to the Manager and/or the relevant property holding company to terminate its appointment in relation to the relevant property, if the Manager or the relevant property holding company after its receipt of such written notice fails within 90 days of receipt thereof (or such other period as may be agreed between the Manager and the Property Manager) to remedy any breach of their respective obligations under the Property Management Agreement in relation to such property.

Consequence of Termination

Upon termination of the appointment of the Property Manager, the Property Manager shall (in the manner specified by the Manager) immediately and on an unconditional basis:

(i) novate or assign all relevant existing tenancy agreements, leases and other contracts entered into by the Property Manager for and on behalf of the property holding companies;

(ii) novate or assign (if required by the Manager) the contracts entered into by the Property Manager with third party service providers for the provision of, amongst other things, management and other services as provided in the Property Management Agreement; and

(iii) at the instructions of the Manager, do such other things and act as the Manager may reasonably consider necessary, expedient or desirable to ensure that there is no disruption to the continued proper management of the properties until such time as a replacement property manager is appointed.

Novation/Assignment

The Manager is entitled to novate all of its rights, benefits and obligations under the Property Management Agreement to a new manager of Sunlight REIT appointed in accordance with the terms of the Trust Deed. With the prior written consent of the Manager, the Property Manager is also entitled to novate all of its rights, benefits and obligations under the Property Management Agreement to any wholly-owned, direct or indirect subsidiary of HLD which is able to provide the services required of it under the Property Management Agreement on an exclusive basis and which can meet all the requirements thereunder, especially those on the expertise, resources and experience of the personnel of the Property Manager.

Each property holding company may assign all of its rights, benefits and obligations under the Property Management Agreement by way of security to any banks or financial institutions in connection with any debt financing transactions entered into or to be entered into by the relevant property holding company or the Finance Company or to any wholly-owned, direct or indirect subsidiary of Sunlight REIT.

Indemnity

Each party to the Property Management Agreement, including each property company which has executed a deed of ratification and accession ("Indemnifying Party") shall indemnify each of the other parties ("Indemnified Party") from and against any and all actions, proceedings, liabilities, claims, demands, losses, damages, charges, costs and expenses that the Indemnified Party suffers or incurs, to the extent that they arise out of any breach, negligence, fraud, willful default, or misconduct of the Indemnifying Party, its employees or agents, in the performance of the Indemnifying Party's obligations and duties under the Property Management Agreement.

Exclusion of Liability

In the absence of fraud, negligence, wilful default or breach of the Property Management Agreement, the REIT Code, applicable laws or regulations by the Property Manager, the Property Manager shall not incur any liability by reason of any error of judgement or law or any matter or thing done or suffered or omitted to be done by it in good faith under the Property Management Agreement.

In addition, the property holding company shall indemnify the Property Manager against any actions, costs, claims, damages, expenses or demands to which it may be put as Property Manager, save where such action, cost, claim, damages, expense or demand is occasioned by the fraud, negligence, wilful default or breach of the Property Management Agreement, the REIT Code, applicable laws or regulations by the Property Manager.

Underwriting Agreements

The Hong Kong Underwriting Agreement was entered into on 7 December 2006. It is expected that the International Underwriting Agreement will be entered into on 13 December 2006. For a summary of the key terms and provisions of the Hong Kong Underwriting Agreement, see the section headed "Underwriting" in this Offering Circular.

Deeds of Adjustment Payments

On 2 December 2006, the Vendors of the Target Company Shares (other than HIL) entered into the Deeds of Adjustment Payments with the Manager, the Trustee and HLD or HD or SKFE as guarantor (as the case may be). HIL, being a Vendor of the Target Company Shares, also entered into the HIL Deed of Adjustment Payments with the Manager and the Trustee on 2 December 2006.

Pursuant to the Deeds of Adjustment Payments, 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 to Sunlight REIT equal to the amount by which the Consolidated Rental Income is less than the corresponding Assured Minimum Rental per annum of HK$405.4 million (on a pro rata basis in respect of the period from the Listing Date until 30 June 2007), HK$429.4 million (in respect of the year ending 30 June 2008) and HK$454.9 million (in respect of the year ending 30 June 2009). The obligations of such Vendors who are direct or indirect subsidiaries of SKFE (amounting to 76.41% of the Adjustment Payments) are guaranteed by SKFE. The obligations of such Vendors who are direct or indirect subsidiaries of HLD other than HIL (amounting to 14.76% of the Adjustment Payments) are guaranteed by HLD. The obligations of HIL (being one of such Vendors) amount to 0.54% of the Adjustment Payments. The obligations of the other such Vendors (amounting to 8.29% of the Adjustment Payments) are guaranteed by HD.

The Adjustment Payments are made effectively as adjustments to the consideration payable by Sunlight REIT and the REIT Group Companies to the Vendors of the Target Company Shares.

The Manager will arrange for the auditors of Sunlight REIT from time to time to certify the Consolidated Rental Income and the Adjustment Payments, if any, for the relevant period after the end of the relevant period. The Manager has undertaken that during the period from the Listing Date to 30 June 2009, it will not effect a sale or disposal of any of the Properties except with the prior written consent of the relevant guarantor and the approval of Unitholders by an Ordinary Resolution.

If any Force Majeure event occurs at any time between the Listing Date and 30 June 2009, there will be an upper limit to the total liabilities of all the Vendors of the Target Company Shares under all the Deeds of Adjustment Payments and DPU Guarantees, as detailed in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — DPU Guarantees" in this Offering Circular. For this purpose, "Force Majeure" has the meaning defined in that section of this Offering Circular.

SKFE, HLD, HIL and HD have undertaken to indemnify the Manager or the Trustee (as directed) in respect of all taxation, including any taxation in respect of such payment, falling on the Trustee, Sunlight REIT or any REIT Group Companies resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, effected or occurred pursuant to the respective Deeds of Adjustment Payments.

In the event that the Manager is replaced by a replacement manager as the manager of Sunlight REIT, the continued validity of the obligations of the Vendors of the Target Company Shares and their guarantors under the Deeds of Adjustment Payments will be subject to the replacement manager's entering into a deed to assume such obligations as those of the Manager under the Deeds of Adjustment Payments in respect of the period after the appointment of the replacement manager.

DPU Guarantees

On 2 December 2006, the Vendors of the Target Company Shares (other than HIL) entered into the DPU Guarantees with the Manager, the Trustee and HLD or HD or SKFE as guarantor (as the case may be). HIL, being a Vendor of the Target Company Shares, also entered into a DPU Guarantee with the Trustee and the Manager on 2 December 2006. Pursuant to the DPU Guarantees, such Vendors have guaranteed on the terms set out below that the DPU of Sunlight REIT (after taking into account the Distribution Waiver) in respect of the period from the Listing Date to 30 June 2007 will not be less than the relevant Guaranteed DPU. They have also guaranteed, on the same basis but subject to a cap as detailed below in the event of Force Majeure, 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 respectively will not be less than the relevant Guaranteed DPU. Such Vendors will each make a cash payment in respect of the relevant period to the Trustee for the benefit of Sunlight REIT in an aggregate amount equal to any shortfall in the Provisional DPU compared to the Guaranteed DPU for the relevant period multiplied by the number of Units outstanding as at the Record Date for the relevant period less the total number of Base Distribution Waiver Units in respect of the relevant period. The obligations of the Vendors to make the cash payment shall be several in the proportions of the respective Appraised Values of the Properties (or parts thereof or interest therein) sold by those Vendors to the REIT Group Companies. For the above purpose:

"Provisional DPU" means, in respect of any relevant period, (i) the Distributable Amount, divided by (ii) the total number of Units in issue on the Record Date for the relevant period less the Base Distribution Waiver Units in respect of the relevant period; and

"Distributable Amount" means the Annual Distributable Income for the relevant period plus (i) if not already included therein, any Adjustment Payments for the relevant period; (ii) an amount equal to the excess of any property revaluation losses (including the impairment of any property revaluation gains) for the relevant financial year (to the extent such losses are included in the calculation of Annual Distributable Income) over the amounts in item (iii) below; and (iii) any additional amounts which the Manager may approve for distribution to Unitholders for the relevant period.

The obligations of such Vendors who are direct or indirect subsidiaries of SKFE (amounting to 76.41% of such payments) are guaranteed by SKFE. The obligations of such Vendors who are direct or indirect subsidiaries of HLD other than HIL (amounting to 14.76% of such payments) are guaranteed by HLD. The obligations of HIL (being one of such Vendors) amount to 0.54% of such payments. The obligations of the other such Vendors (amounting to 8.29% of such payments) are guaranteed by HD. This guarantee is subject to the terms of the DPU Guarantees, and assumes that the Manager distributes 100% of Annual Distributable Income and that there are no further issues of Units (save for the Manager's Base Fee and Variable Fee, but not other fees, in Units).

The Manager has undertaken (so long as it remains the manager of Sunlight REIT) that it will not approve for distribution to Unitholders any amounts which are additional to the Annual Distributable Income (other than, if not included therein, any Adjustment Payments, any cash payments made pursuant to the DPU Guarantees, any amount equal to or less than any property revaluation losses (including the impairment of any property revaluation gains) for the relevant period and Distribution Waiver Payments) where one of the purposes of the distribution of such additional amounts is in order to effectively avoid, reduce or limit the liability of the guarantors under the DPU Guarantees.

Any proposed new issue of Units (other than the issue of Units to the Manager in lieu of Base Fees or Variable Fees) during the period from the Listing Date to 30 June 2009 shall require the prior approval of Unitholders by Ordinary Resolution (on which such Vendors, their guarantors and their respective subsidiaries shall only be entitled to vote against or abstain from voting). In the event of any such new issue, the Guaranteed DPU shall be revised on the date of the new issue such that the revised Guaranteed DPU shall equal the then-current Guaranteed DPU multiplied by (i) the total number of Units in issue prior to the issue of such new Units (excluding the Base Distribution Waiver Units) divided by (ii) the total number of Units in issue immediately following the issue of such new Units (excluding the Base Distribution Waiver Units).

In the event that Sunlight REIT proposes to acquire or dispose of properties or interests in properties ("Relevant Transaction") in circumstances where such Relevant Transaction is not shown by the Manager to be DPU accretive (including, if applicable, DPU accretive on a fully diluted basis following the issue of any new Units to be issued pursuant to the Relevant Transaction), the prior approval of the guarantors under the DPU Guarantees (namely SKFE, HLD, HD) and HIL shall be required for such Relevant Transaction (in addition to, where applicable, any prior approval of Unitholders as a result of a proposed

new issue of Units or otherwise). If the approval of any such guarantor is not given, and the Manager decides (having obtained the approval of Unitholders by Ordinary Resolution on which such Vendors, their guarantors and their respective subsidiaries shall only be entitled to vote against or abstain from voting) to proceed with the Relevant Transaction, the obligations of such guarantor and the obligations of those Vendors guaranteed by such guarantor under the relevant DPU Guarantee shall cease in respect of any period after the date of completion of the Relevant Transaction. In order to show a Relevant Transaction to be DPU accretive, it must be clearly shown to be such in a profit forecast contained in a circular sent to Unitholders in respect of the Relevant Transaction.

The Manager will (so long as it remains manager of Sunlight REIT) arrange for Sunlight REIT's external auditors to check the calculation of the Distributable Amount and the Provisional DPU in respect of the relevant period, the number of Units in issue on the Record Date for the relevant period and the amount payable by such Vendors (if any) under the DPU Guarantees.

The Manager has undertaken (so long as it remains manager of Sunlight REIT) to direct the Trustee to include the amount of any payment for the relevant period received under each DPU Guarantee in the final distributions to Unitholders for the relevant period, subject to the provisions of the Deeds of Distribution Waiver. In addition, the Manager has undertaken (so long as it remains manager of Sunlight REIT) that during the period from the Listing Date to the Record Date for the final distribution for the year ending 30 June 2009 (both days inclusive), it shall not (i) change the financial year of Sunlight REIT; (ii) change any of the definitions of "Annual Distributable Income", "Base Fee" or "Variable Fee" under the Trust Deed (or change any other definition referred to in any such definition if such change will affect the calculation thereof); or (iii) effect any sub-division or consolidation of Units, without the prior written consent of the guarantors of the DPU Guarantees.

The Manager has further undertaken (so long as it remains the manager of Sunlight REIT) that during the period from the Listing Date to 30 June 2009 (both dates inclusive), it will not sell or dispose of any real estate which comprises the property portfolio of Sunlight REIT on the Listing Date without the prior written consent of the guarantors under the DPU Guarantees.

If any Force Majeure (as defined below) event occurs at any time between the Listing Date and 30 June 2009, the aggregate of the amounts payable by:

(a) all the Vendors of the Target Company Shares under all the Deeds of Adjustment Payments (and the corresponding liabilities of any parties that guarantee the obligations of those Vendors), and

(b) all the Vendors of the Target Company Shares under the DPU Guarantees (and the corresponding liabilities of any parties that guarantee the obligations of those Vendors)

will be limited to a cap of HK$300 million, such cap to be applied to the total sum of all payments made under the Deeds of Adjustment Payments and the DPU Guarantees since the Listing Date. However, even if a Force Majeure event occurs, there will not be any limit to the total amounts payable by those Vendors and guarantors under the DPU Guarantees or Deeds of Adjustment Payments for the period from the Listing Date to 30 June 2007 (other than the level of the Guaranteed DPU (after taking into account the Distribution Waiver) and the Assured Minimum Rental as mentioned above). Where an event of Force

Majeure occurs after the declaration of the final distribution for any relevant period, but before the payment of any Adjustment Payments or payments under the DPU Guarantees in relation to that period, the cap shall not apply to the obligation to make such payments (although such amounts shall be taken into account as payments made since the Listing Date in determining the application of the cap in subsequent periods). If, before the date that a Force Majeure event occurs, the aggregate of payments already made by the Vendors of the Target Company Shares under all the Deeds of Adjustment Payments and the DPU Guarantees exceeds HK$300 million, there will be no obligation for Sunlight REIT to make any repayment of the excess amount. Accordingly, subject to the exception of the DPU Guarantees and the Deeds of Adjustment Payments for the period from the Listing Date to 30 June 2007 referred to above, upon the occurrence of an event of Force Majeure, after such cap of HK$300 million has been reached or exceeded, there will effectively be no further Adjustment Payments or guarantee of DPU.

If the capped amount of HK$300 million would be exceeded if all Adjustment Payments and liabilities under the DPU Guarantees in respect of a relevant period were to be fully met, any outstanding Adjustment Payments will be met first, and any outstanding liabilities under the DPU Guarantees will be met second, subject to such aggregate cap.

For an illustration of 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, see the worked examples on pages vi and vii of this Offering Circular.

For the purpose of the above, "**Force Majeure**" is defined to mean any of the following events taking place: (i) the World Health Organisation alert level being formally declared a "Pandemic" (Phase 6) (or any similar phase described in any different manner replacing the same) for Hong Kong; or (ii) the "Emergency Response Level" (or any similar level described in any different manner replacing the same) being activated under the Government's response system for Influenza Pandemic in Hong Kong; or (iii) riots leading to civil disorder taking place in Hong Kong on a widespread and ongoing or recurring basis for at least two weeks; or (iv) the occurrence of hostilities or the outbreak of war in Hong Kong; or (v) any event or events beyond the control of the Vendors of the Target Company Shares which cause(s) the destruction, damage or forced closure of one or more Properties (or any part thereof) or which cause(s) one or more Properties (or any part thereof) to become generally inaccessible to tenants, directly resulting in the loss of at least 20% of the then aggregate rental income (by comparing the monthly average aggregate rental income during a three-month period immediately after the event or the first of the events (as the case may be) against the monthly average aggregate rental income during a 12-month period immediately prior to the event or the first of the events (as the case may be)) in respect of the Properties. In the cases of (iii) and (v) above, an event of Force Majeure shall be deemed to occur on the first day of the period of two weeks or three months (as the case may be) referred to therein.

In the event that the Manager is replaced by a replacement manager as the manager of Sunlight REIT, the continued validity of the obligations of the Vendors of the Target Company Shares and their guarantors under the DPU Guarantees will be subject to the replacement manager's entering into a deed to assume such obligations as those of the Manager under the DPU Guarantees in respect of the period after the appointment of the replacement manager.

Deeds of Distribution Waiver

On 2 December 2006, the SKFE Subscribers and the HLD Subscribers (and their respective guarantors, SKFE and HLD) respectively entered into the SKFE Deed of Distribution Waiver and the HLD Deed of Distribution Waiver with the Manager and the Trustee (for the benefit of Sunlight REIT). Pursuant to the Deeds of Distribution Waiver, the SKFE Subscribers and the HLD Subscribers have agreed to waive in favour of the Manager and the Trustee (for the benefit of Sunlight REIT) all their entitlements to receive from Sunlight REIT any distribution declared, made or paid in respect of any period between the Listing Date and 30 June 2011 in relation to the Base Distribution Waiver Units applicable to them for the relevant period. "Base Distribution Waiver Units" means, in relation to a distribution in respect of a given financial year of Sunlight REIT (or any part thereof) and a SKFE Subscriber or a HLD Subscriber (as the case may be), such number of Units set out below against that financial year and against the name of that person:

	Financial year ending on 30 June	Number of Base Distribution Waiver Units
Uplite Limited	2007	224,443,625
	2008	224,443,625
	2009	224,443,625
	2010	134,666,175
	2011	112,221,813
Wintrade Limited	2007	149,629,083
	2008	149,629,083
	2009	149,629,083
	2010	89,777,450
	2011	74,814,542
Cobase Limited	2007	40,541,958
	2008	40,541,958
	2009	40,541,958
	2010	24,325,175
	2011	20,270,979
Richful Resources Limited	2007	27,027,972
	2008	27,027,972
	2009	27,027,972
	2010	16,216,783
	2011	13,513,986

The waiver of entitlements to distributions shall not apply to (a) any distribution upon the liquidation or dissolution of Sunlight REIT; (b) any distribution derived from the proceeds of any disposal of direct or indirect interests in properties or other assets; or (c) any distribution derived from restructuring the capital of companies forming part of the assets of Sunlight REIT.

In the event that, on a Record Date for any distribution in respect of any financial year of Sunlight REIT (or any part thereof) that falls within the period from the Listing Date until 30 June 2011, any of the SKFE Subscribers and the HLD Subscribers holds a number of Units which is less than the number of Base Distribution Waiver Units applicable to it (including as a result of the exercise of the Over-allotment Option), it will, in relation to the relevant distribution, pay to Sunlight REIT the Distribution Waiver Payments, being:

(a) the total amount of distributions determined to be distributed by the Manager to be paid on the Units in issue on such Record Date (taking no account of any distribution waivers) and including any amounts to be distributed pursuant to the DPU Guarantees but not including any Distribution Waiver Payments; divided by

(b) the total number of Units in issue on such Record Date less the total number of Base Distribution Waiver Units; with the quotient multiplied by

(c) the excess of the number of Base Distribution Waiver Units applicable to it in relation to the relevant distribution over the number of Units actually held by it on such Record Date.

The Manager will arrange for the auditors of Sunlight REIT from time to time to certify the Distribution Waiver Payments.

SKFE has guaranteed the due and punctual performance of all the obligations of the SKFE Subscribers under the SKFE Deed of Distribution Waiver, and HLD has guaranteed that of the HLD Subscribers under the HLD Deed of Distribution Waiver.

The Manager has undertaken (on behalf of Sunlight REIT) that any entitlement to distributions waived by the SKFE Subscribers and the HLD Subscribers and the Distribution Waiver Payments (if any) will be distributed to the Unitholders (other than the SKFE Subscribers and the HLD Subscribers to the extent of their Base Distribution Waiver Units) as at the Record Date in relation to the relevant distribution. The Manager has further undertaken (so long as it remains the manager of Sunlight REIT) that it will not effect any sub-division or consolidation of the Units during the period from the Listing Date until the Record Date for the final distribution in respect of the year ending 30 June 2011 without the prior written consent of SKFE and HLD.

In the event that the Manager is replaced by a replacement manager as the manager of Sunlight REIT, the continued validity of the obligations of the SKFE Subscribers, the HLD Subscribers and their guarantors under the Deeds of Distribution Waiver will be subject to the replacement manager's entering into a deed to assume such obligations as those of the Manager under the Deeds of Distribution Waiver in respect of the period after the appointment of the replacement manager.

The Loan Facility

By the Listing Date, the Finance Company is expected to have in place the Facility 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, each for a term of five years. The proceeds of the Facility will be used for the Finance Company's purchase of the Existing Borrowings, or for on-lending to the Purchaser Companies to pay the consideration for the acquisition of the Target Properties and/or fund operating expenses and capital expenditures in relation to the Properties.

Each loan under the Facility will bear interest at HIBOR plus 45 basis points. The all-in cost of the Facility are both HIBOR plus 55 basis points including an upfront fee of 50 basis points amortised over the five-year term of the Facility.

The Facility will be secured by a mortgage over the Properties, an assignment of insurance policies, an assignment of proceeds under tenancies or lease, an assignment of the Property Management Agreement, charges over the shares of the Finance Company and the Holding Company, charges over several bank accounts of the Treasury Company and a joint and several guarantee given by the Trustee (in the capacity of the trustee of Sunlight REIT) and the Holding Company in favour of the lenders.

The Term Loan

On 30 May 2006, the Finance Company entered into a term loan agreement (as supplemented by an amendment agreement dated 28 November 2006) with Bank of China (Hong Kong) Limited, BNP Paribas Hong Kong Branch, Calyon, Hong Kong Branch, DBS Bank Ltd., Hang Seng Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Oversea-Chinese Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited and Sumitomo Mitsui Banking Corporation Limited acting as mandated arrangers, for a term loan in the amount of HK$3,950 million. The Hongkong and Shanghai Banking Corporation Limited will act as facility agent and security trustee under the term loan.

The availability of the term loan on the Listing Date is conditional on certain conditions precedent being satisfied. Such conditions include, without limitation, the provision of executed copies of the Trust Deed, the Property Management Agreement, the Sale and Purchase Agreements, all title deeds relating to the Properties and other material agreements entered into by, amongst other parties, each of the Trustee (in its capacity as trustee of Sunlight REIT), the Holding Company, the Manager, the Property Companies, the Finance Company and the Treasury Company (as the case may be).

The term loan is repayable 60 months from the date of the earlier of (i) the first drawdown of the term loan agreement; or (ii) the first advance of the revolving credit facility. The Finance Company may prepay all or any part of the term loan on any interest payment date, on not less than 14 days (or such shorter period as the majority term loan lenders may agree) prior written notice to the lenders, if they also pay all accrued interest and all amounts due and payable under the term loan. For a partial prepayment, the prepayment must be in an amount not less than HK$50 million and in integral multiples of HK$5 million. If a prepayment is made on a date other than an interest payment date, the Finance Company shall pay breakage costs to the lenders.

The term loan may become mandatorily repayable in the event it is or becomes illegal in any applicable jurisdiction or in the case of an event of default.

Revolving Credit Facility

On 30 May 2006, the Finance Company entered into a revolving credit facility agreement (as supplemented by an amendment agreement dated 28 November 2006) with Bank of China (Hong Kong) Limited, BNP Paribas Hong Kong Branch, Calyon, Hong Kong Branch, DBS Bank Ltd., Hang Seng Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Oversea-Chinese Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited and Sumitomo Mitsui Banking Corporation Limited acting as mandated arrangers, for a revolving credit facility in the amount of HK$100 million. The Hongkong and Shanghai Banking Corporation Limited will act as facility agent and security trustee under the revolving credit facility.

The availability of the revolving credit facility on the Listing Date is conditional on certain conditions precedent being satisfied. Such conditions include, without limitation, the provision of executed copies of the Trust Deed, the Property Management Agreement, the Sale and Purchase Agreements, all title deeds relating to the Properties and other material agreements entered into by, amongst other parties, each of the Trustee (in its capacity as trustee of Sunlight REIT), the Holding Company, the Manager, the Property Companies, the Finance Company and the Treasury Company (as the case may be).

The Finance Company is permitted under the revolving credit facility to repay and reborrow against its available limit during the term of the revolving credit facility. The final maturity of the revolving credit facility is 60 months from the date of drawdown of the revolving credit facility agreement, or from the date of drawdown of the term loan, whichever is earlier. The Finance Company may cancel the undrawn amount of the revolving credit facility. The revolving credit facility may also become prepayable in the event it is or becomes illegal in any applicable jurisdiction or in the case of an event of default.

Events of Default

Each of the term loan and the revolving credit facility contains customary events of default, the occurrence of which would allow the facility agent, upon the instructions of the majority term loan lenders to demand immediate repayment of the outstanding advances made under the term loan and the revolving credit facility, together with accrued interest, fees and other sums, and cancel the lenders' commitments under the revolving credit facility. Such events include:

(i) failure to repay any sums payable under the Facility within three business days of its due date; a breach of Sunlight REIT, the Finance Company, the Holding Company, the Treasury Company or any of the Property Companies (except any Property Company which ceases to be a member of the REIT Group Companies in accordance with the provisions of the Facility Agreements) (collectively, the "Obligors", and each an "Obligor") of its respective obligations or covenants under any of the Facility Agreements; a breach of any of the representations, warranties, undertakings or statements made in any of the Facility Agreements, a default in any other indebtedness;

(ii) the insolvency of Sunlight REIT or any Obligor; a distress, attachment, execution or other legal process being levied, enforced or sued out on or against any material part of the properties or assets of Sunlight REIT or any Obligor and not being discharged or stayed within 21 days of its occurrence;

(iii) a notice given by the Trustee or the Manager, any meeting being convened or any petition being presented for the winding-up or termination of Sunlight REIT or any Obligor;

(iv) Sunlight REIT or any Obligor ceasing or threatening to cease to, or being ordered or directed to cease by the SFC or any other relevant authority in any applicable jurisdiction to carry on its principal business of ownership, management, leasing and sale of the Properties or properties in Hong Kong other than cessation as a result of any Obligor disposing of its property in compliance with the terms of the Facility Agreements;

(v) all or a material part of the assets of Sunlight REIT or any Obligor being seized, compulsorily acquired, expropriated or nationalised;

(vi) any required consents ceasing to be in full force and effect or any condition in or relating to any such consent is not complied with;

(vii) the Facility or the obligations of Sunlight REIT or any Obligor under the Facility becoming illegal or unenforceable;

(viii) any litigation, arbitration or administrative proceeding (other than those of a frivolous or vexatious nature) which restrain the exercise of any of the rights or the performance or enforcement of or compliance with any of the material obligations under any of the Facility Agreements or which would have a material adverse effect on Sunlight REIT or the Obligors taken as a whole;

(ix) the Trustee resigns or is removed or an order is made for its winding-up or termination or there is a moratorium, any form of exchange control or a new law or regulation or there is a merger which prevents or restricts the ability of any Obligor to perform its obligations under any of the Facility Agreements to which it is a party and a replacement or substitute trustee of Sunlight REIT is not appointed in accordance with the terms of the Trust Deed;

(x) the Manager is removed and a replacement or substitute manager is not appointed in accordance with the terms of the Trust Deed;

(xi) Sunlight REIT is terminated pursuant to the provisions of the Trust Deed;

(xii) listing or trading of the Units on the Hong Kong Stock Exchange is suspended for 14 or more consecutive trading days (or such longer suspension period as the lenders may consider not to be an event of default) or is terminated or otherwise ceased unless with the prior consent of the loan facility agent;

(xiii) the whole or part of the Properties is destroyed so as to be unfit for use or occupation or is rendered unsafe or inaccessible with the consequence that no gross rental income is chargeable or payable in respect of all subsisting tenancy agreements in respect of the Properties or such

part thereof as at the date of determination is material in the context of the total properties value and the insurance proceeds received or to be received in respect of such destruction are insufficient to restore the Properties or make good the losses of rental income under the respective leases for a period of 12 months from the date of such destruction or loss;

(xiv) any circumstance arises which gives grounds in the reasonable opinion of the lenders for belief that Sunlight REIT or any Obligor may not be able to perform or comply with its obligations in any Facility Agreements to which it is a party; and

(xv) the lenders determine that there exists a material adverse effect on or material adverse change in the financial condition, operations, prospects or business of any Obligor or the consolidated financial condition, operations, prospects or business of the REIT Group or the Obligors taken as a whole; the ability of any Obligor to perform and comply with its obligations under any of the Facility Agreements and/or the security documents created thereunder; or the validity, legality or enforceability of, or the rights or remedies of the lenders under any Facility Agreements and/or the security documents created thereunder.

Covenants

Each of the term loan and the revolving credit facility contains certain customary covenants that restrict the Obligors (subject to certain agreed exceptions), from, amongst other things, incurring additional debt and creating security on the Property Companies' property, revenue or other assets. Affirmative covenants provide that the Finance Company will or will procure that, amongst other things:-

(i) use (and will ensure that Sunlight REIT and each Obligor will use) its reasonable endeavours to carry on and conduct its affairs in a proper and efficient manner and to keep or cause to be kept all of its assets in a good state of repair and condition in accordance with good and sound practice and in compliance with all material provisions under all applicable laws and directives, SFO and the regulations, codes and guidelines issued thereunder and the REIT Code;

(ii) each Property Company shall not carry out business other than the business of the ownership, management, leasing and sale of its Property without the prior written consent of the lenders and none of the Property Companies will conduct any other business which is not permitted by the Trust Deed;

(iii) each Property Company shall comply with all relevant planning, zoning or similar regulations and restrictions of the government and other statutory bodies from time to time affecting its Property;

(iv) each Property Company shall comply with all covenants, terms and conditions contained in the title documents and observe and perform all terms and conditions given by the government or other relevant or competent authority;

(v) the Manager and the Trustee shall do all such things as are necessary to maintain Sunlight REIT's existence; and ensure that Sunlight REIT is entitled to conduct Sunlight REIT's business as it is conducted in Hong Kong and all other jurisdictions (if applicable) in which Sunlight REIT carries on its business or has assets;

(vi) each Property Company will maintain property all risks insurances, rental loss and public liability insurances policies over the Properties with reputable insurers;

(vii) at all times the indebtedness of the Finance Company or any Property Company are subordinated to the Facility Agreements;

(viii) the Trustee and the Manager will perform and comply with its obligations under the Trust Deed, remedy or use its reasonable endeavours to procure the remedy of any breach of its obligations under the Trust Deed;

(ix) none of the Trustee, the Manager or the Property Manager will be replaced or substituted (except where such replacement or substitution is required by the SFC) unless where it is possible, prior written notice of any proposed replacement or substitution of such party shall be given to the term loan facility agent;

(x) listing of the Units on the Hong Kong Stock Exchange is maintained;

(xi) the Finance Company, the Intermediate Holding Companies and the Property Companies are wholly-owned subsidiaries of Sunlight REIT; and

(xii) all interest rate swap transactions with an aggregate notional amount equal to the amount of the term loan facility shall be in place on the Listing Date.

The Finance Company shall comply with the following financial ratios, which shall be tested on an annual basis by reference to the relevant financial statements, with effect from the term loan advance date and so long as any sum remains to be lent or remains payable under any of the Facility Agreements and subject to the remedial actions and remedy periods as permitted under the Facility Agreements:

(i) Total Borrowings shall not at any time exceed 50% of Total Properties Value;

(ii) the ratio of (A) the total sum of EBITDA and Adjustment Payments received by Sunlight REIT in respect of the relevant period (if and to the extent that Adjustment Payments have not been included in EBITDA) to (B) Consolidated Interest Expenses shall not at any time be less than 2:1 for the 12 month period preceding the relevant financial year end; and

(iii) Total Consolidated Borrowings of Sunlight REIT shall not at any time exceed 45% (or such higher level as may from time to time be permitted under the REIT Code and approved by the majority term loan lenders) of Consolidated Gross Assets of Sunlight REIT.

For the purposes of these financial covenants,

"**Consolidated Gross Assets of Sunlight REIT**" means at any time the value of all assets of Sunlight REIT and its subsidiaries, including any investments they are authorised to hold in accordance with the REIT Code together with any moneys held by them and, in relation to the part of assets which are the Properties, their value shall be as determined with reference to the most recent valuation reports delivered pursuant to the terms of the Facility Agreements.

"**Consolidated Interest Expenses**" means, in respect of any period, all interest, acceptance, commission and any other continuing regular or periodic costs and expenses in the nature of interest (whether paid, payable, accrued or capitalised) including periodic payments under interest rate swaps (but excluding the amortised up-front fee in respect of such interest rate swaps) and amortisation of debt establishment fees incurred by the REIT Group in effecting, servicing or maintaining any borrowed money during that period and after eliminating all intra-group transactions in the nature of interest. For the avoidance of doubt, any payment received by the REIT Group under interest rate swaps shall be deducted from the calculation of Consolidated Interest Expense.

"**EBITDA**" means, in respect of any period, the net pre-taxation consolidated profits (after adding back the Consolidated Interest Expenses and all amounts in respect of depreciation and amortisation for that period) of the REIT Group during that period.

"**Total Borrowings**" means at any time the aggregate of all of the liabilities in respect of any borrowed money of the REIT Group (including, without limitation, contingent liability and actual outstanding amounts and any committed but undrawn amount, but excluding any committed but undrawn amount which shall be applied solely towards the refinancing of any existing borrowing within one month but excluding any contingent liability of Sunlight REIT and the Holding Company in relation to any interest rate swap transactions).

"**Total Consolidated Borrowings of Sunlight REIT**" means at any time the aggregate of all of the liabilities in respect of any borrowed money of Sunlight REIT and its subsidiaries (including, without limitation, contingent liabilities but excluding any contingent liability of Sunlight REIT and the Holding Company in relation to any interest rate swap transaction) as determined on a consolidated basis.

"**Total Properties Value**" means, at any particular time, the aggregate value of the Properties, any other real properties of the REIT Group and any interest rate swaps relating to the financing and interest expense for any real properties acquired or to be acquired by the REIT Group, as determined by the term loan facility agent (in the case of the Properties) from the most recent valuation reports delivered and (in the case of the interest rate swap transactions) from the valuation prepared by the relevant Swap Counterparty or, if the Swap Counterparty fails to do so, by a qualified independent appraiser appointed by the Trustee and/or the Manager.

"**Adjustment Payments**" means the payments that the vendors of the Property Companies or of companies holding shares in Property Companies will (under deeds to be entered into before the Offering) severally agree to pay to Sunlight REIT, such payments being equal to the amount by which the

consolidated rental income of all the Properties is less than the corresponding assured minimum rental per annum of HK$405.4 million (on a pro rata basis in respect of the period from the Listing Date to 30 June 2007), HK$429.4 million (in respect of the year ending 30 June 2008) and HK$454.9 million (in respect of the year ending 30 June 2009).

Pursuant to the terms of the Facility Agreements, any non-compliance with any of the above financial ratios by Sunlight REIT will not automatically lead to a breach of the terms of the Facility Agreements or by itself constitute an event of default thereunder. The Finance Company is permitted under the Facility Agreements to take remedial actions within certain remedy periods in order to restore the relevant financial ratio(s) to the level prior to such non-compliance.

The negative covenants include that Sunlight REIT, the Holding Company, the Finance Company, the Intermediate Holding Companies and the Property Companies (as the case may be) must not:

(i) permit the Finance Company, Sunlight REIT, the Holding Company, the Intermediate Holding Companies and the Property Companies to create or agree to create or permit or agree to arise and subsist or have outstanding any security on any of their assets or undertakings (including without limitation any shares in any Intermediate Holding Company or any Property Company) except for (a) the security created under the Facility Agreements in favour of the lenders; (b) liens or encumbrances arising solely by operation of law (or by agreement to that effect) in the ordinary course of their business; and (c) the security created with the consent of the lenders, provided that such restriction does not apply to the creation of any security over (i) new property(ies) which may be acquired by Sunlight REIT and held by any subsidiary(ies) of the Holding Company which is/are not Obligor(s) or any subsidiary(ies) of Sunlight REIT which are not subsidiaries of the Holding Company, (ii) the share capital of any such Subsidiary(ies) or (iii) the loans or funding made by Sunlight REIT or the Holding Company to any such subsidiary(ies) related to any such acquisition(s);

(ii) permit the Finance Company, the Holding Company, the Intermediate Holding Companies or the Property Companies to incur any further financial indebtedness or issue any further guarantee or indemnity without the prior written consent of the majority of the lenders except that the Finance Company is permitted to on-lend the proceeds of the Facility to another Sunlight REIT Group member for the purpose of partially financing the Acquisitions (other than certain acquisition of shares). The Finance Company shall not subordinate, postpone, defer, assign or otherwise dispose of any such on-lending indebtedness owed or owing to it by another Sunlight REIT Group member;

(iii) enter into any reconstruction, amalgamation, reorganisation, merger or any other similar arrangement (other than pursuant to the Acquisitions), which has or will have a material adverse effect or which will result in a material impairment of the security granted under the Facility;

(iv) sell, lease, transfer or otherwise dispose of the whole or any part of the Properties or shares in any of companies directly or indirectly holding such Properties without the prior written consent of the majority of the lenders (other than leases entered into as permitted under the terms of the assignment of proceeds) or otherwise in compliance with the provisions of the Facility Agreements;

(v) permit any member of Sunlight REIT Group to pay any dividend or distribution to its shareholders, repay any loan advanced to it by another member of Sunlight REIT Group or in the case of Sunlight REIT, make any distributions to the Unitholders if an event of default or a potential event of default has occurred or continued and has not been remedied or waived;

(vi) do or omit to do, or suffer or permit, anything to be done which might render the Trust Deed to be or become, in any respect, invalid, void or voidable;

(vii) amend the Trust Deed or the Property Management Agreement without prior written notice to the loan facility agent;

(viii) materially change the investment and distribution policies in respect of Sunlight REIT and the remuneration (including fee payment formula thereof) paid or payable to the Trustee, Manager and the Property Manager without prior written notice to the loan facility security agent;

(ix) permit Sunlight REIT Group to make any loan or advance any money or grant any credit to any person, other than to another member of Sunlight REIT Group, guarantee given to the interest rate swap providers for amounts owing under the interest rate swap transactions, and in the ordinary course of business; and

(x) except for additional investments of real estate or investments held for short term treasury management purposes (other than the entering into interest rate swaps or other financial transactions or instruments or acquiring or setting up any company to be held by any of them to acquire additional real properties either directly or through acquisitions of entities holding such real estate), permit the Finance Company, the Holding Company, any of the Intermediate Holding Company or the Property Companies to establish or acquire any subsidiary or make any investment except with the prior written consent of majority of the lenders.

Provision of Information

Under the term loan agreement and the revolving credit facility agreement, Sunlight REIT must submit:

(i) annual audited financial statements of the Finance Company, the Holding Company and each Property Company within 180 days after the end of each financial year end (provided that the first audited financial statement shall be for the period from the Listing Date to 30 June 2007) and their respective unaudited interim financial statements within 120 days for the first six months of each financial year (provided that the first unaudited interim financial statement shall be for the period from the Listing Date to 31 December 2006);

(ii) annual audited financial statements and annual reports of Sunlight REIT within 180 days after the end of each financial year (provided that the first audited financial statement shall be for the period from the Listing Date to 30 June 2007) and unaudited interim financial statements within 120 days after the end of the first six months of each financial year (provided that the first unaudited interim financial statement shall be for the period from the Listing Date to 31 December 2006);

(iii) a valuation report of the Properties prepared by an independent property valuer appointed by Trustee and/or the Manager in accordance with the REIT Code within 30 days after completion of such valuation, provided that such valuation shall be conducted at least once in every financial year of Sunlight REIT (or in such higher frequency as may be required under the REIT Code);

(iv) the rent roll and change of tenancy report semi-annually within 60 days after the end of each six-month period;

(v) the operating budget in respect of the Properties approved by the Manager in advance; and

(vi) material notices to Unitholders and other material information disclosed to Unitholders within 10 days from the date of such notices.

Security

The term loan and the revolving credit facility are required to be secured by:

(i) a mortgage over the Properties;

(ii) an assignment of proceeds under tenancies and leases of the Properties, assigning any interest in all present and future leases of all or any portion of the Properties and all right and title to, and interest in, the leases, including all rights under the leases, all benefits to be derived from them and all rents;

(iii) a charge over all present and future right and title to, and interest, in money deposited in or credited to, and any interest accruing in respect of certain bank accounts to be opened in the name of the Treasury Company and maintained for the deposit of rents from the Properties;

(iv) a joint and several guarantee by the Trustee (in the capacity of the trustee of Sunlight REIT) and the Holding Company in favour of the lenders;

(v) an assignment of all present and future right and title to, and interest in, and all benefits accrued and to accrue under the Property Management Agreement and the proceeds of any payments which may at any time be received by or payable to the Property Manager and/or any other person at the direction of the Manager under or in connection with the Property Management Agreement, insofar as such rights, title, interest and benefits relate to the Properties;

(vi) an assignment of insurance policies relating to the Properties, assigning any present and future right and title to, interest in, and all benefits accrued and to accrue under insurance policies and the proceeds of any payments made in connection with the insurance policies;

(vii) a first fixed charge over all present and future rights, title and interest in and to, all present and future shares in the Finance Company and dividends and distributions thereof; and

(viii) a first fixed charge over all present and future rights, title and interest in and to, all present and future shares in the Holding Company and dividends and distributions thereof.

Subordination Deed

As a condition precedent to the drawdown of the Facility, a subordination deed is required to be entered into between the Trustee (in its capacity as trustee for Sunlight REIT) and the Treasury Company as subordinated lenders, The Hongkong and Shanghai Banking Corporation Limited as security trustee and the Finance Company and the Property Companies as subordinated borrowers. Under the subordination deed, the liabilities of the Finance Company and the Property Companies to Sunlight REIT will be subordinated to the liabilities of the Finance Company and the Property Companies to the lenders, except that the subordination deed would permit the Finance Company and the Property Companies to make payment for interest or repayment of principal or indebtedness owed to Sunlight REIT or the Treasury Company and is made in the ordinary course of business of each of the Finance Company and the Property Companies, so as to enable Sunlight REIT or the Treasury Company to make any distributions or payments to the Unitholders as contemplated under the Trust Deed or for operating expenses (including capital expenditures) and loan servicing, as long as there is no actual event of default under the Facility.

Interest Rate Swaps

The interest rate swap agreements have been entered into for the purpose of hedging the exposure of Sunlight REIT to floating rates of interest under the Facility Agreements and will also have the effect of enhancing the yield of Sunlight REIT for a limited period. The Finance Company will hold interest rate swap agreements, effective from the Listing Date, with the Swap Counterparty for a total notional amount equivalent to 84.7% of amount of the term loan, or HK$3,345,650,000. On 28 November 2006, the Finance Company also entered into an agreement in relation to the Novation with the Swap Counterparty and Dorway Investment Limited, an indirect wholly-owned subsidiary of HLD, under which the rights, benefits, obligations and liabilities under an additional interest rate swap agreement will be novated by Dorway Investment Limited to the Finance Company, such novation to be effective on the Listing Date. The additional interest rate swap agreement has a notional amount equivalent to the balance of the principal amount of the term loan, or HK$604,350,000. An aggregate swap upfront fee of HK$195.2 million, which is effectively funded out of the proceeds of the Offering, will be paid by the Finance Company after the acquisition of the Finance Company Share by the Holding Company and the Novation.

The following table summarises the terms of the interest rate swaps, which have equivalent terms, and their fair values as at the anticipated Listing Date.

Counterparty	Notional amount	Effective date	Expiration date	Fair value
The Hongkong and Shanghai Banking Corporation Limited	HK$3,950,000,000	Listing Date	30 June 2011	HK$195,200,000

Under the interest rate swaps, the Swap Counterparty will pay the Finance Company on a quarterly basis an aggregate amount equivalent to the floating rate interest payable in respect of the term loan under the Facility Agreements, and the Finance Company will apply the same amount to meet the interest payments payable in respect of the term loan under the Facility Agreements during the period from the Listing Date until 30 June 2011. In return, the Finance Company will pay fixed interest rates on the notional amount under the interest rate swap agreements to the Swap Counterparty. Such payments can be set off against each other and a net payment will be made between the parties as appropriate.

SKFE Subscription Agreement

SKFE has entered into a subscription agreement with the Manager pursuant to which it has agreed through its indirect wholly-owned subsidiaries, Uplite Limited and Wintrade Limited, to subscribe for 224,443,625 Units and 149,629,083 Units, representing approximately 15.1% and 10.1% of the Units following the completion of the Offering (or 9.1% and 10.1% if the Over-allotment Option is exercised in full). SKFE has agreed to a 6 month lock-up period and has informed the Manager that it currently intends to be a long-term investor in Sunlight REIT beyond the lock-up period.

Pursuant to the SKFE Subscription Agreement, the rights and obligations of the Manager and SKFE are conditional upon the following conditions having been fulfilled:

(a) the Hong Kong Stock Exchange granting the listing of, and permission to deal in, all the Units to be issued upon the terms and conditions set out in this Offering Circular;

(b) the SFC having authorised Sunlight REIT, this Offering Circular and the application forms relating thereto in connection with the Offering, pursuant to the SFO; and

(c) the Underwriting Agreements becoming unconditional (including as a result of the waiver of any conditions thereunder, excluding the requirement for the SKFE Subscription Agreement to be unconditional) and not having been terminated pursuant to their respective terms at or prior to 8:00 a.m. on the date on which the Units are issued at settlement under the Offering.

HLD Subscription Agreement

HLD has entered into a subscription agreement with the Manager pursuant to which it has agreed through its indirect wholly-owned subsidiaries, Cobase Limited and Richful Resources Limited, to subscribe for 40,541,958 Units and 27,027,972 Units, representing approximately 2.7% and 1.8% of the Units following the completion of the Offering (or 1.7% and 1.8% if the Over-allotment Option is exercised in full). HLD has agreed to a 6 month lock-up period and has informed the Manager that it currently intends to be a long-term investor in Sunlight REIT beyond the lock-up period.

Pursuant to the HLD Subscription Agreement, the rights and obligations of the Manager and HLD are conditional upon the following conditions having been fulfilled:

(a) the Hong Kong Stock Exchange granting the listing of, and permission to deal in, all the Units to be issued upon the terms and conditions set out in this Offering Circular;

(b) the SFC having authorised Sunlight REIT, this Offering Circular and the application forms relating thereto in connection with the Offering, pursuant to the SFO; and

(c) the Underwriting Agreements becoming unconditional (including as a result of the waiver of any conditions thereunder, excluding the requirement for the HLD Subscription Agreement to be unconditional) and not having been terminated pursuant to their respective terms at or prior to 8:00 a.m. on the date on which the Units are issued at settlement under the Offering.

HLD Commitment Letter

In order to assist the Manager in its role as the manager of Sunlight REIT, HLD has undertaken under the HLD Commitment Letter that, as soon as practicable after the first anniversary of the Listing Date, but in any event within 18 months from the Listing Date, (so long as the Manager is the manager of Sunlight REIT at that time) HLD or its affiliates will enter into discussions in good faith and on an arm's length basis with the Manager (such discussions to be continued in good faith until the Manager decides whether Sunlight REIT should acquire any of the Additional Properties, even if such decision is only taken after such 18 months' period) to make the Additional Properties available for sale to Sunlight REIT. The Additional Properties (and, as applicable, companies) shall satisfy the then prevailing requirements of the REIT Code. Unless and until a legally binding agreement for sale and purchase is entered into, HLD shall be under no obligation to sell to Sunlight REIT any such Additional Properties and neither the Manager nor Sunlight REIT shall be obliged to buy any such Additional Properties. Any such sale and purchase will be subject to regulatory requirements applicable to Sunlight REIT (including Unitholders' approval if so required), HLD and any other relevant parties.

As the Manager, a subsidiary of HLD, is the manager of Sunlight REIT, and Sunlight REIT is intended to be the flagship real estate investment trust of HLD for office and retail properties in Hong Kong, HLD has also undertaken under the HLD Commitment Letter to the Manager (so long as the Manager is the manager of Sunlight REIT at that time and Sunlight REIT remains listed on the Hong Kong Stock Exchange) that the HLD Commitment Group will not, for a period of at least five years after the Listing Date:

1. own or control more than 5% of the voting units of a Related REIT; and/or

2. act as the manager of a Related REIT.

However, the HLD Commitment Group has not committed not to act as the manager of any real estate investment trust which is not a Related REIT. The HLD Commitment Letter was issued to the Manager for its own benefit, but not in its capacity on behalf of Sunlight REIT.

Details of Connected Party Transactions

Following completion of the Offering, there will be continuing transactions between Sunlight REIT and the following persons noted below, which will constitute connected party transactions of Sunlight REIT within the meaning of the REIT Code. Details of these transactions as well as the modifications or waivers sought by Sunlight REIT in relation to the relevant provisions in Chapter 8 of the REIT Code on connected party transactions are set out below.

Introduction

Following completion of the Offering there will be, and it is likely that there will continue to occur from time to time, a number of transactions between the Manager, Sunlight REIT and other companies or entities held or controlled by Sunlight REIT (collectively, "**Sunlight REIT Group**") and parties which have a relationship or connection with Sunlight REIT.

The REIT Code contains rules governing transactions between Sunlight REIT Group and certain defined categories of "connected persons" within the meaning given in the REIT Code. Such transactions will constitute "connected party transactions" for the purposes of the REIT Code.

Sunlight REIT's "connected persons" will include, amongst others:

(i) the Trustee and companies within the same group as the Trustee ("**Trustee Connected Persons**"). As a result, the list of "connected persons" of Sunlight REIT will include HSBC Holdings plc ("**HSBC**") and other members of its group (including The Hongkong and Shanghai Banking Corporation Limited) since the Trustee is an indirect wholly-owned subsidiary of HSBC;

(ii) the Manager and entities or persons which are from time to time connected persons of Sunlight REIT as a result of their connection with the Manager ("**Manager Group**"), including the Property Manager, HLD and other members of the same group;

(iii) wholly-owned subsidiaries of SKFE which are expected to become significant holders (that is, holders holding (or deemed to be holding) 10% or more of the outstanding Units) immediately upon completion of the Offering ("**SKFE Holders**"), "associates" of SKFE Holders as defined in the REIT Code and entities or persons which are from time to time connected persons of Sunlight REIT as a result of their connection with SKFE Holders ("**SKFE Connected Persons Group**");

(iv) directors, senior executives or officers of the Trustee, the Manager or SKFE Holders and their respective "associates" as defined in the REIT Code. For this purpose, the "associates" of the directors include (amongst others) other companies of which they are directors; and

(v) controlling entities, holding companies, subsidiaries or associated companies (as those terms are defined under the REIT Code) of the Manager or SKFE Holders.

The Manager has applied for certain waivers from strict compliance with the REIT Code with respect to transactions (a) between Sunlight REIT Group, the SKFE Connected Persons Group and/or the Manager Group; and (b) between the Trustee Connected Persons and Sunlight REIT Group. These waivers are subject to the conditions mentioned under the sub-section headed "Waivers for Certain Transactions" below.

Internal Controls

The Manager has established an internal control system intended to ensure that connected party transactions between Sunlight REIT Group and its connected persons are monitored and that these are undertaken on terms in compliance with the REIT Code. As required by the REIT Code, all connected party transactions must, amongst other things, be carried out at arm's length, on normal commercial terms and in the best interests of Unitholders.

As a general rule, the Manager must demonstrate to the Audit Committee that all connected party transactions entered into by Sunlight REIT satisfy the foregoing criteria, which may entail (where practicable) obtaining quotations from parties unrelated to the Manager, or obtaining one or more valuations from independent professional valuers.

The Manager shall investigate and monitor all transactions by Sunlight REIT in order to determine whether such transactions are connected party transactions. Furthermore, the Manager shall maintain a register to record all connected party transactions which are entered into by members of Sunlight REIT Group and the bases, including any quotations from unrelated and/or independent parties and independent valuations obtained to support such bases, on which they are entered into. The Manager shall also incorporate into its internal audit plan a review of all connected party transactions entered into by members of Sunlight REIT Group.

Waivers for Certain Transactions

Waivers for Certain Connected Party Transactions between Sunlight REIT Group, the SKFE Connected Persons Group and/or the Manager Group

The Manager has applied for, and the SFC has granted, a waiver from strict compliance with the requirements for disclosure, and, where applicable, Unitholders' approval under Chapter 8 of the REIT Code in respect of the following categories of connected party transactions between Sunlight REIT Group, the SKFE Connected Persons Group and/or the Manager Group:

(i) Leasing and licensing arrangements

(a) *Leasing and licensing:* It is currently intended that Sunlight REIT Group will enter into leasing and licensing transactions with certain tenants and licensees which may include persons or corporations from the SKFE Connected Persons Group and/or from the Manager Group (together, "**Connected Leasing Transactions**").

(b) *Use of facilities:* It is envisaged that Sunlight REIT Group will use the facilities of the SKFE Connected Persons Group and/or the Manager Group from time to time, including the function rooms and other facilities in their hotels, for the purposes of, for example, holding meetings of Unitholders or investor or analyst briefings ("**Connected Facilities Transactions**", together with the Connected Leasing Transactions, "**Connected Leasing/Facilities Transactions**").

(ii) Property management and operations

Property management transactions include any transactions in the nature of property management and operational arrangements in respect of the properties of Sunlight REIT Group (hereinafter referred to as "**Sunlight Properties**" and "**Sunlight Property**" means any one of them in this section) that are to be entered into by, or by others (e.g. the Property Manager) on behalf of, Sunlight REIT Group on the one part and the SKFE Connected Persons Group and/or the Manager Group on the other part. These include (a) property management of Sunlight REIT's assets, (b) third party services, (c) transactions under the relevant deeds of mutual covenant, and (d) joint effort arrangements (together, "**Property Management Transactions**").

(a) *Property management in respect of Sunlight REIT's assets:* Pursuant to the Property Management Agreement, the Manager delegated the property management functions in respect of Sunlight REIT's property portfolio to the Property Manager. The Property Manager is an indirect wholly-owned subsidiary of HLD and a member of the Manager Group, and is thus a connected person of Sunlight REIT. Under the terms of the Property Management Agreement, each of the members of Sunlight REIT Group which owns the Sunlight Properties (hereinafter referred to as "**Sunlight Property Companies**" in this section) will execute a deed of ratification and accession so that the Sunlight Property Companies will be bound by, and be entitled to the benefits of, the Property Management Agreement.

(b) *Third party services:* The Sunlight Property Companies and/or the Property Manager (as agent for or at the costs of the relevant Sunlight Property Companies under the terms of the Property Management Agreement) will enter into contracts with third party service providers for the provision of services in the ordinary and usual course of management and operation of the Sunlight Properties, including, among other things, cleaning, maintenance, renovation (including physical improvements or repairs and project management of renovation or enhancement work), security, utilities, car park management, legal and other professional and consultancy services in the ordinary and usual course of management and operation of properties, coach or other vehicle leasing and other property management and ancillary services for the relevant Sunlight Property. Some of these third party service providers may be members of the Manager Group or the SKFE Connected Persons Group where the Property Manager believes that engaging them based on normal commercial terms and market rates is in the interests of the Sunlight Property Companies.

(c) *Deeds of mutual covenant:* Each of the Sunlight Property Companies will, where applicable, be bound by, and have the benefit of, the terms of the deed of mutual covenant applicable to the Sunlight Property owned by it. The deed of mutual covenant binds the manager under the deed of mutual covenant ("**DMC Manager(s)**") and all the owners of a development and their successors-in-title, irrespective of whether they are original parties to the deed of mutual covenant. It is currently anticipated that all of the DMC Managers in respect of Sunlight Properties to be held by Sunlight REIT Group will initially be members of the Manager Group. Further, there may also be situations arising where one or more members of the SKFE Connected Persons Group and/or the Manager Group may own other parts of the building or development of which the Sunlight Property owned by Sunlight REIT Group forms part, and therefore technically the deed of mutual covenant constitutes a contract between them.

(d) *Joint effort arrangements:* It is envisaged that arrangements for the carrying out of works or procurement of services as a joint effort or for the joint benefit of the parties concerned may be entered into by or on behalf of Sunlight REIT Group with the SKFE Connected Persons Group and/or the Manager Group (in some cases together with other third parties). Examples of these include:

(i) Construction, decoration or other works are carried out and/or services procured from time to time for the joint benefit of the Sunlight Properties and properties owned by the SKFE Connected Persons Group and/or the Manager Group which are in the close vicinity of the Sunlight Properties.

(ii) Marketing and development activities to be undertaken on behalf of Sunlight REIT are carried out from time to time for the joint benefit of one or more of the Sunlight Properties and properties owned by the SKFE Connected Persons Group and/or the Manager Group. It is also expected that there will be joint effort promotional arrangements entered into by Sunlight REIT Group with the SKFE Connected Persons Group and/or the Manager Group (and/or other third parties), which include but are not limited to provision of free parking, entering into contracts with third parties to arrange for shuttle bus services, for advertisements promoting the properties concerned, and for overall image building of the properties concerned.

Waiver Conditions

Pursuant to the waivers, the connected party transactions falling within the categories mentioned above need not be disclosed as connected party transactions and are not subject to Unitholders' approval, subject to the conditions imposed by the SFC set out below.

(i) Extensions or modifications

The waivers in the preceding paragraphs granted by the SFC have been granted for a period to expire on 30 June 2009. The waivers may be extended beyond 30 June 2009, and/or the conditions of the waiver may be modified from time to time, provided that:

(a) the approval of Unitholders other than those who have a material interest in the relevant transactions within the meaning of paragraph 8.11 of the REIT Code ("**Independent Unitholders**") is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;

(b) disclosure of details of the proposed extension and/or modification (as the case may be) is made by way of an announcement by the Manager of such proposal, and a circular and notice are issued to Unitholders in accordance with Chapter 10 of the REIT Code; and

(c) any extension of the period of the waiver is made, on each occasion of such extension, for a period which will expire not later than the third full financial year-end date of Sunlight REIT after the date on which the approval referred to in (a) above becomes effective.

(ii) Annual caps

The annual value of the connected party transactions described in the following table shall not exceed the respective annual cap amounts set for the relevant period as set out therein:

Categories of connected party transactions	**Listing Date to 30 June 2007**	**FY2008**	**FY2009**
Connected Leasing Transactions	HK$ 4,700,000	HK$10,600,000	HK$12,700,000
Connected Facilities Transactions	HK$ 300,000	HK$ 660,000	HK$ 730,000
Property Management Transactions in (ii)(a), (b) and (c)	HK$23,900,000	HK$49,800,000	HK$54,800,000
Property Management Transactions in (ii)(d)	HK$ 2,100,000	HK$ 4,100,000	HK$ 4,500,000

In respect of the Connected Leasing Transactions first entered into on or after the Listing Date, an independent valuation will be conducted for each of such leasing and licensing transactions before it is first entered into except where they are conducted on standard or published rates.

(iii) Disclosure in semi-annual and annual report

Details of the relevant connected party transactions will be disclosed in Sunlight REIT's semi-annual and annual reports in the relevant financial year as required under paragraph 8.14 of the REIT Code.

(iv) Auditors' review procedures

In respect of each relevant financial period, the Manager will engage and agree with the auditors of Sunlight REIT to perform review procedures on connected party transactions. The auditors will then provide a report to the Manager on the factual findings based on the work performed by them (and a copy of such report will be provided to the SFC), confirming whether all such connected party transactions:

(a) have received the approval of the Board (including the independent non-executive Directors);

(b) have been entered into in accordance with the pricing policies of Sunlight REIT;

(c) have been entered into in accordance with the terms of the agreements (if any) governing the transactions; and

(d) the total value in respect of which has not exceeded the relevant annual cap amounts referred to in (ii) above (where applicable).

(v) Review by the independent non-executive Directors

The independent non-executive Directors will review the relevant connected party transactions annually and confirm in Sunlight REIT's annual report for the relevant financial period that such transactions have been entered into:

(a) in the ordinary and usual course of business of Sunlight REIT;

(b) on normal commercial terms (to the extent that there are sufficient comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Sunlight REIT than terms readily available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreements and the Manager's internal procedures governing them, if any, on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

(vi) Auditors' access to books and records

The Manager will allow, and will procure the counterparty to the relevant connected party transaction to allow, the auditors of Sunlight REIT sufficient access to their records for the purpose of reporting on the transactions.

(vii) Notification to the SFC

The Manager will promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors and/or the independent non-executive Directors will not be able to confirm the matters set out in (iv) and (v) above.

(viii) Subsequent increase in annual caps with Independent Unitholders' approval

The Manager may from time to time seek to increase one or more of the annual caps set out above, for example, when Sunlight REIT acquires additional properties and increases the scale of its operations or when there are changes in market or operating conditions, provided that:

(a) the approval of Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;

(b) disclosure of details of the proposal to increase the cap amounts is made by way of an announcement by the Manager of such proposal, and a circular and notice are issued to Unitholders in accordance with Chapter 10 of the REIT Code; and

(c) the requirements referred to in paragraphs (ii) to (vii) in this section will continue to apply to the relevant transactions, save that the increased annual cap amounts or cap amount will apply.

(ix) Paragraph 8.14 of the REIT Code

The Manager will comply with all requirements under paragraph 8.14 of the REIT Code where there is any material change to the terms of the relevant connected party transactions or where there is any subsequent change to the REIT Code which may impose stricter requirements in respect of disclosure and/or Unitholders' approval.

Details of the relevant connected party transactions will be disclosed in Sunlight REIT's semi-annual and annual reports in the relevant financial year as required under paragraph 8.14 of the REIT Code. The independent non-executive Directors will review the relevant connected party transactions annually and confirm whether such transactions are carried out in the ordinary and usual course of business of Sunlight REIT based on normal commercial terms and in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Unitholders.

Opinion of the Board

The Board (including all the independent non-executive Directors) confirms that:

(i) in its opinion, the annual caps and the cap stated above, and the basis for such annual caps and cap, are fair and reasonable having regard to the interests of the Unitholders as a whole;

(ii) for those of the continuing connected party transactions in respect of which waiver is sought ("**Continuing CPTs**") which will be subsisting as at the Listing Date, in its opinion, each of such Continuing CPTs has been entered into: (a) in the ordinary and usual course of business of Sunlight REIT (or its predecessors, as the case may be); and (b) on terms which are normal commercial terms and are fair and reasonable and in the interests of the Unitholders as a whole; and

(iii) for Continuing CPTs which will be entered into after the Listing Date, each of such Continuing CPTs shall be entered into: (a) in the ordinary and usual course of business of Sunlight REIT; and (b) on terms which are normal commercial terms and are fair and reasonable and in the interests of the Unitholders as a whole.

Opinion of the Joint Global Coordinators

The Hongkong and Shanghai Banking Corporation Limited, Deutsche Bank AG, Hong Kong Branch and Macquarie Securities Limited, in their capacity as the listing agents of Sunlight REIT for the purposes of the authorisation of Sunlight REIT under Part IV of the SFO and the listing of the Units on the Hong Kong Stock Exchange confirm that, in their opinion, the Connected Leasing / Facilities Transactions and the Property Management Transactions as subsisting are in the ordinary and usual course of business of Sunlight REIT on normal commercial terms or on terms no less favourable to Sunlight REIT than those available to or from (as appropriate) independent third parties, and are fair and reasonable and in the interests of the Unitholders as a whole.

Opinion of the Independent Property Valuer

The Independent Property Valuer confirms that the rentals of the existing Connected Leasing Transactions were at market levels as of their respective commencement dates and the other commercial terms in the tenancies/offer letters for tenancies such as tenure, rental deposits and the like are on normal commercial terms.

Exclusion Relating to Employees

The Manager has also applied for, and the SFC has granted, an exclusion of employees of or in the SKFE Connected Persons Group (other than employees of the Manager) as connected persons of Sunlight REIT solely as a result of them being such employees but not otherwise and, accordingly, for transactions between such employees and Sunlight REIT Group to be exempt from all requirements relating to connected party transactions pursuant to Chapter 8 of the REIT Code. However, this exclusion does not exempt such persons from other categories of connected persons as defined in the REIT Code.

Excluded Transactions

The existing leasing agent of certain Properties is currently using spaces in certain Properties as leasing offices for the purposes of provision of leasing related services in relation to the Properties at which such respective leasing offices are located rent free (see the section headed "The Properties and Business" in this Offering Circular), and the Property Manager will continue to do so following Completion. The Manager has applied for, and the SFC has granted, an exclusion of such arrangements as connected party transactions of Sunlight REIT and, accordingly, for such arrangements to be exempt from all requirements relating to connected party transactions pursuant to Chapter 8 of the REIT Code. This exclusion is subject to the condition that the total area of the Properties taken up by the Property Manager rent free for such purposes will not exceed that taken up as at the date of this Offering Circular as long as it acts as the property manager of the Properties.

Waivers for Certain Connected Party Transactions between Trustee Connected Persons and Sunlight REIT Group

In addition, the Manager has applied for, and the SFC has granted, waivers from strict compliance with Chapter 8 of the REIT Code in respect of certain transactions between Trustee Connected Persons and Sunlight REIT Group.

For the purposes of this section:

(i) "**HSBC Group**" means The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries and, unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries (being the subsidiaries of the Trustee but excluding those subsidiaries formed in its capacity as the trustee of Sunlight REIT);

(ii) "**Trustee Connected Persons**" include a director, a senior executive or an officer of the Trustee, and a controlling entity, holding company, subsidiary or associated company of the Trustee.

In support of the application for the waiver request, the Manager has undertaken with the SFC to meet certain conditions, including the following general conditions ("**General Conditions**") on an ongoing basis:

(i) the connected party transactions are carried out at arm's length, on normal commercial terms and in the interests of the Unitholders as a whole;

(ii) the Manager must implement internal controls and compliance procedures to ensure that the connected party transactions are monitored and undertaken on terms in compliance with the REIT Code;

(iii) the Manager is satisfied with the Trustee's internal controls and compliance procedures, such as "Chinese Walls", to ensure that the operation of the Trustee is independent of other banking, financial services and other business functions and operations of the HSBC Group; and

(iv) the Manager incorporates provisions in the Trust Deed that require the Trustee to upon request in writing by the Manager take actions or commence proceedings on behalf of Sunlight REIT as necessary, including against the Trustee Connected Persons in relation to any transaction or agreement entered into by the Trustee for and on behalf of Sunlight REIT with such Trustee Connected Persons.

Separately and for the purpose of this waiver, each of the Trustee and The Hongkong and Shanghai Banking Corporation Limited (on behalf of itself and its subsidiaries) has given an undertaking to the SFC that it will act independently of one another in its dealings with Sunlight REIT. The Trustee undertakes to the SFC that it will not be involved in the making of any decisions on behalf of Sunlight REIT to enter into any transactions with the Trustee Connected Persons, subject only to the Trustee's duties of oversight under the REIT Code and the Trust Deed.

The waivers are given on the premise that they only apply to connected party transactions involving the Trustee Connected Persons solely as a result of and for so long as the Trustee is in office as the trustee for Sunlight REIT. If connected party transactions arise as a result of other circumstances, these will be governed by Chapter 8 of the REIT Code.

Notwithstanding the foregoing, the SFC reserves the right to review or revise any of the terms and conditions of any of the waivers if there is any subsequent change of circumstances that affect any of them. In the event of future amendments to the REIT Code imposing more stringent requirements than those applicable at the date of the waivers granted by the SFC on transactions of the kind to which the transactions belong (including, but not limited to, a requirement that such transaction be made conditional on approval by the Independent Unitholders), the Manager shall take immediate steps to ensure compliance with such requirements within a reasonable period of time.

Ordinary Banking and Financial Services with Trustee Connected Persons

As a general rule, the Manager must demonstrate to the Audit Committee that such transactions satisfy the General Conditions set out above, which may entail (where practicable) obtaining quotations from parties unrelated to the Trustee. For example, for non-daily "corporate finance transactions", there should be procedures to ensure (a) competitive "best pricing" (having regard to the nature of the services being sought and market conditions) and (b) the Trustee should not be involved in the selection of the parties to the transactions. All connected party transactions are to be reviewed by the independent non-executive Directors to ensure that they are conducted in the best interests of the Unitholders as a whole.

Based on the controls summarised above, the Manager intends to adopt and observe certain policies with respect to transactions between Sunlight REIT Group and the HSBC Group. Further, the Manager may engage the HSBC Group to provide "ordinary banking and financial services" to Sunlight REIT Group from time to time and will not be subject to any requirements for announcement or Unitholders' approvals under Chapter 8 of the REIT Code. In addition, the disclosure and reporting requirements under Chapter 8 of the REIT Code with respect to such transactions shall be modified as described below. For this purpose, "ordinary banking and financial services" means:

(i) deposits and other "banking business" (as defined in the Banking Ordinance) with an HSBC Group member which is a "licensed corporation" or "registered institution" (as defined in the SFO) or overseas equivalent (together "**HSBC Group intermediaries**") and conducted on arm's length commercial terms;

(ii) loans extended by an HSBC Group intermediary being a transaction in the ordinary course of business of Sunlight REIT Group and provided to, or arranged for, Sunlight REIT Group on arm's length commercial terms; and

(iii) related financial services constituting regulated activities (as defined in the SFO) and other banking or financial services required in the ordinary and usual course of business by Sunlight REIT Group (including insurance, Occupational Retirement Schemes Ordinance ("**ORSO**") retirement benefit schemes, Mandatory Provident Fund Schemes, credit cards, asset management and other such services).

For the avoidance of doubt, "ordinary banking and financial services" as described herein does not include "corporate finance transactions" which are defined in the sub-section headed "Waiver for Corporate Finance Transactions with the HSBC Group" set out below.

Notwithstanding the above, a summary disclosure of "ordinary banking and financial services" related transactions provided by the HSBC Group to Sunlight REIT Group in each financial year has to be disclosed in the annual report of Sunlight REIT. Such information shall include the nature of the transactions, types of transactions or services and identities of the connected persons of the same transactions. The independent non-executive Directors shall confirm in the annual report that they have reviewed the terms of any such transactions and are satisfied that these transactions have been entered into:

(a) in the ordinary and usual course of business of Sunlight REIT;

(b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Sunlight REIT than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

In addition, the auditors of Sunlight REIT shall be engaged to perform certain agreed review procedures and report ("**Auditors' Report**") to the Manager (and a copy of such report shall be provided

to the SFC) confirming that all such transactions (a) have followed the Manager's internal procedures for such transactions and are in accordance with the terms disclosed in the offering document; (b) have received the approval of the Board (including the independent non-executive Directors); (c) are in accordance with the pricing policies of Sunlight REIT; (d) have been entered into in accordance with the terms of the agreements governing the transactions; and (e) the total value in respect of which has not exceeded the respective cap amount (where applicable).

Excluded Transactions

The following transactions will not be deemed connected party transactions of Sunlight REIT for the purposes of Chapter 8 of the REIT Code:

(i) where the HSBC Group acts for a third party as nominee, custodian, agent or trustee and conducts "agency transactions" with Sunlight REIT Group;

(ii) where a collective investment scheme (including another real estate investment trust) transacts with Sunlight REIT Group, and a company within the HSBC Group acts as the manager or trustee of such collective investment scheme but the transaction is not a proprietary transaction of the HSBC Group; and

(iii) where a member of the HSBC Group (other than the Trustee except where the Trustee is the trustee of another collective investment scheme and is acting in that capacity) acquires, purchases, subscribes, sells or disposes of Units on terms which are the same as available to the public or other Unitholders as a whole, and where applicable, are subject to the application and allocation rules set out in the Listing Rules. For the avoidance of doubt, any dealing by the HSBC Group in Units on the Hong Kong Stock Exchange will not be a connected party transaction.

Waiver for Lease or Licence Transactions with the HSBC Group

The SFC has granted a waiver from strict compliance with the requirement to make announcements and to seek Unitholders' prior approval as set out in paragraphs 8.9 and 8.11 of the REIT Code in respect of any lease or licence transactions entered into with Sunlight REIT Group where any member of the HSBC Group is a lessee or licensee, and the disclosure and reporting requirements under Chapter 8 of the REIT Code shall be modified as described in paragraphs (iii), (iv) and (v) below. As a result of this waiver, the Manager is not required to make announcements or seek Unitholders' approval regarding lease or licence transactions between Sunlight REIT Group and any member of the HSBC Group and the disclosure and reporting requirements under Chapter 8 of the REIT Code that will apply in respect of any lease or licence transactions entered into with Sunlight REIT Group where any member of the HSBC Group is a lessee or licensee shall be modified as described in paragraphs (iii), (iv) and (v) below.

The above waiver is granted on condition that:

(i) the grant of the lease or licence is negotiated and determined by the Manager and/or the Manager's delegate on behalf of Sunlight REIT Group;

(ii) an independent valuation is conducted for each of the lease or licence transactions except where it is conducted on standard or published rates;

(iii) the aggregate amount of annual rent paid by the HSBC Group to Sunlight REIT Group during a financial year, together with the material terms of any lease or licence with any member of the HSBC Group under which the annual rent (per lease) exceeds HK$1 million, is disclosed in the annual report of Sunlight REIT in accordance with paragraph 8.15 of the REIT Code;

(iv) a statement is disclosed in the annual report by the independent non-executive Directors that they have reviewed the terms of such transactions and that they are satisfied that they have been entered into:

(a) in the ordinary and usual course of business of Sunlight REIT;

(b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Sunlight REIT than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Unitholders as a whole; and

(v) the Auditors' Report shall cover all the relevant lease and licence transactions.

Waiver for Corporate Finance Transactions with the HSBC Group

The SFC has granted a waiver from strict compliance with the requirement under paragraphs 8.9 and 8.11 of the REIT Code to seek Unitholders' prior approval and to make announcements and circulars (in accordance with Chapter 10 of the REIT Code) in respect of certain "corporate finance transactions" between Sunlight REIT Group and the HSBC Group. In addition, the disclosure and reporting requirements under Chapter 8 of the REIT Code with respect to such transactions shall be modified as described in conditions (A) to (F) below. For the purpose of this waiver, "corporate finance transactions" means:

(i) underwriting, securitisation, issue of debt instruments or other securities, or other related arrangements where the HSBC Group is involved in an underwriting or arranging capacity or acts as listing agent and/or financial adviser and/or global co-ordinator to Sunlight REIT, provided that these transactions are carried out at arm's length, on normal commercial terms, the primary objective of which is the offering or distribution of securities to parties outside of the HSBC Group;

(ii) lending and borrowing of funds or other related arrangements in connection with any facility agreement by which Sunlight REIT Group will finance the acquisition of real estate; and

(iii) "corporate advisory transactions", namely the provision of corporate finance advice to Sunlight REIT Group and excludes transactions set out in (i) and (ii) above, provided that the aggregate fees that the HSBC Group derived from all "corporate advisory transactions" conducted for Sunlight REIT Group during a financial year shall be capped at 1% of the NAV of Sunlight REIT.

For the avoidance of doubt, "corporate finance advice" means advice concerning:

(1) compliance with or in respect of the Listing Rules, The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, The Hong Kong Code on Share Repurchases or the Takeovers Code;

(2) (a) any offer to dispose of securities to the public, (b) any offer to acquire securities from the public, or (c) acceptance of any offer referred to in (a) or (b), but only in so far as the advice is generally given to holders of securities or a class of securities; or

(3) corporate restructuring in respect of securities (including the issue, cancellation or variation of any rights attaching to any securities).

The above waiver is granted on condition that:

(A) the offering document, and any circular for Sunlight REIT issued in respect of the relevant transaction, include upfront disclosure of this waiver and, with respect to those corporate finance transactions under (i) and (ii) of this waiver, full disclosure of the material terms of the relevant agreements;

(B) the annual report includes disclosure of the aggregate fees paid to the HSBC Group in respect of the corporate finance transactions conducted for Sunlight REIT Group in the financial year;

(C) the annual report includes disclosure in respect of any corporate finance transaction whose fees exceed HK$1 million: (a) the occurrence and nature of the transaction; (b) the parties to the transaction and (c) the date of the transaction;

(D) the annual report discloses a statement made by each of the Manager and the Trustee to confirm that the corporate finance transactions described in (i), (ii) and (iii) have complied with the general conditions of the waiver and that the Trustee has not been involved in the making of any decision to enter into any corporate finance transaction on behalf of Sunlight REIT (subject to the Trustee's duties of oversight under the REIT Code and the Trust Deed) including the selection of the financial adviser of the transaction;

(E) the annual report includes a statement by the independent non-executive Directors that they have reviewed the terms of such transactions and are satisfied that they have been entered into:

(a) in the ordinary and usual course of business of Sunlight REIT;

(b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Sunlight REIT than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Unitholders as a whole; and

(F) the Auditors' Report shall cover all the relevant corporate finance transactions.

Notwithstanding the above waiver, in the case where the aggregate fees that the HSBC Group generates from all "corporate advisory transactions" conducted for Sunlight REIT Group during the financial year exceed 1% of the latest NAV of Sunlight REIT as disclosed in the latest published audited accounts of Sunlight REIT, the requirements in respect of connected party transactions as set out in Chapter 8 of the REIT Code shall apply. Further, for the avoidance of doubt, where by virtue of the nature of the transaction, other than the involvement of the HSBC Group in its capacity as described above under "corporate finance transactions", an announcement has to be made pursuant to the REIT Code (and is not exempted by any waivers from announcements under the REIT Code granted by the SFC) such announcement shall disclose the role of the HSBC Group and the relevant terms of engagement in accordance with the relevant provisions of the REIT Code.

Opinion of the Board

Based on the above, the Board (including the independent non-executive Directors) is of the view that:

(1) the waivers are in the interests of the Unitholders as a whole;

(2) it is satisfied with the internal control procedures of the Trustee with respect to the independence of the Trustee's operation vis-a-vis the other banking functions/operations of the HSBC Group;

(3) the cap amount and the basis of the cap amount, in relation to the aggregate fees of the HSBC Group generated from all "corporate advisory transactions" between the HSBC Group and Sunlight REIT conducted during the relevant financial year, is fair and reasonable having regard to the interests of the Unitholders as a whole; and

(4) each connected party transaction shall be entered into in the ordinary course of business of Sunlight REIT, on normal commercial terms and in the interests of the Unitholders as a whole.

Unitholders' Mandate

The Manager may at any time in the future seek a general annual mandate from the Unitholders in relation to other waivers from, or confirmations in relation to, the connected party transaction rules for which the Manager may apply to the SFC. In order to apply to the SFC for that purpose, the general

mandates must be made subject to any applicable requirements of the SFC or applicable provisions of the REIT Code. Such mandates may include continuation or extension of existing waivers (including those set out under the sub-section headed "Waiver for Certain Connected Party Transactions between Trustee Connected Persons and Sunlight REIT Group" above).

In seeking any such general mandate, the independent non-executive Directors will render an opinion as to whether the methods or procedures for determining the transaction prices or other relevant terms of the transaction contemplated under the general mandate are sufficient to ensure that such transactions will be carried out on arm's length basis and on normal commercial terms, will not be prejudicial to the interests of Sunlight REIT and the Unitholders and that the terms and conditions of such transactions will be fair and reasonable.

Role of the Audit Committee for Connected Party Transactions

The Audit Committee will periodically review (and the executive Directors or the management team of the Manager will periodically produce reports to the Audit Committee for review of) all connected party transactions to ensure compliance with the Manager's internal control systems and with the relevant provisions of the REIT Code. The review will include the examination of the nature of the transaction and any supporting documents or such other data deemed necessary by the Audit Committee.

If a member of the Audit Committee has an interest in a transaction, he or she is to abstain from participating in the review and approval process in relation to that particular transaction.

Announcements and Reporting

Connected party transactions within any of the categories referred to above will be reviewed by the auditors of Sunlight REIT and the Audit Committee and will be subject to disclosure in the next published annual report and accounts of Sunlight REIT.

Connected Party Transactions in Connection with the Setting Up of Sunlight REIT and the Offering

A number of transactions have been entered into by the Sunlight REIT Group with certain connected persons in connection with the setting up of Sunlight REIT and the Offering. Details of such transactions are described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT" in this Offering Circular. As the contractual bases for those connected party transactions have been fixed on or about the Listing Date, in the future years after the listing of Sunlight REIT, no announcement, notice, circular or Unitholders' approval requirements will need to be complied with (subject to compliance with any applicable disclosure requirements under Chapter 10 of the REIT Code) in respect of those transactions (other than the Property Management Agreement, which will be governed by the relevant conditions of waiver described above).

Other Connected Transactions

Save as disclosed above, there are no connected party transactions of which the Directors are aware which may continue after the completion of the Offering.

In connection with the authorisation of Sunlight REIT by the SFC, the Manager has applied to, and has received approval from, the SFC in relation to the modifications of, and waivers from, strict compliance with certain requirements of the REIT Code. A summary of such modifications and waivers is set out below.

Connected Party Transactions — Chapter 8 of the REIT Code

Sunlight REIT has applied for, and the SFC has granted, waivers from strict compliance with certain provisions in Chapter 8 of the REIT Code in relation to certain continuing connected party transactions of Sunlight REIT within the meaning of the REIT Code. Details of the waivers received for (i) certain connected party transactions between Sunlight REIT Group, the SKFE Connected Persons Group and/or the Manager Group; and (ii) certain connected party transactions between the Trustee Connected Persons and Sunlight REIT Group, are set out in the section headed "Connected Party Transactions" in this Offering Circular.

Waiver in respect of Payment of Manager's Fees by Way of Units

Under the terms of the Trust Deed, the Manager will be remunerated in the form of the Base Fee, Variable Fee, Acquisition Fee, and Divestment Fee. The Manager has applied to the SFC for, and has received, a waiver from strict compliance with certain requirements under (a) Chapter 12 of the REIT Code in respect of the issuance of Units to the Manager as payment of all or part of the Base Fee and Variable Fee and (b) Chapter 6 of the REIT Code in respect of a valuation of all real estate held under Sunlight REIT in the event of such issuance of such Units, subject to the following conditions:

(i) the number of Units issued to the Manager by way of payment of all or part of the Base Fee and Variable Fee for each financial year of Sunlight REIT will be counted as part of the 20% (or such lower percentage as permitted by the REIT Code from time to time) of outstanding Units that the Manager may issue in each financial year without Unitholders' approval pursuant to paragraph 12.2 of the REIT Code;

(ii) in respect of each financial year, the maximum number of Units that may be issued to the Manager as payment of all or part of the Base Fee and Variable Fee for that financial year shall be limited to such number of Units as represents 3% of the total number of Units outstanding as at the last day of the immediately preceding financial year plus the number of Units (if any) issued in the relevant financial year for the purposes of financing any acquisition of real estate by Sunlight REIT;

(iii) any issuance of Units to the Manager as payment of all or part of the Base Fee and Variable Fee shall be made strictly in accordance with the requirements of the Trust Deed; and

(iv) in the event that any payment of all or part of the Base Fee and Variable Fee in the form of Units exceeds the relevant thresholds set out in paragraph 12.2 of the REIT Code and paragraph (ii) above, and Unitholders' approval is not obtained for the issue of Units for such purpose, then payment of that excess part of the Base Fee and Variable Fee will be made by Sunlight REIT to the Manager in cash.

Three Layers of Special Purpose Vehicles

To enable Sunlight REIT to have a group holding company structure to facilitate any future group reorganisation and disposal of property interests through intermediate holding companies to achieve savings in transaction costs, and considering the manner in which some companies in the group have historically been held, submission has been made to the SFC for the use of three layers of REIT Group Companies by Sunlight REIT and this has been allowed by the SFC subject to the condition that there will be no change to the maximum number of layers of REIT Group Companies used by Sunlight REIT without further approval of the SFC.

Licensing Conditions on the Manager

In addition to the statutory conditions set out in the SFO, the SFC has imposed the following licensing conditions upon the Manager:

(1) the Manager's licence shall lapse and cease to have effect as and when:

  (i) Sunlight REIT is de-authorised; or

  (ii) the Manager ceases to act as the management company of Sunlight REIT; and

(2) for Type 9 regulated activity, the Manager shall only engage in managing Sunlight REIT.

OTHER INFORMATION

The following statements are by way of a general guide to investors only and do not constitute tax advice. Investors are therefore advised to consult their professional advisers concerning possible taxation or other consequences of purchase, holding, selling or otherwise disposing of the Units under the laws of their country of incorporation, establishment, citizenship, residence or domicile.

The following summary is based on taxation law, regulation and practice in force in Hong Kong as at the date of this Offering Circular and may be subject to subsequent change. The comments made in this summary relate only to Sunlight REIT and its controlled entities as disclosed in the section headed "Structure and Organisation of Sunlight REIT" in this Offering Circular.

Sunlight REIT

Property Tax and Profits Tax

Sunlight REIT, as a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO, is exempt from Hong Kong profits tax on its gains derived.

Rental income derived by the Property Companies from the letting of the Properties in Hong Kong is subject to property tax at the current rate of 16%. Deductions are only allowed for rates paid by the Property Companies and 20% statutory allowance for wear and tear. However, the Property Companies may elect to pay profits tax instead. The Property Companies have applied or will apply for exemption from property tax and will therefore be subject to Hong Kong profits tax in respect of profits derived from the letting of the Properties in Hong Kong at the current rate of 17.5%. Deductions will be allowed on all eligible expenses and capital allowances will also be available in deriving the assessable profits of the Property Companies. The Property Companies will not be subject to Hong Kong profits tax on any capital gains derived from the disposal of the Properties, provided the Properties are not held for trading purposes as Hong Kong does not impose tax on capital gains.

The Holding Company and the Intermediate Holding Companies will be subject to Hong Kong profits tax in respect of profits arising in or derived from Hong Kong at the current rate of 17.5% if they are regarded as carrying on a trade, profession or business in Hong Kong. Dividend income derived by the Holding Company and the Intermediate Holding Companies from the Property Companies will be exempt from Hong Kong profits tax.

The Finance Company and the Treasury Company will be subject to Hong Kong profits tax at a current rate of 17.5% in respect of any profits arising in or derived from their financing and treasury activities in Hong Kong.

Withholding Tax

Distributions from the Property Companies to the Intermediate Holding Companies, from the Intermediate Holding Companies, the Finance Company, and the Treasury Company to the Holding Company and from the Holding Company to Sunlight REIT will not be subject to any withholding tax in Hong Kong.

Distributions from Sunlight REIT to Unitholders will not be subject to any withholding tax in Hong Kong.

Stamp Duty

No Hong Kong stamp duty is payable by Sunlight REIT on the issue of new Units.

Hong Kong stamp duty will be payable on the acquisition of the Target Properties at a maximum rate of 3.75% of the higher of the consideration paid or the value of the properties. Under the Sale and Purchase Agreements for the acquisition of the Target Properties, the stamp duty payable on the acquisition shall be borne by the relevant REIT Group Companies. Hong Kong stamp duty will also be payable on the acquisition of the shares in the Target Companies, to the extent the shares of these companies constitute Hong Kong stock as defined under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong). The applicable rate is 0.2% on the higher of the consideration paid or the value of the shares (including the value of the loans assigned in connection with the share transfer) and a fixed duty of HK$5 on any instrument of transfer. Under the Sale and Purchase Agreements for the acquisition of the Target Company Shares, the stamp duty payable on the acquisition shall be borne by the relevant REIT Group Companies.

Unitholders

Profits Tax

It is understood that, under the Inland Revenue Department's current practice, Hong Kong profits tax will not be payable by any Unitholder on the distributions made by Sunlight REIT. Unitholders should take advice from their own professional advisers as to their particular tax position.

Hong Kong profits tax will not be payable by any Unitholder (other than a Unitholder carrying on a trade, profession or business in Hong Kong and holding the Units for trading purposes) on any capital gains made on the sale or other disposal of the Units.

Stamp Duty

No Hong Kong stamp duty is payable by Unitholders in relation to the issue of Units to them by Sunlight REIT.

The sale and purchase of Units by a Unitholder will attract Hong Kong stamp duty at the current rate of 0.2% of the higher of the consideration paid or the value of the Units being sold or purchased, whether or not the sale or purchase is on or off the Hong Kong Stock Exchange. The Unitholder selling the Units and the purchaser will each be liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer. In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of Units.

Estate Duty

Hong Kong estate duty was abolished effective from 11 February 2006. No Hong Kong estate duty is payable by Unitholders in relation to the Units owned by them upon death.

Hong Kong Underwriters

Joint Global Coordinators

The Hongkong and Shanghai Banking Corporation Limited

Deutsche Bank AG, Hong Kong Branch

Macquarie Securities Limited

Co-managers

The Bank of East Asia, Limited

BCOM Securities Company Limited

BOCI Asia Limited

First Shanghai Securities Limited

ICEA Capital Limited

KGI Capital Asia Limited

Taifook Securities Company Limited

Underwriting Arrangement and Expenses

Hong Kong Public Offering

Pursuant to the Hong Kong Public Offering, Sunlight REIT is offering the Hong Kong Public Offering Units for subscription on, and subject to, the terms and conditions of this Offering Circular and the **WHITE** and **YELLOW** Application Forms. Subject to the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Units to be offered pursuant to the Offering as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for the Hong Kong Public Offering Units which are being offered but are not taken up under the Hong Kong Public Offering on the terms and conditions of this Offering Circular, the Application Forms and the Hong Kong Underwriting Agreement.

Grounds for Termination by the Underwriters

The Joint Global Coordinators (on behalf of the Hong Kong Underwriters) may, in their absolute discretion, and without any liability on their part, give a notice to the Manager, SKFE and HLD electing to terminate the Hong Kong Underwriting Agreement at any time at or prior to 8:00 a.m. on the Listing Date if:

(a) any of the following shall have come to the notice of any of the Joint Global Coordinators or the Hong Kong Underwriters at any time after the date of the Hong Kong Underwriting Agreement:

  (i) that any statement contained in this Offering Circular or any of the Application Forms was, is or has become untrue, incorrect or misleading in any material respect; or

(ii) any matter has arisen or has been discovered which would, if this Offering Circular or the Application Forms were issued at that time, constitute a material omission therefrom; or

(iii) that any of the warranties given by the Manager, Sunlight REIT, SKFE, HLD, HIL or HD is (or would if repeated at that time be) untrue or breached; or

(iv) any material breach of any of the obligations of any party (other than the Joint Global Coordinators or the Hong Kong Underwriters or the International Underwriters, or any of them) to the Hong Kong Underwriting Agreement or certain other documents including the Trust Deed, the International Underwriting Agreement, the Facility Agreements, the Sale and Purchase Agreements, the Property Sale and Purchase Agreements, the Deeds of Tax Covenant, the Deeds of Undertaking and Indemnity, Deeds of Adjustment Payments, the DPU Guarantees, the Deeds of Distribution Waiver and the interest rate swap agreements; or

(v) any material adverse change or any development involving a prospective material adverse change in the condition (financial or otherwise) or in the earnings, business, operations or trading position or prospects of the REIT Group Companies taken as a whole (assuming that the reorganisation described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT" had been completed) or Sunlight REIT, or any loss of or interference with the Properties in a material respect from fire, explosion, flood, criminal damage or other calamity (whether or not covered by insurance) or from any material labour dispute or court or governmental action, order or decree which, in the judgment of the Joint Global Coordinators, make it impracticable or inadvisable to proceed with the International Offering and/or the Hong Kong Public Offering; or

(vi) any matter or circumstance has arisen resulting in any forecast which appears in any of this Offering Circular, any of the Application Forms, the Formal Notice, the offering circular or draft offering circular to be issued by the Manager in relation to the International Offering and other written material in connection with the Offering, becoming incapable of being met or, in the opinion of the Joint Global Coordinators, unlikely to be met; or

(vii) that (A) the Trustee or the Manager seeks to retire, or is removed, as the responsible entity of Sunlight REIT, (B) any certificate given by the Trustee or the Manager or any of their respective officers to any of the Joint Global Coordinators under or in connection with the Hong Kong Underwriting Agreement or the Offering is false or misleading in any material respect, (C) the Trustee or the Manager or any of their respective directors or senior executive officers is prosecuted for an indictable criminal offence or (D) any of the Trustee or the Manager is subject to a specified event of insolvency; or

(viii) any person (other than any of the Joint Global Coordinators, the Hong Kong Underwriters, the International Underwriters or any tenants of any of the Properties) has withdrawn or sought to withdraw its consent to being named in this Offering Circular or any of the Application Forms, or to the issue of this Offering Circular or the Application Forms; or

(ix) that the SFC communicates its intention not to authorise Sunlight REIT pursuant to section 104 of the SFO or the Hong Kong Stock Exchange communicates its intention not to grant a listing of the Units, in either case substantially on the basis set out in this Offering Circular or any of the Application Forms; or

(x) any material amendment is made to any document expressed to be in the agreed form on the date of the Hong Kong Underwriting Agreement,

(b) after execution of the Hong Kong Underwriting Agreement, there develops, occurs, or is introduced or comes into force:

(i) any calamity or crisis or any change in financial, political or economic conditions or currency exchange rates or controls;

(ii) any new law or regulation or any change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the United States, the United Kingdom, the People's Republic of China, Singapore or Japan (collectively the "Relevant Jurisdictions"); or

(iii) any event or series of events beyond the reasonable control of the Hong Kong Underwriters (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, state of emergency, acts of wars (whether or not war is declared) or escalation of hostilities, acts of God, acts of terrorism, riot, accident, public disorder, economic sanctions, outbreak of diseases or epidemics (including SARS and H5N1 and such related/mutated forms) or interruption or delay in transportation) in or affecting any of the Relevant Jurisdictions; or

(iv) the imposition or declaration of (A) any suspension or limitation on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange or the London Stock Exchange or (B) any moratorium on banking activities or foreign exchange trading or securities settlement or clearing services in or affecting any of the Relevant Jurisdictions;

(v) any tax law or other change or development involving a change or prospective change in taxation in or affecting any of the Relevant Jurisdictions having a material adverse effect, or prospective material adverse effect, on the Hong Kong Public Offering and/or the Offering, Sunlight REIT or the Units (or the transfer of any Units) or an investment in the Units; or

(vi) any downgrading or the issue or giving of any notice of any intended or potential downgrading in the sovereign rating accorded to Hong Kong by any of Standard & Poor's, Moody's Investors Service, or Fitch IBCA or Duff & Phelps, or the MSCI Real Estate Sub-Index as at 5:00 p.m. on the Business Day immediately preceding the Listing Date has fallen by more than 15% below the relevant index as at 5:00 p.m. on the Business Day immediately before the date of the Hong Kong Underwriting Agreement;

and which, in the opinion of the Joint Global Coordinators acting in good faith and after consultation with SKFE, HLD and the Manager where practicable in the circumstances, (A) is materially adverse to, or is likely to materially and prejudicially affect, the business or financial or trading position or prospects of Sunlight REIT or the REIT Group Companies as a whole, or (B) makes it impracticable or inadvisable to proceed with the Hong Kong Public Offering and/or the Offering or the delivery of Units on the Listing Date or (C) is likely to result in the successful completion of the Offering being materially prejudiced.

Undertakings

Sunlight REIT and the Manager

Each of the Manager and Sunlight REIT has undertaken to the Joint Global Coordinators and the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement that except:

(a) pursuant to the Offering (including the Over-allotment Option); or

(b) pursuant to the SKFE Subscription Agreement or the HLD Subscription Agreement; or

(c) with the prior written consent of the Joint Global Coordinators (on behalf of themselves and the Hong Kong Underwriters); or

(d) pursuant to payment of Units to the Manager in lieu of its fee on the terms set out in the Trust Deed and described in this Offering Circular,

neither Sunlight REIT nor any of the REIT Group Companies shall, during a period of six months from the Listing Date and whether conditionally or unconditionally (i) allot, issue, offer, sell, contract to sell, hedge, grant any option or right to subscribe or purchase over or in respect of, or otherwise dispose of, any Units or any securities exchangeable or convertible into Units or which carry rights to subscribe for or purchase Units or (ii) deposit Units with a depositary in connection with the issue of depositary receipts or (iii) enter into a transaction (including, without limitation, a swap or other derivative transaction) that transfers, in whole or in part, any economic consequence of ownership of any Units or (iv) offer or agree or announce any intention to do any of the foregoing.

SKFE

Pursuant to the Hong Kong Underwriting Agreement, SKFE has undertaken to the Joint Global Coordinators, the Hong Kong Underwriters and Sunlight REIT that, within the period of six months from the Listing Date, without the prior written consent of the Joint Global Coordinators (on behalf of themselves and the Hong Kong Underwriters), it shall not (and shall procure that its subsidiaries shall not) whether conditionally or unconditionally:

(a) dispose of (i) any Units or any direct or indirect interest therein (including, without limitation, by granting or creating any option, mortgage, pledge, charge or other security interest) or (ii) any securities exchangeable or convertible into any Units; or

(b) enter into any swap or other derivative transaction or other arrangement that transfers, in whole or in part, any economic consequence of ownership of any Units or any securities exchangeable or convertible into any Units; or

(c) dispose of any direct or indirect interest in any company or entity holding any Units or any securities exchangeable or convertible into any Units,

or offer or agree to do any of the foregoing or announce any intention to do so.

provided that this restriction does not (a) apply to or affect any sale or transfer of Units by Uplite Limited pursuant to the exercise of the Over-allotment Option; or (b) apply to the Unit Borrowing Agreement with the Stabilising Manager; or (c) apply to any Units acquired other than under the SKFE Subscription Agreement or pursuant to a unit repayment under the Unit Borrowing Agreement; or (d) apply to a disposal of an amount of Units made by SKFE or any of its wholly owned subsidiaries (except where SKFE, HLD and their wholly owned subsidiaries' combined holding is less than 27.7% of the total number of Units in issue) which, when aggregated with all other disposals of Units made by SKFE, HLD or any of their respective wholly owned subsidiaries during the six months from the Listing Date, does not exceed 2% of the total number of Units in issue upon completion of the Offering, and in calculating the number of Units so disposed of there shall be deducted and off-set therefrom any Units acquired by any of those companies otherwise than other the SKFE Subscription Agreement or pursuant to a unit repayment under the Unit Borrowing Agreement; or (e) prohibit the disposal of any Units by SKFE to any wholly-owned subsidiaries of SKFE provided that each such subsidiary has executed and delivered to the Joint Global Coordinators, the Hong Kong Underwriters and Sunlight REIT an undertaking to the effect of the above restrictions and provided that such subsidiary undertakes to transfer such Units back to SKFE in the event of the subsidiary ceasing to be a wholly-owned subsidiary of SKFE.

HLD

Pursuant to the Hong Kong Underwriting Agreement, HLD has undertaken to the Joint Global Coordinators, the Hong Kong Underwriters and Sunlight REIT that, within the period of six months from the Listing Date, without the prior written consent of the Joint Global Coordinators (on behalf of themselves and the Hong Kong Underwriters), it shall not (and shall procure that its subsidiaries shall not) whether conditionally or unconditionally:

(a) dispose of (i) any Units or any direct or indirect interest therein (including, without limitation, by granting or creating any option, mortgage, pledge, charge or other security interest) or (ii) any securities exchangeable or convertible into any Units; or

(b) enter into any swap or other derivative transaction or other arrangement that transfers, in whole or in part, any economic consequence of ownership of any Units or any securities exchangeable or convertible into any Units; or

(c) dispose of any direct or indirect interest in any company or entity holding any Units or any securities exchangeable or convertible into any Units,

or offer or agree to do any of the foregoing or announce any intention to do so.

provided that this restriction does not (a) apply to or affect any sale or transfer of Units by Cobase Limited pursuant to the exercise of the Over-allotment Option; or (b) apply to the Unit Borrowing Agreement with the Stabilising Manager; or (c) apply to any Units acquired other than under the HLD Subscription Agreement or pursuant to a unit repayment under the Unit Borrowing Agreement; or (d) apply to payment of Units to the Manager in lieu of its fee pursuant to the terms of the Trust Deed; or (e) apply to a disposal of an amount of Units made by HLD or any of its wholly owned subsidiaries (except where SKFE, HLD and their wholly owned subsidiaries' combined holding is less than 27.7% of the total number of Units in issue) which, when aggregated with all other disposals of Units made by HLD, SKFE or any of their respective wholly owned subsidiaries during the six months from the Listing Date, does not exceed 2% of the total number of Units in issue upon completion of the Offering, and in calculating the number of Units so disposed of there shall be deducted and off-set therefrom any Units acquired by any of those companies otherwise than other the HLD Subscription Agreement or pursuant to a unit repayment under the Unit Borrowing Agreement; or (f) prohibit the disposal of any Units by HLD to any wholly-owned subsidiaries of HLD provided that each such subsidiary has executed and delivered to the Joint Global Coordinators, the Hong Kong Underwriters and Sunlight REIT an undertaking to the effect of the above restrictions and provided that such subsidiary undertakes to transfer such Units back to HLD in the event of the subsidiary ceasing to be a wholly-owned subsidiary of HLD.

Commissions and Expenses

Under the terms and conditions of the Hong Kong Underwriting Agreement, the fees and commissions to which the Underwriters are entitled will comprise a gross underwriting commission of 3% on the aggregate Offer Price (which excludes brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy) of all the Units initially offered under the Hong Kong Public Offering. Sunlight REIT, or, failing which, the Manager (as manager of Sunlight REIT) shall pay, the expenses of the Hong Kong Public Offering (including underwriting fees and expenses, consultancy fees and expenses, legal and other professional fees and expenses and printing costs).

Underwriters' Interest in Sunlight REIT

Save for its obligations under the Underwriting Agreements or as otherwise disclosed in this Offering Circular, none of the Underwriters owns any Units or has any shareholding interest or other ownership interest in Sunlight REIT, the Trustee or the Manager or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for Units or securities in Sunlight REIT, the Trustee or the Manager.

The International Offering

In connection with the International Offering, the Manager expects to enter into the International Underwriting Agreement with SKFE, HLD, HD, HIL, the Joint Global Coordinators and the International Underwriters on 13 December 2006. Under the International Underwriting Agreement, the International Underwriters will severally agree to subscribe or procure subscribers for the International Offering Units initially being offered in the International Offering.

The Offering

The Offering comprises the Hong Kong Public Offering, the International Offering and the Preferential Offering. A total of 1,045,370,362 Units will initially be made available under the Offering which consists of:

(i) the Hong Kong Public Offering of 104,538,000 Units (subject to adjustment and reallocation as mentioned below) in Hong Kong as described below under the sub-heading "The Hong Kong Public Offering";

(ii) the International Offering of 940,832,362 Units (subject to adjustment and reallocation as mentioned below) as described below under the sub-heading "The International Offering". The Reserved Units being offered under the Preferential Offering are offered out of the Units being offered under the International Offering; and

(iii) the Preferential Offering of 63,049,362 Reserved Units (subject to adjustment and reallocation as mentioned below) which is being extended to Qualifying HLD Shareholders, as described below under the sub-heading "The Preferential Offering".

Investors may apply for Units under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for Units under the International Offering, but not under both (except those eligible to apply for Reserved Units in the Preferential Offering may also apply for Units under the Hong Kong Public Offering if eligible or the International Offering). Investors may only receive Units under either the International Offering or the Hong Kong Public Offering, but not under both (except those receiving Reserved Units under the Preferential Offering may also receive Units under the Hong Kong Public Offering if eligible or the International Offering). The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve the selective marketing of Units to institutional and professional investors and other investors anticipated to have a sizeable demand for such Units, in each case, in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares, units and other securities, and corporate entities which regularly invest in shares, units and other securities. The Preferential Offering is open to Qualifying HLD Shareholders only.

In connection with the Offering, SKFE and HLD are expected to grant to the Joint Global Coordinators the Over-allotment Option, under which SKFE and HLD may be required to make available at the Offer Price up to 104,538,000 additional Units, representing approximately 10.0% of the total number of Units initially available under the Offering. The Over-allotment Option is being made available to the International Underwriters in the International Offering in connection with over-allocations made thereunder, if any, and will not be part of the Hong Kong Public Offering.

The number of Units to be offered under the Hong Kong Public Offering, the International Offering and the Preferential Offering may be subject to reallocation as described below in this section.

Allocation

As part of the International Offering process, prospective professional, institutional and other investors will be required to specify the number of Units they would be prepared to acquire under the International Offering either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or about, Wednesday, 13 December 2006.

Allocation of the Units pursuant to the International Offering will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investors are likely to buy further Units, and/or hold or sell their Units, after the listing of the Units on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the International Offering Units on a basis which would lead to the establishment of a solid Unitholder base to the benefit of Sunlight REIT and the Unitholders as a whole.

Allocation of Units to applicants under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offering Units validly applied for, but, subject to that (and in accordance with the allocation of Hong Kong Public Offering Units in Pool A and Pool B described below under the sub-section headed "The Hong Kong Public Offering"), the allocation of Hong Kong Public Offering Units could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offering Units, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offering Units.

Determining the Offer Price

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (on behalf of the Underwriters), SKFE, HLD and the Manager on the Price Determination Date, following completion of the book-building process for the International Offering and after assessment of the level of market demand for the Offering. The Price Determination Date is expected to be Wednesday, 13 December 2006.

The Offer Price will fall within the Offer Price range as stated in this Offering Circular unless otherwise announced, as further explained below, at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering. The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of SKFE, HLD and the Manager, reduce the indicative Offer Price range below that stated in this Offering Circular at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering. In such a case, notices of the reduction in the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) with SKFE, HLD and the Manager, will

be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the offer statistics as currently set out in the section headed "Offering Circular Summary" in this Offering Circular, and any other financial information which may change as a result of such reduction. **If applications under the Hong Kong Public Offering and the Preferential Offering have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering, then if the indicative Offer Price range is so reduced, such applications cannot be subsequently withdrawn.** In the absence of any notice being published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of a reduction in the indicative Offer Price range stated in this Offering Circular on or before the morning of the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering, the Offer Price will under no circumstances be set outside the Offer Price range as stated in this Offering Circular.

An announcement of the Offer Price, the level of indications of interest in the International Offering, the results of applications in the Hong Kong Public Offering and the Preferential Offering, the basis of allocations of the Hong Kong Public Offering Units, and the final number of Hong Kong Public Offering Units, Pool A and Pool B, respectively, is expected to be published on or before Wednesday, 20 December 2006.

Price Payable on Application under the Hong Kong Public Offering and the Preferential Offering

The Offer Price will not be more than HK$2.60 and is currently expected to be not less than HK$2.45. Applicants for Hong Kong Public Offering Units and the Reserved Units are required to pay, on application, the Maximum Offer Price of HK$2.60 per Hong Kong Public Offering Unit or Reserved Unit together with brokerage of 1%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.004%, amounting to a total of HK$2,626.23 per board lot of 1,000 Units.

If the Offer Price, as finally determined in the manner described in the section "Determining the Offer Price" above, is lower than the Maximum Offer Price, appropriate refund payments (including the brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies) will be made to applicants, without interest. Further details are set out in the sections headed "How to apply for Hong Kong Public Offering Units and Reserved Units" and "Further Terms and Conditions of the Hong Kong Public Offering and the Preferential Offering" in this Offering Circular.

Conditions of the Hong Kong Public Offering and the Preferential Offering

All acceptances of applications for the Hong Kong Public Offering Units and Reserved Units in the Hong Kong Public Offering and the Preferential Offering respectively, are conditional upon, among other matters, the following conditions being satisfied on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times):

(a) Listing

The Hong Kong Stock Exchange granting listing of, and permission to deal in, all the Units to be issued pursuant to the Offering;

(b) Sale and Purchase Agreements Unconditional

The respective Sale and Purchase Agreements becoming and remaining unconditional in accordance with their respective terms;

(c) Facility Agreements Unconditional

The Facility Agreements having become and remaining unconditional in accordance with their terms, and the Facility having been unconditionally made available to be drawn down in the amount of not less than HK$4,050 million;

(d) International Underwriting Agreement

The International Underwriting Agreement having been duly entered into by all relevant parties;

(e) Underwriting Agreements Unconditional

The obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Global Coordinators for and on behalf of the Underwriters) and the Underwriting Agreements not being terminated in accordance with their respective terms or otherwise; and

(f) Pricing

The Offer Price being duly determined.

The consummation of each of the International Offering (including the Preferential Offering) and the Hong Kong Public Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with their terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Offering will be caused to be published by the Manager in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the Business Day next following such lapse.

In the above situation, all application monies will be returned to applicants, without interest and on the terms set out in the section headed "How to apply for Hong Kong Public Offering Units and Reserved Units" in this Offering Circular. In the meantime, all application monies will be held in a separate bank account or separate bank accounts with a receiving banker or other bank(s) licensed under the Banking Ordinance.

Unit certificates are expected to be issued by Wednesday, 20 December 2006 but will only become valid at 8:00 a.m. on the Listing Date (which is expected to be Thursday, 21 December 2006), provided that: (i) the Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangement and Expenses — Grounds For Termination by the Underwriters" in this Offering Circular has not been exercised.

The Hong Kong Public Offering

The Hong Kong Public Offering is a fully underwritten public offer (subject to satisfaction or waiver of the other conditions described in the sub-section above headed "Conditions of the Hong Kong Public Offering and the Preferential Offering") for the subscription in Hong Kong of, initially, 104,538,000 Units (representing approximately 10% of the total number of Units initially available under the Offering) at the Offer Price.

The total number of Hong Kong Public Offering Units available under the Hong Kong Public Offering will initially be divided equally into two pools for allocation purposes: Pool A and Pool B. All valid applications that have been received for Hong Kong Public Offering Units with a total subscription amount (excluding brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy payable thereon) of HK$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Public Offering Units with a total subscription amount (excluding brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy payable thereon) of more than HK$5 million will fall into Pool B.

Hong Kong Public Offering Units in each of Pool A and Pool B will be allocated on an equitable basis to applicants falling within each pool. Applicants should be aware that applications in the same pool, as well as applications in different pools, are likely to receive different allocation ratios. Where either of the pools is undersubscribed, the surplus Hong Kong Public Offering Units will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Public Offering Units from Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than half of the Hong Kong Public Offering Units initially available under the Hong Kong Public Offering (that is, 52,269,000 Hong Kong Public Offering Units) will be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any International Offering Units under the International Offering (except for any Reserved Units under the Preferential Offering), and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The final number of Hong Kong Public Offering Units comprised in the Hong Kong Public Offering, Pool A and Pool B respectively, will, following the determination by the Joint Global Coordinators, be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) on Wednesday, 20 December 2006 with the announcement of the Offer Price, the level of indications of interest in the International Offering, the results of applications in the Hong Kong Public Offering and the Preferential Offering, and the basis of allocations of the Hong Kong Public Offering Units.

The allocation of Units between the Hong Kong Public Offering and the International Offering is subject to adjustment by the Joint Global Coordinators. The number of Units initially available under the Hong Kong Public Offering will be approximately 10% of the total number of Units available under the Offering (before taking into account any exercise of the Over-allotment Option).

In addition, if the number of the Units validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Units initially available under the Hong Kong Public Offering, then Units will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Units available under the Hong Kong Public Offering will be 313,612,000 Units (representing approximately 30% of the Units initially available under the Offering). If the number of Units validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Units initially available under the Hong Kong Public Offering, then the number of Units to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Units available under the Hong Kong Public Offering will be 418,149,000 Units (representing approximately 40% of the Units initially available under the Offering). If the number of Units validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Units initially available under the Hong Kong Public Offering, then the number of Units to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Units available under the Hong Kong Public Offering will be 522,686,000 Units (representing approximately 50% of the Units initially available under the Offering).

Units validly applied for under the Hong Kong Public Offering (as a multiple of the 104,538,000 Units initially available)	**Post "clawback"[(1)]**	**Post "clawback"[(2)]**
At least 15 times but less than 50 times	313,612,000	30%
At least 50 times but less than 100 times	418,149,000	40%
At least 100 times	522,686,000	50%

Notes:

(1) Expressed as the total number of Units to be available under the Hong Kong Public Offering post "clawback".

(2) Units available under the Hong Kong Public Offering expressed as an approximate percentage of the total number of Units available under the Offering, before exercise of the Over-allotment Option.

The number of Reserved Units will not be affected by such reallocations.

In addition, in the event of an under-subscription in the Hong Kong Public Offering, the Joint Global Coordinators will have the discretion to reallocate to the International Offering such number of unsubscribed Hong Kong Public Offering Units as they may deem appropriate. If the International Offering is undersubscribed, the Joint Global Coordinators may decide in their absolute discretion to re-allocate Units from the International Offering to the Hong Kong Public Offering.

The Manager, the Directors and the Hong Kong Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who have received Units in the International Offering (other than pursuant to the Preferential Offering), and to identify and reject indications of interest in the International Offering from investors who have received Units in the Hong Kong Public Offering.

The International Offering

A total of 940,832,362 Units will initially be available to investors under the International Offering, including the Reserved Units. These 940,832,362 Units represent approximately 90% of the Units available under the Offering (before taking into account any exercise of the Over-allotment Option). Pursuant to the International Offering, the International Offering Units will be offered to institutional, professional and other investors by the International Underwriters or through selling agents appointed by them. International Offering Units will be offered to and placed with professional and institutional investors and other investors anticipated to have a sizeable demand for the International Offering Units in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S.

In addition, the International Offering Units may be reallocated to the Hong Kong Public Offering in the case of over-subscription under the Hong Kong Public Offering as set out in the sub-section headed "The Hong Kong Public Offering" above.

The Reserved Units being offered under the Preferential Offering are offered out of the Units being offered under the International Offering.

The Preferential Offering

In order to enable shareholders of HLD to participate in the Offering on a preferential basis as to allocation only, Qualifying HLD Shareholders are being invited to apply for an aggregate of 63,049,362 Reserved Units (representing approximately 6% of the Units initially available under the Offering and approximately 4.2% of the Units upon completion of the Offering) in the Preferential Offering on the basis of an Assured Entitlement of one Reserved Unit for every whole multiple of 13 HLD Shares held by them at the close of business on Thursday, 7 December 2006. Any holding of any Qualifying HLD Shareholder of less than 13 HLD Shares at the close of business on Thursday, 7 December 2006 will not entitle the holder to apply for any Reserved Unit. The Reserved Units are being offered out of the Units being offered under the International Offering.

The Assured Entitlements may represent Units not in a multiple of a full board lot of 1,000 Units, and dealings in odd lot Units may be at or below their prevailing market price.

A **BLUE** Application Form is being dispatched to each Qualifying HLD Shareholder. In addition, an electronic copy of this Offering Circular on CD-ROM is being dispatched to each Qualifying HLD Shareholder whose address on the register of members of HLD was, at the close of business on Thursday, 7 December 2006, in Hong Kong and a printed copy of this Offering Circular is being dispatched to each Qualifying HLD Shareholder whose address on the register of members of HLD was, at the close of business on Thursday, 7 December 2006, in a place outside Hong Kong. Qualifying HLD Shareholders are permitted to apply for a number of Reserved Units which is greater than, equal to or less than their Assured Entitlement under the Preferential Offering. A valid application in respect of a number of Reserved Units equal to or less than a Qualifying HLD Shareholder's Assured Entitlement will be accepted in full, subject to the terms and conditions as mentioned on the **BLUE** Application Forms. If an application is made for a number of Reserved Units greater than the Assured Entitlement, the Assured Entitlement will be satisfied in full, but the excess portion of such application, together with such part of the applications for Reserved

Units from other Qualifying HLD Shareholders in excess of their Assured Entitlements, will only be met to the extent that there are sufficient available Reserved Units resulting from (i) other Qualifying HLD Shareholders declining to take up some or all of their Assured Entitlements or (ii) shareholders of HLD (other than holders of HLD Shares in which Hopkins (Cayman) Limited is deemed to be interested) not being Qualifying HLD Shareholders at the close of business on Thursday, 7 December 2006 (the "Non-qualified HLD Shareholders") and therefore not qualifying for any Assured Entitlements. The Joint Global Coordinators, on behalf of the International Underwriters, will allocate any Assured Entitlements not taken up by Qualifying HLD Shareholders or for which the Non-qualified HLD Shareholders are not qualified first to satisfy the excess applications for Reserved Units from Qualifying HLD Shareholders on a fair and equitable basis, and thereafter, to the International Offering. There is no assurance that there will be a sufficient number of such Reserved Units available to meet the excess portion of applications for Reserved Units in full, in part or at all. If an application is made for a number of Reserved Units greater than or less than the Assured Entitlement, the applicant is **recommended** to apply for a number in one of the multiples of full board lots stated in the table of multiples and payments on the back page of the **BLUE** Application Form which also states the amount of remittance payable on application for each multiple of full board lots of Reserved Units; if such applicant does not follow this recommendation when applying for greater than or less than the Assured Entitlement, he/she/it must calculate the correct amount of remittance payable on application for the number of Reserved Units applied for. Any application not accompanied by the correct amount of application monies will be treated as invalid in its entirety and no Reserved Unit will be allotted to such applicant. The Joint Global Coordinators, on behalf of the International Underwriters, will allocate any Assured Entitlements not taken up by Qualifying HLD Shareholders or for which the Non-qualified HLD Shareholders are not qualified to the International Offering.

In addition to any application for Reserved Units, Qualifying HLD Shareholders will be entitled to make one application for the Hong Kong Public Offering Units either on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS. Qualifying HLD Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Public Offering Units made on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC via CCASS under the Hong Kong Public Offering.

Assured Entitlements of Qualifying HLD Shareholders are not transferable and there will be no trading in nil-paid entitlements on the Hong Kong Stock Exchange. The Joint Global Coordinators have the authority to reallocate all or any Reserved Units not taken up by Qualifying HLD Shareholders to the International Offering.

The procedure for application under, and the terms and conditions of, the Preferential Offering are set out in the sections headed "How to Apply for Hong Kong Pubic Offering Units and Reserved Units — How to apply for Reserved Units" and "Further Terms and Conditions of the Hong Kong Public Offering and the Preferential Offering" and on the **BLUE** Application Form.

The documents to be issued in connection with the Hong Kong Public Offering and the Preferential Offering (comprising this Offering Circular and the Application Forms) will not be registered under any

applicable securities legislation of any jurisdiction other than Hong Kong. Accordingly, no Reserved Units are being offered to Overseas HLD Shareholders under the Preferential Offering and no **BLUE** Application Forms will be sent to such persons. Applications will not be accepted from Overseas HLD Shareholders or persons who are acting for the benefit of Overseas HLD Shareholders.

Over-allotment Option and Stabilisation

The Over-allotment Option

In connection with the Offering and in connection with over-allocation in the International Offering, if any, and other stabilising action in respect of the Units, SKFE and HLD are expected to grant to the International Underwriters the Over-allotment Option, which will be exercisable on one occasion at any time from the Listing Date up to (and including) the date which is the 30th day after the last day for lodging Application Forms under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, SKFE or HLD may be required to make available up to 104,538,000 Units, representing approximately 10%, of the total number of Units initially available under the Offering, to be offered to investors as part of the International Offering. In the event that the Over-allotment Option is exercised, the Manager will cause an announcement to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese). Where all or any of the Units subject to the Over-allotment Option are held by one or more of its subsidiaries, SKFE and HLD have agreed to procure compliance with the Over-allotment Option by such subsidiaries.

Stabilising Action

In connection with the Offering, the Stabilising Manager (or any person acting for it) on behalf of the Underwriters, may over-allocate or effect transactions with a view to supporting the market price of the Units at a level higher than that which might otherwise prevail for a period of 30 days after the last day for lodging Application Forms under the Hong Kong Public Offering. However, there is no obligation on the Stabilising Manager (or any person acting for it) to do this. Such transactions, if commenced, may be discontinued at any time and are required to be brought to an end upon expiry of such 30-day period. The Stabilising Manager has been or will be appointed as stabilising manager for the purposes of the Offering and will conduct any stabilising activities (if any) on a basis as disclosed in this section headed "Over-allotment Option and Stabilisation" and equivalent to that required under the Securities and Futures (Price Stabilizing) Rules made under the SFO and, should stabilising transactions be effected in connection with the Offering, this will be at the absolute discretion of the Stabilising Manager.

Following any over-allocation of Units in connection with the Offering, the Stabilising Manager (or any person acting for it) may cover such over-allocation by (amongst other methods) making purchases in the secondary market for a period of 30 days after the last day for lodging applications under the Hong Kong Public Offering, exercising the Over-allotment Option in full or in part, making unit borrowing arrangements or by any combination of the above. Any such secondary market purchases will be made in compliance with all applicable laws and regulatory requirements and on a basis consistent with the Securities and Futures (Price Stabilizing) Rules made under the SFO as if those rules were directly applicable. The number of Units which can be over-allocated will not exceed the number of Units under the Over-allotment Option, being 104,538,000 Units representing approximately 10% of the Units initially available under the Offering.

In order to facilitate settlement of over-allocation in connection with the International Offering, the Stabilising Manager is expected to enter into a Unit Borrowing Agreement with Uplite Limited (an indirect wholly-owned subsidiary of SKFE) and Cobase Limited (an indirect wholly-owned subsidiary of HLD). Under the Unit Borrowing Agreement, each of Uplite Limited and Cobase Limited is expected to agree with the Stabilising Manager that it will, if requested by the Stabilising Manager and subject to the terms of the Unit Borrowing Agreement, make available to the Stabilising Manager up to 88,544,016 Units and 15,993,984 Units respectively, by way of unit lending, in order to cover over-allocation in connection with the International Offering.

The possible stabilising action which may be taken by the Stabilising Manager in connection with the Offering may involve (amongst other things): (i) over-allocation of Units for the purpose of preventing or minimising any reduction in the market price of the Units; (ii) selling or agreeing to sell Units so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Units (any such short position to be covered by the Over-allotment Option); (iii) borrowing Units or exercising the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase Units for the sole purpose of preventing or minimising any reduction in the market price of the Units; (v) selling or agreeing to sell Units purchased by the Stabilising Manager in the course of primary stabilising action in order to liquidate a long position established as a result of those purchases; and (vi) offering or attempting to do any of the foregoing.

Specifically, prospective applicants for and investors in Units should note that:

- the Stabilising Manager may, in connection with the stabilising action, maintain a long position in the Units. There is no certainty regarding the extent to which and the time period for which the Stabilising Manager will maintain such a position;

- liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of the Units;

- no stabilising action will be taken to support the price of the Units for longer than the stabilising period which will begin on the Listing Date, and is expected to expire at the end of Friday, 12 January 2007, being the day which is expected to be the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of the Units, demand for the Units, and therefore the price of the Units, could fall;

- the price of any security (including the Units) cannot be assured to stay at or above its offer price by the taking of any stabilising action; and

- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Units.

These activities by the Stabilising Manager may stabilise, maintain or otherwise affect the market price of the Units. As a result, the price of the Units may be higher than the price that otherwise might exist in the open market. Any stabilising action taken by the Stabilising Manager, or any person acting for it, may not necessarily result in the market price of the Units staying at or above the Offer Price either during or after the stabilising period. Bids for or market purchases of the Units by the Stabilising Manager (or any person acting for it) may be made at a price at or below the Offer Price and therefore at or below the price paid for the Units by investors in the Offering.

The Manager will ensure or procure that a public announcement, on a basis consistent with the Securities and Futures (Price Stabilizing) Rules made under the SFO, as if those rules were directly applicable, will be made within seven days of the expiration of the stabilising period.

EXPERTS

This section sets out details of the reports prepared by various experts. The Manager has reviewed the reports prepared by these experts.

Savills Valuation and Professional Services Limited, KPMG, DTZ Debenham Tie Leung Limited, The Hongkong and Shanghai Banking Corporation Limited, Deutsche Bank AG, Hong Kong Branch, Macquarie Securities Limited, DTZ Debenham Tie Leung Project Services Ltd., and Savills Project Consultancy Limited have each given and have not withdrawn their respective written consents to the issue of this Offering Circular with the inclusion of their reports and/or opinions and/or memorandum and/or valuation certificates and/or summary thereof (as the case may be) and/or references to their names included herein in the form and context in which they are respectively included.

Savills Valuation and Professional Services Limited was responsible for: (i) conducting a valuation of the entire portfolio of the Properties; (ii) producing a comprehensive report in relation to the findings thereof; and (iii) reviewing the forecasts of Rental Income for the Properties and assumptions used by the Manager for the purposes of the profit forecast of Sunlight REIT for the period from the anticipated Listing Date to 30 June 2007 as set out in the section headed "Profit Forecast" in this Offering Circular.

KPMG is a firm of certified public accountants and is the reporting accountants.

DTZ Debenham Tie Leung Limited was responsible for carrying out a comprehensive study of the Grade A and Grade B office and retail property markets in Hong Kong and a comprehensive study of and producing a comprehensive report and executive summary in relation to the findings thereof.

The Hongkong and Shanghai Banking Corporation Limited is a registered institution under the SFO to conduct type 1 (Dealing in Securities), type 4 (Advising on Securities) and type 6 (Advising on Corporate Finance) regulated activities under the SFO and is also a licensed bank under the Banking Ordinance.

Deutsche Bank AG, Hong Kong Branch is a deemed registered institution under the SFO to carry on types 1, 4, 6, 7 and 9 regulated activities as defined under the SFO and a licensed bank under the Banking Ordinance.

Macquarie Securities Limited is a licensed corporation under the SFO to conduct types 1, 4 and 6 regulated activities as defined under the SFO.

DTZ Debenham Tie Leung Project Services Ltd. and Savills Project Consultancy Limited were responsible for carrying out a building survey report and producing ten-year forecasts of repair, maintenance and capital expenditure forecasts for each Property.

I. HOW TO APPLY FOR HONG KONG PUBLIC OFFERING UNITS

There are two ways to make an application for the Hong Kong Public Offering Units:

- you may use a **WHITE** or **YELLOW** Application Form; or
- you may electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for the Hong Kong Public Offering Units on your behalf.

Except where you are a nominee and provide the required information in your application, you, or you and your joint applicant(s), may not make more than one application (whether individually or jointly) by applying on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC.

1. Which application method to use

(a) WHITE Application Forms

Use a **WHITE** Application Form if you want the Hong Kong Public Offering Units issued in your own name.

(b) YELLOW Application Forms

Use a **YELLOW** Application Form if you want the Hong Kong Public Offering Units issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

(c) Instruct HKSCC to make an electronic application on your behalf via CCASS

Instead of using a **YELLOW** Application Form, you may electronically instruct HKSCC to cause HKSCC Nominees to apply for Hong Kong Public Offering Units on your behalf via CCASS. Any Hong Kong Public Offering Units allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

2. Where to collect the WHITE and YELLOW Application Forms

(a) You can collect a **WHITE** Application Form and an Offering Circular from:

Any participant of the Hong Kong Stock Exchange

The Hongkong and Shanghai Banking Corporation Limited	1 Queen's Road Central, Hong Kong
Deutsche Bank AG, Hong Kong Branch	55th Floor, Cheung Kong Center 2 Queen's Road Central Hong Kong
Macquarie Securities Limited	19th Floor, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
The Bank of East Asia, Limited	10 Des Voeux Road Central Hong Kong
BCOM Securities Company Limited	3rd Floor Far East Consortium Building 121 Des Voeux Road Central Hong Kong
BOCI Asia Limited	26th Floor, Bank of China Tower 1 Garden Road Hong Kong
First Shanghai Securities Limited	19/F., Wing On House 71 Des Voeux Road Central Hong Kong
ICEA Capital Limited	26/F., ICBC Tower 3 Garden Road Central Hong Kong
KGI Capital Asia Limited	27/F ICBC Tower, Citibank Plaza 3 Garden Road Central Hong Kong
Taifook Securities Company Limited	25th Floor, New World Tower 16-18 Queen's Road Central Hong Kong

or any of the following branches of:

The Hongkong and Shanghai Banking Corporation Limited:

Hong Kong Island	Hong Kong Office	1 Queen's Road Central
	Causeway Bay Branch	1/F, Causeway Bay Plaza 2, 463-483 Lockhart Road
	Cityplaza Branch	Unit 065, Cityplaza I, Taikoo Shing
Kowloon	Mongkok Branch	673 Nathan Road, Mongkok
	Kwun Tong Branch	No. 1, Yue Man Square, Kwun Tong
	Tsimshatsui Branch	82-84 Nathan Road, Tsimshatsui
	Whampoa Garden Branch	Shop No. G6 & 6A, G/F, Site 4, Whampoa Garden
New Territories	Yuen Long Branch	G/F, HSBC Building Yuen Long, 150-160 Castle Peak Rd, Yuen Long

Bank of China (Hong Kong) Limited:

Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	North Point Branch	Roca Centre, 464 King's Road, North Point
	Aberdeen Branch	25 Wu Pak Street, Aberdeen
Kowloon	Shanghai Street (Mong Kok) Branch	611-617 Shanghai Street, Mongkok
	Kowloon Plaza Branch	Unit 1, Kowloon Plaza, 485 Castle Peak Road
	Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong
New Territories	Castle Peak Road (Tsuen Wan) Wealth Management Centre	167 Castle Peak Road, Tsuen Wan
	Tuen Mun San Hui Branch	G13-G14 Eldo Court, Heung Sze Wui Road, Tuen Mun

The Bank of East Asia, Limited:

Hong Kong Island	Main Branch	10 Des Voeux Road, Central
	North Point Branch	326-328 King's Road
	Shaukeiwan Branch	G/F, Ka Fook Building, 289-293 Shau Kei Wan Road
Kowloon	Prince Edward Branch	G/F, Hanley House, Nos 776- 778 Nathan Road
New Territories	Sheung Kwai Chung Branch	44-46 Shek Yam Road
	Tai Po Plaza Branch	Units 49-52, Level 1, Tai Po Plaza
	Metro City Plaza Branch	Shop No. 1079, Level 1, Metro City Plaza II, 8 Yan King Road, Tseung Kwan O
	Tai Wai Branch	16-18 Tai Wai Road, Cheung Fung Mansion, Shatin

Hang Seng Bank Limited:

Hong Kong Island	Head Office	83 Des Voeux Road Central
	Causeway Bay Branch	28 Yee Wo Street
	Happy Valley Branch	76 Village Road
Kowloon	Yaumati Branch	363 Nathan Road
	Tsimshatsui Branch	18 Carnarvon Road
	Kowloon Bay Branch	Shop P18 - P19, Telford Gardens
	Mei Foo Sun Chuen (Nassau Street) Branch	10 Nassau Street, Mei Foo Sun Chuen
New Territories	Shatin Branch	Shop 18 Lucky Plaza, Wang Pok Street

(b) You can collect a **YELLOW** Application Form and an Offering Circular during normal business hours from 9:00 a.m. on Friday, 8 December 2006 until 12:00 noon on Wednesday, 13 December 2006 from:

(i) the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or

(ii) your broker, who may have the Application Forms and an Offering Circular available.

3. How to make applications

(a) Applying by completing WHITE or YELLOW Application Forms:

(i) Obtain a **WHITE** or **YELLOW** Application Form as appropriate.

(ii) Applicants should read the instructions in this Offering Circular and the relevant Application Form carefully. If an applicant does not follow the instructions, his/her/its application is liable to be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to the applicant (or the first-named applicant in the case of joint applicants) at the applicant's own risk to the address stated on the applicant's Application Form.

(iii) Complete the Application Form in English (save as otherwise indicated) and sign it. Only written signatures will be accepted. Applications made by corporations, whether on their own behalf, or on behalf of other persons, must be stamped with the corporation's chop (bearing the corporation's name) and signed by a duly authorised officer, whose representative capacity must be stated. If an applicant is applying for the benefit of someone else, the applicant, rather than that person, must sign the Application Form. If it is a joint application, all applicants must sign it. If an application is made through a duly authorised attorney, the Joint Global Coordinators (or their agents or nominees) may accept it at their discretion, and subject to any conditions as they think fit, including production of evidence of the authority of the attorney.

(iv) Each Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left-hand corner of the Application Form.

If payment is made by cheque, the cheque must:

— be in Hong Kong dollars;

— be drawn on a Hong Kong dollar bank account in Hong Kong;

— show the applicant's account name, which must either be pre-printed on the cheque, or be endorsed on the back by a person authorised by the bank. This account name must be the same as the name in the Application Form. If the application is a joint application, the account name must be the same as the name of the first-named applicant;

— be made payable to "HSBC Nominees (Hong Kong) Limited — Sunlight REIT Public Offer" (in the case of applicants using **WHITE** and **YELLOW** Application Forms) or to "HSBC Nominees (Hong Kong) Limited — Sunlight REIT Pref Offer" (in the case of applicants using **BLUE** Application Forms);

— be crossed "Account Payee Only"; and

— not be post-dated.

An application is liable to be rejected if the cheque does not meet all of these requirements or is dishonoured on its first presentation.

If payment is made by banker's cashier order, the banker's cashier order must:

— be in Hong Kong dollars;

— be issued by a licensed bank in Hong Kong and have the applicant's name certified on the back by a person authorised by the bank on which it is drawn. The name on the back of the banker's cashier order and the name on the Application Form must be the same. If the application is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named joint applicant;

— be made payable to "HSBC Nominees (Hong Kong) Limited — Sunlight REIT Public Offer" (in the case of applicants using **WHITE** and **YELLOW** Application Forms) or to "HSBC Nominees (Hong Kong) Limited — Sunlight REIT Pref Offer" (in the case of applicants using **BLUE** Application Forms);

— be crossed "Account Payee Only"; and

— not be post-dated.

An application is liable to be rejected if the banker's cashier order does not meet all of these requirements.

No money shall be paid to any intermediary in Hong Kong who is not licensed or registered to carry on Type 1 regulated activity under Part V of the SFO.

(v) Lodge the Application Form in one of the collection boxes by the time and at one of the locations, as respectively referred to in paragraph (a) of the sub-section headed "When to apply for Hong Kong Public Offering Units" below.

(vi) Multiple or suspected multiple applications are liable to be rejected. Please see the sub-section headed "How many applications you may make" below.

(vii) In order for the **YELLOW** Application Forms to be valid:

- If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):

— the designated CCASS Participant or its authorised signatories must sign in the appropriate box; and

— the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.

- If the application is made by an individual CCASS Investor Participant:

  — the Application Form must contain the CCASS Investor Participant's full name and Hong Kong identity card number; and

  — the CCASS Investor Participant must insert its participant I.D. and sign in the appropriate box in the Application Form.

- If the application is made by a joint individual CCASS Investor Participant:

  — the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card numbers of all joint CCASS Investor Participants; and

  — the participant I.D. must be inserted and the authorised signatory(ies) of the CCASS Investor Participant's stock account must sign in the appropriate box on the Application Form.

- If the application is made by a corporate CCASS Investor Participant:

  — the Application Form must contain the CCASS Investor Participant's company name and Hong Kong business registration number; and

  — the participant I.D. and company chop (bearing its company name) endorsed by its authorised signatories must be inserted in the appropriate box in the Application Form.

- Signature(s), number of signatories and form of chop, where appropriate, in each **YELLOW** Application Form, should match with the records kept by HKSCC. Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of authorised signatory(ies) or other similar matters may render the application invalid.

(viii) Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" an account number or other identification code for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner. Failure to provide the account number(s) or other identification

code(s) for the beneficial owner(s) will result in the application being deemed to be submitted for the benefit of the nominee(s) in question. The attention of nominees is also drawn to the sub-section headed "How many applications you may make" below.

(b) Applying by giving electronic application instructions to HKSCC via CCASS:

(i) General

CCASS Participants may give **electronic application instructions** to HKSCC via CCASS to apply for Hong Kong Public Offering Units and to arrange payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or the CCASS Internet System at https://ip.ccass.com (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for you if you go to:

HKSCC Customer Service Centre
2/F Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Offering Circulars are also available for collection from the above address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offering Units on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to the Manager and the Unit Registrar.

(ii) Minimum application amount and permitted multiples

You may give **electronic application instructions** in respect of a minimum of 1,000 Hong Kong Public Offering Units. Such instructions must be in one of the multiples of Hong Kong Public Offering Units set out in the table on the **WHITE** and **YELLOW** Application Forms.

(iii) Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offering Units applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offering Units in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic instructions to make an application for Hong Kong Public Offering Units given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. Please refer to the sub-section headed "How many applications you may make" below in this section for further details.

(iv) Allocation of Hong Kong Public Offering Units

For the purpose of allocating Hong Kong Public Offering Units, HKSCC Nominees shall not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit each such instruction is given shall be treated as an applicant.

(v) Personal data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Manager and the Unit Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

(vi) Warning

The application for Hong Kong Public Offering Units by giving **electronic application instructions** to HKSCC is a facility only provided to CCASS Participants. The Manager and the Joint Global Coordinators take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Hong Kong Public Offering Units.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input instructions. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or CCASS Internet System for submission of electronic application instructions, they should either (i) submit the **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an application instruction input request form before 12:00 noon on Wednesday, 13 December 2006 or such later time as stated in the sub-paragraph headed "Effect of bad weather on the opening of the application lists" below.

The Manager, the Trustee, the Joint Global Coordinators, the Underwriters, other parties involved in the Offering and their respective directors, officers, employees, partners, agents and advisers are entitled to rely on any warranty, representation or declaration made by you in your application.

All the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally.

4. How many applications you may make

(a) You may make more than one application for the Hong Kong Public Offering Units if and only if you are a **nominee**, in which case you may make an application by (i) giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Participant) or (ii) using a **WHITE** or **YELLOW** Application Form, and lodge more than one application in your own name on behalf of different beneficial owners. In the box on the Application Form marked "For nominees", you must include:

- an account number; or
- some other identification codes,

for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner. If you do not include this information, the application will be treated as being for your own benefit.

If you are a Qualifying HLD Shareholder applying for Reserved Units under the Preferential Offering on a **BLUE** Application Form, as beneficial owner, you may also make one application for Hong Kong Public Offering Units either on a **WHITE** or **YELLOW** Application Form or electronically through CCASS (if you are a CCASS Investor Participant or act through a CCASS Broker or Custodian Participant). However, in respect of any application for Hong Kong Public Offering Units using the above-mentioned methods, you will not enjoy the preferential treatment accorded to you under the Preferential Offering as described in the section headed "Structure of the Offering — Preferential Offering" in this Offering Circular.

Otherwise, multiple applications for Hong Kong Public Offering Units are not allowed.

(b) It will be a term and condition of all applications under the Hong Kong Public Offering that by completing and delivering an Application Form you:

- (if the application is made for your own benefit) **warrant** that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC;

- (if you are an agent for another person) **warrant** that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, and that you are duly authorised to sign the Application Form (where relevant) as that other person's agent.

(c) Multiple applications or suspected multiple applications will be rejected. Save as referred to above, all of your applications (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**) under the Hong Kong Public Offering will be rejected as multiple applications if you, or you and joint applicants together:

- make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Broker Participant or CCASS Custodian Participant); or

- apply on one **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Broker Participant or CCASS Custodian Participant) for more than 52,269,000 Hong Kong Public Offering Units; or

- have indicated an interest for, or have been or will be issued International Offering Units under the International Offering (except in respect of Reserved Units under the Preferential Offering).

(d) **All** of your applications under the Hong Kong Public Offering will also be rejected as multiple applications if more than one application is made **for your benefit** (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and

- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

Unlisted company means a company with no equity securities listed on the Hong Kong Stock Exchange.

Statutory control means you:

- control the composition of the board of directors of that company; or
- control more than half the voting power of that company; or
- hold more than half the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

5. When to apply for Hong Kong Public Offering Units

(a) WHITE or YELLOW Applications Forms

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged **by 12:00 noon on Wednesday, 13 December 2006**, or, if the application lists are not open on that day, by the time and date stated in sub-paragraph (d) below.

Your completed Application Form, with one cheque or one banker's cashier order attached, should be deposited in the special collection boxes provided at any of the branches of The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited, The Bank of East Asia, Limited or Hang Seng Bank Limited listed above under the sub-paragraph headed "Where to collect the **WHITE** and **YELLOW** Application Forms" in this section at the following times:

Friday, 8 December 2006 — 9:00 a.m. to 4:30 p.m.
Saturday, 9 December 2006 — 9:00 a.m. to 12:30 p.m.
Monday, 11 December 2006 — 9:00 a.m. to 4:30 p.m.
Tuesday, 12 December 2006 — 9:00 a.m. to 4:30 p.m.
Wednesday, 13 December 2006 — 9:00 a.m. to 12:00 noon

(b) Electronic application instructions to HKSCC via CCASS

CCASS Broker Participants and Custodian Participants should input **electronic application instructions** at the following times:

Friday, 8 December 2006 — 9:00 a.m. to 8:30 p.m.[*(Note)*]
Saturday, 9 December 2006 — 8:00 a.m. to 1:00 p.m.[*(Note)*]
Monday, 11 December 2006 — 8:00 a.m. to 8:30 p.m.[*(Note)*]
Tuesday, 12 December 2006 — 8:00 a.m. to 8:30 p.m.[*(Note)*]
Wednesday, 13 December 2006 — 8:00 a.m.[*(Note)*] **to 12:00 noon**

Note: These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Broker Participants and Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 8 December 2006 until 12:00 noon on Wednesday, 13 December 2006 (24 hours daily except on the last application day).

The latest time for inputting your **electronic application instructions** via CCASS (if you are a CCASS Participant) is 12:00 noon on Wednesday, 13 December 2006, or, if the application lists are not open on that day, by the time and date stated in paragraph (d) below.

(c) Application lists

The latest time for lodging the application is 12:00 noon on Wednesday, 13 December 2006, or if the application lists are not open on that day, then by 12:00 noon on the next day the lists are open. The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 13 December 2006, except as provided in paragraph (d) below.

The applications monies for the Hong Kong Public Offering Units will not be processed and no allocation of any such Hong Kong Public Offering Units will be made until the closing of the application lists.

(d) Effect of bad weather on the opening of the application lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal,

in force at any time between 8:00 a.m. and 12:00 noon on Wednesday, 13 December 2006. Instead, the application lists will be open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 8:00 a.m. and 12:00 noon.

II. HOW TO APPLY FOR RESERVED UNITS

An application for Reserved Units under the Preferential Offering may only be made by Qualifying HLD Shareholders using a **BLUE** Application Form which is being dispatched to Qualifying HLD Shareholders by HLD. Using the **BLUE** Application Form, Qualifying HLD Shareholders may apply on an assured basis for a number of Reserved Units which is greater than, equal to or less than their Assured Entitlement. The Assured Entitlement for each Qualifying HLD Shareholder will be specified on their individual **BLUE** Application Form.

A valid application in respect of a number of Reserved Units equal to or less than a Qualifying HLD Shareholder's Assured Entitlement will be accepted in full. Qualifying HLD Shareholders may also apply for a number of Reserved Units in excess of their Assured Entitlement specified on their individual **BLUE** Application Form. If an application is made for a number of Reserved Units greater than their Assured Entitlement, the Assured Entitlement will be satisfied in full, but the excess portion of such application, together with such part of the applications for Reserved Units from other Qualifying HLD Shareholders in excess of their Assured Entitlements, will only be met to the extent that there are sufficient available Reserved Units resulting from (i) other Qualifying HLD Shareholders declining to take up some or all of

their Assured Entitlements or (ii) shareholders of HLD (other than holders of HLD Shares in which Hopkins (Cayman) Limited is deemed to be interested) not being Qualifying HLD Shareholders at the close of business on Thursday, 7 December 2006 (the "Non-qualified HLD Shareholders") and therefore not qualifying for any Assured Entitlements. The Joint Global Coordinators, on behalf of the International Underwriters, will allocate any Assured Entitlements not taken up by Qualifying HLD Shareholders or for which the Non-qualifying HLD Shareholders are not qualified first to satisfy the excess applications for Reserved Units from Qualifying HLD Shareholders on a fair and equitable basis, and thereafter to the International Offering. There is no assurance that excess applications for Reserved Units will be satisfied in full, in part or at all. If an application is made for a number of Reserved Units greater than or less than the Assured Entitlement, the applicant is **recommended** to apply for a number in one of the multiples of full board lots stated in the table of multiples and payments on the back page of the **BLUE** Application Form which also states the amount of remittance payable on application for each multiple of full board lots of Reserved Units; if such applicant does not follow this recommendation when applying for greater than or less than the Assured Entitlement, he/she/it must calculate the correct amount of remittance payable on application for the number of Reserved Units applied for. Any application not accompanied by the correct amount of application monies will be treated as invalid in its entirety and no Reserved Unit will be allotted to such applicant. Qualifying HLD Shareholders who require a replacement **BLUE** Application Form should contact the Unit Registrar, Tricor Investor Services Limited on its telephone hotline on 2980 1333.

1. Despatch of BLUE Application Forms

A **BLUE** Application Form is being dispatched to you if you are a Qualifying HLD Shareholder with an Assured Entitlement.

2. How to complete the BLUE Application Forms

There are detailed instructions on each **BLUE** Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you at your own risk at the address stated in the **BLUE** Application Form.

All Qualifying HLD Shareholders who would like to apply for Reserved Units must complete the **BLUE** Application Form. Qualifying HLD Shareholders are permitted to apply for a number of Reserved Units which is greater than, equal to or less than their Assured Entitlement under the Preferential Offering. A valid application in respect of a number of Reserved Units equal to or less than a Qualifying HLD Shareholder's Assured Entitlement will be accepted in full. If an application is made for a number of Reserved Units greater than the Assured Entitlement, the Assured Entitlement will be satisfied in full, but the excess portion of such application, together with such part of the applications for Reserved Units from other Qualifying HLD Shareholders in excess of their Assured Entitlements, will only be met to the extent that there are sufficient available Reserved Units resulting from (i) other Qualifying HLD Shareholders declining to take up some or all of their Assured Entitlements or (ii) Non-qualifying HLD Shareholders not qualifying for any Assured Entitlements. The Joint Global Coordinators, on behalf of the International Underwriters, willallocate any Assured Entitlements not taken up by Qualifying HLD Shareholders or for which the Non-qualifying HLD Shareholders are not qualified first to satisfy the excess applications for

Reserved Units from Qualifying HLD Shareholders on a fair and equitable basis, and thereafter to the International Offering. There is no assurance that excess applications for Reserved Units will be satisfied in full, in part or at all. If an application is made for a number of Reserved Units greater than or less than the Assured Entitlement, the applicant is **recommended** to apply for a number in one of the multiples of full board lots stated in the table of multiples and payments on the back page of the **BLUE** Application Form which also states the amount of remittance payable on application for each multiple of full board lots of Reserved Units; if such applicant does not follow this recommendation when applying for greater than or less than the Assured Entitlement, he/she/it must calculate the correct amount of remittance payable on application for the number of Reserved Units applied for. Any application not accompanied by the correct amount of application monies will be treated as invalid in its entirety and no Reserved Unit will be allotted to such applicant.

If your application is made through a duly authorised attorney, the Manager and the Joint Global Coordinators (or their agents and nominees) may accept it at their discretion and subject to any conditions they think fit, including evidence of the authority of your attorney.

In order for the **BLUE** Application Form to be valid, Qualifying HLD Shareholders should complete the **BLUE** Application Form and then deposit the completed **BLUE** Application Form, with one cheque or one banker's cashier order as payment attached, in the special collection boxes provided at any of the branches of The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited, The Bank of East Asia, Limited or Hang Seng Bank Limited listed in the sub-paragraph above headed "Where to collect the **WHITE** and **YELLOW** Application Forms" or at the offices of Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, before the latest time for lodgement of the **BLUE** Application Forms, as specified in the sub-paragraph headed "When to apply for Reserved Units" below.

If the application is accepted, the Reserved Units will be transferred to and registered in the name of the relevant Qualifying HLD Shareholder.

3. How many applications you may make

Please see the sub-paragraph above "How many applications you may make" under the section "How to Apply for Hong Kong Public Offering Units" for the situations where you may make more than one application for Hong Kong Public Offering Units.

4. When to apply for Reserved Units

Completed **BLUE** Application Forms, with payment attached, must be lodged **by 12:00 noon on Wednesday, 13 December 2006**, or, if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed "Effect of bad weather on the opening of application lists" below.

Your completed **BLUE** Application Form, with one cheque or one banker's cashier order attached, should be deposited in the special collection boxes provided by Tricor Investor Services

Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong or at any of the branches of The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited, The Bank of East Asia, Limited or Hang Seng Bank Limited listed in the sub-paragraph above headed "Where to collect the **WHITE** and **YELLOW** Application Forms", at the following times:

Friday, 8 December 2006 — 9:00 a.m. to 4:30 p.m.
Saturday, 9 December 2006 — 9:00 a.m. to 12:30 p.m.
Monday, 11 December 2006 — 9:00 a.m. to 4:30 p.m.
Tuesday, 12 December 2006 — 9:00 a.m. to 4:30 p.m.
Wednesday, 13 December 2006 — 9:00 a.m. to 12:00 noon

The latest time for lodging the application is 12:00 noon on Wednesday, 13 December 2006, or if the application lists are not open on that day, then by 12:00 noon on the next day the lists are open. The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 13 December 2006, except as provided in the sub-paragraph headed "Effect of bad weather on the opening of the application lists" below.

5. Effect of bad weather on the opening of the application lists

The application lists will not be open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal,

in force in Hong Kong at any time between 8:00 a.m. and 12:00 noon on Wednesday, 13 December 2006. Instead, the application lists will be open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 8:00 a.m. and 12:00 noon.

III. HOW MUCH TO PAY FOR THE HONG KONG PUBLIC OFFERING UNITS AND RESERVED UNITS

Applicants must pay the Maximum Offer Price of HK$2.60 per Hong Kong Public Offering Unit, plus brokerage of 1%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.004% in full when they apply for the Hong Kong Public Offering Units or Reserved Units. The Application Forms have tables showing the exact amount payable for multiples of Units applied for up to 52,269,000 Units in the case of the **WHITE** and **YELLOW** Application Forms and up to 63,049,362 Units in the case of **BLUE** Application Forms.

If an application is successful, brokerage is paid to participants of the Hong Kong Stock Exchange, Hong Kong Stock Exchange trading fee is paid to the Hong Kong Stock Exchange, and SFC transaction levy is paid to the SFC.

Appropriate refund payments representing the difference (if any) between the Offer Price and the Maximum Offer Price (including brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies) will be made to successful applicants without interest.

IV. PUBLICATION OF RESULTS

The results of allocations of the Hong Kong Public Offering Units under the Hong Kong Public Offering, which will include the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers of successful applicants (where supplied), and the results of the Preferential Offering are expected to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) on Wednesday, 20 December 2006.

V. DESPATCH/COLLECTION OF UNIT CERTIFICATES AND REFUND OF APPLICATION MONIES

For details please refer to the sub-sections headed "If an application for the Hong Kong Public Offering Units and the Reserved Units is successful (in whole or in part)" and "Refund of money — additional information" in the section headed "Further Terms and Conditions of the Hong Kong Public Offering and the Preferential Offering" in this Offering Circular.

VI. COMMENCEMENT OF DEALINGS IN THE UNITS ON THE HONG KONG STOCK EXCHANGE

Assuming that the Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 21 December 2006, dealings in the Units on the Hong Kong Stock Exchange are expected to commence on Thursday, 21 December 2006. Units will be traded on the Hong Kong Stock Exchange in board lots of 1,000 each.

VII. UNITS WILL BE ELIGIBLE FOR CCASS

Subject to the granting of listing of, and permission to deal in, the Units on the Hong Kong Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, the Units will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Units on the Hong Kong Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Hong Kong Stock Exchange business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Units to be admitted into CCASS.

FURTHER TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING AND THE PREFERENTIAL OFFERING

I. General

1. If an applicant applies for Hong Kong Public Offering Units in the Hong Kong Public Offering or for Reserved Units in the Preferential Offering, the applicant will be agreeing with the Manager and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters in respect of the Hong Kong Public Offering Units and on behalf of the International Underwriters in respect of the Reserved Units) as set out below.

2. If an applicant electronically instructs HKSCC via CCASS to cause HKSCC Nominees to apply for the Hong Kong Public Offering Units on the applicant's behalf, the applicant will have authorised HKSCC Nominees to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the relevant application method.

3. In this section, references to "applicants", "joint applicants" and other like references shall, if the context so permits, include references to both nominees and principals on whose behalf HKSCC Nominees is applying for the Hong Kong Public Offering Units or for the Reserved Units; and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to HKSCC.

4. Applicants should, prior to making an application, read this Offering Circular carefully, including other terms and conditions of the Hong Kong Public Offering and the Preferential Offering, and the terms and conditions set out in the sections headed "Structure of the Offering" and "How to apply for Hong Kong Public Offering Units and Reserved Units" in this Offering Circular, contained in the relevant Application Form or imposed by HKSCC.

II. Offer to acquire the Hong Kong Public Offering Units and Reserved Units

1. Applicants offer to subscribe for at the Offer Price the number of the Hong Kong Public Offering Units or the Reserved Units indicated in their Application Forms or in their applications inputted via CCASS electronically as the case may be (or any smaller number in respect of which the application is accepted) on the terms and conditions set out in this Offering Circular and the relevant Application Form.

2. For applicants using Application Forms, where applicable, a refund cheque in respect of the surplus application monies (if any) (a) relating to the Hong Kong Public Offering Units or Reserved Units applied for but not allocated to them and (b) representing the difference (if any) between the Offer Price and the Maximum Offer Price (including, in each case, brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy attributable thereto), is expected to be sent to them at their own risk to the address stated on their Application Forms on or before Wednesday, 20 December 2006.

   Details of the procedure for refunds are contained below in the sub-sections headed "If an application for the Hong Kong Public Offering Units or the Reserved Units is successful (in whole or in part)" and "Refund of money — additional information" in this section.

3. Any application may be rejected in whole or in part.

4. Applicants under the Hong Kong Public Offering and the Preferential Offering should note that, unless otherwise provided, in no circumstances can applications be withdrawn once submitted.

5. The total number of Hong Kong Public Offering Units available under the Hong Kong Public Offering will initially be divided equally into two pools for allocation purposes: Pool A and Pool B. All valid applications that have been received for Hong Kong Public Offering Units with a total subscription amount (excluding brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy payable thereon) of HK$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Public Offering Units with a total subscription amount (excluding brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy payable thereon) of more than HK$5 million will fall into Pool B.

   Hong Kong Public Offering Units in each of Pool A and Pool B will be allocated on an equitable basis to applicants falling within each pool. Applicants should be aware that applications in Pool B are likely to receive different allocation ratios than applications in Pool A. Where either of the pools is undersubscribed, the surplus Hong Kong Public Offering Units will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Public Offering Units from Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than half of the Hong Kong Public Offering Units initially available under the Hong Kong Public Offering (that is, 52,269,000 Hong Kong Public Offering Units) will be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any International Offering Units under the International Offering (except for any Reserved Units under the Preferential Offering), and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

   In addition, the number of Hong Kong Public Offering Units comprised in Pool A and Pool B will not be determined until after applications have been made. Following such determination, applications in excess of the number of Hong Kong Public Offering Units finally determined to be comprised in Pool B (but not more than the initial maximum number) will be deemed to have been made at the number of Hong Kong Public Offering Units finally determined to be in Pool B.

   Further information is set out in the section headed "Structure of the Offering — The Hong Kong Public Offering" in this Offering Circular.

III. Acceptance of applicants' offer

1. The Hong Kong Public Offering Units will be allocated after the application lists close. The Manager expects to announce the Offer Price, the level of indications of interest in the International Offering, the results of applications in the Hong Kong Public Offering and the Preferential Offering, the basis of allocations of the Hong Kong Public Offering Units and the final number of the Hong Kong Public Offering Units comprised in the Hong Kong Public Offering, Pool A and Pool B, respectively on Wednesday, 20 December 2006, in The Standard (in English) and the Hong Kong Economic Times (in Chinese).

2. The results of allocations of the Hong Kong Public Offering Units under the Hong Kong Public Offering including the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers (where applicable) of successful applicants and the number of the Hong Kong Public Offering Units successfully applied for, as well as the results of the Preferential Offering will be made available in the manner described in the sub-section headed "Publication of results" below.

3. The Manager may accept an applicant's offer to subscribe (if the application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.

4. If the Manager accepts an applicant's offer to subscribe (in whole or in part), there will be a binding contract under which the applicant will be required to subscribe for the Hong Kong Public Offering Units or the Reserved Units in respect of which the applicant's offer has been accepted if the conditions of the Offering are satisfied or the Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Offering" in this Offering Circular.

5. Applicants will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of their application. This does not affect any other right they may have.

IV. Effect of making any application

1. By making any application, the applicant (and if the application is made by joint applicants, each of the joint applicants jointly and severally) for himself/herself/itself or as agent or nominee and on behalf of each person for whom the applicant acts as agent or nominee:

   - **instructs** and **authorises** the Manager, the Trustee and/or the Joint Global Coordinators (or their respective agents or nominees) to execute any documents on the applicant's behalf and to do on the applicant's behalf all other things necessary to effect the registration of any Hong Kong Public Offering Units or Reserved Units allocated to the applicant in the applicant's name(s) or HKSCC Nominees, as the case may be, as required by the Trust Deed and otherwise to give effect to the arrangements described in this Offering Circular and the relevant Application Form;

- **undertakes** to sign all documents and to do all things necessary to enable the applicant or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Public Offering Units or the Reserved Units allocated to the applicant, and as required by the Trust Deed;

- **represents** and **warrants** that he/she/it understands that the Units have not been and will not be registered under the US Securities Act and the applicant is outside the United States when completing the Application Form or giving an electronic application instruction and is not a U.S. person (within the meaning of Regulation S);

- **confirms** that the applicant has received a copy of this Offering Circular and has only relied on the information and representations contained in this Offering Circular in making the application, and not on any other information or representation concerning Sunlight REIT and agrees that none of the Manager, the Trustee, the Joint Global Coordinators or the Underwriters nor any of their respective directors, officers, employees, partners, agents or advisers will have any liability for any such other information or representations;

- **agrees** that (without prejudice to any other rights which the applicant may have) once the application has been accepted, the applicant may not rescind it because of an innocent misrepresentation;

- (if the application is made for the applicant's own benefit) **warrants** that in the case of the Hong Kong Public Offering, the application is the only application which will be made for the applicant's benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC via CCASS;

- (if the application is by an agent on the applicant's behalf) **warrants** that the applicant has validly and irrevocably conferred on the agent all necessary power and authority to make the application;

- (if the applicant is an agent for another person) **warrants** that in the case of the Hong Kong Public Offering, reasonable enquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC via CCASS, and that the applicant is duly authorised to sign the Application Form or to give electronic application instruction as that other person's agent;

- **undertakes** and **confirms** that, in the case of the Hong Kong Public Offering, the applicant (if the application is made for the applicant's benefit) or the person(s) for whose benefit the application is made has not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offering Units in, nor otherwise participate in, the International Offering (except in respect of the Reserved Units under the Preferential Offering);

- **warrants** the truth and accuracy of the information contained in the application;

- **agrees** to disclose to the Manager, the Trustee, the Joint Global Coordinators and their respective agents any personal data and information which they require about the applicant or the person(s) for whose benefit the applicant has made the application;

- **agrees** that the application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

- **undertakes** and **agrees** to accept the Hong Kong Public Offering Units or Reserved Units applied for, or any lesser number allocated to the applicant under the application;

- **authorises** the Manager and the Trustee to place the applicant(s)' name(s) or HKSCC Nominees, as the case may be, on the register of Unitholders of Sunlight REIT as the holder(s) of any Hong Kong Public Offering Units or Reserved Units allocated to the applicant, and the Manager, the Trustee and/or their respective agents to send any Unit certificate (in the case of applicants using **WHITE** or **BLUE** Application Forms only) and/or any refund cheque (in the case of applicants using any Application Forms) to the applicant or (in case of joint applicants) the first named applicant in the Application Form by ordinary post at the applicant's own risk to the address stated on the applicant's Application Form, except that if an applicant has applied for 1,000,000 or more Hong Kong Public Offering Units or Reserved Units and has indicated in the Application Form that the applicant will collect the Unit certificate(s) (in the case of applicants using **WHITE** and **BLUE** Applications Forms only) and refund cheque (in the case of applicants using any Application Forms) in person, the applicant may do so from the Unit Registrar from 9:00 a.m. to 1:00 p.m. on Wednesday, 20 December 2006, (or any other date notified by the Manager in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as the date of despatch and availability of Unit certificates and refund cheques);

- **understands** that these declarations and representations will be relied upon by the Manager and the Joint Global Coordinators in deciding whether or not to allocate any Hong Kong Public Offering Units or Reserved Units in response to the applicant's application; and

- if the laws of any place outside Hong Kong are applicable to an applicant's application, the applicant **agrees** and **warrants** that he/she/it has complied with all such laws and none of the Manager, the Trustee, the Joint Global Coordinators or the Underwriters nor any of their respective directors, employees, partners, agents, officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of the applicant's offer to acquire, or any actions arising from the applicant's rights and obligations under the terms and conditions contained in this Offering Circular.

2. If an applicant applies for the Hong Kong Public Offering Units using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in 1 above, the applicant (and in the case of joint applicants, each of the joint applicants jointly and severally) **agrees** that:

   - any Hong Kong Public Offering Units allocated to the applicant shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to the applicant's CCASS Investor Participant stock account or the stock account of the applicant's designated CCASS Participant, in accordance with the applicant's election on the Application Form;

   - each of HKSCC and HKSCC Nominees reserves the right at its absolute discretion: (i) **not to accept** any or part of the Hong Kong Public Offering Units allocated to the applicant in the name of HKSCC Nominees or **not to accept** such allocated Hong Kong Public Offering Units for deposit into CCASS; (ii) to cause such allocated Hong Kong Public Offering Units to be withdrawn from CCASS and transferred into the applicant's name (or, in the case of joint applicants, to the name of the first-named applicant) at the applicant's own risk and costs; and (iii) to cause such **allocated Hong Kong Public Offering Units to be issued in the applicant's name** (or, in the case of joint applicants, to the first-named applicant) and in such a case, to **post the Unit certificates** for such allocated Hong Kong Public Offering Units at the applicant's own risk to the address on the applicant's Application Form by ordinary post **or to make available the same for the applicant's collection;**

   - each of HKSCC and HKSCC Nominees may adjust the number of the Hong Kong Public Offering Units issued in the name of HKSCC Nominees;

   - neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this Offering Circular and the Application Form; and

   - neither HKSCC nor HKSCC Nominees shall be liable to the applicant in any way.

3. In addition, by giving electronic application instructions to HKSCC or instructing a broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give such instructions to HKSCC via CCASS, an applicant (and in the case of joint applicants, each of the joint applicants jointly and severally) is deemed to do the following additional things and neither HKSCC nor HKSCC Nominees will be liable to the Manager nor any other person in respect of such things:

   - **instruct** and **authorise** HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for the Hong Kong Public Offering Units on the applicant's behalf;

- **instruct** and **authorise** HKSCC to arrange payment of the Maximum Offer Price, brokerage, the Hong Kong Stock Exchange trading fee and the SFC transaction levy by debiting the applicant's designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the Offer Price is less than the Maximum Offer Price, refund the appropriate portion of the application money by crediting the applicant's designated bank account;

- **instruct** and **authorise** HKSCC to cause HKSCC Nominees to do on the applicant's behalf the following and any other thing which it is stated to do on the applicant's behalf in the **WHITE** Application Form;

- **agree** that HKSCC Nominees is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this Offering Circular;

- **agree** that the Hong Kong Public Offering Units to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to the applicant's CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted electronic application instructions on the applicant's behalf;

- **undertake** and **agree** to accept the Hong Kong Public Offering Units in respect of which the applicant has given electronic application instructions or any lesser number;

- **undertake** and **confirm** that the applicant has not applied for or taken up any International Offering Units under, nor otherwise participated in the International Offering (except in respect of the Reserved Units under the Preferential Offering);

- (if the electronic application instructions are given for the applicant's own benefit) **declare** that only one set of electronic application instructions under the Hong Kong Public Offering has been given for the applicant's benefit;

- (if the applicant is an agent for another person) **declare** that the applicant has given only one set of electronic application instructions for the benefit of that other person, and that the applicant is duly authorised to give those instructions as that other person's agent;

- **understand** that the above declaration will be relied upon by the Manager and the Joint Global Coordinators in deciding whether or not to make any allocation of the Hong Kong Public Offering Units in respect of the electronic application instructions given by the applicant and that the applicant may be prosecuted if the applicant makes a false declaration;

- **authorise** the Manager and the Trustee to place the name of HKSCC Nominees on the register of Unitholders of Sunlight REIT as the holder of the Hong Kong Public Offering Units allocated in respect of the applicant's electronic application instructions and to send Unit certificates and/or refund monies in accordance with arrangements separately agreed between the Manager or the Trustee and HKSCC;

- **confirm** that the applicant has read the terms and conditions and application procedures set out in this Offering Circular and agrees to be bound by them;

- **confirm** that the applicant has only relied on the information and representations in this Offering Circular in giving the applicant's electronic application instructions or instructing the applicant's broker/custodian to give electronic application instructions on the applicant's behalf;

- **agree** that the Manager, the Trustee, the Joint Global Coordinators, the Underwriters and any other parties involved in the Hong Kong Public Offering are liable only for the information and representations contained in this Offering Circular;

- **agree** (without prejudice to any other rights which the applicant may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;

- **agree** to disclose the applicant's personal data to the Manager, the Trustee, the Joint Global Coordinators, the Unit Registrar, the receiving banker(s), their respective agents and advisers together with any information about the applicant which they require;

- **agree** that the application made by HKSCC Nominees on behalf of the person pursuant to electronic application instructions given by the person is irrevocable, such agreement to take effect as a collateral contract with the Manager and to become binding when the applicant gives the instructions and such collateral contract to be in consideration of the Manager agreeing that it will not offer any Hong Kong Public Offering Units to any person except by means of one of the procedures referred to in this Offering Circular;

- **agree** that once the application of HKSCC Nominees is accepted, neither that application nor the applicant's electronic application instructions can be revoked and that acceptance of that application will be evidenced by the results of the Hong Kong Public Offering made available by the Manager; and

- **agree** to the arrangements, undertakings and warranties specified in the participant agreement between the applicant and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of electronic application instructions relating to the Hong Kong Public Offering Units.

4. The Manager, the Trustee, the Joint Global Coordinators, the Underwriters, any other parties involved in the Hong Kong Public Offering or the Preferential Offering and their respective directors, officers, employees, partners, agents and advisers are entitled to rely on any warranty, representation or declaration made by the applicants in their applications.

5. All the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally.

V. Circumstances in which applicants may not be allocated Hong Kong Public Offering Units or Reserved Units

Details of the circumstances in which applicants may not be allocated any Hong Kong Public Offering Units under the Hong Kong Public Offering or Reserved Units under the Preferential Offering are set out in the notes attached to the relevant Application Forms, and should be read carefully. The Joint Global Coordinators and their agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

Applicants should note in particular the following situations in which Hong Kong Public Offering Units may not be allocated to them or their applications are liable to be rejected or satisfied only in part (as applicable):

1. If the conditions set out in the section headed "Structure of the Offering — Conditions of the Hong Kong Public Offering and the Preferential Offering" in this Offering Circular are not fulfilled on or before Thursday, 21 December 2006.

2. If the Joint Global Coordinators or their agents or nominees exercise their discretion to reject or to accept any application, or to accept only part of any application.

3. If:

   - the application is a multiple or a suspected multiple application;
   - the Application Form is not completed correctly or fully in accordance with the instructions;
   - the payment is not made correctly or payment is made by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;
   - the applicant or the person for whose benefit the applicant is applying has applied for and/or received or will receive Units under the International Offering (except for the Reserved Units under the Preferential Offering);

- either of the Underwriting Agreements does not become unconditional or is terminated in accordance with the terms thereof;

- the applicant applies for more than 52,269,000 Units, representing half of the Hong Kong Public Offering Units initially made available for subscription under the Hong Kong Public Offering; or

- the application for Units is not in one of the multiples set out in the table in the relevant **WHITE** and **YELLOW** Application Form.

4. If an applicant is giving electronic application instructions to HKSCC to apply for Hong Kong Public Offering Units on his/her/its behalf, the applicant will also not be allocated any Hong Kong Public Offering Units if the relevant HKSCC Nominees' application is not accepted.

Applicants should note in particular the following situations in which Reserved Units may not be allocated to them or their applications are liable to be rejected or satisfied only in part (as applicable):

1. If the conditions set out in the section headed "Structure of the Offering — Conditions of the Hong Kong Public Offering and the Preferential Offering" in this Offering Circular are not fulfilled or waived on or before Thursday, 21 December 2006.

2. If the Joint Global Coordinators or their agents or nominees exercise their discretion to reject or to accept any application, or to accept only part of any application.

3. If:

   - the Application Form is not completed correctly or fully in accordance with the instructions;

   - the payment is not made correctly or payment is made by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;

   - either of the Underwriting Agreements does not become unconditional or is terminated in accordance with the terms thereof; or

   - the Units applied for exceed the amount of the applicant's Assured Entitlement (in this event, the Assured Entitlement will be satisfied in full but the excess portion of such application, together with such part of the applications for Reserved Units from other Qualifying HLD Shareholders in excess of their Assured Entitlements, will only be met to the extent that there are sufficient available Reserved Units resulting from (i) other Qualifying HLD Shareholders declining to take up some or all of their Assured Entitlements or (ii) Non-qualifying HLD Shareholders not qualifying for any Assured Entitlements).

VI. Publication of results

The announcement of the Offer Price, the level of indications of interest in the International Offering, the results of applications in the Hong Kong Public Offering and the Preferential Offering, the basis of allocations of the Hong Kong Public Offering Units, the final number of Hong Kong Public Offering Units comprised in the Hong Kong Public Offering, Pool A and Pool B, respectively, is expected to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) on or before Wednesday, 20 December 2006.

If an applicant is unable to locate his/her/its allocation results, he/she/it can contact the Unit Registrar, Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong or by calling 2980 1333 between 9:00 a.m. and 6:00 p.m. daily from Monday to Friday.

VII. If an application for the Hong Kong Public Offering Units or the Reserved Units is successful (in whole or in part)

1. If applicants are applying using a **WHITE** or **BLUE** Application Form and the application is wholly or partly successful:

   - For those applicants who apply for (i) less than 1,000,000 Hong Kong Public Offering Units or Reserved Units or (ii) 1,000,000 or more Hong Kong Public Offering Units or Reserved Units but who have not opted for personal collection, their Unit certificates and/or refund cheques are expected to be sent on or before Wednesday, 20 December 2006 to the address as stated in their Application Forms by ordinary post and at their own risk. **Applicants should note that there is no guarantee when he/she/it will receive his/her/its Unit certificates by post. Therefore if such applicant sells his/her/its Units in the first few days after the Units commence trading on the Hong Kong Stock Exchange, he/she/it may not receive his/her/its Unit certificates in time for settlement.**

   - Applicants who apply on **WHITE** Application Forms or **BLUE** Application Forms for 1,000,000 or more Hong Kong Public Offering Units or Reserved Units under the Hong Kong Public Offering or the Preferential Offering and have indicated in their Application Forms that they wish to collect Unit certificates and refund cheques in person may do so from the Unit Registrar from 9:00 a.m. to 1:00 p.m. on Wednesday, 20 December 2006 (or any other date notified by the Manager in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as the date of despatch and availability of Unit certificates and refund cheques).

   - Applicants being individuals who opt for personal collection cannot authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by personal authorised representatives each bearing a letter of authorisation from the corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Unit Registrar.

   - Uncollected Unit certificates and refund cheques will be dispatched by ordinary post to the addresses specified in the relevant Application Forms at the applicants' own risk.

2. If: (i) applicants are applying on a **YELLOW** Application Form; or (ii) applicants are giving electronic application instructions to HKSCC, and the application is wholly or partly successful, the Unit certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to the applicant's CCASS Investor Participant stock account or the stock account of the applicant's designated CCASS Participant as instructed by the applicant (on the Application Form or electronically, as the case may be), at the close of business on Wednesday, 20 December 2006 or, under contingent situation, on any other date HKSCC or HKSCC Nominees chooses.

- If an applicant is applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a **YELLOW** Application Form:

  the applicant can check the number of Hong Kong Public Offering Units allocated to him/her/it with that CCASS Participant.

- If an applicant is applying as a CCASS Investor Participant on a **YELLOW** Application Form:

  The Manager is expected to make available the results of the Hong Kong Public Offering, including the results of CCASS Investor Participants' applications, in the manner described in the sub-section headed "Publication of results" above, on Wednesday, 20 December 2006. Applicants should check the results made available by the Manager and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 20 December 2006 or such other date HKSCC or HKSCC Nominees chooses. Immediately after the credit of the Hong Kong Public Offering Units to the applicants' stock accounts, applicants can check their new account balance via the CCASS Phone System by calling 2979 7888 or CCASS Internet System at https://ip.ccass.com (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to the applicants an activity statement showing the number of Hong Kong Public Offering Units credited to their stock accounts.

- If an applicant has given electronic application instructions to HKSCC:

  The Manager is expected to make available the application results of the Hong Kong Public Offering, including the results of applications made electronically by CCASS Participants (and in the case of CCASS Broker Participants and CCASS Custodian Participants, the Manager shall include information relating to the beneficial owner, if supplied), the applicant's Hong Kong identity card/passport/Hong Kong business registration number or other identification code (as appropriate) in the manner described in the sub-section headed "Publication of results" above, on Wednesday, 20 December 2006. Applicants should check the results made available by the Manager and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 20 December 2006 or on any other date HKSCC or HKSCC Nominees chooses.

- If an applicant is instructing a CCASS Broker Participant or CCASS Custodian Participant to give electronic application instructions to HKSCC on the applicant's behalf:

  Applicants can also check the number of Hong Kong Public Offering Units allocated to them and the amount of refund (if any) payable to them with that CCASS Broker Participant or CCASS Custodian Participant.

- If an applicant is applying as a CCASS Investor Participant by giving electronic instruction to HKSCC:

  Applicants can also check the number of the Hong Kong Public Offering Units allocated to them and the amount of refund (if any) payable to them via the CCASS Phone System by calling 2979 7888 or CCASS Internet System at https://ip.ccass.com (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 20 December 2006 or on any other date HKSCC or HKSCC Nominees chooses. HKSCC will also make available to them an activity statement showing the number of the Hong Kong Public Offering Units credited to their stock accounts and the amount of refund (if applicable) credited to their designated bank accounts.

- If applicants are applying using a **YELLOW** Application Form:

  For those applicants who apply for (i) less than 1,000,000 Hong Kong Public Offering Units or (ii) 1,000,000 or more Hong Kong Public Offering Units but who have not opted for personal collection, their refund cheques are expected to be sent on or before Wednesday, 20 December 2006 to the address as stated in their Application Forms by ordinary post and at their own risk. For those applicants who apply for 1,000,000 or more Hong Kong Public Offering Units under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect refund cheques in person may do so from the Unit Registrar from 9:00 a.m. to 1:00 p.m. on Wednesday, 20 December 2006 (or any other date notified by the Manager in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as the date of despatch and availability of refund cheques).

  Applicants being individuals who opt for personal collection cannot authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by personal authorised representatives each bearing a letter of authorisation from the corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Unit Registrar.

  Uncollected refund cheques will be dispatched by ordinary post to the addresses specified in the relevant Application Forms at the applicants' own risk.

No receipt will be issued for application monies paid. The Manager will not issue temporary documents of title.

VIII. Refund of money — additional information

1. An applicant will be entitled to a refund if:

   - the application is not successful or the conditions of the Hong Kong Public Offering and the Preferential Offering are not fulfilled in accordance with the section headed "Structure of the Offering — Conditions of the Hong Kong Public Offering and the Preferential Offering" in this Offering Circular, in which case the Manager will arrange to refund the application money together with the brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy to the applicant, without interest;

   - the application is accepted only in part, in which case the Manager will arrange to refund the appropriate portion of the application money, together with related brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy, without interest; and

   - the Offer Price (as finally determined) is less than the price per Unit initially paid by the applicant on application, in which case the Manager will arrange to refund the surplus application money together with the appropriate portion of brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy, without interest.

2. If an applicant applies by using any Application Form for 1,000,000 or more Hong Kong Public Offering Units or Reserved Units under the Hong Kong Public Offering or the Preferential Offering and has indicated in the Application Form that the applicant wishes to collect refund cheques (if applicable) in person from the Unit Registrar, the applicant may collect the refund cheque (if any) in person from the Unit Registrar on Wednesday, 20 December 2006 (or any other date notified by the Manager in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as the date of despatch and availability of refund cheques). The procedure for collection of refund cheques is set out in the sub-section headed "If an application for the Hong Kong Public Offering Units or the Reserved Units is successful (in whole or in part)" in this section.

3. If an applicant applies by using any Application Form (a) for 1,000,000 or more Hong Kong Public Offering Units or Reserved Units and has not indicated in the applicant's Application Form that it will collect its refund cheque in person or (b) for less than 1,000,000 Hong Kong Public Offering Units or Reserved Units, the applicant's refund cheque is expected to be sent to the address on the applicant's Application Form on Wednesday, 20 December 2006 by ordinary post at its own risk.

4. If an applicant is applying by giving electronic application instructions to HKSCC to cause HKSCC Nominees to apply on the applicant's behalf, all refunds are expected to be credited to the applicant's designated bank account (if the applicant is applying as a CCASS Investor Participant) or the designated bank account of the applicant's broker or custodian (if the applicant is applying through a CCASS Broker/Custodian Participant) on Wednesday, 20 December 2006.

5. All refund cheques will be crossed "Account Payee Only", and made out to the applicants, or if the applicants are a joint applicant, to the first-named applicant on the Application Form. Part of the applicant's Hong Kong identity card number/passport number, or, if the applicants are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by the applicant may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. A banker may require verification of the applicant's Hong Kong identity card number/passport number before encashment of the applicant's refund cheque. Inaccurate completion of the applicant's Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate the applicant's refund cheque.

Refund cheques are expected to be dispatched on Wednesday, 20 December 2006. It is intended that when processing applications, special efforts will be made to avoid delays in refunding application monies due.

IX. Personal Data

Personal information collection statement

The main provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) ("Ordinance") came into effect in Hong Kong on 20 December 1996. This Personal Information Collection Statement informs the applicant for and holder of Hong Kong Public Offering Units or Reserved Units of the policies and practices of the Trustee, the Manager and the Unit Registrar in relation to personal data and the Ordinance.

1. Reasons for the collection of your personal data

From time to time it is necessary for applicants for Units or registered holders of Units to supply their latest correct personal data to the Trustee, the Manager and the Unit Registrar when applying for Units or transferring Units into or out of their names or in procuring the services of the Unit Registrar.

Failure to supply the requested data may result in an applicant's application for Units being delayed or an applicant's application may not be considered. It may also prevent or delay registration or transfer of the Units which an applicant has successfully applied for and/or the despatch of Unit certificate(s), and/or the despatch or encashment of refund cheque(s) to which an applicant is entitled.

It is important that applicants inform the Trustee, the Manager and the Unit Registrar immediately of any inaccuracies in the data supplied.

2. Purposes

The personal data of applicants may be used, held and/or stored (by whatever means) for the following purposes:

- processing of an applicant's application and refund cheque, where applicable, and verification of compliance with the terms and application procedures set out in this Offering Circular and the Application Forms and announcing results of allocations of Hong Kong Public Offering Units and Reserved Units;
- registering new issues or transfers into or out of the name of Unitholders including, where applicable, HKSCC Nominees;
- maintaining or updating the register of Unitholders;
- conducting or assisting to conduct signature verifications, any verification or exchange of information;
- establishing entitlements of holders of Units, such as distributions and notices;
- distributing communications from or on behalf of the Trustee or the Manager in relation to Sunlight REIT;
- compiling statistical information and investor profiles;
- enabling compliance with all applicable laws, rules and regulations (whether statutory or otherwise) in Hong Kong or elsewhere;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or enable the Trustee, the Manager and the Unit Registrar to discharge their obligations to holders of Units and/or regulators and/or any other purposes to which the holders of Units may from time to time agree.

3. Transfer of personal data

Personal data (including Hong Kong identity card details) held by the Trustee, the Manager and the Unit Registrar relating to the applicants and the holders of Units will be kept confidential but the Trustee, the Manager and the Unit Registrar may, to the extent necessary for achieving the above purposes or any of them, make such enquiries as they consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain or transfer (whether within or outside

Hong Kong) the personal data of the applicants and the holders of Units to, from or with any and all of the following persons and entities:

- the Trustee, the Manager or its appointed agents such as financial advisers, receiving bankers;
- where applicants for Units request deposit into CCASS, to HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any broker whose company chop or other identification number has been placed on the Application Form;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Trustee, the Manager or the Unit Registrar in connection with the operation of their respective businesses;
- the Hong Kong Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies in Hong Kong or elsewhere; and
- any other persons or institutions with which the holders of Units have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

4. Access to and correction of personal data

The Ordinance provides applicants with rights to ascertain whether the Trustee, the Manager or the Unit Registrar holds their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. In accordance with that Ordinance, the Trustee, the Manager and the Unit Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices and kinds of data held should be addressed to the Trustee, the Manager, or the Unit Registrar for the attention of the privacy compliance officer.

DEFINITIONS

In this Offering Circular, unless the context otherwise requires, the following terms shall have the meanings set out below:

135 Bonham Strand Trade Centre Property	means the shops nos. 1, 2, 6 and 7 on the ground floor and offices nos. 1, 2, 3, 4 and 5 on the 1st, 2nd, 6th to 21st (both inclusive) and the 24th floor of 135 Bonham Strand Trade Centre situated at no. 135 Bonham Strand, Hong Kong as directly owned by Tinselle Investment Limited.
135 Bonham Strand Trade Centre Property Sale and Purchase Agreement	means the agreement dated 2 December 2006 entered into between Corpson as vendor and the Holding Company as purchaser for the sale and purchase of shares in Onecote Assets Limited, a company incorporated in BVI and which indirectly, through its wholly-owned subsidiary, Tinselle Investment Limited, owns 135 Bonham Strand Trade Centre Property.
235 Wing Lok Street Trade Centre	means 235 Wing Lok Street Trade Centre situated at no. 235 Wing Lok Street, Hong Kong as directly owned by Bestguard Investment Limited.
235 Wing Lok Street Trade Centre Sale and Purchase Agreement	means the agreement dated 2 December 2006 entered into between Profit Best Development Limited as vendor and Fulux Limited as purchaser for the sale and purchase of shares in Bestguard Investment Limited, a company incorporated in Hong Kong and which directly owns 235 Wing Lok Street Trade Centre.
248 Queen's Road East	means the whole building including all car-parking spaces, loading and unloading spaces of 248 Queen's Road East situated at no. 248 Queen's Road East, Wanchai, Hong Kong as directly owned by Jetwise Investment Limited, Harzone Limited and Russum Company Limited as to approximately 78.4%, 17.1% and 4.5% respectively.
248 Queen's Road East Sale and Purchase Agreement	means the two agreements both dated 2 December 2006 respectively entered into between (1) Corpson as vendor and the Holding Company as purchaser for the sale and purchase of the entire issued share capital of Meca Enterprises Limited, a company incorporated in BVI which indirectly, through its wholly-owned subsidiaries, Jetwise Investment Limited and Russum Company Limited, owns 248 Queen's Road East as to approximately 82.9% in aggregate; and (2) HLD as vendor and Barson Resources Limited as purchaser for the sale and purchase of shares in Harzone Limited which directly owns 248 Queen's Road East as to approximately 17.1%.

Acquisition Arrangements	means the arrangements described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT" in this Offering Circular pursuant to which Sunlight REIT will indirectly acquire the Properties pursuant to, and under the terms of, the Sale and Purchase Agreements.
Acquisition Fee	means the fee payable to the Manager not exceeding the rate of 1.0% of the acquisition price for any real estate purchased directly or indirectly by Sunlight REIT (pro-rated if applicable to the proportion of Sunlight REIT's interest in the real estate acquired), other than in respect of acquisitions of the Properties in connection with the Offering or such other rate as may be fixed or determined pursuant to the Trust Deed.
Acquisition Value	means, in respect of each Property in relation to which a Sale and Purchase Agreement is entered into, the acquisition value of such Property as agreed between the relevant Vendor and the relevant Purchaser Company under the relevant Sale and Purchase Agreement.
Acquisitions	means the acquisitions by the Purchaser Companies, of the Target Company Shares, the Target Properties, the Finance Company Share and the Domain Name Company Share pursuant to the Sale and Purchase Agreements.
Additional Properties	means at least two office and/or retail properties in Hong Kong or all or effectively all voting shares in companies interested in such properties that are consistent with Sunlight REIT's investment policy and strategy, are of a quality commensurate with the Properties and are in aggregate of a then value equivalent to at least 30% of the total Appraised Value of the Properties.
Adjusted NAV	means adjusted net asset value and represents NAV excluding deferred tax assets and liabilities, and related reimbursement right pursuant to the tax indemnity provided by the Vendors.
Adjustment Payments	means the adjustment payments made to the Trustee (for the benefit of Sunlight REIT) pursuant to the Deeds of Adjustment Payments.

Adjustment Sum	means the aggregate amount equivalent to the Offer Price multiplied by 1,487,013,000 Units, (i) minus the sum of HK$3,643,181,850 which is equivalent to the Minimum Offer Price of HK$2.45 multiplied by 1,487,013,000 Units, and (ii) minus the total additional amount of fees, commissions (including, without limitation, any and all underwriting commission and additional incentive fee) and expenses payable by Sunlight REIT or the Manager as a result of the Offer Price being finally determined at a level above the Minimum Offer Price (where the Adjustment Sum before taking this item (ii) into account is positive), or plus the total reduction in the amount of fees, commissions (including, without limitation, any and all underwriting commission and additional incentive fee) and expenses payable by Sunlight REIT or the Manager as a result of the Offer Price being finally determined at a level below the Minimum Offer Price (where the Adjustment Sum before taking this item (ii) into account is negative), and, for the avoidance of doubt, the Adjustment Sum may be positive, zero, or negative.
Adjustments	has the meaning given to it in the section headed "Distribution Policy" in this Offering Circular.
Annual Distributable Income	has the meaning given to it in the section headed "Distribution Policy" in this Offering Circular.
Application Form(s)	means the **WHITE** application form(s), **YELLOW** application form(s), and **BLUE** application form(s) or, where the context so requires, any of them.
Appraised Value	means the value of a particular Property, as at 30 September 2006, as appraised by the Independent Property Valuer as set out in Appendix V to this Offering Circular.
Articles of Association	means the articles of association of the Manager.
associate	has the meaning ascribed to it under the SFO.

Assured Entitlement	means the entitlements of Qualifying HLD Shareholders to apply for Reserved Units under the Preferential Offering on the basis of an assured entitlement of one Reserved Unit for every whole multiple of 13 HLD Shares held by each Qualifying HLD Shareholder at the close of business on 7 December 2006. For the avoidance of doubt, any holding of any Qualifying HLD Shareholder of less than 13 HLD Shares as at the close of business on 7 December 2006 will not entitle the holder to apply for any Reserved Unit.
Assured Minimum Rental	means HK$405.4 million per annum, on a pro rata basis, in respect of the period from the Listing Date to 30 June 2007, HK$429.4 million per annum in respect of the year ending 30 June 2008 and HK$454.9 million per annum in respect of the year ending 30 June 2009.
Average Occupancy Level or Average Occupancy Rate	in respect of each Property over the relevant period, is derived by dividing the sum of the occupancy rates as at the end of each month during the relevant period for the relevant Property by the number of months in the relevant period.
Banking Ordinance	means the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) as amended, supplemented or otherwise modified for the time being.
Base Distribution Waiver Units	has the meaning given to it in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — Deeds of Distribution Waiver" in this Offering Circular.
Base Fee	means the fee payable to the Manager not exceeding 0.4% per annum of the Property Values at the relevant time or such other rate as may be fixed or determined pursuant to the Trust Deed.
Beverley Commercial Centre Property	means shop nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 17, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 71, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83 and 84 on the ground floor of Beverley Commercial Centre situated at 87-105 Chatham Road South, Kowloon as directly owned by Newcorp Development Limited.
Beverley Commercial Centre Property Sale and Purchase Agreement	means the agreement dated 2 December 2006 entered into between Perfect Bright and Furnline as vendors and Mecon Resources Limited as purchaser for the sale and purchase of shares in Newcorp Development Limited, a company incorporated in Hong Kong and which directly owns Beverley Commercial Centre Property.

Board	means the board of Directors.
Bonham Trade Centre	means Bonham Trade Centre situated at no. 50 Bonham Strand, Sheung Wan, Hong Kong as directly owned by Nicetex Development Limited.
Bonham Trade Centre Sale and Purchase Agreement	means the two agreements both dated 2 December 2006 and both between Crown Faith Enterprises Ltd. as vendor and the Holding Company as purchaser for the sale and purchase of shares in (1) Balwyn Assets Limited; and (2) Caufield Assets Limited, both incorporated in BVI and which indirectly, through Nicetex Development Limited (a company incorporated in Hong Kong and which is owned by each of Balwyn Assets Limited and Caufield Assets Limited as to 50% respectively), own Bonham Trade Centre.
Business Day	means a day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning no. 8 or above or a "black" rainstorm warning signal is hoisted in Hong Kong at any time between the hours of 9:00 a.m. and 5:00 p.m.) on which licensed banks are open for general business in Hong Kong.
BVI	means the British Virgin Islands.
CCASS	means the Central Clearing and Settlement System established and operated by HKSCC.
CCASS Broker Participant	means a person admitted to participate in CCASS as a broker participant.
CCASS Custodian Participant	means a person admitted to participate in CCASS as a custodian participant.
CCASS Investor Participant	means a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation.
CCASS Participant	means a CCASS Broker Participant or a CCASS Custodian Participant or a CCASS Investor Participant.
CEPA	means the Closer Economic Partnership Arrangement between Hong Kong and the PRC.
Charge-out Collections	as used in the Property Management Agreement, mean, in respect of a real estate property, and in relation to any financial year or part thereof, all air-conditioning charges, management fees, promotional charges, government rates, government rents, utility charges, cleaning and other charges which are payable by tenants or licensees to the relevant property holding company.

Companies Ordinance	means the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified for the time being.
Completion	means the completion of the sale and purchase of the Target Company Shares, the Target Properties, the Finance Company Share and the Domain Name Company Share pursuant to the Sale and Purchase Agreements.
Compliance Manual	means the Manager's compliance manual in relation to the management of Sunlight REIT.
connected person	has the meaning ascribed to it in the REIT Code.
Consolidated Rental Income	means, in respect of any financial year, and after any adjustments are made under the Deeds of Adjustment Payments by deducting amounts contributed by real estate other than the Properties, the total consolidated Rental Income together with any amounts of loss of rental insurance claims accounted for in the published audited annual financial report of Sunlight REIT for the relevant financial year.
Convertible Instruments	means any securities convertible or exchangeable into Units, or any options or warrants or similar rights for the subscription or issue of Units (or securities convertible or exchangeable into Units), issued by Sunlight REIT or any special purpose vehicle of Sunlight REIT; and references to an issue of Units "**pursuant to**" any Convertible Instruments means an issue of Units pursuant to exercise of any conversion, exchange, subscription or similar rights (as the case may be) under the terms and conditions of such Convertible Instruments.
Corpson	means Corpson Investment Limited, a company incorporated in BVI which is indirectly wholly-owned by SKFE.
CPO	means the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) as amended, supplemented or otherwise modified for the time being.
Deeds of Adjustment Payments	means the HLD Deed of Adjustment Payments, the SKFE Deed of Adjustment Payments, the HIL Deed of Adjustment Payments and the HD Deed of Adjustment Payments.
Deeds of Distribution Waiver	means the HLD Deed of Distribution Waiver and the SKFE Deed of Distribution Waiver.

deed of mutual covenant or DMC	means, in respect of a property, the deed which: (a) defines and regulates the rights, interests and obligations of the owners and the manager of the development (of which the property forms part); and (b) sets out provisions relating, amongst others, to the management and maintenance of such development.
Deed of Tax Covenant	means each of the deeds expected to be entered into between the relevant Vendors and the relevant guarantor(s) in favour of the Trustee (as trustee of Sunlight REIT) on completion of the Sale and Purchase Agreements (other than the Property Sale and Purchase Agreements).
Deposited Property	means all the assets of Sunlight REIT for the time being held or deemed to be held (including but not limited to through special purpose vehicles) upon the trust constituted by the Trust Deed, including all authorised investments as allowed under the Trust Deed, and interest arising on subscription monies from, or application monies for, the issuance of Units.
Director of Lands	means the head of the Lands Department in Hong Kong, a government authority for land-related matters.
Directors	means the directors of the Manager.
Distribution Waiver	means the waiver of certain entitlements to distributions of Sunlight REIT pursuant to the Deeds of Distribution Waiver and, where applicable, the payment of any Distribution Waiver Payments.
Distribution Waiver Payments	means the payments made to the Trustee (for the benefit of Sunlight REIT) by the HLD Subscribers or the SKFE Subscribers under the Deeds of Distribution Waiver.
distribution yield	means DPU, on an annualised basis, divided by the market price (or any price as otherwise specified) of a Unit and expressed in percentage terms.
Divestment Fee	means the fee payable to the Manager not exceeding the rate of 0.5% of the sale price of any real estate directly or indirectly sold or divested by Sunlight REIT (pro-rated if applicable to the proportion of Sunlight REIT's interest in the real estate sold) or such other rate as may be fixed or determined pursuant to the Trust Deed.

Domain Name Company	means Smartwise Services Limited, a company incorporated in BVI.
Domain Name Company Sale and Purchase Agreement	means the agreement dated 2 December 2006 entered into between, Corpson as vendor and the Holding Company as purchaser for the sale and purchase of the Domain Name Company Share.
Domain Name Company Share	means the share comprising the entire issued share capital of the Domain Name Company.
DPU	means distribution(s) per Unit.
DPU Guarantee	means the deeds of guarantee dated 2 December 2006 and entered into by the Vendors of the Target Company Shares and SKFE or HLD or HD (as the case may be) as guarantor, and the deed of guarantee dated 2 December 2006 and entered into by HIL, in each case with the Trustee (as trustee of Sunlight REIT) and the Manager under which the DPU of Sunlight REIT for the period from the Listing Date to 30 June 2009 is guaranteed and together, the "DPU Guarantees".
Everglory Centre	means Everglory Centre situated at no. 1B Kimberley Street, Tsimshatsui, Kowloon as directly owned by Strong Bright Technology Limited.
Everglory Centre Sale and Purchase Agreement	means the agreement dated 2 December 2006 entered into between Keep Harvest Development Limited as vendor and Kasing Investment Limited as purchaser for the sale and purchase of shares in Strong Bright Technology Limited, a company incorporated in Hong Kong and which directly owns Everglory Centre.
Executive Officers	means the executive officers of the Manager as at the date of this Offering Circular.
Existing Borrowings	means, in respect of each Target Company and its subsidiary or subsidiaries where appropriate, the aggregate amount of its indebtedness (other than any intercompany loans) for borrowed monies comprising all amounts whether principal, interest or otherwise owing and outstanding immediately prior to Completion.

Facility	means the aggregate HK$4,050 million secured credit facility extended to the Finance Company, comprising a term loan facility and a revolving credit facility with a group of banks, including Bank of China (Hong Kong) Limited, BNP Paribas Hong Kong Branch, Calyon, DBS Bank Ltd., Hang Seng Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Oversea-Chinese Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited and Sumitomo Mitsui Banking Corporation acting as mandated arrangers.
Facility Agreements	means the term loan facility agreement, the revolving credit facility agreement and, as relevant, the security documents and other agreements relating to the Facility and any supplemental/amendment agreements thereof.
Finance Company	means Transmart Enterprises Limited, a company incorporated in BVI.
Finance Company Sale and Purchase Agreement	means the agreement dated 2 December 2006 entered into between, Corpson as vendor and the Holding Company as purchaser for the sale and purchase of the Finance Company Share.
Finance Company Share	means the share comprising the entire issued share capital of the Finance Company.
Force Majeure	has the meaning given to it in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — DPU Guarantees" in this Offering Circular.
Furnline	means Furnline Limited, a company incorporated in BVI which is indirectly owned by a family trust of Dr. Lee Shau Kee.
FY2003	means the financial year ended 30 June 2003.
FY2004	means the financial year ended 30 June 2004.
FY2005	means the financial year ended 30 June 2005.
FY2006	means the financial year ended 30 June 2006.
GDP	means gross domestic product.
gearing ratio	means the ratio of consolidated borrowings to total gross asset value.

Glory Rise Property	means unit A with rear yard, unit B with rear yard, unit C, unit D, unit E with rear yard, unit F with rear yard on the ground floor, and unit 1, unit 2 (together with A/C plinth on the 2nd floor) and unit 3 on the 1st floor and the advertising spaces of Glory Rise situated at no. 128 Chun Yeung Street, North Point, Hong Kong as directly owned by Pacific Joy Investment Limited.
Glory Rise Property Sale and Purchase Agreement	means the agreement dated 2 December 2006 entered into between Panson Resources Limited as vendor and the Holding Company as purchaser for the sale and purchase of the entire issued share capital of Protim International Limited, a company incorporated in BVI and which indirectly, through Pacific Joy Investment Limited, owns Glory Rise Property as to 100% at Completion.
Government	means the Government of the Hong Kong Special Administrative Region.
Government Grant	means in respect of each Property, the Government Lease or the Conditions of Exchange/Sale/Grant/Regrant/Extension (as the case may be) and any variation or modification thereof under which the Property is held from the Government by the relevant Property Company.
Grade A office building	means an office building that is modern with high-quality finishes; flexible layout; large floor plates; spacious, well decorated lobbies and circulation areas; effective central air-conditioning; good lift services zoned for passengers and goods deliveries; professional management; parking facilities normally available.
Grade B office building	means an office building that is of ordinary design with good quality finishes; flexible layout; average-sized floor plates; adequate lobbies; central or free-standing air-conditioning; adequate lift services; good management; parking facilities not essential.
Grade C office building	means an office building which is plain with basic finishes; less flexible layout; small floor plates; basic lobbies; generally without central air-conditioning; barely adequate or inadequate lift services; minimal to average management; no parking facilities.
Gross Property Revenue	means, in respect of a property, and in relation to any financial year or part thereof, the amount equivalent to the Gross Revenue less the Charge-out Collections.

Gross Rentable Area	means, in respect of a Property, the area of the Property determined by the relevant Property Company at any given time to be rentable with the inclusion of its apportioned share of common or service areas used in common for the Property as a whole and also those areas used for ancillary purposes in relation to the management and care-taking of the Property (excluding area of car-parks).
Gross Revenue	as used in the Property Management Agreement, means, in respect of any property, and in relation to any financial year or part thereof, all income accruing or resulting from the operation of property for that financial year or part thereof, including but not limited to base rental income, turnover rent, licence fees, Charge-out Collections and other sums (after deduction for all rebates, refunds, credits or discounts and rebates for rent free periods) due from tenants, licensees and concessionaires, business interruption insurance payments, car park income, atrium income, interest income, advertising and other income attributable to the operation of such property, but shall exclude the following: i. proceeds derived or arising from the sale and/or disposal of real estate property and/or Operating Equipment, or any part thereof; ii. all proceeds from insurances taken out (but excluding business interruption insurance payments, which shall form part of the Gross Revenue); iii. all rental and other refundable security deposits; iv. all taxes (whether in force at present or in the future), charged to tenants, licensees and users of the property for the sale or supply of services or goods, which taxes are accountable by the relevant property holding company to the tax authorities; and v. any Adjustment Payments.

Guaranteed DPU	means: (a) in respect of the period from the anticipated Listing Date to 30 June 2007, HK$0.1161 per Unit (being equal to the forecast DPU (after taking into account the Distribution Waiver) for that period) (or, if the Listing Date falls on a day other than 21 December 2006, that amount divided by the number of days from 21 December 2006 until 30 June 2007, both days inclusive, multiplied by the number of days from the actual Listing Date until 30 June 2007, both days inclusive); and (b) in respect of each of the years ending 30 June 2008 and 30 June 2009 respectively, HK$0.2208 per Unit (being equal to the forecast DPU for the period from the anticipated Listing Date until 30 June 2007 on an annualised basis).
HD	means Henderson Development Limited, a company incorporated in Hong Kong with limited liability and the controlling shareholder of HLD.
HD Deed of Adjustment Payments	means the deed of adjustment payments dated 2 December 2006 entered into between the Vendors as described therein, HD as guarantor, the Manager and the Trustee.
HIL	means Henderson Investment Limited (恒基兆業發展有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board and is a subsidiary of HLD.
HIL Deed of Adjustment Payments	means the deed of adjustment payments dated 2 December 2006 entered into between HIL, the Manager and the Trustee.
Historical Periods	means the three financial years ended 30 June 2004, 2005 and 2006.
HK$ or Hong Kong dollars	means Hong Kong dollars, the lawful currency of Hong Kong.
HKFRS	means Hong Kong Financial Reporting Standards promulgated by the HKICPA, as amended, supplemented or otherwise modified for the time being.
HKICPA	means the Hong Kong Institute of Certified Public Accountants.
HKSCC	means Hong Kong Securities Clearing Company Limited.
HKSCC Nominees	means HKSCC Nominees Limited.

HLD	means Henderson Land Development Company Limited (恒基兆業地產有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board.
HLD Commitment Group	means the HLD Group (excluding HIL, any other company which is separately listed and their respective subsidiaries, as long as HIL (or, as the case may be, such other company) is a listed company).
HLD Commitment Letter	means the letter dated 29 November 2006 from HLD to the Manager, as further described in the section headed "Material Agreements and Other Documents Relating to Sunlight REIT — HLD Commitment Letter" in this Offering Circular.
HLD Deed of Adjustment Payments	means the deed of adjustment payments dated 2 December 2006 entered into between the Vendors as described therein, HLD as guarantor, the Manager and the Trustee.
HLD Deed of Distribution Waiver	means the deed of waiver of distribution entitlements dated 2 December 2006 entered into between Cobase Limited, Richful Resources Limited, HLD, the Manager and the Trustee in relation to the waiver of certain distribution entitlements of Sunlight REIT.
HLD Group	means HLD and its subsidiaries.
HLD Shares	means ordinary shares of nominal value HK$2.00 each in the share capital of HLD.
HLD Subscribers	means Cobase Limited and Richful Resources Limited, and "HLD Subscriber" means any one of them.
HLD Subscription Agreement	means the subscription agreement dated 2 December 2006 entered into between HLD and the Manager pursuant to which HLD has agreed to subscribe for 40,541,958 Units and 27,027,972 Units through its indirect wholly-owned subsidiaries, Cobase Limited and Richful Resources Limited respectively.
Holding Company	means Sunlight REIT Holding Limited, a company incorporated in the Cayman Islands and directly wholly-owned by Sunlight REIT.
Hong Kong or HKSAR	means The Hong Kong Special Administrative Region of the PRC.
Hong Kong GAAP	means generally accepted accounting principles in Hong Kong.

Hong Kong Interbank Offer Rate, or HIBOR	means the rate of interest offered on Hong Kong dollar loans by banks in the interbank market for a specified period ranging from overnight to one year.
Hong Kong Public Offering	means the offer of Units to the public in Hong Kong at the Offer Price, on and subject to the terms and conditions described in this Offering Circular and the **WHITE** and **YELLOW** Application Forms.
Hong Kong Public Offering Units	means the 104,538,000 Units initially being offered by Sunlight REIT pursuant to the Hong Kong Public Offering (subject to adjustment and reallocation as described in the section headed "Structure of the Offering" in this Offering Circular).
Hong Kong Stock Exchange	means The Stock Exchange of Hong Kong Limited.
Hong Kong Underwriters	means the underwriters of the Hong Kong Public Offering whose names are set out in the section headed "Underwriting — Hong Kong Underwriters" in this Offering Circular.
Hong Kong Underwriting Agreement	means the underwriting agreement dated 7 December 2006 relating to the Hong Kong Public Offering.
Income	means all rents, interest, dividends, distributions, licence fees, service charges, turnover rentals, advertising revenue and such other receipts (including taxation rebates) considered by the Manager to be in the nature of income in accordance with generally accepted accounting principles in Hong Kong but, for the avoidance of doubt, excluding any Adjustment Payments.
Independent Property Valuer	means Savills Valuation and Professional Services Limited.
Intermediate Holding Companies	means the REIT Group Companies (other than the Holding Company, the Property Companies, the Finance Company, the Treasury Company and the Domain Name Company), and "Intermediate Holding Company" means any one of them.
International Offering	means the offer of International Offering Units for cash at the Offer Price to institutional, professional and other investors as further described in the section headed "Structure of the Offering" in this Offering Circular.
International Offering Units	means the 940,832,362 Units initially available to investors in the International Offering (subject to adjustment and reallocation as described in the section headed "Structure of the Offering" in this Offering Circular) and up to an additional 104,538,000 Units under the Over-allotment Option.

International Underwriters	means the group of underwriters of the International Offering, led by the Joint Global Coordinators.
International Underwriting Agreement	means the underwriting agreement expected to be dated 13 December 2006 relating to the International Offering between the Manager, HLD, SKFE, HIL, HD, the Joint Global Coordinators and the International Underwriters, as further described in the section headed "Underwriting" in this Offering Circular.
Issue Price	means the price at which new Units may be issued pursuant to the Trust Deed.
IVS	means the Individual Visit Scheme.
Java Road 108 Commercial Centre	means Java Road 108 Commercial Centre situated at no. 108 Java Road, Hong Kong as directly owned by Global Team Development Limited and Gallund Investment Limited (both incorporated in Hong Kong) as to approximately 66.7% and 33.3% respectively.
Java Road 108 Commercial Centre Sale and Purchase Agreement	means the two agreements both dated 2 December 2006 respectively entered into between (1) Panson Resources Limited as vendor and the Holding Company as purchaser for the sale and purchase of the entire issued share capital of Besteam Resources Limited, a company incorporated in BVI and which indirectly, through Global Team Development Limited, a company incorporated in Hong Kong, owns Java Road 108 Commercial Centre as to approximately 66.7%; and (2) HIL as vendor and Besteam Resources Limited as purchaser for the sale and purchase of shares in Gallund Investment Limited, a company incorporated in Hong Kong and which directly owns Java Road 108 Commercial Centre as to approximately 33.3%.
Joint Global Coordinators	means The Hongkong and Shanghai Banking Corporation Limited, Deutsche Bank AG, Hong Kong Branch and Macquarie Securities Limited.
KCR station	means a station on the Kowloon-Canton Railway, which is operated by the Kowloon-Canton Railway Corporation.

Kwong Wah Plaza Property	means shops nos. 1 (and cockloft thereof), 2 (and cockloft thereof), 3 (and cockloft thereof), 4 (and cockloft thereof), 5 (and cockloft thereof), 6 (and cockloft thereof) and 7 (and cockloft thereof) on the ground floor, offices nos. 7 and 8 on the 3rd floor, offices nos. 2, 3, 4 and 5 on the 5th floor, office on the 8th floor, office on the 9th floor, offices nos. 1, 2, 3, 4, 5, 6, 7, 8 and 9 on the 11th floor, offices nos. 2, 3, 4, 5, 6, 7 and 8 on the 12th floor, office on the 13th floor and flat roof appertaining thereto, office on the 14th floor, office on the 15th floor, the CAC Unit and the advertising panels of Kwong Wah Plaza situated at no. 11 Tai Tong Road, Yuen Long, New Territories, Hong Kong as directly owned by Seiren Investment Limited (and as for office no. 8 on the 3rd floor, to be directly owned by Seiren Investment Limited upon Completion).
Kwong Wah Plaza Property Sale and Purchase Agreement	means the agreement dated 2 December 2006 entered into between HD as vendor and Lightway Limited as purchaser for the sale and purchase of shares in Seiren Investment Limited, a company incorporated in Hong Kong and which directly owns Kwong Wah Plaza Property (and as for office no. 8 on the 3rd floor, to be directly owned by Seiren Investment Limited upon Completion).
Latest Practicable Date	means 27 November 2006, being the latest practicable date for the purposes of ascertaining certain information contained in this Offering Circular.
lease	means a lease, tenancy agreement or licence in respect of a property (excluding car parks) granted to a Tenant and "leases" shall be construed accordingly.
Listing Agreement	means the agreement in relation to Sunlight REIT to be entered into between the Trustee, the Manager (as an operator of a collective investment scheme) and the Hong Kong Stock Exchange.
Listing Date	means the date, expected to be 21 December 2006 (the "**anticipated Listing Date**"), on which the Units are first listed and from which dealings in Units are permitted to take place on the Hong Kong Stock Exchange.
Listing Rules	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
Loans	means the aggregate amounts owing by the Finance Company to the Vendor of the Finance Company Share or its affiliates.

Main Board	means the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange.
Management Fees	means the management fee payable to the Manager comprising the Base Fee and the Variable Fee.
Manager	means Henderson Sunlight Asset Management Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of HLD.
Market Consultant or DTZ	means DTZ Debenham Tie Leung Limited.
Market Price	means, in respect of a day, the price as determined by the Manager as being the volume weighted average price for a Unit for all trades on the Hong Kong Stock Exchange in the ordinary course of trading on the Hong Kong Stock Exchange for the period of 10 trading days immediately preceding such day.
market value	means the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.
Maximum Offer Price	means the maximum price of HK$2.60 per Unit payable in full by applicants under the Hong Kong Public Offering.
Metro City Phase I Property	means the commercial development and car parks of Metro City Phase I situated at no. 1 Wan Hang Road, Tseung Kwan O, Sai Kung, New Territories, Hong Kong to be directly owned by Crownwill Limited upon Completion.
Metro City Phase I Property Share Sale and Purchase Agreement	means the agreement dated 2 December 2006 entered into between Crown Faith Enterprises Ltd. as vendor and Kinpoint Limited as purchaser for the sale and purchase of the entire issued share capital of Crownwill Limited, a company incorporated in BVI and which directly owns Metro City Phase I Property.
Metro City Phase I Property Sale and Purchase Agreement	means the agreement dated 10 November 2006 (as supplemented by a supplemental agreement dated 2 December 2006) entered into between Shung King Development Company Limited, Camleigh Investment Limited and Join Fortune Development Limited as vendors and Crownwill Limited as purchaser for the sale and purchase of Metro City Phase I Property as to approximately 38.7%, 34.7% and 26.6% respectively.

Minimum Offer Price	means the expected minimum price of HK$2.45 per Unit payable in full by applicants under the Hong Kong Public Offering.
MTR station	means a station on the Mass Transit Railway, which is operated by MTR Corporation Limited.
NAV	means net asset value, which is calculated as total assets minus total liabilities.
net property income	means NPI before bad debts expenses, any profit/loss on sale, the provision/write back of provision for diminution in value (in the case of a completed property for sale), and the decrease/increase in the fair value (in the case of an investment property), for each property of Sunlight REIT.
New Towns	means the nine areas identified by the Government for large-scale development — from (1) the early 1970's (Tsuen Wan, Sha Tin and Tuen Mun), (2) the late 1970's (Tai Po, Yuen Long, Fanling and Sheung Shui) and (3) the early 1980's (Tseung Kwan O, Tin Shui Wai and North Lantau).
Novation	means the novation of the rights, benefits, obligations and liabilities under certain interest rate swap agreement by Dorway Investment Limited (a wholly-owned subsidiary of HLD) to the Finance Company.
NPI	means at any time Income less Property Expenses.
NTA	means net tangible assets, which is calculated as NAV minus intangible assets (including goodwill).
occupancy rate	means, in respect of a Property and as at the specified time, the Gross Rentable Area in sq.ft. occupied under lease or licence by tenants or licensees as a percentage of the total Gross Rentable Area of the Property. For this purpose, "occupied" means that, in respect of an area, a lease or licence existed under an agreement in writing entered into at any time on or before 31 October 2006, which lease or licence was in effect or deemed to be in effect as at the specified time.
Occupation Permit	means a written permit issued by the Building Authority certifying that the relevant development or building is fit for occupation.

Offer Price	means the final Hong Kong dollar price per Unit (exclusive of brokerage of 1%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.004%) at which the Units are to be issued and allotted pursuant to the Offering, to be determined as further described in the section headed "Structure of the Offering" in this Offering Circular.
Offering	means the Hong Kong Public Offering and the International Offering (including the Preferential Offering).
Offering Circular	means this offering circular issued in connection with the Offering.
On Loong Commercial Building Property	means On Loong Commercial Building (except office no. 1 (also known as office A) on the 6th floor and offices nos. 1 and 2 (also known as offices A and B) on the 21st floor) situated at nos. 276-278 Lockhart Road, Wanchai, Hong Kong as directly owned by Glory Good Development Limited.
On Loong Commercial Building Property Sale and Purchase Agreement	means the agreement dated 2 December 2006 entered into between Profit Best Development Limited as vendor and Kennex Investment Limited as purchaser for the sale and purchase of shares in Glory Good Development Limited, a company incorporated in Hong Kong and which directly owns On Loong Commercial Building Property.
Operating Equipment	means, in relation to a real estate property, the equipment, items or things used in the operation of such real estate property, pursuant to the approved annual business plan and budget for such real estate property.
Ordinary Resolution	means a resolution of Unitholders proposed and passed by a simple majority of the votes of those present and entitled to vote, but with a quorum of two or more Unitholders holding 10% of Units in issue.
Over-allotment Option	means the option to be granted by SKFE and HLD to the Joint Global Coordinators to require Uplite Limited, an indirect wholly-owned subsidiary of SKFE or Cobase Limited, an indirect wholly-owned subsidiary of HLD to make available up to 88,544,016 Units and 15,993,984 Units respectively, to be offered to investors as part of the International Offering solely to cover the over-allocation of Units (if any).

Overseas HLD Shareholders	means registered holders of HLD Shares whose addresses on the register of members of HLD are, at the close of business on 7 December 2006, in a place outside Hong Kong and who the board of directors of HLD, after making enquiries regarding the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place where practical, consider the exclusion of which from the definition of "Qualifying HLD Shareholders" is necessary or expedient.
Palatial Stand Property	means shop nos. 1, 2, 3, 4, 5, 6, 7, 8 and its roof on the ground floor, offices nos.1 and 2 on the 1st floor, advertising spaces 1, 2, 3, 4 and 5, commercial common areas and facilities, private staircase and landing and the reserved portion of Palatial Stand situated at no. 118 Wuhu Street, Hung Hom, Kowloon to be directly owned by Multimark Investment Limited and Country Max Development Limited as to 80% and 20% respectively upon Completion.
Palatial Stand Property Sale and Purchase Agreement	means the two agreements both dated 2 December 2006 respectively entered into between (1) Perfect Bright and Furnline as vendors and Wellview Enterprises Limited as purchaser for the sale and purchase of the shares in Multimark Investment Limited, a company incorporated in Hong Kong and which will directly own Palatial Stand Property as to 80% upon Completion; and (2) Perfect Bright and Furnline as vendors and Wellview Enterprises Limited as purchaser for the sale and purchase of the shares in Country Max Development Limited, a company incorporated in Hong Kong and which will directly own Palatial Stand Property as to 20% upon Completion.
Perfect Bright	means Perfect Bright Properties Inc., a company incorporated in BVI which is indirectly owned by a family trust of Dr. Lee Shau Kee.
PRC or China	means the People's Republic of China excluding, for the purposes of this Offering Circular only, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan.
Predecessor Operations	means the real estate activities of the Property Companies and (other than those already covered by the Property Companies) the owners of the Properties prior to Completion of the Acquisitions which were taken into account in determining the historical results of operations and statements of cash flows for the Historical Periods contained in the audited financial statements set out in Appendix I to this Offering Circular.

Preferential Offering	means the preferential offer to the Qualifying HLD Shareholders of 63,049,362 Units (representing approximately 6% of the Units initially available under the Offering (subject to adjustment and the Over-allotment Option)) out of the Units being offered under the International Offering at the Offer Price on and subject to the terms and conditions stated herein and in the **BLUE** Application Form, as further described in the section headed "Structure of the Offering — The Preferential Offering" in this Offering Circular.
Price Determination Date	means the date, expected to be on or about Wednesday, 13 December 2006, on which the Offer Price is determined for the purposes of the Offering.
Profit Forecast Period	means the period from the anticipated Listing Date to 30 June 2007.
Properties	means (1) 248 Queen's Road East, (2) Bonham Trade Centre, (3) Righteous Centre, (4) 135 Bonham Strand Trade Centre Property, (5) Winsome House Property, (6) Java Road 108 Commercial Centre, (7) Sun Fai Commercial Centre Property, (8) Wai Ching Commercial Building Property, (9) 235 Wing Lok Street Trade Centre, (10) Yue Fai Commercial Centre Property, (11) Everglory Centre, (12) On Loong Commercial Building Property, (13) Metro City Phase I Property, (14) Sheung Shui Centre Shopping Arcade, (15) Kwong Wah Plaza Property, (16) Beverley Commercial Centre Property, (17) Glory Rise Property, (18) Supernova Stand Property, (19) Palatial Stand Property and (20) Royal Terrace Property, and "Property" means any one of them.

Property Companies	means the respective direct owners of the Properties on Completion (being (1) Jetwise Investment Limited, Russum Company Limited and Harzone Limited, in relation to 248 Queen's Road East, (2) Nicetex Development Limited, in relation to Bonham Trade Centre, (3) Glory Hero Development Limited, in relation to Righteous Centre, (4) Tinselle Investment Limited, in relation to 135 Bonham Strand Trade Centre Property, (5) Grand Faith Development Limited, in relation to Winsome House Property, (6) Global Team Development Limited and Gallund Investment Limited, in relation to Java Road 108 Commercial Centre, (7) Yu Loy Development Company Limited, in relation to Sun Fai Commercial Centre Property, (8) Gain Fortune Development Limited, in relation to Wai Ching Commercial Building Property, (9) Bestguard Investment Limited, in relation to 235 Wing Lok Street Trade Centre, (10) Lucky Million Development Limited, in relation to Yue Fai Commercial Centre Property, (11) Strong Bright Technology Limited, in relation to Everglory Centre, (12) Glory Good Development Limited, in relation to On Loong Commercial Building Property, (13) Crownwill Limited, in relation to Metro City Phase I Property, (14) Bayman Limited, in relation to Sheung Shui Centre Shopping Arcade, (15) Seiren Investment Limited, in relation to Kwong Wah Plaza Property, (16) Newcorp Development Limited, in relation to Beverley Commercial Centre Property, (17) Pacific Joy Investment Limited, in relation to Glory Rise Property, (18) United Glory Development Limited and Gentfair Development Limited, in relation to Supernova Stand Property, (19) Multimark Investment Limited and Country Max Development Limited, in relation to Palatial Stand Property and (20) Smart Fortune Development Limited, in relation to Royal Terrace Property, and "Property Company" means any one of them.
Property Consultants	means DTZ Debenham Tie Leung Project Services Ltd. and Savills Project Consultancy Limited.
Property Expenses	include direct property related expenses, including, without limitation, property management fees, property insurance expenses, taxes related to Real Estate (including stamp duty, registration fee, business tax and urban real estate tax), expenses related to repairs and maintenance, and bad debt expenses in relation to Income.

Property Management Agreement	means the agreement dated 29 November 2006 entered into between the Manager and the Property Manager, relating to the provision of certain property management and lease management as well as marketing services in respect of the Properties and any other property in Hong Kong which may in the future be acquired by Sunlight REIT.
Property Manager	means Henderson Sunlight Property Management Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of HLD.
Property Sale and Purchase Agreements	means the Metro City Phase I Property Sale and Purchase Agreement and the Sheung Shui Centre Shopping Arcade Sale and Purchase Agreement.
Property Values	means the value of Sunlight REIT's attributable interests in all real estate properties directly held by the Trustee or indirectly held by the Trustee through REIT Group Company.
Purchaser Companies	means the respective purchasers of the Target Company Shares, the Target Properties, the Finance Company Share and the Domain Name Company Share (being (1) the Holding Company, in relation to Meca Enterprises Limited, Balwyn Assets Limited, Caufield Assets Limited, Onecote Assets Limited, Alpha Skill Properties Limited, Besteam Resources Limited, Prosper City Enterprises Limited, Protim International Limited, the Finance Company and the Domain Name Company; (2) Barson Resources Limited, in relation to Harzone Limited; (3) Bestar Resources Limited, in relation to Glory Hero Development Limited; (4) Besteam Resources Limited, in relation to Gallund Investment Limited; (5) Champtech Investment Limited, in relation to Gain Fortune Development Limited; (6) Fulux Limited, in relation to Bestguard Development Limited; (7) Hanway International Limited, in relation to Lucky Million Development Limited; (8) Kasing Investment Limited, in relation to Strong Bright Technology Limited; (9) Kennex Investment Limited, in relation to Glory Good Development Limited; (10) Kinpoint Limited, in relation to Crownwill Limited; (11) Kochi Enterprises Limited, in relation to Bayman Limited; (12) Lightway Limited, in relation to Seiren Investment Limited; (13) Mecon Resources Limited, in relation to Newcorp Development Limited; (14) Topmount International Limited, in relation to United Glory Development Limited and Gentfair Development Limited; (15) Wellview Enterprises Limited, in relation to Multimark Investment Limited and Country Max Development Limited; (16) Winhop Investment Limited, in relation to Smart Fortune Development Limited; (17) Crownwill Limited, in relation to Metro City Phase I Property; and (18) Bayman Limited, in relation to Sheung Shui Centre Shopping Arcade), and "Purchaser Company" means any one of them.

q-o-q	means quarter-on-quarter.
Qualifying HLD Shareholders	means holders of HLD Shares, whose names appeared on the register of members of HLD as holding HLD Shares at the close of business on 7 December 2006, other than Overseas HLD Shareholders and holders of HLD Shares in which Hopkins (Cayman) Limited, the ultimate controlling shareholder of HLD, is deemed to be interested under Part XV of the SFO.
Real Estate	means any land, and any interest, option or other right in or over any land (for the purposes of this definition, "land" includes land of any tenure, whether or not held apart from the surface, and buildings or parts thereof (whether completed or otherwise and whether divided horizontally, vertically or in any other manner) and tenements and hereditaments, corporeal and incorporeal, and any estate or interest therein).
Record Date	means the date or dates, determined by the Manager as the date or dates for the purpose of determining the Unitholders of record entitled to receive any distributions.
Regulation S	means Regulation S under the US Securities Act.
REIT	means real estate investment trust.
REIT Code	means the Code on Real Estate Investment Trusts issued by the SFC, as the same may from time to time be modified, amended, revised or replaced, or supplemented either by published guidelines, policies, practice statements or other guidance issued by the SFC or, in any particular case, by specific written request by the Manager and the Trustee.
REIT Group Companies	means an entity which is (or will upon Completion be) wholly or majority owned directly or indirectly by Sunlight REIT and which holds or owns (or will upon Completion hold or own) directly or indirectly real estate or arranges (or will arrange) financing or performs (or will perform) treasury or other functions for Sunlight REIT, and "REIT Group Company" means any one of them.

Related REIT	means another real estate investment trust, the value of whose direct or indirect interests in office and/or retail properties situated in Hong Kong which have been acquired (either directly or indirectly) from the HLD Commitment Group (the "**Relevant Interests**") is greater than an amount equivalent to 5% of the gross asset value of that real estate investment trust, excluding from the calculation of the Relevant Interests (i) any properties the sale or disposal of the majority of which is not within the control of the HLD Commitment Group, and (ii) any properties that were acquired by such real estate investment trust after they had been offered on a pre-emptive basis to Sunlight REIT for acquisition on similar or better terms.
Relevant Date	means, as the case may be, the date of the relevant agreement or other instrument for the issue or proposed issue of any Units or Convertible Instruments, or the date of the grant of any Convertible Instruments, whichever is the earlier.
Rental Income	means rent payable by tenants under their lease agreements and licence fees payable by licensees under their licence arrangements for space in the Properties, excluding any income generated from car parks of the Properties or any other real estate (or interests therein) held by Sunlight REIT from time to time, and if applicable, means the rent as adjusted to amortise the effect of any rent-free period offered to tenants over the lease period and of escalating rent payable by tenants over the lease period and the licence fees as adjusted to amortise the effect of any lump-sum payment paid by the licensees over the whole licence period.
Reserved Units	means the Units offered pursuant to the Preferential Offering and which are to be allocated out of the Units being offered under the International Offering.
Righteous Centre	means Righteous Centre situated at no. 585 Nathan Road, Mongkok, Kowloon as directly owned by Glory Hero Development Limited.
Righteous Centre Sale and Purchase Agreement	means the agreement dated 2 December 2006 entered into between Enhance Invest Inc. as vendor and Bestar Resources Limited as purchaser for the sale and purchase of shares in Glory Hero Development Limited, a company incorporated in Hong Kong and which directly owns Righteous Centre.

Royal Terrace Property	means shop 1 on the ground floor, shop 2 on the ground floor together with air-conditioning spaces on the 1st floor, shop 3 on the ground floor together with air-conditioning spaces on the 1st floor, shop 4 on the ground floor together with air-conditioning spaces on the 1st floor, shop 5 on the ground floor together with air-conditioning spaces on the ground floor and the 1st floor, shop 6 on the ground floor, shop 7 on the ground floor, shop 8 on the ground floor, shop 9 on the ground floor together with air-conditioning spaces on the 1st floor, shop 10 on the ground floor and shop 11 on the ground floor, signage space and island and car parks nos. 1-24 on the 1st floor, nos. 1-25 on the 2nd floor and motorcycle-parking spaces nos. M1-M10 on the 3rd floor of Royal Terrace situated at no. 933 King's Road, North Point, Hong Kong as directly owned by Smart Fortune Development Limited.
Royal Terrace Property Sale and Purchase Agreement	means the agreement dated 2 December 2006 entered into between Main Champion Development Limited as vendor and Winhop Investment Limited as purchaser for the sale and purchase of shares in Smart Fortune Development Limited, a company incorporated in Hong Kong and which directly owns Royal Terrace Property.
Sale and Purchase Agreements	means the (1) 248 Queen's Road East Sale and Purchase Agreement, (2) Bonham Trade Centre Sale and Purchase Agreement, (3) Righteous Centre Sale and Purchase Agreement, (4) 135 Bonham Strand Trade Centre Property Sale and Purchase Agreement, (5) Winsome House Property Sale and Purchase Agreement, (6) Java Road 108 Commercial Centre Sale and Purchase Agreement, (7) Sun Fai Commercial Centre Property Sale and Purchase Agreement, (8) Wai Ching Commercial Building Property Sale and Purchase Agreement, (9) 235 Wing Lok Street Trade Centre Sale and Purchase Agreement, (10) Yue Fai Commercial Centre Property Sale and Purchase Agreement, (11) Everglory Centre Sale and Purchase Agreement, (12) On Loong Commercial Building Property Sale and Purchase Agreement, (13) Metro City Phase I Property Share Sale and Purchase Agreement, (14) Sheung Shui Centre Shopping Arcade Share Sale and Purchase Agreement, (15) Kwong Wah Plaza Property Sale and Purchase Agreement, (16) Beverley

	Commercial Centre Property Sale and Purchase Agreement, (17) Glory Rise Property Sale and Purchase Agreement, (18) Supernova Stand Property Sale and Purchase Agreement, (19) Palatial Stand Property Sale and Purchase Agreement, (20) Royal Terrace Property Sale and Purchase Agreement, (21) Finance Company Sale and Purchase Agreement, (22) Domain Name Company Sale and Purchase Agreement, (23) Metro City Phase I Property Sale and Purchase Agreement and (24) Sheung Shui Centre Shopping Arcade Sale and Purchase Agreement, and "Sale and Purchase Agreement" means any one of them.
SARS	means severe acute respiratory syndrome.
SFC	means the Securities and Futures Commission of Hong Kong.
SFO	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified for the time being.
Sheung Shui Centre Shopping Arcade	means the car parks in the podium and basement and the commercial development (including all the shops, the restaurant and the kindergarten) of Sheung Shui Centre situated at no. 3 Chi Cheong Road, Sheung Shui, New Territories to be directly owned by Bayman Limited upon Completion.
Sheung Shui Centre Shopping Arcade Sale and Purchase Agreement	means the agreement dated 10 November 2006 (as supplemented by a supplemental agreement dated 2 December 2006) entered into between Evercot Enterprise Company Limited and Shung King Development Company Limited as vendors and Bayman Limited as purchaser for the sale and purchase of Sheung Shui Centre Shopping Arcade as to approximately 50.6% and 49.4% respectively.
Sheung Shui Centre Shopping Arcade Share Sale and Purchase Agreement	means the agreement dated 2 December 2006 entered into between Crown Faith Enterprises Ltd. as vendor and Kochi Enterprises Limited as purchaser for the sale and purchase of the entire issued share capital of Bayman Limited.
significant holder	has the meaning ascribed to it in the REIT Code.
SKFE	means Shau Kee Financial Enterprises Limited, a company incorporated in BVI with limited liability.
SKFE Deed of Adjustment Payments	means the deed of adjustment payments dated 2 December 2006 entered into between the Vendors as described therein, SKFE as guarantor, the Manager and the Trustee.

SKFE Deed of Distribution Waiver	means the deed of waiver of distribution entitlements dated 2 December 2006 entered into between Wintrade Limited, Uplite Limited, SKFE, the Manager and the Trustee in relation to the waiver of certain distribution entitlements of Sunlight REIT.
SKFE Group	means SKFE and its subsidiaries.
SKFE Subscribers	means Uplite Limited and Wintrade Limited, and "SKFE Subscriber" means any one of them.
SKFE Subscription Agreement	means the subscription agreement dated 2 December 2006 entered into between SKFE and the Manager pursuant to which SKFE has agreed to subscribe for 224,443,625 Units and 149,629,083 Units through its indirect wholly-owned subsidiaries, Uplite Limited and Wintrade Limited respectively.
Special Resolution	means a resolution of Unitholders proposed and passed by a majority consisting of 75% or more of the votes of those present and entitled to vote in person or by proxy where the votes shall be taken by way of poll, but with a quorum of two or more Unitholders holding 25% of the Units in issue.
sq.ft.	means square feet.
sq.km.	means square kilometres.
sq.m.	means square metres.
Stabilising Manager	means The Hongkong and Shanghai Banking Corporation Limited.
Sun Fai Commercial Centre Property	means shop A, shop B, shop C and shop D on the ground floor; office A, office B, office C, office D and office E on the 1st floor; office A, office B, office C, office D on the 2nd floor; office E on the 2nd floor and flat roof appertaining thereto; office A on the 3rd floor and flat roof appertaining thereto; office B on the 3rd floor and flat roof appertaining thereto; office C on the 3rd floor and flat roof appertaining thereto; office D on the 3rd floor and flat roof appertaining thereto; office E on the 3rd floor and flat roof appertaining thereto; office A, office B, office C and office D on the 6th Floor; office A, office B, office C, office D and office E on the 7th floor; office A, office B and office C on the 8th floor; office D and office E on the 8th floor; office A, office B, office C, office D and office E on the 9th floor; office C and office E on the 10th Floor; office A, office B, office C, office D and office E on the 11th Floor; office A, office B and office C on the 12th floor; office B, office C and office D on the 13th floor; office A on the 14th floor and roof

	appertaining thereto; office B on the 14th floor and roof appertaining thereto; office C on the 14th floor and roof appertaining thereto; office D on the 14th floor and roof appertaining thereto; office E on the 14th floor and roof appertaining thereto; the reserved portion A and the reserved portion B all of Sun Fai Commercial Centre situated at no. 576 Reclamation Street, Mongkok, Kowloon as directly owned by Yu Loy Development Company Limited (and as for office A, office B and office C on the 8th floor, to be directly owned by Yu Loy Development Company Limited upon Completion).
Sun Fai Commercial Centre Property Sale and Purchase Agreement	means the agreement dated 2 December 2006 entered into between Corpson as vendor and the Holding Company as purchaser for the sale and purchase of the entire issued share capital of Prosper City Enterprises Limited, a company incorporated in BVI and which indirectly, through its wholly-owned subsidiary, Yu Loy Development Company Limited, owns Sun Fai Commercial Centre Property (and as for offices A to C on the 8th floor, to be directly owned by Yu Loy Development Company Limited immediately before Completion).
Sunlight REIT	means Sunlight Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO.
Supernova Stand Property	means shop 1, shop 2, shop 3, shop 4, shop 5, shop 6, shop 7, shop 8 and shop 9 on the ground floor and commercial common areas and facilities of Supernova Stand situated at no. 28 Mercury Street, North Point, Hong Kong as directly owned by United Glory Development Limited and Gentfair Development Limited as to approximately 63.6% and 36.4% respectively.
Supernova Stand Property Sale and Purchase Agreement	means the two agreements both dated 2 December 2006 entered into respectively between (1) Perfect Bright and Furnline as vendors and Topmount International Limited as purchaser for the sale and purchase of shares in United Glory Development Limited, a company incorporated in Hong Kong and which directly owns Supernova Stand Property as to approximately 63.6% and (2) HLD as vendor and Topmount International Limited as purchaser for the sale and purchase of shares in Gentfair Development Limited, a company incorporated in Hong Kong and which directly owns Supernova Stand Property as to approximately 36.4%.

Swap Counterparty	means The Hongkong and Shanghai Banking Corporation Limited, with whom the Finance Company will hold interest rate swap agreements effective from the Listing Date as detailed in the section headed "Management Discussion and Analysis of Future Results of Operations" in this Offering Circular.
Takeovers Code	means The Hong Kong Code on Takeovers and Mergers
Target Companies	means, (1) in relation to the acquisition of 248 Queen's Road East, Meca Enterprises Limited and Harzone Limited; (2) in relation to the acquisition of Bonham Trade Centre, Balwyn Assets Limited and Caufield Assets Limited; (3) in relation to the acquisition of Righteous Centre, Glory Hero Development Limited; (4) in relation to the acquisition of 135 Bonham Strand Trade Centre Property, Onecote Assets Limited; (5) in relation to the acquisition of Winsome House Property, Alpha Skill Properties Limited; (6) in relation to the acquisition of Java Road 108 Commercial Centre, Besteam Resources Limited and Gallund Investment Limited; (7) in relation to the acquisition of Sun Fai Commercial Centre Property, Prosper City Enterprises Limited; (8) in relation to the acquisition of Wai Ching Commercial Building Property, Gain Fortune Development Limited; (9) in relation to acquisition of 235 Wing Lok Street Trade Centre, Bestguard Investment Limited; (10) in relation to the acquisition of Yue Fai Commercial Centre Property, Lucky Million Development Limited; (11) in relation to the acquisition of Everglory Centre, Strong Bright Technology Limited; (12) in relation to the acquisition of On Loong Commercial Building Property, Glory Good Development Limited; (13) in relation to the acquisition of Metro City Phase I Property, Crownwill Limited; (14) in relation to the acquisition of Sheung Shui Centre Shopping Arcade, Bayman Limited; (15) in relation to the acquisition of Kwong Wah Plaza Property, Seiren Investment Limited; (16) in relation to the acquisition of Beverley Commercial Centre Property, Newcorp Development Limited; (17) in relation to the acquisition of Glory Rise Property, Protim International Limited; (18) in relation to the acquisition of Supernova Stand Property, United Glory Development Limited and Gentfair Development Limited; (19) in relation to the acquisition of Palatial Stand Property, Multimark Investment Limited and Country Max Development Limited and (20) in relation to the acquisition of Royal Terrace Property, Smart Fortune Development Limited, and "Target Company" means any one of them.
Target Company Shares	means the shares comprising the entire issued share capital of the Target Companies or the relevant Target Company.

Target Properties	means Metro City Phase I Property and Sheung Shui Centre Shopping Arcade, and "Target Property" means any one of them.
Tenant	means a lessee, tenant or licensee (as the case may be) under a tenancy agreement or licence, other than in relation to car parks.
Treasury Company	means Triworld Investment Limited, a company incorporated in BVI with limited liability.
Trust Deed	means the trust deed dated 26 May 2006 entered into between Uplite Limited as settlor, the Trustee and the Manager constituting Sunlight REIT (as supplemented by supplemental deeds dated 1 June 2006 and 28 November 2006 respectively and as may be amended by any other supplemental deed).
Trustee	means HSBC Institutional Trust Services (Asia) Limited, the trustee of Sunlight REIT.
Trustee Ordinance	means the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as amended, supplemented or otherwise modified for the time being.
Underwriters	means the Hong Kong Underwriters and the International Underwriters.
Underwriting Agreements	means the Hong Kong Underwriting Agreement and the International Underwriting Agreement.
Unit	means a unit of Sunlight REIT.
Unit Borrowing Agreement	means the unit borrowing agreement expected to be entered into among the Stabilising Manager and Uplite Limited, an indirect wholly-owned subsidiary of SKFE and Cobase Limited, an indirect wholly-owned subsidiary of HLD.
Unit Registrar	means Tricor Investor Services Limited.
United States or US	means the United States of America.
Unitholder	means any person registered as holding a Unit.
US$	means United States dollars, the lawful currency of the United States.
US person	has the meaning given to it in Regulation S.
US Securities Act	means the United States Securities Act of 1933, as amended.

Valuation Reports	means the valuation reports produced by the Independent Property Valuer, as set out in Appendix V to this Offering Circular.
Variable Fee	means the annual variable fee of 3% per annum of the NPI payable to the Manager (before deduction therefrom of the Variable Fee) or such other rate as may be fixed or determined pursuant to the Trust Deed.
Vendors	means the respective vendors of the Target Company Shares, the Target Properties, the Finance Company Share and the Domain Name Company Share (being (1) Corpson, in relation to shares in Meca Enterprises Limited, Onecote Assets Limited and Prosper City Enterprises Limited, the Finance Company Share and the Domain Name Company Share, (2) HLD, in relation to shares in Harzone Limited and Gentfair Development Limited, (3) Crown Faith Enterprises Ltd., in relation to shares in Balwyn Assets Limited, Caufield Assets Limited, Crownwill Limited and Bayman Ltd., (4) Enhance Invest Inc., in relation to shares in Glory Hero Development Limited, (5) Suregold Development Limited, in relation to shares in Alpha Skill Properties Limited, (6) Panson Resources Limited, in relation to shares in Besteam Resources Limited and Protim International Limited, (7) HIL, in relation to shares in Gallund Investment Limited, (8) Perfect Bright and Furnline, in relation to shares in Gain Fortune Development Limited, Newcorp Development Limited, United Glory Development Limited, Multimark Investment Limited and Country Max Development Limited, (9) Profit Best Development Limited, in relation to shares in Bestguard Investment Limited and Glory Good Development Limited, (10) Main Champion Development Limited, in relation to shares in Lucky Million Development Limited and Smart Fortune Development Limited, (11) Keep Harvest Development Limited, in relation to shares in Strong Bright Technology Limited, (12) HD, in relation to shares in Seiren Investment Limited, (13) Shung King Development Company Limited, Camleigh Investment Limited and Join Fortune Development Limited, in relation to Metro City Phase I Property and (14) Evercot Enterprise Company Limited and Shung King Development Company Limited, in relation to Sheung Shui Centre Shopping Arcade), and "Vendor" means any one of them.

Wai Ching Commercial Building Property	means the shop 2 on the ground floor, shop 1 on the 1st floor, shop 2 on the 1st floor, office 1 on the 2nd floor, office 1 on the 3rd floor, office 2 on the 3rd floor, office 1 on the 4th floor, office 2 on the 4th floor, office 1 on the 5th floor, office 2 on the 5th floor, office 1 on the 6th floor, office 2 on the 6th floor, office 1 on the 7th floor, office 2 on the 7th floor, office 1 on the 9th floor, office 2 on the 9th floor, office 1 on the 10th floor, office 2 on the 10th floor, office 1 on the 11th floor, office 2 on the 11th floor, office 1 on the 12th floor, office 2 on the 12th floor, office 1 on the 13th floor, office 2 on the 13th floor, office 1 on the 14th floor, office 2 on the 14th floor, office 1 on the 15th floor, office 2 on the 15th floor, office 1 on the 16th floor, office 2 on the 16th floor, office 1 on the 17th floor, office 2 on the 17th floor, office 1 on the 18th floor and office 2 on the 18th floor of Wai Ching Commercial Building situated at no. 77 Wai Ching Street, Yau Ma Tei, Kowloon as directly owned by Gain Fortune Development Limited.
Wai Ching Commercial Building Property Sale and Purchase Agreement	means the agreement dated 2 December 2006 entered into between Perfect Bright and Furnline as vendors and Champtech Investment Limited as purchaser for the sale and purchase of shares in Gain Fortune Development Limited, a company incorporated in Hong Kong and which directly owns Wai Ching Commercial Building Property.
Winsome House Property	means the shop 3 (together with all that flat roof immediately thereabove) on the lower ground floor, shop 4 on the lower ground floor, shop 1 (together with all that flat roof adjoining thereto) on the upper ground floor, office 1 and office 2 on the 2nd, 3rd, 4th, 5th, 6th, 7th, 9th, 10th, 14th, 15th, 16th, 17th, 19th, 20th and the 21st floors respectively, office 2 on the 13th Floor and office 1 (Duplex) and office 2 on the 25th Floor of Winsome House situated at no. 73 Wyndham Street, Hong Kong as directly owned by Grand Faith Development Limited.
Winsome House Property Sale and Purchase Agreement	means the agreement dated 2 December 2006 entered into between Suregold Development Limited as vendor and the Holding Company as purchaser for the sale and purchase of the entire issued share capital of Alpha Skill Properties Limited, a company incorporated in BVI and which indirectly, through its wholly-owned subsidiary, Grand Faith Development Limited, owns Winsome House Property.
y-o-y	means year-on-year.

Year of Completion of Construction Work	means the year in which the Occupation Permit in respect of the development or building of which the Property forms part was issued.
Yue Fai Commercial Centre Property	means shops nos. 4, 5 and 6 on the ground floor, office no. 1 (together with the flat roof thereof) on the 1st floor, offices nos. 2, 3, 4 and 5 on the 1st floor, office no. 6 (together with the flat roof thereof) on the 1st floor, offices nos. 3, 4 and 5 on the 2nd floor, offices nos. 1, 2, 3, 4, 5 and 6 on the 3rd, 7th, 9th, 11th, 12th, 14th, 15th, 16th, 18th, 19th floors, and the 21st to the 24th floors (both inclusive), offices nos. 1, 2, 3 and 4 on the 8th floor, office no. 6 on the 8th floor, offices nos. 1, 2, 3 and 4 on the 10th floor, office no. 6 on the 10th floor, offices nos. 3, 4 and 6 on the 13th floor, offices nos. 1, 2, 3, 4 and 5 on the 17th floor, office no. 1 on the 20th floor, offices nos. 3, 4, 5 and 6 on the 20th floor, offices nos. 1 and 2 on the 25th floor and offices nos. 4, 5 and 6 on the 25th floor of Yue Fai Commercial Centre situated at no. 208 Aberdeen Main Road, Hong Kong as directly owned by Lucky Million Development Limited.
Yue Fai Commercial Centre Property Sale and Purchase Agreement	means the agreement dated 2 December 2006 entered into between Main Champion Development Limited as vendor and Hanway International Limited as purchaser for the sale and purchase of shares in Lucky Million Development Limited, a company incorporated in Hong Kong and which directly owns Yue Fai Commercial Centre Property.

Unless otherwise specified in this Offering Circular, amounts denominated in US$ have been translated, for the purpose of illustration only, into Hong Kong dollars as follows:

US$1.00 = HK$7.80

No representation is made that any amounts in US$ could have been or could be converted at the above rate or at any other rates or at all.

APPENDICES

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.

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

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

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:

		The SPVs			
Name of property acquired	Name of Property Owners	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 polices 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

	Notes	As at 30 June 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.

	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	77,178	74,967	73,508	112,538	116,898	109,509	189,716	191,865	183,017
Increase in fair value of investment properties	202,200	506,500	1,008,000	317,160	199,929	1,461,077	519,360	706,429	2,469,077
Write back of provision/(provision) for diminution in value of completed properties for sale	59,800	22,359	18,491	—	(1,278)	(149)	59,800	21,081	18,342
Income tax	(51,275)	(74,663)	(181,740)	(74,413)	(54,064)	(273,509)	(125,688)	(128,727)	(455,249)
	287,903	529,163	918,259	355,285	261,485	1,296,928	643,188	790,648	2,215,187
Unallocated operating expenses							(37)	(87)	(101)
Profit for the year							643,151	790,561	2,215,086
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	—

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			
Rental income (Note (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
Building management fees (Note (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
Air-conditioning income (Note (i))			
Henderson Sunlight Asset Management Limited	—	—	62
Henderson Sunlight Property Management Limited	—	—	35
Jones Hugh Investment Limited	197	198	93
Rates charges (Note (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			
Building management fees (Note (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
Rental commission (Note (i))			
Henderson Property Agency Limited	544	559	610
Henderson Real Estate Agency Limited	17,809	14,882	14,330
Professional charges (Note (i))			
Fivechit (Consultants) Limited	240	240	240
Henderson Real Estate Agency Limited	11	9	5
Marketing expenses (Note (i))			
Jones Hugh Investment Limited	1	—	—
Megastrength Security Services Company Limited	36	54	45
Repairs and maintenance (Note (i))			
Goodwill Management Limited	9	—	19
Jensome Technology Limited	—	—	80
Megastrength Security Services Company Limited	—	—	50
Security guard service charges (Note (i))			
Megastrength Security Services Company Limited	338	256	215
Sales commission (Note (i))			
Henderson Real Estate Agency Limited	—	13	—
Interest expenses (Note (ii))			
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 *(Note (i))*
Goodwill Management Limited	wholly-owned subsidiary of HLD group
Greatzi Limited	wholly-owned subsidiary of JIL group *(Note (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 *(Note (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 *(Note (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

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.

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			
	Sunlight REIT as at 26 May 2006	Acquisition of Target Companies	Other adjustments	Notes	Pro forma balance of Sunlight REIT
	(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	5(i)	9,090,000
			1,203,299	5(ii)	
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	3(i)&(ii)	65,159
			(195,200)	4(i)	
			3,929,800	4(ii)	
			(7,363,845)	5(iv)	
	—	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)

		Pro forma adjustments			
	Sunlight REIT as at 26 May 2006	Acquisition of Target Companies	Other adjustments	Notes	Pro forma balance of Sunlight REIT
	(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

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

		Pro forma adjustments			
	Sunlight REIT as at 26 May 2006	Acquisition of Target Companies	Other adjustments	Notes	Pro forma balance of Sunlight REIT
	(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	5(i)	9,090,000
			1,203,299	5(ii)	
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	3(i)&(ii)	65,159
			(195,200)	4(i)	
			3,929,800	4(ii)	
			(7,145,445)	5(iv)	
	—	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)

		Pro forma adjustments			
	Sunlight REIT as at 26 May 2006	Acquisition of Target Companies	Other adjustments	Notes	Pro forma balance of Sunlight REIT
	(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

A. REPORT OF THE MANAGER

The following is the text of the report from Henderson Sunlight Asset Management Limited, the manager of Sunlight REIT, in relation to the forecast consolidated net profit of Sunlight REIT and its controlled entities for the period from the anticipated Listing Date to 30 June 2007 as set out in the section headed "Profit Forecast" in this Offering Circular.

8 December 2006

Dear Sirs,

The Manager's forecast of the consolidated net profit of Sunlight REIT and its controlled entities for the period from the anticipated Listing Date to 30 June 2007, including the principal bases, accounting policies and assumptions on which such profit forecast is made, (the "Forecast") is set out in the section headed "Profit Forecast" in the offering circular dated 8 December 2006 (the "Offering Circular"). The Manager considers these bases, accounting policies and assumptions used in the Forecast to be appropriate and reasonable at the time of the issue of the Offering Circular and it has satisfied itself that the Forecast has been stated after due and careful inquiry.

We are satisfied that all material facts which have come to our attention have been taken into account in arriving at the Forecast and are satisfied that the Forecast has been properly considered and documented.

The "Profit Forecast" in the Offering Circular was approved by the board of directors of Henderson Sunlight Asset Management Limited.

Investors should carefully consider these bases and assumptions when making an assessment of the future performance of Sunlight REIT based on the Forecast.

Yours faithfully,
Henderson Sunlight Asset Management Limited

B. LETTER FROM KPMG

The following is the text of the letter from KPMG, the independent reporting accountants of Sunlight REIT, in relation to the forecast consolidated net profit of Sunlight REIT and its controlled entities for the period from the anticipated Listing Date to 30 June 2007 as set out in the section headed "Profit Forecast" 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 have reviewed the accounting policies and calculations adopted in arriving at the forecast consolidated net profit of Sunlight Real Estate Investment Trust and its controlled entities (the "Group") for the period from 21 December 2006 (the "anticipated Listing Date") to 30 June 2007 (the "Forecast"), for which the directors (the "Directors") of Henderson Sunlight Asset Management Limited (the "Manager") are solely responsible, as set out in the section headed "Profit Forecast" in the offering circular dated 8 December 2006 (the "Offering Circular").

We conducted our work in accordance with Auditing Guideline 3.341 on "Accountants' report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants.

The Forecast has been prepared by the Directors based on a forecast of the consolidated results of the Group for the period from the anticipated Listing Date to 30 June 2007.

In our opinion, so far as the accounting policies and calculations are concerned, the Forecast has been properly compiled on the bases and assumptions adopted by the Directors as set out in the section headed "Profit Forecast — Bases and Assumptions" in the Offering Circular and is presented on a basis consistent in all material respects with the accounting policies adopted in preparing the Accountants' Report dated 8 December 2006, the text of which is set out in Appendix I to the Offering Circular.

Without qualifying our opinion above, we draw to your attention that the Manager has stated in the section headed "Profit Forecast" of the Offering Circular that in preparing the Forecast for the period from the anticipated Listing Date to 30 June 2007, the Manager has not included the impact of the movement in future valuations of investment properties as required by the Hong Kong Financial Reporting Standards since the Manager does not believe there is any reliable basis to make such forecast valuations.

We would like to point out that any adjustment on revaluation of investment properties would need to be reflected in the income statement in accordance with the accounting policies adopted in preparing the Accountants' Report as set out in Appendix I to the Offering Circular. Any movements on the revaluation of investment properties would have the effect of increasing or reducing the consolidated results for the period from the anticipated Listing Date to 30 June 2007 by the amount of such surplus or deficit less the effect of the corresponding movement in deferred taxation and related goodwill (if any).

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong

C Letter from the Joint Listing Agents

The following is the text of a letter received from The Hongkong and Shanghai Banking Corporation Limited, Deutsche Bank A.G., Hong Kong Branch and Macquarie Securities Limited, the Joint Listing Agents of Sunlight REIT, in relation to the forecast consolidated net profit of Sunlight REIT and its controlled entities for the period from the anticipated Listing Date to 30 June 2007 as set out in the section headed "Profit Forecast" in this Offering Circular.

8 December 2006

The Directors
Henderson Sunlight Asset Management Limited

Dear Sirs

Sunlight Real Estate Investment Trust - Profit Forecast

We refer to the proposed initial public offering (the "Offering") of units in a real estate investment trust (namely, Sunlight Real Estate Investment Trust ("Sunlight REIT")), the units of which are proposed to be listed on The Stock Exchange of Hong Kong Limited. In particular, we refer to the forecast of the consolidated net profit of Sunlight REIT and its controlled entities for the period from the anticipated Listing Date to 30 June 2007 (the "Forecast") as set out in the offering circular of Sunlight REIT dated 8 December 2006 ("Offering Circular").

We have discussed with you the bases and assumptions upon which the Forecast (as set out in the section headed "Profit Forecast" in the Offering Circular) has been made with the directors of Henderson Sunlight Asset Management Limited (the "Manager") and have considered the letter dated 8 December 2006 from KPMG addressed to the directors of the Manager and ourselves regarding the accounting policies and calculations upon which the Forecast has been made.

On the basis of the information comprising the Forecast and on the basis of the accounting policies of Sunlight REIT and calculations adopted by the Manager, and reviewed by KPMG, we, as joint listing agents of Sunlight REIT, are of the opinion that the Forecast, for which the directors of the Manager are solely responsible, has been made after due and careful enquiry.

Yours faithfully

For and on behalf of
The Hongkong and Shanghai Banking Corporation Limited
Stephen J Clark
Managing Director
Investment Banking, Asia-Pacific

For and on behalf of
Deutsche Bank A.G., Hong Kong Branch
Douglas Morton *Managing Director*
Quincy Hui *Director*
Global Banking

For and on behalf of
Macquarie Securities Limited
Ronald Tham
Managing Director
Corporate Finance

The following is the text of a letter from Savills Valuation and Professional Services Limited, the Independent Property Valuer, in relation to the forecast Rental Income for the Properties of Sunlight REIT and related assumptions used by the Manager for the purposes of the profit forecast for the period from the anticipated Listing Date to 30 June 2007 as set out in the section headed "Profit Forecast" of this Offering Circular.

Henderson Sunlight Asset Management Limited
30th Floor, 248 Queen's Road East
Wanchai
Hong Kong

HSBC Institutional Trust Services (Asia) Limited
1 Queen's Road Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Deutsche Bank AG, Hong Kong Branch
55th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Macquarie Securities Limited
19th Floor, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong



T: (852) 2801 6100
F: (852) 2530 0756

23/F Two Exchange Square
Central, Hong Kong

EA Licence: C-023750
savills.com

8 December 2006

Dear Sirs

RE: PROPERTIES IN RELATION TO SUNLIGHT REAL ESTATE INVESTMENT TRUST — RENTAL INCOME FORECAST

We have examined the rental income forecasts (the "Rental Income Forecasts") of the Properties and the related assumptions used by Henderson Sunlight Asset Management Limited (the "Manager") for the purposes of the profit forecast for the period from the anticipated Listing Date as defined in the offering circular (the "Offering Circular") to 30 June 2007 (the "Profit Forecast") as required by Appendix F of the Code on Real Estate Investment Trusts and as set out under the section headed "Profit Forecast" in the Offering Circular.

For the purposes of our confirmation, we have examined:

— the calculations of the Manager in relation to the Rental Income Forecasts; and

— the basic assumptions used by the Manager in making such calculations.

The Directors of the Manager are solely responsible for the Profit Forecast. In our opinion, the assumptions used in the said Rental Income Forecasts for the purposes of the Profit Forecast are reasonable and the said Rental Income Forecasts have been compiled in accordance with the assumptions made.

Yours faithfully
For and on behalf of
Savills Valuation and Professional Services Limited
Charles C K Chan
MSc FRICS FHKIS MCIArb RPS (GP)
Managing Director

The following is the text of the valuation report from Savills Valuation and Professional Services Limited, the Independent Property Valuer, prepared for the purpose of incorporation in this Offering Circular, in connection with their valuation of the Properties as at 30 September 2006.

Henderson Sunlight Asset Management Limited
30th Floor, 248 Queen's Road East
Wanchai
Hong Kong

HSBC Institutional Trust Services (Asia) Limited
1 Queen's Road Central
Hong Kong
(the Trustee for Sunlight Real Estate Investment Trust)

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Deutsche Bank AG, Hong Kong Branch
55th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Macquarie Securities Limited
19th Floor, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

savills
第一太平戴維斯

T: (852) 2801 6100
F: (852) 2530 0756

23/F Two Exchange Square
Central, Hong Kong

EA Licence: C-023750
savills.com

8 December 2006

Dear Sirs

RE: (1) "248 QUEEN'S ROAD EAST", 248 QUEEN'S ROAD EAST, WAN CHAI, HONG KONG ("248 QUEEN'S ROAD EAST PROPERTY")

(2) BONHAM TRADE CENTRE, 50 BONHAM STRAND, SHEUNG WAN, HONG KONG ("BONHAM TRADE CENTRE PROPERTY")

(3) RIGHTEOUS CENTRE, 585 NATHAN ROAD, MONG KOK, KOWLOON, HONG KONG ("RIGHTEOUS CENTRE PROPERTY")

(4) VARIOUS PORTIONS IN 135 BONHAM STRAND TRADE CENTRE, 135 BONHAM STRAND, SHEUNG WAN, HONG KONG ("135 BONHAM STRAND TRADE CENTRE PROPERTY")

(5) VARIOUS PORTIONS IN WINSOME HOUSE, 73 WYNDHAM STREET, CENTRAL, HONG KONG ("WINSOME HOUSE PROPERTY")

(6) JAVA ROAD 108 COMMERCIAL CENTRE, 108 JAVA ROAD, NORTH POINT, HONG KONG ("JAVA ROAD 108 COMMERCIAL CENTRE PROPERTY")

(7) VARIOUS PORTIONS IN SUN FAI COMMERCIAL CENTRE, 576 RECLAMATION STREET, MONG KOK, KOWLOON, HONG KONG ("SUN FAI COMMERCIAL CENTRE PROPERTY")

(8) VARIOUS PORTIONS IN WAI CHING COMMERCIAL BUILDING, 77 WAI CHING STREET, YAU MA TEI, KOWLOON, HONG KONG ("WAI CHING COMMERCIAL BUILDING PROPERTY")

(9) 235 WING LOK STREET TRADE CENTRE, 235 WING LOK STREET, SHEUNG WAN, HONG KONG ("235 WING LOK STREET TRADE CENTRE PROPERTY")

(10) VARIOUS PORTIONS IN YUE FAI COMMERCIAL CENTRE, 208 ABERDEEN MAIN ROAD, ABERDEEN, HONG KONG ("YUE FAI COMMERCIAL CENTRE PROPERTY")

(11) EVERGLORY CENTRE, 1B KIMBERLEY STREET, TSIM SHA TSUI, KOWLOON, HONG KONG ("EVERGLORY CENTRE PROPERTY")

(12) ON LOONG COMMERCIAL BUILDING (EXCEPT OFFICE 1 ON 6TH FLOOR AND OFFICES 1 AND 2 ON 21ST FLOOR), 276-278 LOCKHART ROAD, WAN CHAI, HONG KONG ("ON LOONG COMMERCIAL BUILDING PROPERTY")

(13) COMMERCIAL DEVELOPMENT AND CAR PARKS, METRO CITY PHASE I, 1 WAN HANG ROAD, TSEUNG KWAN O, SAI KUNG, NEW TERRITORIES, HONG KONG ("METRO CITY PHASE I PROPERTY")

(14) COMMERCIAL DEVELOPMENT (INCLUDING ALL SHOPS, THE RESTAURANT AND THE KINDERGARTEN) AND CAR PARKS IN THE PODIUM AND BASEMENT, SHEUNG SHUI CENTRE, 3 CHI CHEONG ROAD, SHEUNG SHUI, NEW TERRITORIES, HONG KONG ("SHEUNG SHUI CENTRE PROPERTY")

(15) VARIOUS PORTIONS IN KWONG WAH PLAZA, 11 TAI TONG ROAD, YUEN LONG, NEW TERRITORIES, HONG KONG ("KWONG WAH PLAZA PROPERTY")

(16) VARIOUS SHOPS UNITS ON GROUND FLOOR, BEVERLEY COMMERCIAL CENTRE, NOS. 87-105 CHATHAM ROAD SOUTH, TSIM SHA TSUI, KOWLOON, HONG KONG ("BEVERLEY COMMERCIAL CENTRE PROPERTY")

(17) UNITS A, B, E AND F ON GROUND FLOOR WITH REAR YARDS, UNITS C AND D ON GROUND FLOOR, UNITS 1, 2 (TOGETHER WITH A/C PLINTH ON 2ND FLOOR) AND 3 ON 1ST FLOOR AND ADVERTISING SPACES, GLORY RISE, 128 CHUN YEUNG STREET, NORTH POINT, HONG KONG ("GLORY RISE PROPERTY")

(18) SHOPS 1 TO 9 ON GROUND FLOOR AND COMMERCIAL COMMON AREAS AND FACILITIES, SUPERNOVA STAND, 28 MERCURY STREET, NORTH POINT, HONG KONG ("SUPERNOVA STAND PROPERTY")

(19) SHOPS NOS. 1 TO 7 ON GROUND FLOOR AND SHOP NO. 8 ON GROUND FLOOR AND ITS ROOF; OFFICES NOS. 1 AND 2 ON 1ST FLOOR; ADVERTISING SPACES 1-5, COMMERCIAL COMMON AREAS AND FACILITIES, PRIVATE STAIRCASE AND LANDING AND THE RESERVED PORTION, PALATIAL STAND, 118 WUHU STREET, HUNG HOM, KOWLOON, HONG KONG ("PALATIAL STAND PROPERTY")

(20) VARIOUS SHOPS ON GROUND FLOOR, SIGNAGE SPACE AND ISLAND, CARPARKING SPACES NOS.1-24 ON 1ST FLOOR, NOS. 1-25 ON 2ND FLOOR AND MOTORCYCLE PARKING SPACES NOS.M1-M10 ON 3RD FLOOR, ROYAL TERRACE, 933 KING'S ROAD, NORTH POINT, HONG KONG ("ROYAL TERRACE PROPERTY")

In accordance with the recent instructions of the Manager on behalf of Sunlight Real Estate Investment Trust ("Sunlight REIT") to value the captioned properties to be acquired by Sunlight REIT, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 30 September 2006 (referred to as the "Valuation Date").

Basis of Valuation

Our valuation is our opinion of the market values of the properties which we would define as intended to mean 'the estimated amount for which a Property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a Property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

Our valuation is prepared in accordance with Chapter 6.8 of the REIT Code and The HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors.

Valuation Methodologies

We have valued the properties by reference to sales evidence as available on the market and where appropriate on the basis of capitalisation of the net income shown on schedules provided to us. We have made provisions for outgoings and in appropriate cases allowed for reversionary income potential.

In arriving at our opinion of values, we have considered relevant general and economic factors and in particular have investigated recent sales and leasing transactions of comparable properties. In the course of our valuation analysis, we have principally adopted the Income Capitalization Approach and counter-checked this by the Direct Comparison Approach. For the purposes of this valuation, we consider the Income Capitalization Approach is the most appropriate valuation method for assessing the market values of the property, due to the income driven nature of the properties.

Income capitalization

The Income Capitalization Approach is a method of valuation whereby the existing net rental incomes (i.e. exclusive of rates, government rents and management fees) of all lettable units of each property are capitalized for the respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at their respective market rents as at the Valuation Date. Upon expiry of the existing tenancies, each unit is assumed to be let at its market rent as at the Valuation Date, which is in turn capitalized for the unexpired term of the Government lease under which the property is held. The summation of the capitalized value of the term income for the leased portion, the capitalized value of the reversion income (i.e. market rental income) as appropriately deferred for the leased portion and the capitalized value for the vacant portion provides the market value of each property.

The market rentals of all lettable units of each property are determined by reference to the rentals achieved by other units in the property and by reference to the lettings of similar properties in the neighbourhood. The capitalization rate adopted is determined by reference to the yields achieved in analysed market sales transactions and our knowledge of the market expectation from property investors. This expected return reflects implicitly the quality of the investment, the expectation of the potential for future rental growth and capital appreciation, operating costs, risk factors and the like.

Direct comparison

As a supporting approach to the valuation, we have also considered the Direct Comparison Approach as a reference check for the valuations arrived from Income Capitalization Approach. In this regard, comparable sales transactions around the Valuation Date are collected and analyzed in terms of a price per square footage. The collected comparables are then adjusted to take account of the discrepancies between the properties and comparables in terms of time, location, accessibility, age, building quality and condition, facilities and the like.

Title Investigations

We have not been provided with extracts from title documents relating to the properties but we have caused searches to be made at the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers.

In performing our valuation, we have been provided with a copy of, and have noted, the legal opinion relating to the leasehold titles of the properties issued by the legal adviser to the Manager.

Valuation Consideration

We have relied to a very considerable extent on information given by the instructing party and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, site and floor areas and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the instructing party, and have been advised by the instructing party that no material facts have been omitted from the information provided.

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the properties but have assumed that the floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the instructing party and are therefore only approximations.

We have inspected the exterior of the properties valued and, where possible, we have also inspected the interior of the premises. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the properties are free of rot, infestation or any other structural defect. No tests were carried out to any of the services.

No allowance has been made in our report for any charge, mortgage or amount owing on the properties nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that all properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

A summary of our opinion of the market value of each property as at the Valuation Date is given below:

	Property	Approximate Gross Rentable Area	No. of Parking Lots	Market Value as at 30 September 2006	Capitalization Rate adopted*
		sq.ft.	excluding motor and bicycle spaces		%
1	248 Queen's Road East Property	376,381	46	HK$2,341,000,000	Retail: 5.0% Office: 4.2%
2	Bonham Trade Centre Property	117,909	N/A	HK$422,000,000	Retail: 5.3% Office: 4.3%
3	Righteous Centre Property	51,767	N/A	HK$329,000,000	Retail: 4.5% Office: 4.7%
4	135 Bonham Strand Trade Centre Property	63,915	N/A	HK$230,000,000	Retail: 5.3% Office: 4.3%
5	Winsome House Property	40,114	N/A	HK$254,000,000	Retail: 5.0% Office: 4.2%
6	Java Road 108 Commercial Centre Property	37,923	N/A	HK$147,000,000	Retail: 5.3% Office: 4.7%
7	Sun Fai Commercial Centre Property	26,151	N/A	HK$100,000,000	Retail: 5.3% Office: 4.9%
8	Wai Ching Commercial Building Property	16,321	N/A	HK$26,000,000	Retail: 5.5% Office: 5.0%
9	235 Wing Lok Street Trade Centre Property	52,285	N/A	HK$168,000,000	Retail: 5.3% Office: 4.3%
10	Yue Fai Commercial Centre Property	42,751	N/A	HK$124,000,000	Retail: 5.3% Office: 5.0%
11	Everglory Centre Property	29,802	N/A	HK$123,000,000	Retail: 5.3% Office: 4.8%
12	On Loong Commercial Building Property	25,564	N/A	HK$107,000,000	Retail: 4.8% Office: 4.6%
13	Metro City Phase I Property	188,889	452	HK$1,811,000,000	Retail: 4.5%
14	Sheung Shui Centre Property	122,339	297	HK$2,190,000,000	Retail: 4.5%
15	Kwong Wah Plaza Property	64,842	N/A	HK$458,000,000	Retail: 5.0% Office: 5.3%
16	Beverley Commercial Centre Property	7,934	N/A	HK$56,000,000	Retail: 5.0%

	Property	Approximate Gross Rentable Area	No. of Parking Lots	Market Value as at 30 September 2006	Capitalization Rate adopted*
		sq.ft.	excluding motor and bicycle spaces		%
17	Glory Rise Property	7,086	N/A	HK$65,000,000	Retail: 5.3%
18	Supernova Stand Property	4,226	N/A	HK$46,000,000	Retail: 5.3%
19	Palatial Stand Property	8,625	N/A	HK$20,000,000	Retail: 5.5%
20	Royal Terrace Property	9,565	49	HK$73,000,000	Retail: 5.9%
	Total	**1,294,389**	**844**	**HK$9,090,000,000**	

* *The capitalization rate refers to the expected yield of the respective property by reference to the market yield prevailing as at the Valuation Date for the particular type of property.*

The reported analyses, opinions and conclusions are subject to the assumptions and limiting conditions stated in our valuation certificate and are our personal, unbiased professional analyses, opinions and conclusions. We have no present or prospective interest in the properties and are not a related corporation of nor do we have a relationship with the Trustee, the Manager and Underwriters or other party/parties who, Sunlight REIT is contracting with. The valuer's compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the Vendor, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

We enclose herewith our valuation certificate and market overview.

Yours faithfully
For and on behalf of
Savills Valuation and Professional Services Limited
Charles C K Chan*
MSc FRICS FHKIS MCIArb RPS(GP)
Managing Director

* *Mr Charles C K Chan, chartered estate surveyor, MSc, FRICS, FHKIS, MCIArb, RPS(GP), has been a qualified valuer since June 1987 and has about 22 years experience in the valuation of properties in Hong Kong.*

Valuation Certificate

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2006	Estimated Net Property Yield
1	"248 Queen's Road East", 248 Queen's Road East, Wan Chai, Hong Kong The Remaining Portions of Sections A, B, C, E and F of Inland Lot No. 506; the Remaining Portions of Sub-Sections 1 and 2 of Section B of Inland Lot No. 506; the Remaining Portions of Sections A, B, C, D, E and F of Inland Lot No. 387; Sections G, H and the Remaining Portion of Inland Lot No. 387; the Remaining Portion of Inland Lot No. 506; Sub-Sections 1, 2, 3, 4 and 5 of Section C of Inland Lot No. 506.	"248 Queen's Road East" is a 40-storey (including a mechanical floor) commercial building with ancillary car parking facilities erected on an L-shaped site with a registered site area of approximately 1,455.69 sq.m. (15,669 sq.ft.). The building was completed in 1998. The Ground Floor of the building is designated as shops and restaurant; 1st to 4th Floors are designated as car parking spaces; 5th Floor is planned as a mechanical floor and the upper floors from 6th to 42nd Floors are designated to office uses. (14th, 24th, and 34th Floors are omitted from floor numberings). The property comprises the entire units within the building with a total gross rentable area of approximately 34,966.65 sq.m. (376,381 sq.ft.) and a total net area of approximately 29,115.38 sq.m. (313,398 sq.ft.). The property also comprises 8 lorry parking spaces and 38 car parking spaces on 1st to 4th Floors of the building. Inland Lot No. 506 is held under a Government Lease for a term of 999 years commencing from 16 November 1855. The annual Government rent payable for the subject lot is 36 pounds 10 shillings. Inland Lot No. 387 is held under a Government Lease for a term of 999 years commencing from 16 March 1855. The annual Government rent payable for the subject lot is 20 pounds 4 shillings and ten pence.	The office and retail portions of the property are let under various tenancies for various terms with the latest expiring in January 2011, yielding a total monthly rental income of about HK$4,272,243 exclusive of rates, management and air-conditioning charges. A number of the tenancies contain options to renew for further terms of 1 to 3 years at the then market rents. The occupancy rate of the property as at 30 September 2006 (excluding parking spaces) is about 95.4%. The car parking portion of the property is let on monthly / hourly basis with a total monthly income of about HK$186,635 in September 2006 exclusive of operating expenses, rates, government rents and management fees. Various spaces are let under eleven licences mostly for terms of 2 to 3 years with the latest expiring in March 2009, yielding a total monthly income of about HK$15,965 exclusive of rates and management fees.	HK$2,341,000,000	2.3%

Notes:

(1) The registered owners of the property are Jetwise Investment Limited (7,842/10,000th shares), Russum Company Limited (445/10,000th shares) and Harzone Limited ((1,713/10,000th shares) (Tenants in common).

(2) A Deed of Variation of Crown Lease vide memorial no. UB2190879 dated 31 December 1981 and two No-objection Letters vide memorial nos. UB7657280 and UB7657292 both dated 30 December 1998 are, among others, registered with the Land Registry against the property.

(3) The property lies within an area zoned "Residential (Group A)" under Wan Chai Outline Zoning Plan.

(4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.

(5) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.

(6) Estimated net property yield is based on the net monthly rental income for September 2006 and monthly car parking income for September 2006.

(7) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile (excluding licence agreements and parking spaces) is set out below:

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	358,900	95.4
Vacant	17,481	4.6
Total	**376,381**	**100.0**

Tenancy Commencement Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Year Ended 30 June 2004	35,224	9.8	282,427	6.6	5	7.6
Year Ended 30 June 2005	67,399	18.8	703,129	16.5	17	25.8
Year Ended 30 June 2006	251,105	70.0	3,157,567	73.9	43	65.1
Three Months Ended 30 September 2006	5,172	1.4	129,120	3.0	1	1.5
Total	**358,900**	**100.0**	**4,272,243**	**100.0**	**66**	**100.0**

Tenancy Expiry Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
From 30 September 2006 to 30 June 2007	66,608	18.5	629,517	14.7	19	28.8
Year Ending 30 June 2008	58,486	16.3	636,355	14.9	19	28.8
Year Ending 30 June 2009	196,431	54.7	2,602,076	60.9	25	37.9
Year Ending 30 June 2010	21,735	6.1	235,100	5.5	2	3.0
Year Ending 30 June 2011	15,640	4.4	169,195	4.0	1	1.5
Total	**358,900**	**100.0**	**4,272,243**	**100.0**	**66**	**100.0**

Tenancy Duration Profile

Tenancy Duration	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
More than 1 year and up to 2 years	65,065	18.1	837,668	19.6	28	42.4
More than 2 years and up to 3 years	216,182	60.2	2,601,809	60.9	30	45.5
More than 3 years and up to 4 years	62,013	17.3	663,571	15.5	7	10.6
More than 4 years and up to 5 years	15,640	4.4	169,195	4.0	1	1.5
Total	**358,900**	**100.0**	**4,272,243**	**100.0**	**66**	**100.0**

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2006	Estimated Net Property Yield
2	Bonham Trade Centre, 50 Bonham Strand, Sheung Wan, Hong Kong The Remaining Portion of Inland Lot No. 15, the Remaining Portion of Section A of Marine Lot No. 142, Sub-Section 2 of Section A of Marine Lot No. 142, the Remaining Portion of Marine Lot No. 142, the Remaining Portion of Section A of Marine Lot No. 144, the Remaining Portion of Sub-Section 2 of Section A of Marine Lot No. 144, the Remaining Portion of Section C of Marine Lot No. 144 and the Remaining Portion of Marine Lot No. 144.	Bonham Trade Centre is a 28-storey commercial building erected on a trapezoid site with a registered site area of approximately 720.27 sq.m. (7,753 sq.ft.). The building was completed in 1998. The Ground Floor and the 1st Floor of the building are designated as shops while 2nd to 27th Floors are planned to office uses. The property comprises the entire units within the building with a total gross rentable area of approximately 10,954.01 sq.m. (117,909 sq.ft.) and a total net area of approximately 9,031.12 sq.m. (97,211 sq.ft.). The property also comprises a yard on Ground Floor of the building with an area of approximately 16.50 sq.m. (178 sq.ft.). Inland Lot No. 15 is held under a Government Lease for a term of 999 years commencing from 26 December 1860. The annual Government rent payable for the subject section of the lot is HK$11.9. Marine Lots Nos. 142 and 144 are held under their respective Government Leases each for a term of 981 years both commencing from 26 December 1860. The total annual Government rent payable for the subject lots is HK$124.8.	The office and retail portions of the property are let under various tenancies for various terms with the latest expiring in March 2009, yielding a total monthly rental income of about HK$1,061,334 exclusive of rates, management and air-conditioning charges. Two of the tenancies contain options to renew for further terms of 1 to 2 years at the then market rents being not less than the existing rents. The occupancy rate of the property as at 30 September 2006 (excluding the yard) is about 87.8%.	HK$422,000,000	3.0%

Notes:

(1) The registered owner of the property is Nicetex Development Limited.

(2) Two Licences granted by the Assistant Registrar General for and on behalf of the Governor of Hong Kong to Billygain Investment Limited and its successors or assigns both dated 27 June 1989 are, among others, registered with the Land Registry against the property.

(3) The property lies within an area zoned "Commercial/Residential" under Sai Ying Pun and Sheung Wan Outline Zoning Plan.

(4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.

(5) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.

(6) Estimated net property yield is based on the net monthly rental income for September 2006.

(7) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile (excluding the yard) is set out below:

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	103,497	87.8
Vacant	14,412	12.2
Total	**117,909**	**100.0**

Tenancy Commencement Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Year Ended 30 June 2004	954	0.9	6,678	0.6	1	0.9
Year Ended 30 June 2005	47,250	45.7	392,923	37.0	51	44.7
Year Ended 30 June 2006	44,251	42.7	516,794	48.7	45	39.5
Three Month Ended 30 September 2006	11,042	10.7	144,939	13.7	17	14.9
Total	**103,497**	**100.0**	**1,061,334**	**100.0**	**114**	**100.0**

Tenancy Expiry Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
From 30 September 2006 to 30 June 2007	58,536	56.6	526,942	49.7	58	50.9
Year Ending 30 June 2008	34,569	33.4	401,657	37.8	40	35.1
Year Ending 30 June 2009	10,392	10.0	132,735	12.5	16	14.0
Total	**103,497**	**100.0**	**1,061,334**	**100.0**	**114**	**100.0**

Tenancy Duration Profile

Tenancy Duration	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Up to 1 year	11,178	10.8	143,181	13.5	8	7.0
More than 1 year and up to 2 years	88,916	85.9	885,771	83.4	101	88.6
More than 2 years and up to 3 years	3,403	3.3	32,382	3.1	5	4.4
Total	**103,497**	**100.0**	**1,061,334**	**100.0**	**114**	**100.0**

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2006	Estimated Net Property Yield
3	Righteous Centre, 585 Nathan Road, Mong Kok, Kowloon, Hong Kong The Remaining Portion of Section A of Kowloon Inland Lot No. 6827 and the Remaining Portion of Kowloon Inland Lot No. 7097.	Righteous Centre is a 26-storey (including a mechanical floor) commercial building erected on a rectangular site with a registered site area of approximately 300.30 sq.m. (3,232 sq.ft.). The building was completed in 1996. Ground Floor to 3rd Floor of the building are designated as shops. The 4th Floor is a mechanical floor while the 5th to 25th Floors of the building are designated to office uses. The property comprises the entire units within the building with a total gross rentable area of approximately 4,809.27 sq.m. (51,767 sq.ft.) and a total net area of approximately 3,218.78 sq.m. (34,647 sq.ft.). Kowloon Inland Lots Nos. 6827 and 7097 are held under Conditions of Regrant Nos. 5654 and 5759 respectively both for terms of 150 years commencing from 25 December 1887. The annual Government Rents payable for Section A of Kowloon Inland lot No. 6827 and Kowloon Inland Lot No. 7097 are HK$78 and HK$150 respectively.	The property is let under various tenancies for various terms with the latest expiring in September 2009, yielding a total monthly rental income of about HK$867,411 exclusive of rates, management fees and air-conditioning charges. A number of tenancies contain options to renew for further terms of 1 or 2 years at the then market rents. The occupancy rate of the property as at 30 September 2006 is about 89.2%.	HK$329,000,000	3.2%

Notes:

(1) The registered owner of the property is Glory Hero Development Limited.

(2) The property lies within an area zoned "Commercial" under Mong Kok Outline Zoning Plan.

(3) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.

(4) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.

(5) Estimated net property yield is based on the net monthly rental income for September 2006.

(6) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile is set out below:

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	46,202	89.2
Vacant	5,565	10.8
Total	**51,767**	**100.0**

Tenancy Commencement Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Year Ended 30 June 2005	14,026	30.4	349,924	40.3	16	30.8
Year Ended 30 June 2006	25,424	55.0	390,888	45.1	30	57.7
Three Months Ended 30 September 2006	6,752	14.6	126,599	14.6	6	11.5
Total	**46,202**	**100.0**	**867,411**	**100.0**	**52**	**100.0**

Tenancy Expiry Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
From 30 September 2006 to 30 June 2007	15,670	33.9	200,333	23.1	23	44.2
Year Ending 30 June 2008	23,037	49.9	532,496	61.4	24	46.2
Year Ending 30 June 2009	4,905	10.6	84,077	9.7	4	7.7
Year Ending 30 June 2010	2,590	5.6	50,505	5.8	1	1.9
Total	**46,202**	**100.0**	**867,411**	**100.0**	**52**	**100.0**

Tenancy Duration Profile

Tenancy Duration	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Up to 1 year	4,100	8.9	69,409	8.0	9	17.3
More than 1 year and up to 2 years	35,706	77.3	509,163	58.7	40	76.9
More than 2 years and up to 3 years	6,396	13.8	288,839	33.3	3	5.8
Total	**46,202**	**100.0**	**867,411**	**100.0**	**52**	**100.0**

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2006	Estimated Net Property Yield
4	Various Portions in 135 Bonham Strand Trade Centre, 135 Bonham Strand, Sheung Wan, Hong Kong *(see Note 1)* 19,802/25,000th shares of and in The Remaining Portions of Sections A and B of Marine Lot No. 173, the Remaining Portion of Marine Lot No. 173 and Inland Lot No. 6896.	135 Bonham Strand Trade Centre is a 25-storey (including a mechanical floor) commercial building completed in 2000. The Ground Floor of the building are designated as shops while 1st to 24th Floors are designed for office uses. The 3rd Floor is designed as a mechanical floor. The property comprises the majority of the building with a total gross rentable area of approximately 5,937.85 sq.m. (63,915 sq.ft.) and a total net area of approximately 4,065.87 sq.m. (43,765 sq.ft.). Marine Lot No. 173 is held under a Government Lease for a term of 999 years commencing from 26 December 1860. The annual Government rent payable for the subject lot is HK$79.87. Inland Lot No. 6896 is held under a Government Lease for a term of 75 years commencing from 14 November 1952 renewable for a further term of 75 years. The annual Government rent payable for the subject lot is HK$196.	The property is let under various tenancies for various terms with the latest expiring in February 2009, yielding a total monthly rental income of about HK$591,531 exclusive of rates and management fees. Five of the tenancies contain options to renew for further terms of 1 or 2 years at the then market rent being not less than the existing rent. The occupancy rate of the property as at 30 September 2006 is about 86.8%.	HK$230,000,000	3.1%

Notes:

(1) The property comprises Shops Nos. 1, 2, 6 and 7 on the Ground Floor, Offices Nos. 1 to 5 on 1st, 2nd, 6th - 21st and 24th Floors.

(2) The registered owner of the property is Tinselle Investment Limited.

(3) The property lies within an area zoned "Commercial / Residential" under Sai Ying Pun and Sheung Wan Outline Zoning Plan.

(4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.

(5) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.

(6) Estimated net property yield is based on the net monthly rental income for September 2006.

(7) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile is set out below:

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	55,477	86.8
Vacant	8,438	13.2
Total	**63,915**	**100.0**

Tenancy Commencement Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Year Ended 30 June 2005	27,268	49.1	263,586	44.6	33	46.5
Year Ended 30 June 2006	22,898	41.3	264,399	44.7	29	40.8
Three Months Ended 30 September 2006	5,311	9.6	63,546	10.7	9	12.7
Total	**55,477**	**100.0**	**591,531**	**100.0**	**71**	**100.0**

Tenancy Expiry Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
From 30 September 2006 to 30 June 2007	32,707	59.0	318,277	53.8	44	62.0
Year Ending 30 June 2008	18,973	34.2	227,204	38.4	21	29.6
Year Ending 30 June 2009	3,797	6.8	46,050	7.8	6	8.5
Total	**55,477**	**100.0**	**591,531**	**100.0**	**71**	**100.0**

Tenancy Duration Profile

Tenancy Duration	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Up to 1 year	6,835	12.3	71,567	12.1	14	19.7
More than 1 year and up to 2 years	43,815	79.0	476,083	80.5	54	76.1
More than 2 years and up to 3 years	4,827	8.7	43,881	7.4	3	4.2
Total	**55,477**	**100.0**	**591,531**	**100.0**	**71**	**100.0**

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2006	Estimated Net Property Yield
5	Various Portions in Winsome House, 73 Wyndham Street, Central, Hong Kong *(see Note 1)* 131,218/200,000th shares of and in Inland Lots Nos. 5025, 7968 and the Remaining Portion of Sub-Section B of Section A of Inland Lot No. 994.	Winsome House is a 27-storey commercial building completed in 1999. The Lower Ground and Upper Ground Floors of the building are designated to retail uses while the 1st to 25th Floors of the building are designated to office uses. The property comprises the majority of the building with a total gross rentable area of approximately 3,726.68 sq.m. (40,114 sq.ft.) and a total net area of approximately 2,598.10 sq.m. (27,966 sq.ft.). The property also comprises various flat roofs on the Upper and Lower Ground Floors with a total area of approximately 34.37 sq.m. (370 sq.ft.). Inland Lots Nos. 5025 and 994 are held under their respective Government leases each for a term of 999 years both commencing from 26 June 1843. The total annual Government rent payable for the subject lots are HK$146. Inland Lot No. 7968 is held under Conditions of Exchange No. 8224 for a term of 999 years commencing from 22 January 1844. The annual Government rent payable for the subject lot is HK$30.	The property is let under various tenancies for various terms with the latest expiring in June 2009, yielding a total monthly rental income of about HK$572,630 exclusive of rates, management fees and air-conditioning charges. Four of the tenancies contain options to renew for further terms of 1 or 2 years at the then market rent being not less than the existing rent. The occupancy rate of the property as at 30 September 2006 (excluding flat roofs) is about 77.4%.	HK$254,000,000	2.7%

Notes:

(1) The property comprises Shop No. 1 on Upper Ground Floor (together with all that flat roof adjoining thereto), Shop No. 3 (together with all that flat roofs immediately thereabove) and Shop No. 4 on Lower Ground Floor, Offices Nos. 1 on 2nd-7th, 9th, 10th, 14th-17th and 19th-21st Floors; Office No. 1 (Duplex) on 25th Floor; Offices Nos. 2 on 2nd-7th, 9th, 10th, 13th, 14th-17th, 19th-21st and 25th Floors.

(2) The registered owner of the property is Grand Faith Development Limited.

(3) The property lies within an area zoned "Commercial/Residential" under Sai Ying Pun and Sheung Wan Outline Zoning Plan.

(4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.

(5) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.

(6) Estimated net property yield is based on the net monthly rental income for September 2006.

(7) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile (excluding flat roofs) is set out below:

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	31,058	77.4
Vacant	9,056	22.6
Total	**40,114**	**100.0**

Tenancy Commencement Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Year Ended 30 June 2005	8,503	27.4	106,752	18.6	7	35.0
Year Ended 30 June 2006	22,555	72.6	465,878	81.4	13	65.0
Total	**31,058**	**100.0**	**572,630**	**100.0**	**20**	**100.0**

Tenancy Expiry Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
From 30 September 2006 to 30 June 2007	7,351	23.7	94,252	16.5	6	30.0
Year Ending 30 June 2008	22,547	72.6	449,378	78.4	13	65.0
Year Ending 30 June 2009	1,160	3.7	29,000	5.1	1	5.0
Total	**31,058**	**100.0**	**572,630**	**100.0**	**20**	**100.0**

Tenancy Duration Profile

Tenancy Duration	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
More than 1 year and up to 2 years	28,746	92.6	531,130	92.8	18	90.0
More than 2 years and up to 3 years	2,312	7.4	41,500	7.2	2	10.0
Total	**31,058**	**100.0**	**572,630**	**100.0**	**20**	**100.0**

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2006	Estimated Net Property Yield
6	Java Road 108 Commercial Centre, 108 Java Road, North Point, Hong Kong Sections C and D of Inland Lot No. 3539.	Java Road 108 Commercial Centre is a 25-storey commercial building erected on a rectangular site with a registered site area of approximately 228.26 sq.m. (2,457 sq.ft.). The building was completed in 1998. The Ground Floor of the building is designated to retail uses while the 1st to 24th Floors of the building are designated to office uses. The property comprises the entire units within the building with a total gross rentable area of approximately 3,523.13 sq.m. (37,923 sq.ft.) and a total net area of approximately 2,386.10 sq.m. (25,684 sq.ft.). Inland Lot No. 3539 is held under a Government Lease for a term of 75 years commencing from 12 June 1933 renewable for a further term of 75 years at an annual Government rent at HK$22.7.	The property is let under various tenancies for various terms with the latest expiring in November 2008, yielding a total monthly rental income of about HK$396,515 exclusive of rates, management fees and air-conditioning charges. One of the tenancies contain options to renew for further terms of 1 year at the then market rents. The occupancy rate of the property as at 30 September 2006 is about 84.5%.	HK$147,000,000	3.2%

Notes:

(1) The registered owners of the property are Global Team Development Limited (2/3) and Gallund Investment Limited (1/3) (Tenants in Common).

(2) The property lies within an area zoned "Commercial / Residential" under North Point Outline Zoning Plan.

(3) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.

(4) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.

(5) Estimated net property yield is based on the net monthly rental income for September 2006.

(6) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile is set out below:

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	32,040	84.5
Vacant	5,883	15.5
Total	**37,923**	**100.0**

Tenancy Commencement Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Year Ended 30 June 2005	10,583	33.0	126,634	31.9	10	37.0
Year Ended 30 June 2006	19,988	62.4	247,104	62.4	15	55.6
Three Months Ended 30 September 2006	1,469	4.6	22,777	5.7	2	7.4
Total	**32,040**	**100.0**	**396,515**	**100.0**	**27**	**100.0**

Tenancy Expiry Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
From 30 September 2006 to 30 June 2007	11,321	35.3	133,498	33.7	11	40.8
Year Ending 30 June 2008	10,729	33.5	162,019	40.8	13	48.1
Year Ending 30 June 2009	9,990	31.2	100,998	25.5	3	11.1
Total	**32,040**	**100.0**	**396,515**	**100.0**	**27**	**100.0**

Tenancy Duration Profile

Tenancy Duration	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Up to 1 year	731	2.3	10,600	2.7	1	3.7
More than 1 year and up to 2 years	22,057	68.8	297,094	74.9	24	88.9
More than 2 years and up to 3 years	7,783	24.3	74,718	18.8	1	3.7
More than 3 years and up to 4 years	1,469	4.6	14,103	3.6	1	3.7
Total	**32,040**	**100.0**	**396,515**	**100.0**	**27**	**100.0**

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2006	Estimated Net Property Yield
7	Various Portions in Sun Fai Commercial Centre, 576 Reclamation Street, Mong Kok, Kowloon, Hong Kong *(see Note 1)* 11,951/15,000th shares of and in the Remaining Portions of Kowloon Inland Lots Nos. 10813, 10814 and 10815.	Sun Fai Commercial Centre is a 15-storey commercial building completed in 1998. The Ground Floor of the property is designated to retail uses while the 1st to 14th Floors are designated to office uses. The property comprises four shop units on the Ground Floor and various office units on the upper floors of the building with a total gross rentable area of approximately 2,429.49 sq.m. (26,151 sq.ft.) and a total net area of approximately 1,667.50 sq.m. (17,949 sq.ft.). The property also comprises various flat roofs on the 2nd and 3rd Floors with a total area of approximately 53.14 sq.m. (572 sq.ft.) and roof area of approximately 72.65 sq.m. (782sq.ft.). Kowloon Inland Lots Nos. 10813, 10814 and 10815 are held under Conditions of Lease Extension Nos. 12068, 12269 and 12259 respectively all for a term commencing from 28 June 1985 and expiring on 30 June 2047 at an annual Government rent at 3% of the rateable value for the time being of each lot.	The property is let under various tenancies for various terms with the latest expiring in September 2008, yielding a total monthly rental income of about HK$301,182 exclusive of rates, management fees and air-conditioning charges. The occupancy rate of the property as at 30 September 2006 (excluding flat roofs and roof) is 87.1%.	HK$100,000,000	3.5%

Notes:

(1) The property comprises Shops A to D on the Ground Floor, Offices A to E on 1st, 7th, 8th, 9th and 11th Floors, Offices A to E on 3rd Floor (each with a Flat Roof appertaining thereto), Offices A to D on 2nd and 6th Floors, Office E on 2nd Floor and Flat Roof appertaining thereto, Offices C and E on 10th Floor, Offices A to C on 12th Floor, Offices B to D on 13th Floor and Offices A to E on 14th Floor (each with a Roof appertaining thereto), the Reserved Portion A and the Reserved Portion B.

(2) The registered owners of the property are Best Legend Development Limited (for Offices A, B and C on 8th Floor, which are to be transferred to Yu Loy Development Company Limited) and Yu Loy Development Company Limited (for the remainder of the property).

(3) Four Modification Letters vide memorial nos. UB7109279, UB7109280 and UB7109281 all dated 7 May 1997 and memorial no. UB7542467 dated 22 July 1998 are, among others, registered with the Land Registry against the property.

(4) The property lies within an area zoned "Residential (Group A)" under Mong Kok Outline Zoning Plan.

(5) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.

(6) The rentals reported herein are contractual rentals without taking into account rent fee periods, if any.

(7) Estimated net property yield is based on the net monthly rental income for September 2006.

(8) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile (excluding flat roofs and roof) is set out below:

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	22,776	87.1
Vacant	3,375	12.9
Total	**26,151**	**100.0**

Tenancy Commencement Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Year Ended 30 June 2005	5,780	25.4	96,076	31.9	12	32.4
Year Ended 30 June 2006	13,863	60.8	171,530	57.0	21	56.8
Three Months Ended 30 September 2006	3,133	13.8	33,576	11.1	4	10.8
Total	**22,776**	**100.0**	**301,182**	**100.0**	**37**	**100.0**

Tenancy Expiry Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
From 30 September 2006 to 30 June 2007	9,497	41.7	133,794	44.4	20	54.1
Year Ending 30 June 2008	7,129	31.3	106,055	35.2	12	32.4
Year Ending 30 June 2009	6,150	27.0	61,333	20.4	5	13.5
Total	**22,776**	**100.0**	**301,182**	**100.0**	**37**	**100.0**

Tenancy Duration Profile

Tenancy Duration	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Up to 1 year	5,598	24.6	55,024	18.3	9	24.3
More than 1 year and up to 2 years	13,779	60.5	214,964	71.3	26	70.3
More than 2 years and up to 3 years	3,399	14.9	31,194	10.4	2	5.4
Total	**22,776**	**100.0**	**301,182**	**100.0**	**37**	**100.0**

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2006	Estimated Net Property Yield
8	Various Portions in Wai Ching Commercial Building, 77 Wai Ching Street, Yau Ma Tei, Kowloon, Hong Kong *(see Note 1)* 6,691/8,100th shares of and in the Remaining Portions of Kowloon Inland Lots Nos. 6167 and 6168.	Wai Ching Commercial Building is a 19-storey commercial building completed in 1997. The Ground Floor and 1st Floor of the property are designated to retail uses while the 2nd to 18th Floors are designated to office uses. The property comprises three shop units on the Ground and 1st Floors and various office units on the upper floors of the building with a total gross rentable area of approximately 1,516.26 sq.m. (16,321 sq.ft.) and a total net area of approximately 821.63 sq.m. (8,844 sq.ft.). Kowloon Inland Lots Nos. 6167 and 6168 are held under their respective Government Leases each for a term of 75 years commencing from 18 September 1974 at a total annual Government rent at HK$57,566 for the subject sections of the lots.	The property is let under various tenancies for various terms with the latest expiring in September 2009, yielding a total monthly rental income of about HK$63,862 exclusive of rates, management fees and air-conditioning charges. One of the tenancies contains option to renew for a further term of 1 year at the then market rent. The occupancy rate of the property as at 30 September 2006 is 62.3%.	HK$26,000,000	2.9%

Notes:

(1) The property comprises Shop 2 on the Ground Floor, Shops 1 and 2 on the 1st Floor, Office 1 on the 2nd Floor, Offices 1 and 2 on the 3rd to 7th and 9th to 18th Floors.

(2) The registered owner of the property is Gain Fortune Development Limited.

(3) The property lies within an area zoned "Residential (Group A)" under Yau Ma Tei Outline Zoning Plan.

(4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.

(5) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.

(6) Estimated net property yield is based on the net monthly rental income for September 2006.

(7) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile is set out below:

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	10,173	62.3
Vacant	6,148	37.7
Total	**16,321**	**100.0**

Tenancy Commencement Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Year Ended 30 June 2005	1,583	15.6	8,255	12.9	3	14.3
Year Ended 30 June 2006	7,007	68.8	44,550	69.8	15	71.4
Three Months Ended 30 September 2006	1,583	15.6	11,057	17.3	3	14.3
Total	**10,173**	**100.0**	**63,862**	**100.0**	**21**	**100.0**

Tenancy Expiry Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
From 30 September 2006 to 30 June 2007	4,747	46.6	28,153	44.1	10	47.6
Year Ending 30 June 2008	3,843	37.8	24,652	38.6	8	38.1
Year ended 30 June 2009	904	8.9	6,304	9.9	2	9.5
Year ended 30 June 2010	679	6.7	4,753	7.4	1	4.8
Total	**10,173**	**100.0**	**63,862**	**100.0**	**21**	**100.0**

Tenancy Duration Profile

Tenancy Duration	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Up to 1 year	3,164	31.1	19,897	31.2	7	33.3
More than 1 year and up to 2 years	6,330	62.2	39,212	61.4	13	61.9
More than 2 years and up to 3 years	679	6.7	4,753	7.4	1	4.8
Total	**10,173**	**100.0**	**63,862**	**100.0**	**21**	**100.0**

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2006	Estimated Net Property Yield
9	235 Wing Lok Street Trade Centre, 235 Wing Lok Street, Sheung Wan, Hong Kong The Remaining Portions of Sections A and B of Marine Lot No. 37A.	"235 Wing Lok Street Trade Centre" is a 26-storey commercial building erected on an irregular site with a registered site area of approximately 282.42 sq.m. (3,040 sq.ft.). The building was completed in 2000. The Ground Floor of the building is planned as retail shops, 1st Floor is planned for retail / office uses while the upper floors from 2nd to 28th Floors are planned as offices. 4th, 14th and 24th Floors are omitted from floor numberings. The property comprises the entire units within the building with a total gross rentable area of approximately 4,857.40 sq. m. (52,285 sq.ft.) and a total net area of approximately 3,334.91 sq.m. (35,897 sq.ft.). Marine Lot No. 37A is held under a Government lease for a term of 979 years commencing from 26 December 1863. The annual Government rent payable for the lot is HK$20.	The property is let under various tenancies for various terms with the latest expiring in July 2008, yielding a total monthly rental income of about HK$323,451 exclusive of rates and management fees. One of the tenancies contains an option to renew for a further term of 1 year at the then market rent but not less than the existing rent. The occupancy rate of the property as at 30 September 2006 is about 75.1%.	HK$168,000,000	2.3%

Notes:

(1) The registered owner of the property is Bestguard Investment Limited.

(2) The property lies within an area zoned "Commercial / Residential" under Sai Ying Pun and Sheung Wan Outline Zoning Plan.

(3) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.

(4) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.

(5) Estimated net property yield is based on the net monthly rental income for September 2006.

(6) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile is set out below:

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	39,259	75.1
Vacant	13,026	24.9
Total	**52,285**	**100.0**

Tenancy Commencement Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Year Ended 30 June 2005	15,325	39.0	119,776	37.0	19	35.8
Year Ended 30 June 2006	23,165	59.0	197,138	61.0	33	62.3
Three Months Ended 30 September 2006	769	2.0	6,537	2.0	1	1.9
Total	**39,259**	**100.0**	**323,451**	**100.0**	**53**	**100.0**

Tenancy Expiry Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of Total
From 30 September 2006 to 30 June 2007	20,505	52.2	161,944	50.1	28	52.8
Year Ending 30 June 2008	17,985	45.8	154,970	47.9	24	45.3
Year Ending 30 June 2009	769	2.0	6,537	2.0	1	1.9
Total	**39,259**	**100.0**	**323,451**	**100.0**	**53**	**100.0**

Tenancy Duration Profile

Tenancy Duration	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of Total
Up to 1 year	5,949	15.1	48,320	14.9	10	18.9
More than 1 year and up to 2 years	32,541	82.9	268,979	83.2	42	79.2
More than 2 years and up to 3 years	769	2.0	6,152	1.9	1	1.9
Total	**39,259**	**100.0**	**323,451**	**100.0**	**53**	**100.0**

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2006	Estimated Net Property Yield
10	Various Portions in Yue Fai Commercial Centre, 208 Aberdeen Main Road, Aberdeen, Hong Kong *(see Note 1)* 18,013/25,000th shares of and in the Sections A, B, C and the Remaining Portion of Aberdeen Inland Lot No. 62.	Yue Fai Commercial Centre is a 26-storey commercial building completed in 1997. The Ground Floor of the building is designated to retail uses. The 4th Floor is a mechanical floor while the 1st to 3rd and 5th to 25th Floors of the building are designated to office uses. The property comprises three shop units on the Ground Floor and various office units on the upper floors of the building with a total gross rentable area of approximately 3,971.66 sq.m. (42,751 sq.ft.) and a total net area of approximately 2,532.24 sq.m. (27,257 sq.ft.). The property also comprises two flat roofs on the 1st Floor with a total area of approximately 80.73 sq.m. (869 sq.ft.) and roof area of approximately 92.72 sq.m. (998 sq.ft.). Aberdeen Inland Lot No. 62 is held under a Government lease for a term of 999 years commencing from 26 December 1860 at an annual Government rent at HK$7.28.	The property is let under various tenancies for various terms with the latest expiring in August 2009, yielding a total monthly rental income of about HK$399,300 exclusive of rates and management fees. The occupancy rate of the property as at 30 September 2006 (excluding flat roofs and roof) is 78.1%.	HK$124,000,000	3.9%

Notes:

(1) The property comprises Shops Nos. 4, 5 and 6 on the Ground Floor, Office No. 1 (together with the Flat Roof thereof) on the 1st Floor, Offices Nos. 2 to 5 on the 1st Floor, Office No. 6 (together with the Flat Roof thereof) on the 1st Floor, Offices Nos. 3, 4 and 5 on the 2nd Floor, Offices Nos. 1 to 6 on the 3rd Floor, the 7th, 9th, 11th, 12th, 14th, 15th, 16th, 18th, 19th, 21st, 22nd, 23rd and 24th Floors, Offices Nos. 1, 2, 3, 4 and 6 on the 8th Floor, Offices Nos. 1, 2, 3, 4 and 6 on the 10th Floor, Offices Nos. 3, 4 and 6 on the 13th Floor, Offices Nos. 1, 2, 3, 4 and 5 on the 17th Floor, Offices Nos. 1, 3, 4, 5 and 6 on the 20th Floor, Offices Nos. 1, 2, 4, 5, and 6 on the 25th Floor.

(2) The registered owner of the property is Lucky Million Development Limited.

(3) The property lies within an area zoned "Commercial/Residential" under Aberdeen & Ap Lei Chau Outline Zoning Plan.

(4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.

(5) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.

(6) Estimated net property yield is based on the net monthly rental income for September 2006.

(7) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile (excluding flat roofs and roof) is set out below:

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	33,380	78.1
Vacant	9,371	21.9
Total	**42,751**	**100.0**

Tenancy Commencement Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Year Ended 30 June 2005	6,204	18.6	53,195	13.3	17	19.5
Year Ended 30 June 2006	19,624	58.8	262,623	65.8	47	54.0
Three Months Ended 30 September 2006	7,552	22.6	83,482	20.9	23	26.5
Total	**33,380**	**100.0**	**399,300**	**100.0**	**87**	**100.0**

Tenancy Expiry Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
From 30 September 2006 to 30 June 2007	10,379	31.1	98,926	24.8	29	33.3
Year Ending 30 June 2008	17,685	53.0	240,960	60.3	44	50.6
Year Ending 30 June 2009	4,787	14.3	53,224	13.3	12	13.8
Year Ending 30 June 2010	529	1.6	6,190	1.6	2	2.3
Total	**33,380**	**100.0**	**399,300**	**100.0**	**87**	**100.0**

Tenancy Duration Profile

Tenancy Duration	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Up to 1 year	5,328	16.0	57,831	14.5	20	23.0
More than 1 year and up to 2 years	25,058	75.0	307,203	76.9	59	67.8
More than 2 yeas and up to 3 years	2,994	9.0	34,266	8.6	8	9.2
Total	**33,380**	**100.0**	**399,300**	**100.0**	**87**	**100.0**

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2006	Estimated Net Property Yield
11	Everglory Centre, 1B Kimberley Street, Tsim Sha Tsui, Kowloon, Hong Kong The Remaining Portions of Kowloon Inland Lots Nos. 9455 and 9639.	Everglory Centre is a 21-storey commercial building erected on a rectangular site with a registered site area of approximately 224.73 sq.m. (2,419 sq.ft.). The building was completed in 1999. Ground and First Floors of the building are designated to retail uses. The 2nd Floor is a mechanical floor while the 3rd to 20th Floors of the building are designated to office uses. The property comprises the entire units within the building with a total gross rentable area of approximately 2,768.67 sq.m. (29,802 sq.ft.) and a total net area of approximately 1,777.31 sq.m. (19,131 sq.ft.). Kowloon Inland Lots Nos. 9455 and 9639 are held under Conditions of Regrants Nos. 9401 and 9502 respectively both for a term of 150 years commencing from 25 December 1892 at a total annual Government rent of HK$284.	The property is let under various tenancies for various terms with the latest expiring in September 2009, yielding a total monthly rental income of about HK$368,158 exclusive of rates and management fees. The occupancy rate of the property as at 30 September 2006 is about 95.1%. The signages are let under a licence for a term of 3 years expiring in July 2007 yielding a monthly licence fee of HK$750.	HK$123,000,000	3.6%

Notes:

(1) The registered owner of the property is Strong Bright Technology Limited.

(2) The property lies within an area zoned "Commercial" under Tsim Sha Tsui Outline Zoning Plan.

(3) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.

(4) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.

(5) Estimated net property yield is based on the net monthly rental income for September 2006.

(6) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile (excluding signages) is set out below:

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	28,341	95.1
Vacant	1,461	4,9
Total	**29,802**	**100.0**

Tenancy Commencement Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Year Ended 30 June 2005	10,860	38.3	106,709	29.0	10	34.5
Year Ended 30 June 2006	13,160	46.4	189,243	51.4	15	51.7
Three Months Ended 30 September 2006	4,321	15.3	72,206	19.6	4	13.8
Total	**28,341**	**100.0**	**368,158**	**100.0**	**29**	**100.0**

Tenancy Expiry Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
From 30 September 2006 to 30 June 2007	11,515	40.6	128,061	34.8	11	38.0
Year Ending 30 June 2008	14,674	51.8	201,072	54.6	16	55.2
Year Ending 30 June 2009	730	2.6	10,585	2.9	1	3.4
Year Ending 30 June 2010	1,422	5.0	28,440	7.7	1	3.4
Total	**28,341**	**100.0**	**368,158**	**100.0**	**29**	**100.0**

Tenancy Duration Profile

Tenancy Duration	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Up to 1 year	2,169	7.7	33,181	9.0	2	6.9
More than 1 year and up to 2 years	21,753	76.7	285,596	77.6	24	82.8
More than 2 years and up to 3 years	4,419	15.6	49,381	13.4	3	10.3
Total	**28,341**	**100.0**	**368,158**	**100.0**	**29**	**100.0**

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2006	Estimated Net Property Yield
12	On Loong Commercial Building (except Office 1 on the 6th Floor and Office 1 and 2 on the 21st Floor), 276-278 Lockhart Road, Wan Chai, Hong Kong 94/100th shares of and in the Remaining Portions of Inland Lots Nos. 7061 and 7062.	On Loong Commercial Building is a 23-storey commercial building completed in 1984. Ground Floor of the building is designated to retail uses while the 1st to 22nd Floors are designated to office uses. The property comprises a shop unit on the Ground Floor and various office units on the upper floors of the building with a total gross rentable area of approximately 2,374.95 sq.m. (25,564 sq.ft.) and a total net area of approximately 1,618.36 sq.m. (17,420 sq.ft.). The property also comprises two flat roofs on the 4th Floor with a total area of approximately 46.92 sq.m. (505 sq.ft.) and roof area of approximately 28.80 sq.m. (310 sq.ft.). Inland Lots Nos. 7061 and 7062 are each held under a Government Lease for a term of 99 years commencing from 11 May 1928 renewable for a further term of 99 years at an annual Government rent of HK$20.	The property is let under various tenancies for various terms with the latest expiring in August 2008, yielding a total monthly rental income of about HK$333,771 exclusive of rates and management fees. The occupancy rate of the property as at 30 September 2006 (excluding flat roofs and roof) is 95.8%.	HK$107,000,000	3.7%

Notes:

(1) The registered owner of the property is Glory Good Development Limited.

(2) The property lies within an area zoned "Commercial / Residential" under Wan Chai Outline Zoning Plan.

(3) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.

(4) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.

(5) Estimated net property yield is based on the net monthly rental income for September 2006.

(6) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile (excluding flat roofs and roof) is set out below:

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	24,488	95.8
Vacant	1,076	4.2
Total	**25,564**	**100.0**

Tenancy Commencement Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Year Ended 30 June 2005	5,737	23.4	171,857	51.5	8	22.9
Year Ended 30 June 2006	15,812	64.6	133,611	40.0	22	62.9
Three Months Ended 31 September 2006	2,939	12.0	28,303	8.5	5	14.2
Total	**24,488**	**100.0**	**333,771**	**100.0**	**35**	**100.0**

Tenancy Expiry Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
From 30 September 2006 to 30 June 2007	10,396	42.5	212,981	63.8	15	42.9
Year Ending 30 June 2008	11,153	45.5	92,487	27.7	15	42.9
Year Ending 30 June 2009	2,939	12.0	28,303	8.5	5	14.2
Total	**24,488**	**100.0**	**333,771**	**100.0**	**35**	**100.0**

Tenancy Duration Profile

Tenancy Duration	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Up to 1 year	5,197	21.2	46,504	13.9	8	22.8
More than 1 year and up to 2 years	18,753	76.6	281,887	84.5	26	74.3
More than 2 years and up to 3 years	538	2.2	5,380	1.6	1	2.9
Total	**24,488**	**100.0**	**333,771**	**100.0**	**35**	**100.0**

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2006	Estimated Net Property Yield
13	Commercial Development and Car Parks, Metro City Phase I, 1 Wan Hang Road, Tseung Kwan O, Sai Kung, New Territories, Hong Kong 178,377 / 690,000th shares of and in Tseung Kwan O Town Lot No. 36.	Metro City Phase I comprises a 3-storey (Ground Floor to Level 2) commercial / car parking podium with six residential blocks erected thereon. The development was completed in 1996. The property comprises all the shop units on the Ground Floor and Level 2 of the commercial / car parking podium with a total gross rentable area of approximately 17,548.22 sq.m. (188,889 sq.ft.) and a total net area of approximately 11,117.34 sq.m. (119,667 sq.ft.). The property also comprises 452 car parking spaces, 20 motor cycle parking spaces and 14 bicycle parking spaces on Ground Floor to Level 2 of the building. Tseung Kwan O Town Lot No. 36 is held under New Grant No. 8275 for a term commencing from 29 November 1993 and expiring on 30 June 2047 at an annual Government rent at 3% of the rateable value for the time being of the lot.	The shop units of the property are let under various tenancies / licences for various terms with the latest expiring in September 2009, yielding a total basic monthly income of about HK$3,954,665 exclusive of rates, management fees and air-conditioning charges. A monthly turnover rent receivable in September 2006 for one of the tenancies with turnover rent arrangement is about HK$9,250. A number of tenancies contain options to renew for further terms of 1 to 3 years at the then market rents. The occupancy rate of the property as at 30 September 2006 (excluding parking spaces and light boxes) is about 83.9%. The car parking spaces of the property are let on monthly and hourly basis yielding a total monthly income of approximately HK$407,214 in September 2006 exclusive of operating expenses, rates, government rent and management fees. Six light boxes are let under three licences for terms of half or one year with the latest expiring in September 2007 yielding a total monthly income of HK$2,650.	HK$1,811,000,000	2.8%

Notes:

(1) The registered owner of the property are Camleigh Investment Limited (34.68%), Join Fortune Development Limited (26.59%) and Shung King Development Company Limited (38.73%) (Tenants in Common), which have conditionally agreed to transfer the property to Crownwill Limited.

(2) Two Modification Letters vide memorial nos. SK220858 and SK250379 dated 23 May 1994 and 29 May 1996 respectively are, among others, registered with the Land Registry against the property.

(3) The property lies within an area zoned "Residential (Group A)" under Tseung Kwan O Outline Zoning Plan.

(4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.

(5) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.

(6) Estimated net property yield is based on the net monthly rental income (inclusive of turnover rent) for September 2006 and monthly car parking income for September 2006.

(7) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile (excluding parking spaces and light boxes) is set out below:

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	158,559	83.9
Vacant	30,330	16.1
Total	**188,889**	**100.0**

Tenancy Commencement Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental Incl. Turnover Rent (HK$)	% of total	No. of Tenancy	% of total
Year Ended 30 June 2004	3,397	2.1	67,350	1.7	2	2.1
Year Ended 30 June 2005	28,396	17.9	655,225	16.5	22	22.7
Year Ended 30 June 2006	86,348	54.5	2,472,080	62.4	56	57.7
Three Months Ended 30 September 2006	40,418	25.5	769,260	19.4	17	17.5
Total	**158,559**	**100.0**	**3,963,915**	**100.0**	**97**	**100.0**

Tenancy Expiry Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental Incl. Turnover Rent (HK$)	% of total	No. of Tenancy	% of total
From 30 September 2006 to 30 June 2007	30,853	19.4	791,875	20.0	28	28.9
Year Ending 30 June 2008	48,532	30.6	1,527,540	38.5	50	51.5
Year Ending 30 June 2009	49,575	31.3	1,194,700	30.1	15	15.5
Year Ending 30 June 2010	29,599	18.7	449,800	11.4	4	4.1
Total	**158,559**	**100.0**	**3,963,915**	**100.0**	**97**	**100.0**

Tenancy Duration Profile

Tenancy Duration	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental Incl. Turnover Rent (HK$)	% of total	No. of Tenancy	% of total
Up to 1 year	6,370	4.0	176,400	4.4	9	9.3
More than 1 year and up to 2 years	68,767	43.4	2,198,365	55.5	72	74.2
More than 2 years and up to 3 years	83,422	52.6	1,589,150	40.1	16	16.5
Total	**158,559**	**100.0**	**3,963,915**	**100.0**	**97**	**100.0**

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2006	Estimated Net Property Yield
14	Commercial Development (including all Shops, The Restaurant and The Kindergarten); and Car Parks in the Podium and Basement, Sheung Shui Centre, 3 Chi Cheong Road, Sheung Shui, New Territories, Hong Kong 60,572 / 236,000th shares of and in Fanling Sheung Shui Town Lot No. 55.	Sheung Shui Centre is a residential development comprising six residential blocks over a 3-storey commercial / car parking podium plus one level car park basement completed in 1993. The property comprises all shop units within the commercial podium of the development with a total gross rentable area of approximately 11,365.57 sq.m. (122,339 sq.ft.) and a total net area of approximately 7,367.52 sq.m. (79,304 sq.ft.). The property also comprises 269 car parking spaces, 28 lorry parking spaces and 226 bicycle parking spaces on Basement and Level 1 of the development. The property also comprises 6 loading and unloading spaces (with one of such loading and unloading space for each residential block for parking, loading and unloading of goods vehicles) on Level 1 of the development. Fanling Sheung Shui Town Lot No. 55 is held under New Grant No. 12406 for a term commencing from 16 October 1989 and expiring on 30 June 2047 at an annual Government rent at 3% of the rateable value for the time being of the lot.	The retail portion of the property is let under various tenancies for various terms with the latest expiring in September 2009, yielding a total monthly rental income of about HK$6,189,189 exclusive of rates, management fees, air-conditioning charges and promotional charges. A number of tenancies contain options to renew for further terms of 1 to 3 years at the then market rents. The current occupancy rate of the property as at 30 September 2006 (excluding parking spaces) is about 94.3%. The car parking portion of the property is let on monthly / hourly basis with a total monthly income of about HK$510,084 in September 2006 exclusive of operating expenses, rates, government rent and management fees.	HK$2,190,000,000	3.6%

Notes:

(1) The registered owners of the property are Evercot Enterprise Company Limited (50.55%) and Shung King Development Company Limited (49.45%) (Tenants in common), which have conditionally agreed to transfer the property to Bayman Limited.

(2) Two Modification Letters vide memorial nos. N246642 and N277363 dated 3 October 1990 and 18 August 1992 respectively are, among others, registered with the Land Registry against the property.

(3) The property lies within an area zoned "Residential (Group A)" under Fanling / Sheung Shui Outline Zoning Plan.

(4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.

(5) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.

(6) Estimated net property yield is based on the net monthly rental income for September 2006 and monthly car parking income for September 2006.

(7) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile (excluding licence agreements and parking spaces) is set out below:

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	115,411	94.3
Vacant	6,928	5.7
Total	**122,339**	**100.0**

Tenancy Commencement Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Year Ended 30 June 2004	24,010	20.8	622,160	10.1	3	2.4
Year Ended 30 June 2005	24,392	21.2	1,407,626	22.7	32	25.6
Year Ended 30 June 2006	37,544	32.5	2,675,080	43.2	64	51.2
Three Months Ended 30 September 2006	29,465	25.5	1,484,323	24.0	26	20.8
Total	**115,411**	**100.0**	**6,189,189**	**100.0**	**125**	**100.0**

Tenancy Expiry Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
From 30 September 2006 to 30 June 2007	43,538	37.7	1,947,058	31.5	36	28.8
Year Ending 30 June 2008	50,701	43.9	2,695,708	43.6	63	50.4
Year Ending 30 June 2009	16,740	14.5	1,265,323	20.4	24	19.2
Year Ending 30 June 2010	4,432	3.9	281,100	4.5	2	1.6
Total	**115,411**	**100.0**	**6,189,189**	**100.0**	**125**	**100.0**

Tenancy Duration Profile

Tenancy Duration	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Up to 1 year	16,122	14.0	469,200	7.6	8	6.4
More than 1 year and up to 2 years	46,763	40.5	3,505,001	56.6	97	77.6
More than 2 years and up to 3 years	51,396	44.5	2,170,988	35.1	19	15.2
More than 3 years and up to 4 years	1,130	1.0	44,000	0.7	1	0.8
Total	**115,411**	**100.0**	**6,189,189**	**100.0**	**125**	**100.0**

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2006	Estimated Net Property Yield
15	Various Portions in Kwong Wah Plaza, 11 Tai Tong Road, Yuen Long, New Territories, Hong Kong *(see Note 1)* 36,104/45,000th shares of and in Lot No. 4015 in Demarcation District No. 120.	Kwong Wah Plaza is a 17-storey (including a basement and a mechanical floor but excluding cocklofts) commercial building completed in 1998. The Basement and 1st Floor of the building are designated to retail uses while the Ground Floor is designated to retail uses and loading / unloading area. The 2nd Floor of the building is a mechanical floor while the 3rd to 15th Floors of the building are for office uses. The property comprises shops on the whole of the Basement, Ground Floor, Cocklofts and 1st Floor and various office units on various floors of the building with a total gross rentable area of approximately 6,023.97 sq.m. (64,842 sq.ft.) and a total net area of approximately 4,721.76 sq.m. (50,825 sq.ft.). The property also comprises a Flat Roof on the 13th Floor with an area of approximately 16.35 sq.m. (176 sq.ft.). Lot No. 4015 in Demarcation District No. 120 is held under New Grant No. 4135 for a term commencing from 25 May 1993 and expiring on 30 June 2047 at an annual Government rent at 3% of the rateable value for the time being of the lot.	The property is let under various tenancies for various terms with the latest expiring in May 2009, yielding a total monthly rental income of about HK$1,466,151 exclusive of rates, management fees and air-conditioning charges. A number of tenancies contain options to renew for further terms of 1 year at the then market rents. The occupancy rate of the property as at 30 September 2006 (including cocklofts but excluding flat roof and signages) is about 98.6%. Various signages are let under two licences for terms of two or three years with the latest expiring in December 2007 yielding a total monthly licence fees of about HK$4,400.	HK$458,000,000	3.8%

Notes:

(1) The property comprises Shops Nos. 1 to 7 on Ground Floor (each with a Cockloft) and Offices on the 8th, 9th, 14th and 15th Floors, Offices Nos. 7 and 8 on 3rd Floor, Offices Nos. 2 to 5 on 5th Floor, Offices Nos. 1 to 9 on 11th Floor, Offices Nos. 2 to 8 on 12th Floor, Office on 13th Floor and Flat Roof appertaining thereto, the CAC Unit and the advertising panels.

(2) The registered owners of the property are Best Legend Development Limited (for Office No. 8 on 3rd Floor which is to be transferred to Seiren Investment Limited), and Seiren Investment Limited (for the remainder of the property).

(3) Two Modification Letters vide memorial nos. YL650683 and YL811797 dated 12 October 1995 and 23 April 1998 respectively are, among others, registered with the Land Registry against the property.

(4) The property lies within an area zoned "Commercial / Residential" under Yuen Long Outline Zoning Plan.

(5) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.

(6) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.

(7) Estimated net property yield is based on the net monthly rental income for September 2006.

(8) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile (including cocklofts but excluding flat roof and signages) is set out below:

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	63,935	98.6
Vacant	907	1.4
Total	**64,842**	**100.0**

Tenancy Commencement Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Year Ended 30 June 2005	36,893	57.7	885,086	60.4	16	47.1
Year Ended 30 June 2006	19,068	29.8	359,922	24.5	14	41.2
Three Months Ended 30 September 2006	7,974	12.5	221,143	15.1	4	11.7
Total	**63,935**	**100.0**	**1,466,151**	**100.0**	**34**	**100.0**

Tenancy Expiry Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
From 30 September 2006 to 30 June 2007	15,747	24.6	324,091	22.1	13	38.2
Year Ending 30 June 2008	34,027	53.2	835,929	57.0	14	41.2
Year Ending 30 June 2009	9,100	14.2	215,539	14.7	6	17.6
Year Ending 30 June 2010	5,061	8.0	90,592	6.2	1	3.0
Total	**63,935**	**100.0**	**1,466,151**	**100.0**	**34**	**100.0**

Tenancy Duration Profile

Tenancy Duration	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Up to 1 year	2,569	4.0	44,448	3.0	2	5.9
More than 1 year and up to 2 years	26,403	41.3	640,680	43.7	23	67.6
More than 2 years and up to 3 years	34,963	54.7	781,023	53.3	9	26.5
Total	**63,935**	**100.0**	**1,466,151**	**100.0**	**34**	**100.0**

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2006	Estimated Net Property Yield
16	Various Shops Units on Ground Floor, Beverley Commercial Centre, 87-105 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong *(see Note 1)* 2,441/26,600th shares of and in Kowloon Inland Lots Nos. 10574, 10211, 10575, 10518, 10580, 10160, 10503, 10526, 10247 and 10616.	Beverley Commercial Centre is a 20-storey (including a basement) commercial building completed in 1982. The Basement of the building is designated for retail use, the Ground to 2nd Floors of the building are planned as a shopping arcade while the upper floors from 3rd to 18th Floors of the building are designated for office uses. The property comprises the 60 shop units on the Ground Floor of the shopping arcade with a total gross rentable area of approximately 737.09 sq.m. (7,934 sq.ft.) and a total net area of approximately 422.71 sq.m. (4,550 sq.ft.). Kowloon Inland Lots Nos. 10574, 10211, 10575, 10518, 10580, 10160, 10503, 10526, 10247 and 10616 are held under Conditions of Re-Grant Nos. 11117, 10318, 11118, 11125, 11098, 10312, 11134, 11053, 10404 and 11243 respectively each for a term of 150 years all commencing from 25 December 1902. The total annual Government rent payable for the subject lots is HK$7,576.	The property is let under various tenancies for various terms with the latest expiring in August 2008, yielding a total monthly rental income of about HK$160,660 exclusive of rates, management fees, air-conditioning charges and promotional charges. One of the tenancies contains an option to renew for a further term of 1 year at the then market rent. The occupancy rate of the property as at 30 September 2006 is about 74.1%.	HK$56,000,000	3.4%

Notes:

(1) The property comprises Shop Units 1-13, 17, 36-48, 50-69, 71 and 73-84 on Ground Floor.

(2) The registered owner of the property is Newcorp Development Limited.

(3) Five Modification Letters vide memorial nos. UB1765380 and UB1765381 both dated 13 August 1979 and memorial nos. UB1776569, UB1782035 and UB1782036 all dated 17 October 1979 are, among others, registered with the Land Registry against the property.

(4) The property lies within an area zoned "Commercial" under Tsim Sha Tsui Outline Zoning Plan.

(5) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.

(6) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.

(7) Estimated net property yield is based on the net monthly rental income for September 2006.

(8) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile is set out below:

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	5,877	74.1
Vacant	2,057	25.9
Total	**7,934**	**100.0**

Tenancy Commencement Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Year Ended 30 June 2005	831	14.1	21,500	13.4	4	12.5
Year Ended 30 June 2006	4,193	71.3	114,150	71.0	24	75.0
Three Months Ended 30 September 2006	853	14.6	25,010	15.6	4	12.5
Total	**5,877**	**100.0**	**160,660**	**100.0**	**32**	**100.0**

Tenancy Expiry Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
From 30 September 2006 to 30 June 2007	1,648	28.0	45,300	28.2	10	31.3
Year Ending 30 June 2008	3,594	61.2	97,100	60.4	20	62.5
Year Ending 30 June 2009	635	10.8	18,260	11.4	2	6.2
Total	**5,877**	**100.0**	**160,660**	**100.0**	**32**	**100.0**

Tenancy Duration Profile

Tenancy Duration	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Up to 1 year	817	13.9	23,800	14.8	6	18.8
More than 1 year and up to 2 years	5,060	86.1	136,860	85.2	26	81.2
Total	**5,877**	**100.0**	**160,660**	**100.0**	**32**	**100.0**

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2006	Estimated Net Property Yield
17	Units A, B, E and F on Ground Floor with Rear Yards, Units C and D on Ground Floor, Units 1, 2 (together with A/C Plinth on 2nd Floor) and 3 on 1st Floor, and advertising spaces, Glory Rise, 128 Chun Yeung Street, North Point Hong Kong 7,116/43,500th shares of and in Inland Lots Nos. 6715, 6716, 6717 and 6718.	Glory Rise is a 26-storey composite commercial / residential building completed in 2003. The Ground Floor and the 1st Floor of the building are designated to retail uses, the 2nd Floor for garden podium and children playground and the 3rd to 28th Floors (4th, 14th and 24th Floors are omitted from floor numberings) for residential uses. The property comprises all the shop units on the Ground and 1st Floors with a total gross rentable area of approximately 658.31 sq.m. (7,086 sq.ft.)) and a total net area of approximately 508.45 sq.m. (5,473 sq.ft.). The property also comprises four rear yards on the Ground Floor with a total area of approximately 23.60 sq.m. (254 sq.ft.). Inland Lots Nos. 6715, 6716, 6717 and 6718 are held under their respective Government Leases each for a term of 75 years commencing from 5 September 1921 renewable for a further term of 75 years at a total annual Government rent at HK$62,868.	The property is let under various tenancies for various terms with the latest expiring in April 2009, yielding a total monthly rental income of HK$173,830 exclusive of rates, management fees and air-conditioning charges. The occupancy rate of the property as at 30 September 2006 (excluding rear yards and advertising spaces) is about 46.6%. The advertising spaces are vacant.	HK$65,000,000	3.2%

Notes:

(1) The registered owner of the property is Pacific Joy Investment Limited.

(2) A No-objection Letter vide memorial no. UB8914721 dated 1 April 2003 is, among others, registered with the Land Registry against the property.

(3) The property lies within an area zoned "Commercial / Residential" under North Point Outline Zoning Plan.

(4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.

(5) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.

(6) Estimated net property yield is based on the net monthly rental income for September 2006.

(7) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile (excluding rear yards and advertising spaces) is set out below:

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	3,302	46.6
Vacant	3,784	53.4
Total	**7,086**	**100.0**

Tenancy Commencement Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Year Ended 30 June 2006	3,101	94.0	157,830	90.8	3	75.0
Three Months Ended 30 September 2006	201	6.0	16,000	9.2	1	25.0
Total	**3,302**	**100.0**	**173,830**	**100.0**	**4**	**100.0**

Tenancy Expiry Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
From 30 September 2006 to 30 June 2007	816	24.7	58,000	33.4	1	25.0
Year Ending 30 June 2008	660	20.0	6,500	3.7	1	25.0
Year Ending 30 June 2009	1,826	55.3	109,330	62.9	2	50.0
Total	**3,302**	**100.0**	**173,830**	**100.0**	**4**	**100.0**

Tenancy Duration Profile

Tenancy Duration	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Up to 1 year	816	24.7	58,000	33.4	1	25.0
More than 1 year and up to 2 years	861	26.1	22,500	12.9	2	50.0
More than 2 years and up to 3 years	1,625	49.2	93,330	53.7	1	25.0
Total	**3,302**	**100.0**	**173,830**	**100.0**	**4**	**100.0**

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2006	Estimated Net Property Yield
18	Shops 1 to 9 on the Ground Floor and Commercial Common Areas and Facilities, Supernova Stand, 28 Mercury Street, North Point, Hong Kong 3,452/21,000th shares of and in the Remaining Portions of Sections A, C and E of Sub-Section 2 of Section F of Inland Lot No. 1366 and The Remaining Portion of Sub-Section 2 of Section F of Inland Lot No. 1366.	Supernova Stand is a 27-storey composite commercial / residential building completed in 2001. The Ground Floor of the building is designated to retail uses, the 1st Floor for clubhouse and garden podium and the 2nd to 26th Floors for residential purposes. The property comprises all nine shop units on the Ground Floor with a total gross rentable area of approximately 392.60 sq.m. (4,226 sq.ft.) and a total net area of approximately 306.67 sq.m. (3,301 sq.ft.). Inland Lot No. 1366 is held under a Government Lease for a term of 999 years commencing from 24 February 1896 at an annual Government rent at HK$338.	Shop 1 of the property is vacant. Shops 2 to 9 of the property are let under a tenancy for a term of three years expiring in January 2008 at a monthly rental income of HK$162,750 exclusive of rates, air-conditioning charges and management fees with an option to renew for a further term of 3 years at the then market rent. The occupancy rate of the property as at 30 September 2006 is 88.4%.	HK$46,000,000	4.3%

Notes:

(1) The registered owners of the property are Gentfair Development Limited and United Glory Development Limited (Tenants in Common).

(2) A No-objection Letter vide memorial no. UB8684383 dated 8 May 2002 is, among others, registered with the Land Registry against the property.

(3) The property lies within an area zoned "Commercial / Residential" under North Point Outline Zoning Plan.

(4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.

(5) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.

(6) Estimated net property yield is based on the net monthly rental income for September 2006.

(7) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile is set out below:

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	3,737	88.4
Vacant	489	11.6
Total	**4,226**	**100.0**

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2006	Estimated Net Property Yield
19	Shops Nos. 1 to 7 on Ground Floor and Shop No. 8 on Ground Floor and its Roof; Offices Nos. 1 and 2 on 1st Floor; Advertising Spaces 1-5 and Commercial Common Areas and Facilities, Private Staircase and Landing and the Reserved Portion, Palatial Stand, 118 Wuhu Street, Hung Hom, Kowloon, Hong Kong 3,216/15,000th shares of and in Hung Hom Inland Lots Nos. 522, 509, 517, 510, 514, 515 and 504.	Palatial Stand is a 20-storey residential tower built over a 3-storey commercial / garden podium completed in 2001. The Ground Floor of the building is designated as retail use, the 1st Floor of the building is planned as offices/ shops while the upper floors from 3rd to 22nd Floors of the building are designated to residential flats. The property comprises the 8 shop units occupying the whole of the Ground Floor and two office units occupying the whole of the 1st Floor of the building with a total gross rentable area of approximately 801.28 sq.m. (8,625 sq.ft.) and a total net area of approximately 559.55 sq.m. (6,023 sq.ft.). The property also comprises a Flat Roof on 1st Floor of the building with an area of approximately 56.02 sq.m. (603 sq.ft.). Hung Hom Inland Lot No. 522 is held under a Government Lease for a term of 150 years commencing from 14 September 1897 at an annual Government rent of HK$34.	The property is let under various tenancies for various terms with the latest expiring in September 2009, yielding a total monthly rental income of about HK$88,683 exclusive of rates, management fees and air-conditioning charges. One of the tenancies contains an option to renew for a further term of 3 years at a monthly rent of HK$13,225. The occupancy rate of the property as at 30 September 2006 (excluding top roof) is about 100%. The advertising spaces of the property are vacant.	HK$20,000,000	5.3%

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2006	Estimated Net Property Yield
	Hung Hom Inland Lots Nos. 509, 517, 510, 514, 515, and 504 are held under Conditions of Regrant Nos. 10274, 10340, 10273, 10579, 10356 and 10224 respectively each for a term of 150 years all commencing from 14 September 1897. The total annual Government rent payable for the subject lots is HK$204.			

Notes:

(1) The registered owners of the property are Multimark Investment Limited (80/100th shares) and Country Max Development Limited (20/100th shares) (Tenants in common).

(2) Seven Modification Letters vide memorial nos. UB7616972, UB7616973, UB7616974, UB7616975, UB7616976, UB7616977 and UB7616978 all dated 17 November 1998 are, among others, registered with the Land Registry against the property.

(3) The property lies within an area zoned "Residential (Group A)" under Hung Hom Outline Zoning Plan.

(4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.

(5) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.

(6) Estimated net property yield is based on the net monthly rental income for September 2006.

(7) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile (excluding top roof) is set out below:

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	8,625	100.0
Vacant	—	—
Total	**8,625**	**100.0**

Tenancy Commencement Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Year Ended 30 June 2005	4,702	54.5	31,500	35.5	2	40.0
Year Ended 30 June 2006	1,455	16.9	18,800	21.2	1	20.0
Three Months Ended 30 September 2006	2,468	28.6	38,383	43.3	2	40.0
Total	**8,625**	**100.0**	**88,683**	**100.0**	**5**	**100.0**

Tenancy Expiry Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of Total
From 30 September 2006 to 30 June 2007	3,566	41.3	20,000	22.5	1	20.0
Year Ending 30 June 2008	1,463	17.0	17,713	20.0	2	40.0
Year Ending 30 June 2009	1,455	16.9	18,800	21.2	1	20.0
Year Ending 30 June 2010	2,141	24.8	32,170	36.3	1	20.0
Total	**8,625**	**100.0**	**88,683**	**100.0**	**5**	**100.0**

Tenancy Duration Profile

Tenancy Duration	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of Total
More than 1 year and up to 2 years	327	3.8	6,213	7.0	1	20.0
More than 2 years and up to 3 years	3,566	41.3	20,000	22.6	1	20.0
More than 3 years and up to 4 years	4,732	54.9	62,470	70.4	3	60.0
Total	**8,625**	**100.0**	**88,683**	**100.0**	**5**	**100.0**

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2006	Estimated Net Property Yield
20	Various Shops on Ground Floor, Signage Space and Island, Carparking Spaces Nos. 1-24 on 1st Floor, Nos. 1-25 on 2nd Floor and Motorcycle Parking Spaces Nos.M1-M10 on 3rd Floor, Royal Terrace, 933 King's Road, North Point, Hong Kong *(See Note 1)* 1,255/13,000th shares of and in The Remaining Portion of Subsection 1 of Section C of Quarry Bay Marine Lot No.4; Section B of Subsection 1 of Section C of Quarry Bay Marine Lot No. 4; The Remaining Portion of Section A of Subsection 1 of Section C of Quarry Bay Marine Lot No. 4; Subsection 1 of Section A of Subsection 1 of Section C of Quarry Bay Marine Lot No. 4 and Section E of Quarry Bay Marine Lot No. 4.	Royal Terrace is a 36-storey composite commercial / residential building with carparking and recreational facilities completed in 2002. The Ground Floor is designated to retail uses, 1st Floor to 3rd Floor are designated to carparking facilities, 5th Floor is planned as a club-house and the upper floors from 6th to 39th are for domestic purposes (4th, 14th, 24th and 34th are omitted from floor numberings). The property comprises eleven shop units on the Ground Floor with a total gross rentable area of approximately 888.61 sq.m. (9,565 sq.ft.) and a total net area of approximately 651.06 sq.m. (7,008 sq.ft.). The property also comprises 49 carparking spaces and 10 motorcycle parking spaces on the whole of 1st to 3rd Floors of the building. Quarry Bay Marine Lot No. 4 is held under Government Lease for a term of 75 years commencing from 27 April 1931 renewable for a further term of 75 years with annual Government rent payable to the subject sections of the lot at HK$60.	The property is let under various tenancies for various terms with the latest expiring in August 2007, yielding a total monthly rental income of about HK$235,301 exclusive of rates, air-conditioning charges and management fees. Two tenancies contain options to renew for further terms of 2 to 3 year at the then market rents. The occupancy rate of the property as at 30 September 2006 (excluding parking spaces) is about 100.0%. The carparking portion of the property is let on monthly / hourly basis with a total monthly income of about HK$68,960 in September 2006 exclusive of operating expenses, rates, government rents and management fees.	HK$73,000,000	5.0%

Notes:

(1) The shops of the property comprise Shop 1 on Ground Floor, Shop 2 on Ground Floor together with A/C Spaces on 1st Floor, Shop 3 on Ground Floor together with A/C Spaces on 1st Floor, Shop 4 on Ground Floor together with A/C Spaces on 1st Floor, Shop 5 on Ground Floor together with A/C Spaces on Ground Floor and 1st Floor, Shop 6 on Ground Floor, Shop 7 on Ground Floor, Shop 8 on Ground Floor, Shop 9 on Ground Floor together with A/C Spaces on 1st Floor, Shop 10 on Ground Floor and Shop 11 on Ground Floor.

(2) The registered owner of the property is Smart Fortune Development Limited.

(3) A No-objection Letter vide memorial no. UB8684382 dated 9 May 2002 is, among others, registered with the Land Registry against property.

(4) The property lies within an area zoned "Commercial / Residential" under Quarry Bay Outline Zoning Plan.

(5) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.

(6) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.

(7) Estimated net property yield is based on the net monthly rental income for September 2006 and monthly car parking income for September 2006.

(8) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile (excluding parking spaces) is set out below:

Occupancy Profile

Type	Gross Rentable Area (sq.ft.)	% of total
Leased	9,565	100.0
Vacant	—	—
Total	**9,565**	**100.0**

Tenancy Commencement Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Year Ended 30 June 2004	6,557	68.6	149,000	63.3	2	28.6
Year Ended 30 June 2005	1,539	16.1	30,780	13.1	2	28.5
Year Ended 30 June 2006	1,469	15.3	55,521	23.6	3	42.9
Total	**9,565**	**100.0**	**235,301**	**100.0**	**7**	**100.0**

Tenancy Expiry Profile

Year	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
From 30 September 2006 to 30 June 2007	8,658	90.5	192,258	81.7	6	85.7
Year Ending 30 June 2008	907	9.5	43,043	18.3	1	14.3
Total	**9,565**	**100.0**	**235,301**	**100.0**	**7**	**100.0**

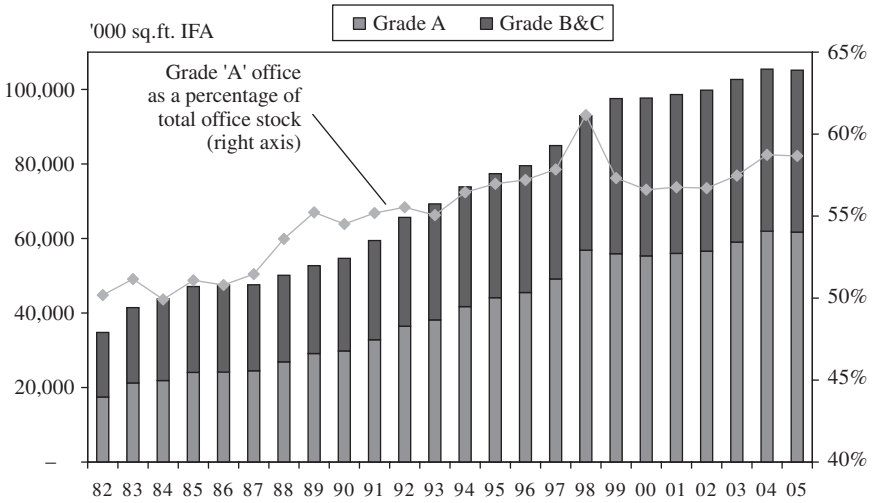
Tenancy Duration Profile

Tenancy Duration	Gross Rentable Area (sq.ft.)	% of total	Monthly Rental (HK$)	% of total	No. of Tenancy	% of total
Up to 1 year	562	5.9	12,478	5.3	2	28.6
More than 1 year and up to 2 years	2,446	25.6	73,823	31.4	3	42.8
More than 2 years and up to 3 years	6,557	68.5	149,000	63.3	2	28.6
Total	**9,565**	**100.0**	**235,301**	**100.0**	**7**	**100.0**

OFFICE MARKET OVERVIEW

Stock

Office Stock by Grade, 1982 to 2005



Source: Rating and Valuation Department

According to the Rating and Valuation Department, the total office stock in Hong Kong stood at approximately 105 million sq.ft. at the end of 2005[1], compared with 35 million sq.ft. in 1982[2]. The rapid growth rate of office stock can be attributed to the extension of Hong Kong's manufacturing sector into the Pearl River Delta Region while Hong Kong has evolved into a services centre for the region with a strong demand for Grade 'A' offices.

At the end of 2005, Grade 'A' office space totalled approximately 62 million sq.ft. which accounted for 59% of all office stock. In addition, approximately 26 million sq.ft. and 17 million sq.ft. was accounted for by Grade 'B' and 'C' office space respectively.

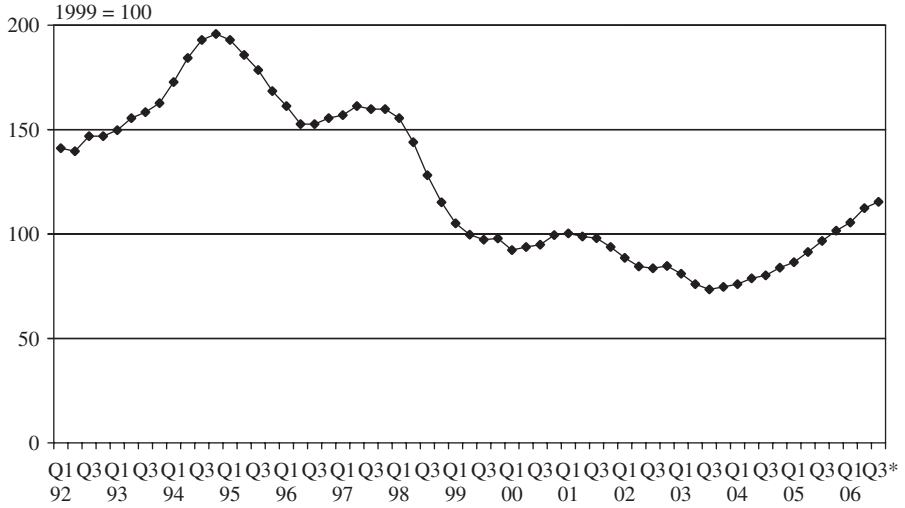
---

[1] The Rating and Valuation Department carried out a general re-grading of offices in 1999 and as a result, Grade A office stock was reduced by 7% while Grade B and C office stock were increased by 13% and 10% respectively.

[2] All areas quoted by the Rating and Valuation Department are 'Internal Floor Area' (IFA) which is defined as the area of all enclosed space of the unit measured to the internal face of enclosing external and/or party walls.

Rental Movements

Grade 'B' Office Rental Index, Q1/1992 to Q3/2006



Source: Rating & Valuation Department

** Provisional Figures*

Grade 'B' office rents reached their peak level in 1994 but drifted downwards to 2003. Short-lived rebounds were noted in 1997 and 2000 when the office sector as a whole benefited from the improved macro-economic conditions. The outbreak of SARS pushed Grade 'B' office rents to a recent trough in Q3/2003.

According to the Rating and Valuation Department's provisional figures, average Grade 'B' office rents have been rising for twelve consecutive quarters, representing an increase of approximately 57% from the end of Q3/2003 to the end of Q3/2006. This rally is noted as the strongest since the market reached its peak level in 1994, in terms of both length and magnitude.

Supply

Less favourable economic conditions after 1997 and a lack of developable sites had resulted in a disincentive to engage in property development activity. Consequently, the supply of new offices fell to a low level in 2000. The average of completed office space between 2000 and 2004 was approximately 2 million sq.ft., which was significantly less than the average of completed office space for the 5 years between 1990 and 1994 (approximately 4.6 million sq.ft.) and between 1995 and 1999 (approximately 4.8 million sq.ft.) respectively.

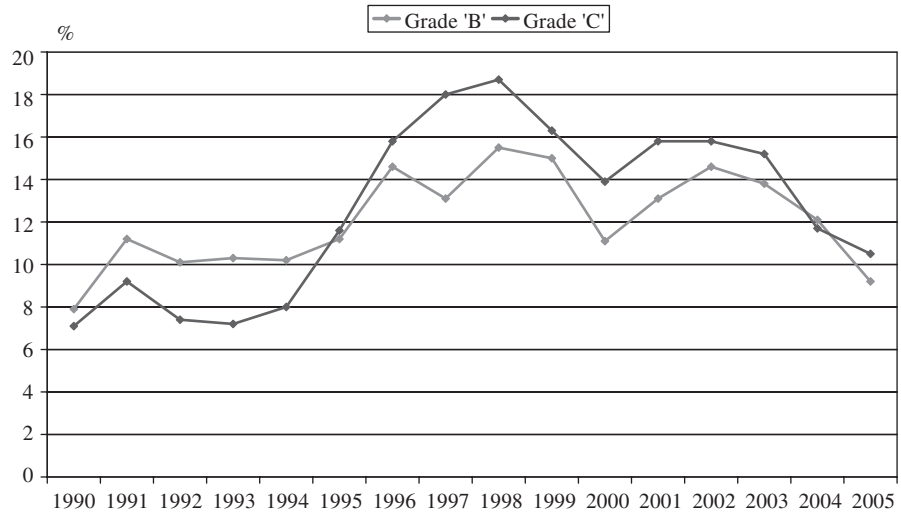
Approximately 70% of new office supply between 1990 and 2004 was accounted for by Grade 'A' developments. Completion of non-Grade 'A' developments has been minimal since 2000, and Grade 'B' and 'C' completions fell to represent less than 20% of the total between 2000 and 2004. The scarce supply of new non-Grade 'A' offices could be a reason for maintaining a relatively stable rental trend for Grade 'B' offices.

New supply of offices is expected to remain at low levels over the next few years, particularly for Grade 'A' offices in the core areas of Central, Wanchai / Causeway Bay and Tsimshatsui. The total supply of new offices of all grades between 2005 and 2009 is expected to reach approximately 9.5 million sq.ft., or 1.9 million sq.ft. per annum, which is lower than the 5-year average of 2 million sq.ft. recorded between 2000 and 2004. It is important to note that a spike in new supply is anticipated in 2008, when large scale projects such as One Island East (Island East) and How Ming Street (Kwun Tong) are scheduled to be completed. Nevertheless, the aggregate supply in that year is below most of the years in the 1990's.

Of the 9.5 million sq.ft., more than 90% is expected to be accounted for by Grade 'A' offices and the market share for lower grade developments is expected to decrease subsequently over the next few years.

Vacancy Rates

Vacancy Rates of Grade 'B' and Grade 'C' Offices, 1990 to 2005



Source: Rating and Valuation Department

The average vacancy rate of Grade 'B' offices began falling from 2002 to stand at approximately 9% by the end of 2005 while the vacancy rate of Grade 'C' offices declined to 11% by the end of 2005.

Office Vacancy Rates by District and by Grade, 2005

District	Grade 'A'	Grade 'B'	Grade 'C'	Total
		(%)		
Central	6.5	6.5	12.3	7.0
Wanchai/Causeway Bay	6.7	8.7	8.3	7.6
Tsimshatsui	5.2	7.4	5.2	5.8
North Point/Quarry Bay	8.6	10.0	7.4	8.8
Kwun Tong	6.9	8.8	6.6	7.0
Shamshuipo	3.8	26.0	7.1	10.4
Total	8.1	9.2	10.5	8.7

Source: Rating and Valuation Department

Because of the strong demand for offices, availability of stock in all major business districts has been shrinking rapidly.

Decentralized Office Areas Analysis

As the developers of Grade 'A' office stock have attempted to keep pace with demand for quality office accommodation which has increased steadily along with Hong Kong's growing economy. Nevertheless, development constraints in the established districts of Central, Wanchai/Causeway Bay and Tsimshatsui[3] have limited the capacity of these districts and important sub-markets have emerged in decentralised areas over the past ten years as a result.

The most significant decentralized business district in terms of stock size is Island East. Development of the district started in the early 1990's and Grade 'A' office stock there increased by more than 11 times from 550,000 sq.ft. in 1990 to approximately 6.3 million sq.ft. by the end of 2005.

The relocation of the manufacturing sector to China from the 1980's left a large amount of industrial space vacant and from the 1990's the Government introduced measures to relax restrictions on industrial land uses, bringing more commercial elements into the traditional industrial districts such as Kowloon Bay, Kwun Tong, Cheung Sha Wan and Tsuen Wan. Some of these areas have also gradually been transformed into important decentralized office districts.

[3] Central, Wanchai/Causeway Bay and Tsimshatsui are regarded as core areas, while other areas are regarded as decentralized areas.

Kowloon East (including Kwun Tong and Kowloon Bay) has developed into an emerging business district from a traditional industrial area from the mid 1990's. Grade 'A' office stock in the districts rose from approximately 520,000 sq.ft. in 1992 to 5 million sq.ft. in 2005, representing a compounded annual growth rate of approximately 19%.

Cheung Sha Wan is one of Hong Kong's oldest industrial centres and industries such as textiles, garments, apparel, piece goods and non-staple foods were initially concentrated in the area. At the end of 2005, the stock of Grade 'A' offices in the area totalled approximately 1.3 million sq.ft., compared with approximately 600,000 sq.ft. in 1990.

Outlook

The overall office market is expected to be well supported by the positive economic outlook. Demand for office space is expected to remain high as it is anticipated that the average real GDP growth rate will be approximately 5.1% per annum over the period from 2006 to 2010. New supply, however, is not expected to match demand, which is likely to drive vacancy rates further down.

Although the structural shift of the domestic Hong Kong economy from manufacturing to services is largely completed, manufacturers in Hong Kong will continue to take advantage of the low operating costs in the Pearl River Delta Region (PRD) and leverage Hong Kong's advanced business services skills, its infrastructure and experience in international trade to expand their businesses. These tenants form the principal profile of tenants in Grade 'B' and decentralized Grade 'A' office buildings.

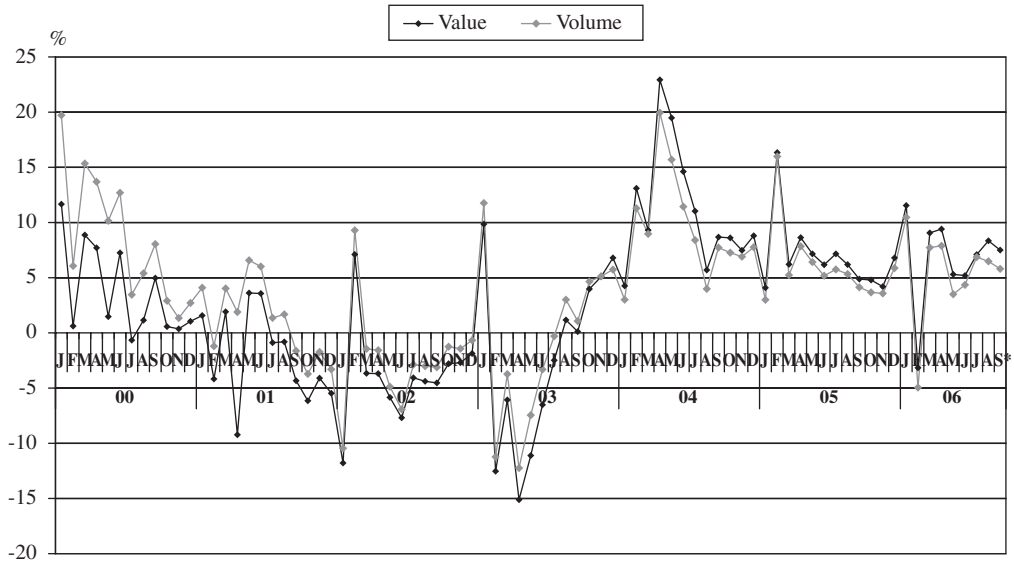
Meanwhile, the finance and related business services are expected to benefit from the growing economic strength of the PRD. Increased demand for higher end services such as personal banking, trade finance, fund raising, law, and accounting is expected from the region. Although tenants from these sectors traditionally demand Grade 'A' offices in the core business districts, tight availability along with extremely limited future supply is expected to encourage these tenants to consider the decentralized areas or even well located Grade 'B' offices as alternative options.

RETAIL MARKET OVERVIEW

Retail Sales Values

The Hong Kong retail market has rebounded since mid 2003. The total retail sales value rose continuously from August 2003 for 29 consecutive months, a period of growth not seen since 1995. The aggregate retail sales value for 2005 rose by approximately 6.8%, after a strong 10.8% annual growth was registered in 2004. Retail sales have recorded a satisfactory performance so far this year. For the first nine months of 2006, retail sales values and volumes increased by 6.8% and 5.6% respectively over the same period a year ago, showing that both domestic and tourist spending remain strong.

Y-O-Y Changes of Retail Sales Values and Volumes, January 2000 to September 2006



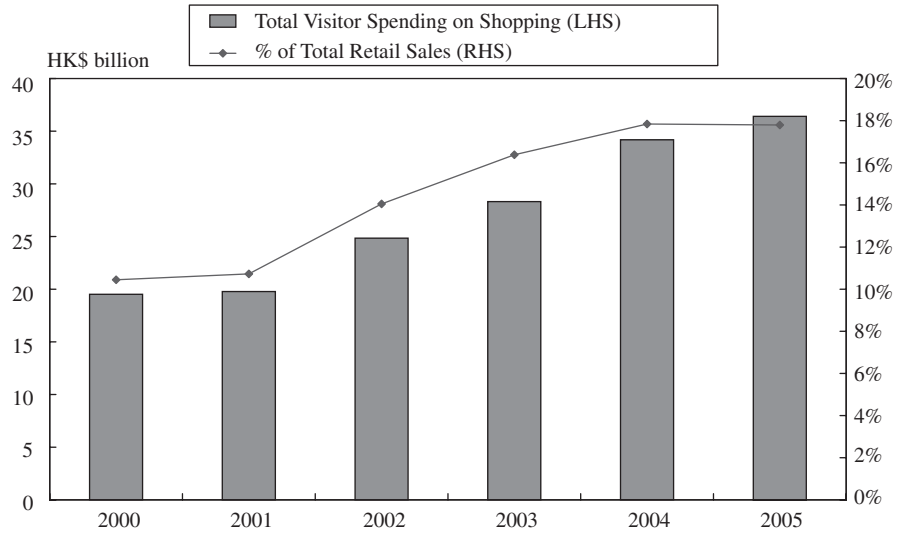
Source: Census and Statistics Department
** Provisional Figures*

The recovery of the retail market has been supported by strong economic fundamentals. Improving employment prospects, rising disposable incomes, positive consumer sentiment and the wealth effect from rising asset values have encouraged domestic spending. Meanwhile, a surging number of inbound foreign visitors, particularly from Mainland China who now represent more than 50% of total visitor arrivals and tourism expenditure, has had a positive effect on the retail market since mid 2003.

Mainland Chinese Visitor a Strong Support

Tourists have always been a key support to the retail market. In 2005, total visitor arrivals stood at 23.4 million, up 7% from 2004 The influx of Mainland Chinese visitors since the implementation of the Individual Visitor Scheme has further strengthened the significance of tourism to the retail industry in Hong Kong and overnight visitor expenditure on shopping represented 18% of the total retail sales value in 2005.

Visitor Spending on Shopping as a Percentage of Total Retail Sales Value, 2000 to 2005

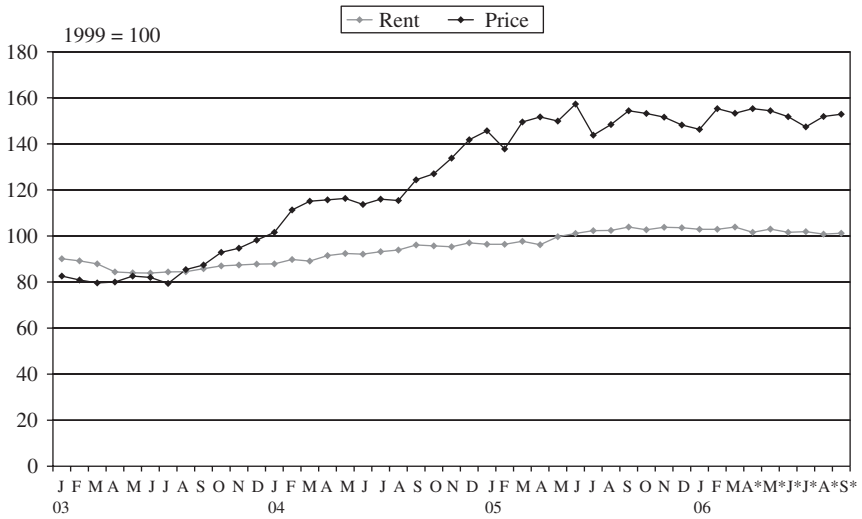


Source: HKTB, Census & Statistics Department

Price and Rental Movements

The combination of robust expectations of visitor spending and the opening of Disneyland in Hong Kong have driven strong demand for space from retailers particularly in the core retailing areas such as Causeway Bay, Mongkok and Tsimshatsui. According to the Rating and Valuation Department, by September 2006, overall retail rents had risen by 21% from June 2003.

Private Retail Price and Rental Indices, January 2003 to September 2006



Source: Rating & Valuation Department
** Provisional Figures*

Meanwhile, a competitive cost of capital and strong rental growth drove investment sentiment towards this sector over 2004 and early 2005 and prices surged by 93% on average from July 2003 to September 2006. Nevertheless, rising interest rates have derailed investor interests from mid 2005. According to the Rating and Valuation Department, there were 3,322 private commercial transactions in the first nine months of 2006, almost 50% lower than the same period of 2005.

Suburban Retail Trends

The compound annual growth rate (CAGR) of overall private commercial stock between 1982 and 2005 stood at 2.9%, driven primarily by the rapid expansion of the New Territories sub-market. This trend is strongly related to the Hong Kong Government's urban development policy, particularly the growth of new towns from the 1970s which has transformed the physical and economic landscape of the New Territories.

The new town projects were initiated in 1973 and Tsuen Wan, Shatin and Tuen Mun were chosen to become the first of these. In 2003, there were nine developed new towns in the New Territories, housing approximately 3.2 million people, or 46% of the total population of Hong Kong. Improving infrastructure, better quality of life and relatively lower living costs have attracted people to live in these originally rural areas.

More intensive redevelopment of traditional districts is constrained by problems of multiple-ownership of sites, infrastructure capacity, high environmental standards, limited scope for harbour reclamation and problems of overcrowdedness. Therefore, many new centres forecast for completion by 2010 will be located either on newly reclaimed land or in new towns.

Outlook

More recently, rising interest rates and generally higher overheads for retailers have cooled the market while the impact of Disneyland on the retail and hospitality sectors remains uncertain. The number of Mainland Chinese tourists is still a significant factor supporting the retail market. However, looking at recent statistics, growth rates have moderated and their spending per head have been moderating. Nevertheless, it is encouraging to see that the number of tourists from other countries is increasing rapidly. In addition, further expansion of the Individual Visitor Scheme should also help sustain the healthy growth of the retail sector. Further growth of the retail sector will be largely on the back of improving domestic spending which is expected to be encouraged by a stable employment environment, salary rises and inflationary expectations. The US Federal Reserve has not increased interest rates in the most recent meeting and the stabilizing cost of capital should help improve the attractiveness of retail properties.

The following is the text of the Hong Kong Grade A and Grade B Office and Retail Property Markets Analysis Report — Executive Summary from DTZ Debenham Tie Leung Limited, the Market Consultant, prepared for the purpose of incorporation in this Offering Circular.

DTZ Debenham Tie Leung 戴德梁行
International Property Advisers
National Grade A Real Estate Valuation Company in China
National Land Valuation Company in China

8 December 2006

Prepared for

Henderson Sunlight Asset Management Limited
(and its Joint Global Coordinators:
The Hongkong and Shanghai Banking Corporation Limited
Deutsche Bank AG, Hong Kong Branch
Macquarie Securities Limited)

Hong Kong Grade A and Grade B Office and Retail Property Markets Analysis Report — Executive Summary

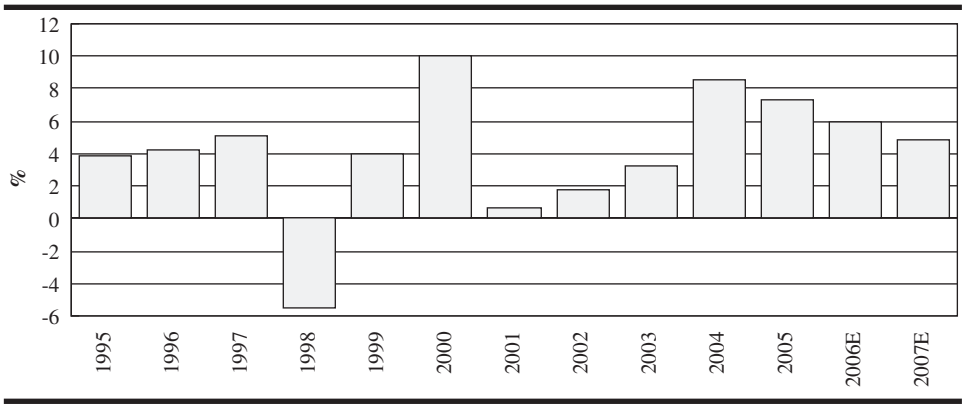
DTZ Debenham Tie Leung Limited refers to the instruction from Henderson Sunlight Asset Management Limited (the "Manager") to act as the market consultant (the "Market Consultant") to prepare an independent market research report in relation to Hong Kong Grade A and Grade B office and retail property markets in connection with the listing of Sunlight REIT on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Economic Overview

Hong Kong is one of the world's top financial and trading centres. Backed by its geographical location and its importance as a gateway to mainland China, Hong Kong is a global centre for, among others, the import/export trade, telecommunications, finance, insurance, real estate and business services. Hong Kong is also recognised in areas such as the provision of professional services, transportation and communication infrastructure, government policy, legal framework and political stability.

The Hong Kong economy experienced a solid, broad-based upturn in 2005. Following a robust Gross Domestic Product (GDP) growth of 7.3% in 2005, the Government has estimated that GDP will grow by 6.5% in 2006.

Real GDP Y-O-Y Growth (1995 to 2007E)

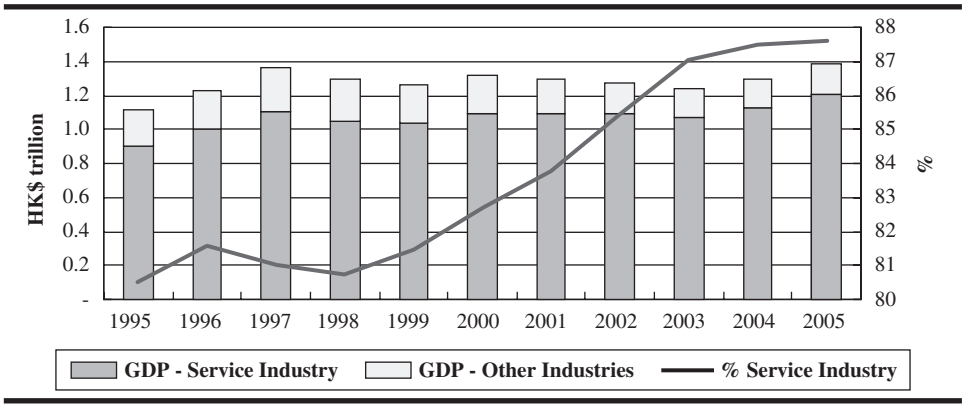


Source: Census and Statistics Department HKSAR, Consensus Economics Inc.

In the third quarter of 2006, real GDP grew by 6.8% y-o-y, following an already robust 5.5% growth in the second quarter of 2006. On a seasonally adjusted comparison basis, real GDP recorded a q-o-q increase of 3.5% during the third quarter of 2006. Driven by continued improvement in the unemployment rate, rising household income, growing private consumption expenditure and increasing visitor arrivals, GDP growth is forecast to remain high at 4.6 to 5.9% per annum during 2006 to 2010[1].

The services industry accounted for 87.6% of Hong Kong's GDP in 2005. The three services sectors, namely "wholesale, retail and import and export trades, restaurants and hotels" (27.3% of GDP), "finance, insurance, real estate and business services" (21.4% of GDP) and "transport, storage and communications" (9.9% of GDP) posted healthy growth and were the driving force of Hong Kong's economic growth. Despite rising interest rates, higher oil prices, and the possibility of an avian flu outbreak, the Hong Kong economy has remained resilient and has benefited from growing external economies, including the US, China and Japan.

GDP Contribution by Industry (1995 to 2005)



Note: 2004 and 2005 figures are preliminary figures.

Source: Census and Statistics Department HKSAR

[1] *Source:* Asia Pacific Consensus Forecasts by Consensus Economics Inc., October 2006.

The manufacturing industry in Hong Kong is characterised by small and medium enterprises (SMEs). Generally, these SMEs have their labour-intensive production plants in mainland China and back offices for trading activities in Hong Kong. Textiles and clothing remain the key industries. Other major industries include electronics, jewellery and watches, toys, food processing, metal products and publishing.

In September 2006, the value of total exports of goods increased by 4.7% y-o-y to HK$220.1 billion. Of this total, the value of re-exports increased by 6.8% y-o-y to HK$209.1 billion, whilst the remaining value of domestic exports decreased by 23.7% y-o-y to HK$11.0 billion. Meanwhile, the value of the total import of goods rose by 8.2% y-o-y to HK$231.8 billion, resulting in a visible trade deficit of HK$11.7 billion in September 2006. Mainland China and the US accounted for 45.8% (HK$967.9 billion) and 15.3% (HK$322.9 billion) of the total re-exports (by destination) in 2005 respectively.

Hong Kong is one of the world's most densely populated areas with an average of approximately 6,407 people per sq.km. According to the Hong Kong Population Projections 2004 to 2033, the Hong Kong population is expected to reach 8.4 million by 2033, representing a compound annual growth rate of 0.7% over the 30 years' period.

Hong Kong's unemployment rate declined from a peak of 8.6% in the three months ended July 2003 to 4.5% in the three months ended October 2006. Hong Kong's total labour force in the three months ended October 2006 was recorded at 3,669,200.

Average y-o-y change in payroll per person engaged in all major sectors surveyed[2], became positive again in 2005 after 11 quarters (excluding the second quarter of 2004) in negative territory. The average payroll increased by 2.2% y-o-y in nominal terms in the second quarter of 2006 and increased by 0.1% in real terms. About 53% of companies recorded some increase in average wage rates in June 2006 compared with a year ago.

After more than five years of deflation, consumer prices have recently been gradually edging up along with the solid economic recovery. The composite Consumer Price Index (CPI) rose by 2.1% y-o-y in September 2006 compared to the 2.5% y-o-y increase in August 2006, due mainly to small increases in the prices of fresh vegetables, the charges for telephone and other communications services, private housing rental, as well as the fuel cost variation charge for towngas. Also relevant was the decrease in the prices of motor fuel. According to the Census and Statistics Department HKSAR, consumer price inflation is likely to stay moderate through to the end of the year on current indications. While the recent weakening of the Hong Kong Dollar along with the US Dollar might give rise to some modest pick-up in imported inflation, the substantial fall-off in oil prices lately coupled with the sustained increase in productivity in Hong Kong should keep overall inflationary pressures in check. CPI is estimated to remain at 2.2 to 3.3% per annum during 2006 to 2010[3].

---

[2] According to the Census and Statistics Department HKSAR, major sectors surveyed include (i) manufacturing, (ii) wholesale, retail and import/export trades, restaurants and hotel, (iii) transport, storage and communications, (iv) financing, insurance, real estate and business services and (v) community, social and personal services.

[3] *Source:* Asia Pacific Consensus Forecasts by Consensus Economics Inc., October 2006

Domestic consumer spending posted solid growth amid stronger consumer sentiment and improving employment prospects. Retail sales value grew by 10.8% in 2004 and 6.8% in 2005.

A total of 23.4 million visitors, or 3.4 times the size of the domestic population, visited Hong Kong in 2005, representing a 7.1% increase from a year earlier. This solid growth was recorded after a 40% surge in 2004. In 2005, visitor arrivals from China and the rest of the world rose by 2.4% and 13.1% respectively. Mainland visitors (12.5 million) in 2005 accounted for more than half of the total tourist arrivals.

The continual growth of inbound tourism led by the Individual Visit Scheme (IVS) and further improvement in the business sectors stimulated by CEPA, will continue to benefit the overall Hong Kong economy. The extension of the IVS to cover all major cities in Guangdong Province in mid-2004 has encouraged more mainlanders to travel to Hong Kong which will continue to have further positive impact on the tourism and retailing industries.

Under the IVS, which was introduced under the framework of CEPA, mainland Chinese visitors made approximately 5.6 million trips to Hong Kong in 2005, accounting for 44.3% of all mainland Chinese visitors or 23.8% of the total visitors to Hong Kong. Mainland visitors under the IVS generated approximately HK$6.5 billion in tourist spending in 2004. In addition, since the implementation of CEPA I in 2004, about 29,000 new jobs in relation to trade in goods, trade in services and the IVS have been created in Hong Kong.

The signing of CEPA with the Central People's Government in June 2003 further integrated the Hong Kong and China economies. The three phases of CEPA, known as CEPA I, II and III, came into full effect in January 2004, January 2005 and January 2006 respectively. The aim of CEPA is to further strengthen trade and investment cooperation between the two economies and promote their mutual development. CEPA is aimed at enhancing economic interaction between mainland China and Hong Kong by giving a boost to SMEs in professional, industrial, trading and manufacturing sectors. The increasing connectivity including ease in the flow of people, goods and capital between mainland China and Hong Kong will underpin the long-term development of the two economies.

CEPA creates a conducive environment for Hong Kong products and services to compete effectively. In view of the close political and economic ties as well as the geographic proximity with mainland China, CEPA is widely regarded as enabling leverage of the institutional strengths of Hong Kong into the large market potential of mainland China to the benefit of both parties.

Following China's open-door policy towards a market-orientated economy in 1978, over 40% of Hong Kong's total trade value and over 90% of the re-exports are currently in relation to mainland China. Over 120,000 enterprises involving Hong Kong interest are operating in mainland China and Hong Kong has been one of the largest external investors and strategic trading partners with mainland China. Meanwhile, over 2,000 mainland Chinese enterprises are active in operations in various business sectors such as banking, trading, tourism and distribution in Hong Kong.

Hong Kong Office Market

Hong Kong is internationally recognised for its dynamic and cosmopolitan city framework which includes the long-established regulatory, banking and financial systems, world class stock exchange, well-planned infrastructure and transportation networks, modern communications as well as a low tax rates regime. In addition, free economic policies and global organisation standings of the Hong Kong Government provide advantages to sustain its attractiveness for the establishment of the regional headquarters of multinational corporation in view of China's entry into the WTO.

The improving macroeconomic environment in Hong Kong over the past few years has stimulated demand from corporate occupiers and has seen an increasing number of companies setting up regional offices and headquarters in Hong Kong. In addition, the number of people employed in the service sector grew from 2.6 million (79.4% of the total employed persons) in 2000 to over 2.8 million (84.6% of the total employed persons) in 2005, which also reinforced the growth of the Hong Kong office sector.

According to the Rating and Valuation Department HKSAR, Hong Kong's total stock of office space was approximately 105.2 million sq.ft. as at 31 December 2005. This comprised:

- Grade A offices totalling approximately 61.7 million sq.ft. (58.7% of the total office stock)
- Grade B offices totalling approximately 26.4 million sq.ft. (25.1% of the total office stock)
- Grade C offices totalling approximately 17.1 million sq.ft. (16.2% of the total office stock)

The following table outlines the grading criteria of offices in Hong Kong by the Rating and Valuation Department HKSAR. It should be noted that location is not included in the grading criteria.

Office Grade	Grading Criteria
A	Modern with high quality finishes; flexible layout; large floor plates; spacious, well decorated lobbies and circulation areas; effective central air-conditioning; good lift services zoned for passengers and good deliveries; professional management; parking facilities normally available
B	Ordinary design with good quality finishes; flexible layout; average-sized floor plates; adequate lobbies; central or free-standing air-conditioning; adequate lift services, good management; parking facilities not essential
C	Plain with basic finishes; less flexible layout; small floor plates; basic lobbies; generally without central air-conditioning; barely adequate or inadequate lift services; minimal to average management; no parking facilities

Source: Rating and Valuation Department HKSAR

The geographical distribution of office stock in Hong Kong at the end of 2005 was summarised in the table below:

Office Grade	Hong Kong Island (million sq.ft.)	Kowloon (million sq.ft.)	New Territories (million sq.ft.)
A	37.5	18.6	5.6
B	17.0	8.7	0.7
C	11.4	5.3	0.4

Source: Rating and Valuation Department HKSAR

Approximately 63% of Grade A office stock and 67% of Grade B office stock were located in Central/Admiralty, Sheung Wan, Wanchai/Causeway Bay and Tsimshatsui — the core business areas of Hong Kong. The limited availability and shortage of new office supply in these core business areas has led to an increasing number of office tenants relocating to decentralised business areas (as depicted in the following map).



Source: DTZ Valuation and Advisory Services

Central/Admiralty is historically the preferred location for banking, finance, insurance, accounting, legal firms, multinational corporations' regional headquarters, government offices and international financial institutions and has always been the district with the highest rental levels.

Wanchai/Causeway Bay and Sheung Wan business districts are popular among tenants who demand affordable (relative to Central) and well located office space to expand onto the global stage or maintain a representative presence in Hong Kong to support their listings on the Hong Kong stock exchange.

Tsimshatsui in Kowloon is another business district that offers alternative office location for Grade A office users and is particularly popular with trading and manufacturing companies.

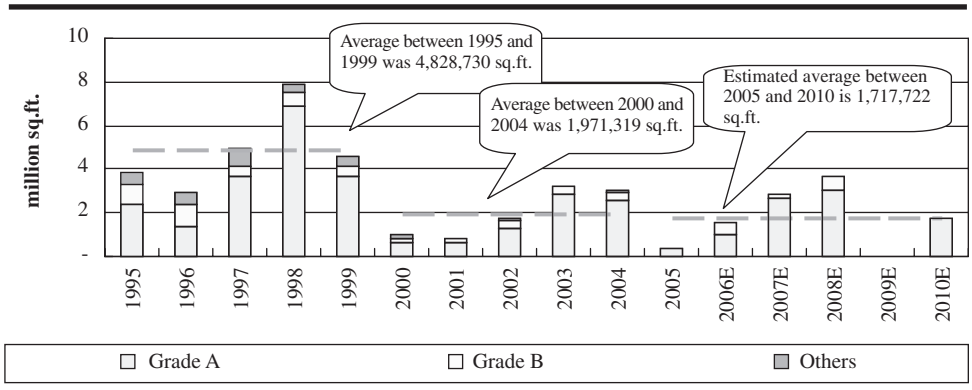
Island East (including North Point and Quarry Bay) is one of the most popular decentralised business areas on Hong Kong Island. The rentals in this area tend to be similar or slightly lower than Wanchai/Causeway Bay, although the Grade A office stock in Island East is of comparable quality. This district is also popular among banks, insurance companies, as well as marketing agencies and other large space occupiers who can take advantage of the large floor plates offered by the stock.

In Kowloon, the decentralised business areas include Kwun Tong, Mongkok/Yau Ma Tei, Kowloon Bay and Cheung Sha Wan. Kwun Tong and Cheung Sha Wan, with recent developments, have become attractive alternative locations for large space users. Other piecemeal commercial developments are scattered around fringe Kowloon locations such as Mongkok/Yau Ma Tei and are mainly occupied by trading companies in various business sectors.

In some traditional industrial areas such as Kwun Tong, Kowloon Bay and Cheung Sha Wan, many offices are occupied by industrialists and manufacturers. Office space within these districts benefited by the government's rezoning in the 1990's from "Industrial" purposes to "Other Specified Uses (Business)" purposes to advocate the transition from the existing industrial uses to commercial uses. These decentralised business areas have become increasingly popular.

The following graph indicates that the historical averages of new office supply for 1995 to 1999 and 2000 to 2004 were approximately 4.8 million sq.ft. per annum and 2.0 million sq.ft. per annum respectively. The new office supply peaked in 1998 with the completion of several large-scale developments including The Center, One International Finance Centre, the first phase of Cheung Kong Center, HSBC Centre and Millennium City. The average new office supply for 2005 to 2010 is estimated to be approximately 1.7 million sq.ft. per annum, which is below the historical averages.

Supply of Private Offices (1995 to 2010E)

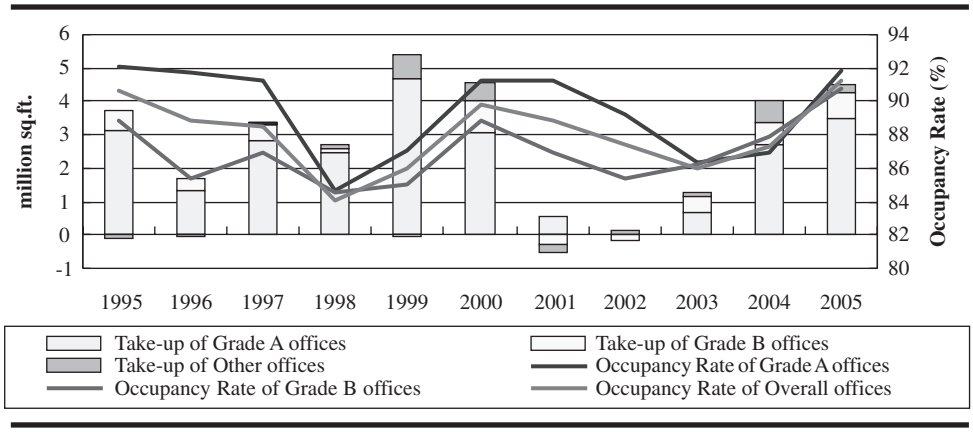


Source: Rating and Valuation Department HKSAR, DTZ Valuation and Advisory Services

Notable office projects such as International Commerce Centre (ICC) in Tsimshatsui and Wai Yip Street/King Yip Street in Kwun Tong are estimated to be completed in phases from end of 2007. Other office projects estimated to be completed in 2008 include Westlands Road in Quarry Bay, Sheung Yuet Street/Wang Chiu Road and Wang Tai Road/Sheung Yee Road in Kowloon Bay. Most of the major new office supply from 2006 to 2010 will be located in Tsuen Wan, Kwun Tong, Kowloon Bay and Quarry Bay, which are outside the core business areas.

Hong Kong has enjoyed a robust economy following recovery from the SARS period[4], resulting in the take up of more office space by the financial, banking, legal and accounting sectors. Hong Kong has experienced positive take up[5] since 2003 and overall office occupancy rates increased from 86.0% as at 31 December 2003 to 91.3% as at 31 December 2005. In view of the anticipated average real GDP growth of 4.6 to 5.9% per annum during 2006 to 2010, demand for office space is expected to remain buoyant.

Office of All Grades — Take-up and Occupancy Rate (1995 to 2005)

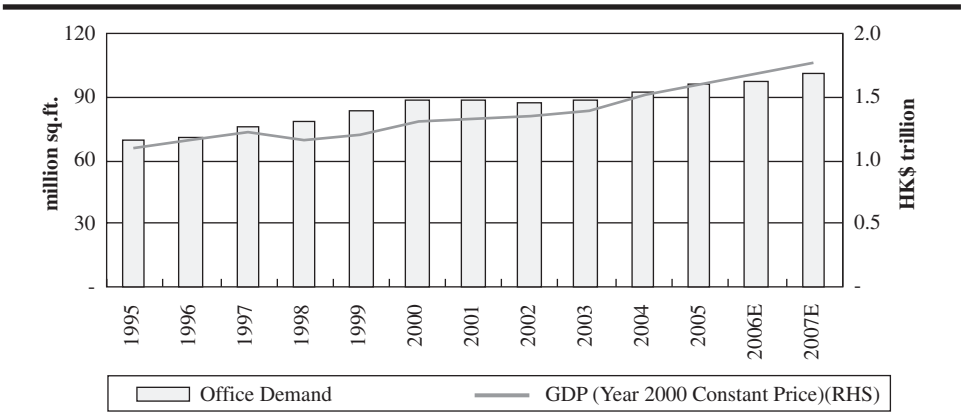


Source: Rating and Valuation Department HKSAR

[4] The emergence of Severe Acute Respiratory Syndrome (SARS) epidemic in 2003 had severely affected the short term economy of Hong Kong.

[5] According to the Rating and Valuation Department HKSAR, take up represents net increase in the occupied floor space in the year under review and is arrived at by adding the completion in that year to the vacancy figure at the beginning of the year, then subtracting the year's demolition and the year end vacancy figure.

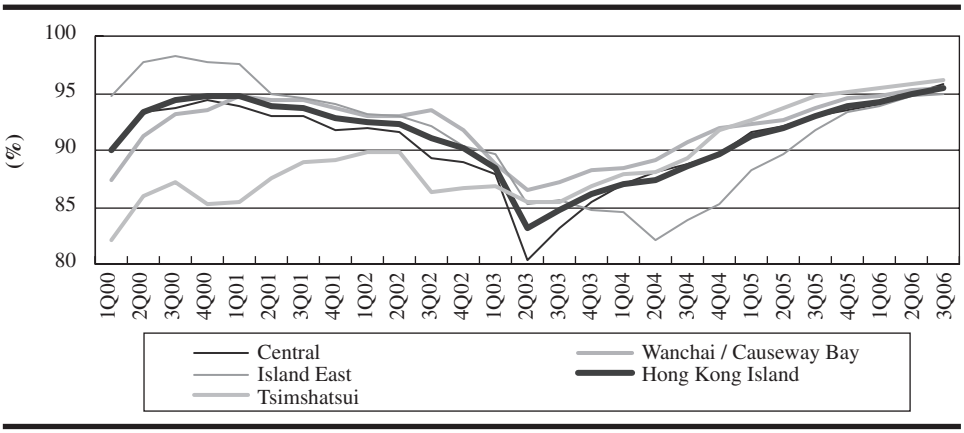
Demand for Office Space (1995 to 2007E)



Source: Census and Statistics Department HKSAR, Rating and Valuation Department HKSAR, DTZ Valuation and Advisory Services

According to the Rating and Valuation Department HKSAR, the average Grade A office occupancy rate climbed to approximately 92% at the end of 2005 while the Grade B office occupancy rate increased from 2002 to approximately 91% at the end of 2005. According to DTZ's research[6], the occupancy rates for Grade A office in the four districts namely Sheung Wan/Central/Admiralty, Wanchai/Causeway Bay, Island East and Tsimshatsui as well as Hong Kong Island have shown a steady rising trend from the trough in the second quarter of 2003 to over 95% in the third quarter of 2006 as a result of the strong demand for offices. On the back of the robust macroeconomic environment, increasing occupancy rates and buoyant demand since 2003 have underpinned the rise in office prices and average rental rates.

Grade A Office Occupancy Rate by District (1Q2000 to 3Q2006)



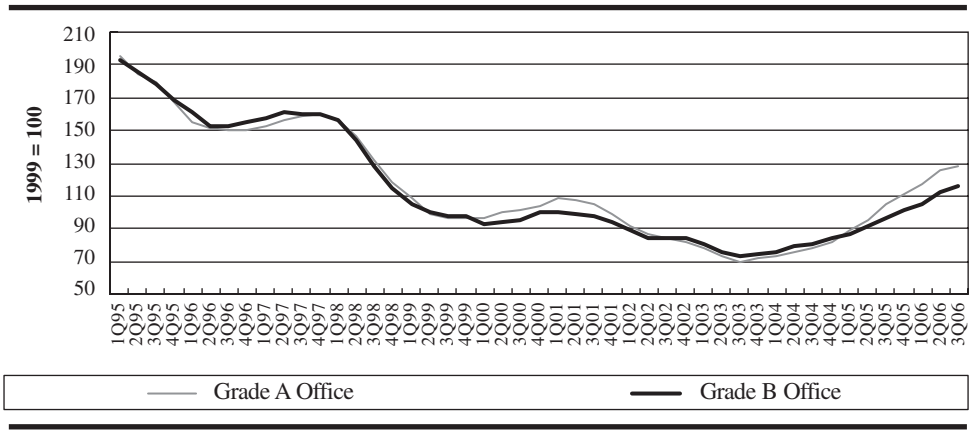
Source: DTZ Research

[6] Due to unavailability of the quarterly district occupancy data from the Rating and Valuation Department HKSAR, DTZ's Grade A Office occupancy rates by district are used here to show the quarterly district occupancy rate movements.

From the low rental levels experienced during SARS period in 2003, the average rental levels of Grade A and Grade B offices have rebounded significantly from the third quarter of 2003 to the third quarter of 2006, representing approximately 84% and 57% increase for Grade A and Grade B offices respectively.

The momentum of rental growth was sustained throughout 2005 despite consecutive rises in the best lending rate — demonstrating the combined effects of strong demand for and limited supply of office space. According to the provisional figures from the Rating and Valuation Department HKSAR, overall rental for Grade A and Grade B offices in September 2006 grew by 19.9% y-o-y and 16.3% y-o-y respectively. Grade A office rental in Sheung Wan/Central recorded a 15.1% y-o-y growth in September 2006. The overall rental for Grade A office increased 8.0% in the last six months up to September 2006. Rental growth was observed for Grade B office at 8.4% in the last six months up to September 2006. Grade B office rental growth recorded an increase of 2.7% q-o-q during the third quarter of 2006, compared to 2.7% Grade A office rental growth in the same period.

Grade A and Grade B Office Rental Index (1Q1995 to 3Q2006)



Source: Rating and Valuation Department HKSAR

Due to the limited availability of office space in the core business areas, it is expected that the trend of rising office demand in the decentralised business areas will continue. It is becoming increasingly difficult for companies in the financial, banking, legal and accounting sectors to expand and secure large floor space in these locations. The lack of office space in Central has caused potential tenants to consider other business areas on Hong Kong Island, namely Wanchai/Causeway Bay and Island East which have become alternative locations for corporate tenants.

As a result of significant increases in rents, limited supply and choice of Grade A office space, particularly in the core business areas, it is expected that the trend of decentralisation or 'spill-over' in demand for more economical Grade B office in the core business areas and high quality office in decentralised business areas will continue. As the Hong Kong economic outlook remains robust, we expect office occupancy rates will continue to increase across the major office districts.

Higher office rental rates for Grade A office space are expected to be sustained as a result of high occupancy rates[7] and limited supply. The higher rental costs are expected to force more tenants to re-locate to decentralised business areas when their leases come up for renewal in 2006. Against a backdrop of favourable economic growth, demand for office space is expected to remain strong. The performance of rental growth in both Grade A and Grade B offices, which was strong in 2005, is expected to extend into 2006 and 2007. We believe Grade B office rental growth is likely to grow at a faster pace than Grade A office as the rental gap is expected to narrow.

In the longer term, Grade A and Grade B office rents are expected to rise at a more moderate rate of approximately 6.2% and 6.0% per annum respectively from 2008 onwards, by reference to the long-term historical Grade A and Grade B office average rental growth rates. The estimation of the long-term average rental growth rates is based on the 20-year average annual growth of the Rating and Valuation Department HKSAR's Grade A and B office rental indices between 1986 and 2005.

Short-term rental performance may be influenced by supply and demand dynamics as well as geographical and property specific factors. Individual office property rental growth may vary significantly from the industry-wide averages. Property specific factors which may contribute to office rental growth include location, new and existing competition from comparable office space in the vicinity of the property as well as accessibility.

Hong Kong Retail Market

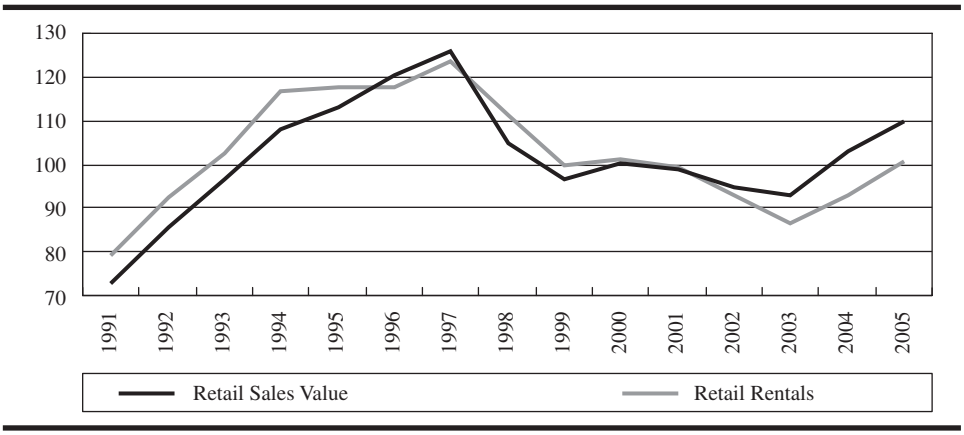
Retailing was Hong Kong's largest industry in December 2005 in terms of number of persons engaged, with about 513,368 persons engaged in the industry (wholesale and retail, restaurants and hotels), according to the Census and Statistics Department HKSAR. Many world leading retailers can be found in Hong Kong, making Hong Kong a major retail centre in Asia. According to the Census and Statistics Department HKSAR, the total number of retail outlets in Hong Kong amounted to 46,310 in 2004 with a wide range of different formats comprising department stores, warehouse-style hypermarkets, supermarkets, convenience stores, speciality shops, traditional shops and franchise operations.

Hong Kong has experienced a structural change of economy from a lower value-added manufacturing base, to a higher value-added service base since late 1970's. This has increased the income of Hong Kong residents and therefore their spending power, resulting in strong retail market growth and increasing volume of commercial retail space as well as the number of shopping centres.

[7] Based on DTZ's Grade A Office occupancy rates by district.

The growth in retail rental rates in Hong Kong is closely correlated to the growth in retail sales. Study of retail sales values and retail rental index over the last decade justifies this view by revealing a strong statistical correlation between the two as depicted in the following graph.

Retail Sales Value and Retail Rental Index (1991 to 2005)



Note 1: Retail Sales Index: Oct 1999 — Sep 2000 = 100; Retail Rental Index: 1999 = 100.

Note 2: Coefficient of Correlation = 0.90.

Source: Rating and Valuation Department HKSAR, Census and Statistics Department HKSAR

With the recovery of the overall economy from the SARS period in 2003, retail sales reached approximately HK$204.6 billion in the year ended 31 December 2005, representing a y-o-y increase of 5.9% in volume. The overall volume of retail sales continued to increase at a steady pace, supported by firm consumer demand. We expect retail sales to be underpinned by rising domestic spending (driven by a robust macroeconomic environment, optimistic employment outlook and recovery in wages) and the steady expansion of inbound tourism (supported by Government initiatives).

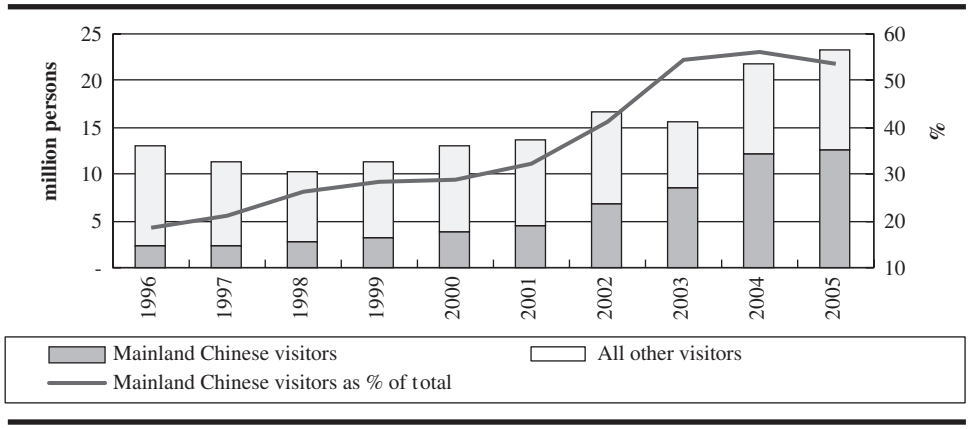
Tourism, and in particular visitors' shopping expenditure, has been one of the growth engines for retail sales in Hong Kong. According to the statistics of the Hong Kong Tourism Board and the Census and Statistics Department HKSAR, the contribution of overnight visitors'[8] shopping spending to total retail sales value increased from about 9.5% (HK$18.5 billion of HK$195.7 billion total retail sales) in 1998 to 17.8% (HK$36.4 billion of HK$204.6 billion total retail sales) in 2005.

The Government's continued effort to enhance tourism and retail infrastructure has contributed significantly to the Hong Kong retail market. Examples include Hong Kong Disneyland, the Tung Chung Cable Car Project, Tsimshatsui/Mongkok Streetscape Improvements and Causeway Bay Shoppers Paradise. All these help to improve the ability of Hong Kong to tap into the spending of the mainland Chinese visitors. With strong economic growth of China over recent years, the purchasing power of mainland Chinese visitors has been increasing.

[8] Overnight visitors are defined by Hong Kong Tourism Board as visitors who stay at least one night in collective or private accommodation in Hong Kong.

The influx of visitors, particularly from China, in recent years has been one of the principal drivers for tourism growth in Hong Kong. From 1999 to 2005, the number of mainland Chinese visitors to Hong Kong has increased much faster than other nationalities, at an average rate of 22.8% per annum compared with an average rate of 3.5% per annum for visitor arrivals from other countries over the same period. The implementation of the IVS since July 2003 has accelerated the growth of mainland Chinese visitors to Hong Kong. Initially, the IVS only covered four cities (Zhongshan, Jiangmen, Foshan and Dongguan) in Guangdong Province, the PRC. Subsequently, the IVS has been extended to include 44 cities throughout the PRC, which is envisaged to further boost tourist flows to Hong Kong. The number of visitor arrivals from China was approximately 12.5 million in 2005, representing 54% of that year's total visitor arrivals. Visitor arrivals from China are expected to increase to 21.4 million by 2010, whilst visitor arrivals from other countries are expected to increase to 13.4 million by 2010.

Visitor Arrivals in Hong Kong (1996 to 2005)



Source: Hong Kong Tourism Board

In addition to representing a significant proportion of total arrivals, mainland Chinese visitors also contributed approximately 65.7% of total overnight visitors' shopping spending in 2005. According to the Hong Kong Tourism Board, per capita overnight visitors' shopping spending in 2005 for mainland Chinese visitors was HK$2,979, which was the highest among all overnight visitors from major market areas and was approximately 21% higher than the average overnight visitors' shopping spending of HK$2,465. The influx of mainland Chinese visitors has contributed to an increase in total overnight visitors' spending from HK$39.4 billion in 1998 to HK$68.9 billion in 2005. According to the breakdown of tourist spending provided by Hong Kong Tourism Board, mainland Chinese visitors' spending on garments, jewellery, cosmetic, leather goods, watches and cameras was much higher than visitors from other countries in 2005.

According to Hong Kong Planning Standards and Guidelines issued by the Planning Department HKSAR, retailing/commercial premises can be classified into the following types:

Type	Characteristics
Metropolitan Centres	— Serve the entire population of Hong Kong and tourists — Provide territory-wide entertainment and have a significant amount of commercial floor space provision — Generally over 100,000 sq.m. (1,076,400 sq.ft.) in area
Regional Centres	— Serve a catchment population of about 250,000 to 1,000,000 — Significant area of retail space although they generally fulfil a more regional function — Size between 50,000 sq.m. (538,200 sq.ft.) and 100,000 sq.m. (1,076,400 sq.ft.)
District Centres	— Serve a catchment population of about 50,000 to 250,000 — Medium scale shopping centres serving individual district — Size between 10,000 sq.m. (107,640 sq.ft.) and 50,000 sq.m. (538,200 sq.ft.)
Local Centres	— Serve neighbourhood catchment — Provide residents with daily needs such as food, grocery, and community services

Source: Planning Department HKSAR

According to the Rating and Valuation Department HKSAR, the stock of private commercial premises nearly doubled between 1981 and 2005, representing an increase of about 51.0 million sq.ft., and in total reached approximately 102.5 million sq.ft. by the end of 2005. The distribution of the private commercial stock may be summarised as follows:

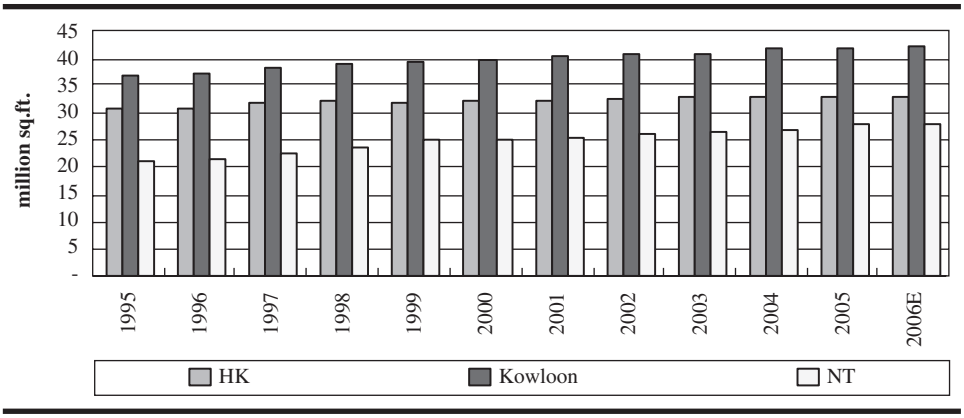
- Hong Kong Island accounted for approximately 31.9% of total private commercial stock (32.7 million sq.ft.).

- Kowloon accounted for approximately 41.1% of total private commercial stock (42.1 million sq.ft.).

- New Territories accounted for approximately 27.0% of total private commercial stock (27.7 million sq.ft.).

Growth in private commercial stock was primarily driven by the expansion of the New Territories sub-market as shown in the chart below. This trend is strongly related to the Hong Kong New Town development policy in the New Territories since the 1970's, which has brought a great change to the physical and economic landscape of the New Territories.

Private Commercial — Year End Stock by District (1995 to 2006E)



Source: Rating and Valuation Department HKSAR

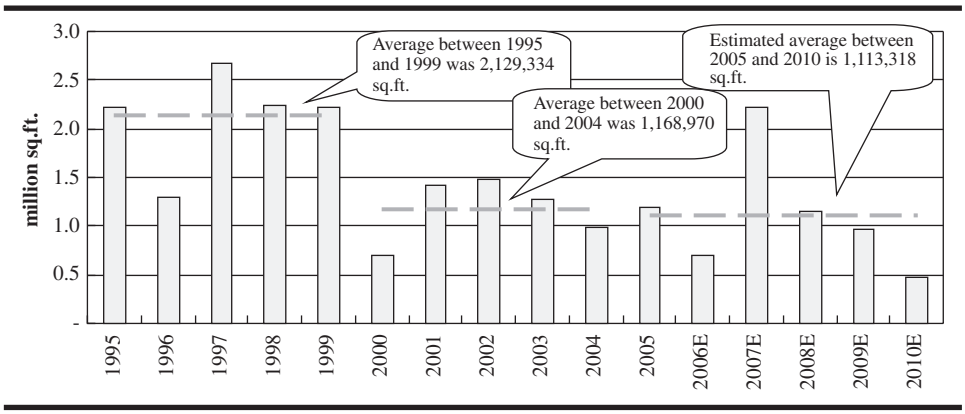
Central and Western District, Wanchai/Causeway Bay, Tsimshatsui, Yau Ma Tei and Mongkok are regarded as the major retail districts of Hong Kong constituting more than 40% of total private commercial stock. Retail activity in these areas is generally geared towards the higher end market and caters for tourists and middle to high income groups. In New Towns such as Sheung Shui and Tseung Kwan O, retail activity is generally focused on mass markets serving specifically the residents in public and private housing estates within the neighbouring areas as well as nearby districts. However, Sheung Shui has evolved from a New Town to a prospering border town with catchments extending to include Shenzhen and areas beyond. The following map depicts the location of major retail districts and new towns.



Source: DTZ Valuation and Advisory Services

The total supply of major new retail developments identified between 2005 and 2010 is approximately 6.7 million sq.ft., with an average new supply of approximately 1.1 million sq.ft. per annum, which is marginally lower than the 2000 to 2004 five year average of 1.2 million sq.ft. Notable developments expected to be completed in 2007 include Union Square part of the Kowloon Station complex and Hanoi Road Urban Renewal Authority Project in Tsimshatsui, Enterprise Square 5 in Kowloon Bay and Skyplaza in Chek Lap Kok. Supply of quality retail space on Hong Kong Island will remain limited in the next few years.

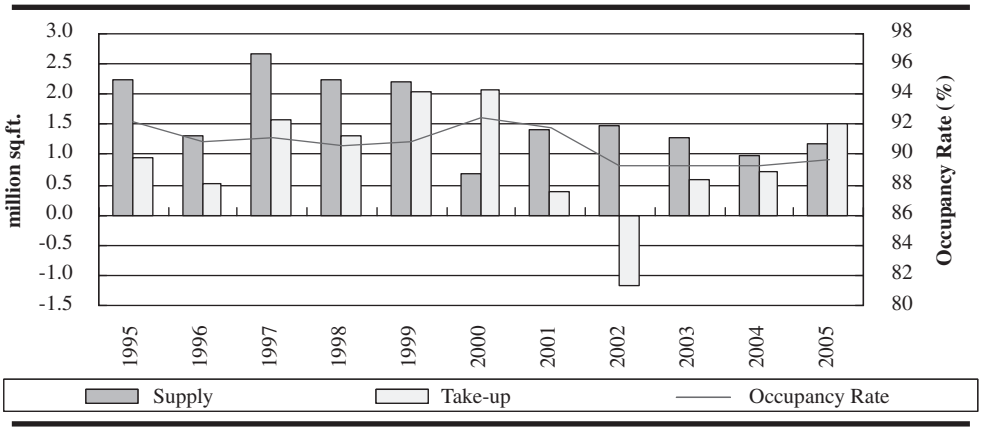
Supply of Private Commercial Premises (1995 to 2010E)



Source: Rating and Valuation Department HKSAR, DTZ Valuation and Advisory Services

The average retail occupancy rates varied from 89.2% to 92.5% between 1995 and 2005. The emergence of metropolitan and regional shopping centres in the early 1990's, together with the slowing take-up, drove occupancy rates down, despite increases in 1997, 1999 and 2000. The average retail occupancy rate reached a historical low (since 1980) of 89.2% in 2003. Despite a strong recovery in the retail market during that year, the average retail occupancy rate remained flat in 2004 and increased marginally to 89.7% in 2005.

Private Commercial — Supply, Take-up and Occupancy Rate (1995 to 2005)

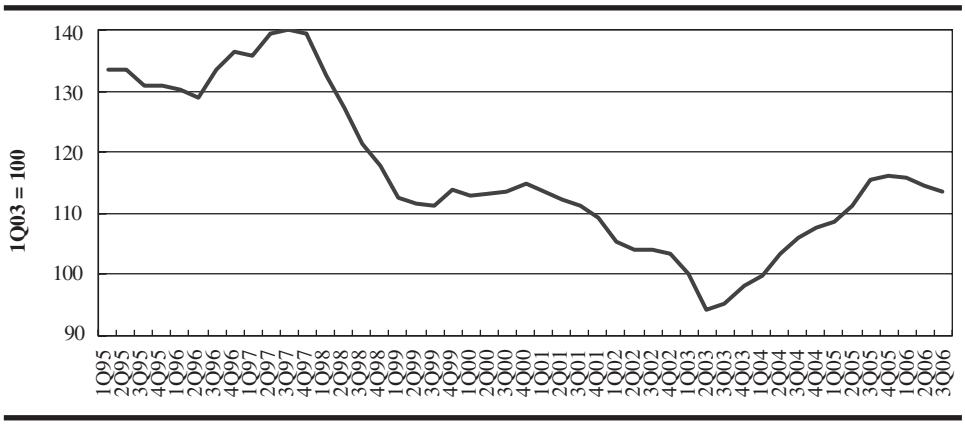


Source: Rating and Valuation Department HKSAR

Demand for retail space is expected to remain upbeat as the retail market continues to benefit from the recovery of the Hong Kong economy. In light of continued population growth, return of consumer confidence, growth in real private consumption, improvement in the employment market, increasing salaries, tourism, revaluation of RMB and improved infrastructure to China, the overall performance of the Hong Kong retail market and rents are anticipated to be positive.

According to the Rating and Valuation Department HKSAR's retail rental index, rentals of private retail premises reached a trough during the SARS period in June 2003 after falling 34% from the peak recorded in June 1997. The situation turned around dramatically in the second half of 2003 supported by a significant increase in mainland Chinese visitors as a result of the implementation of a series of measures relaxing entry restrictions for mainland Chinese visitors including the IVS.

Retail Rental Index (1Q1995 to 3Q2006)



Source: Rating and Valuation Department HKSAR

Retailers in prime shopping centres and shops in prime street locations have experienced robust growth in retail sales since 2003. As a result, more retailers have been willing to pay higher rents to compete for quality retail space in prime locations and tourist districts. Expectations of buoyant sales on the back of strong domestic consumption and increased tourism flow particularly from China have prompted many existing retailers to undertake aggressive expansion plans. Average retail rents have rebounded by approximately 19% from the third quarter of 2003 to the third quarter of 2006.

Strong economic fundamentals, including improvement in the employment market and increasing salaries, will sustain growth in local consumption, boosting retail sales and volume in the coming years. With an expected continual upward revaluation of RMB, mainland Chinese visitors can benefit from the currency appreciation, translating to higher spending power in Hong Kong. To cater for both tourists and local shoppers, more retailers are expected to expand in 2006. However, some major retailers in the fashion and cosmetics trades have recently reported a slow down in business turnover and an increasing number of retailers have planned to relocate to areas outside prime locations with lower rental expenses. In light of these factors, we believe that there will be a consolidation in prime retail rents in the coming months. Nonetheless, demand for retail space, in general, is expected to remain compelling and the industry-wide retail rental growth for 2006 and 2007 is expected to continue the ascending trend evidenced in 2004 and 2005 albeit at a more moderate but sustainable rate.

In the long run, retail rents are expected to rise by a more moderate growth rate of approximately 5.6% per annum from 2008 onwards. Estimation of the long term average rental growth rate is based on the 20-year average annual growth of the Rating and Valuation Department HKSAR's retail rental index between 1986 and 2005.

Market factors such as retail sales, visitor arrivals and unemployment rates are expected to have a continuous impact on retail property performance. Specific retail property rental growth may also be influenced by factors such as increased demand due to local population growth or higher visitor traffic, convenient access to public transportation, construction of and improvement upgrades of major roads and service infrastructure and future supply of comparable retail facility in the vicinity of the retail property. Hence, individual retail property rental growth may vary significantly from the industry-wide retail rental growth rates.

Office Properties in Wanchai

The office properties in Wanchai are 248 Queen's Road East and On Loong Commercial Building Property.

248 Queen's Road East

248 Queen's Road East is a 40-storey Grade A office building situated at Queen's Road East, Wanchai. The vicinity comprises a mixture of high-rise office developments such as the recently completed Grade A office Three Pacific Place and other composite commercial/residential buildings. Several redevelopment projects are being carried out in the vicinity, including a composite commercial/residential development situated at Tai Yuen Street next to the property which is estimated to be completed in phases during 2006. There is also an Urban Renewal Authority composite commercial/residential redevelopment project at Johnston Road which is in close proximity to the subject property. Tendering of another redevelopment project at Lee Tung Street is expected to be launched by the Urban Renewal Authority after completion of land assembly. These developments are expected to improve the general environment in the future.

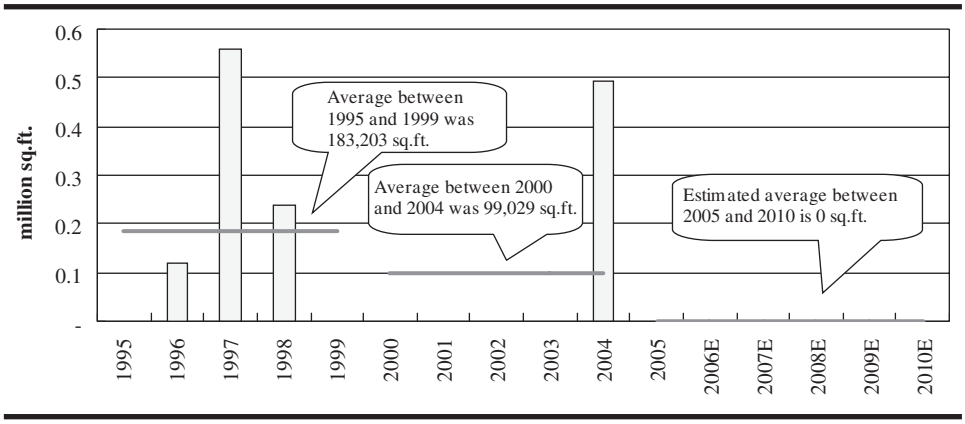
Next to Admiralty and Central, the central business district in Hong Kong, Wanchai enjoys a favourable business environment with the presence of the Hong Kong Convention and Exhibition Centre and clusters of high quality office buildings such as Three Pacific Place, Central Plaza, Hopewell Centre and Wu Chung House. Several government departments, including the Inland Revenue Department HKSAR, the Immigration Department HKSAR and the Hong Kong Police Force, have also established their headquarters in Wanchai.

Wanchai MTR station is within five to ten minutes' walk from 248 Queen's Road East. The property is also easily accessible by franchised buses, mini-buses, trams and taxis. There are 38 private car-parking spaces and eight lorry-parking spaces in the property. Pedestrian flow in the vicinity is heavy and shops nearby include speciality restaurants, banks, salons, furniture outlets, art galleries etc.

Completed in 1998, 248 Queen's Road East is finished with glass curtain walling exterior and has a total Gross Rentable Area of approximately 376,381 sq.ft. (excluding car-parking spaces). The interior of the property is provided with raised floor with trunking system, satellite TV reception facility, metallic full false ceiling, back up power supply and central air-conditioning system. The office units on the upper floors have north aspect enjoying panoramic views of Victoria Harbour. The ground floor of the building is designated as shops and restaurant; first to fourth floors are designated as car-parking spaces, fifth floor is a mechanical floor whilst upper floors accommodate office units with sizes ranging from 790 sq.ft. to 11,245 sq.ft.

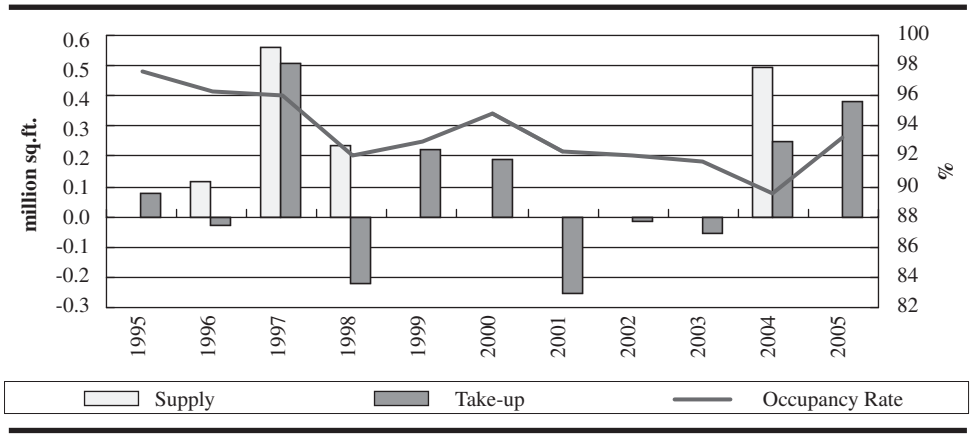
According to the Rating and Valuation Department HKSAR, the total stock of Grade A office space in Wanchai District was approximately 10.2 million sq.ft. at the end of 2005. The historical averages of Grade A office supply for 1995 to 1999 and 2000 to 2004 were approximately 183,203 sq.ft. per annum and 99,029 sq.ft. per annum respectively. It is anticipated that there will be no major Grade A office supply and limited Grade B office supply in Wanchai District between 2006 and 2010. In view of the spill-over demand from Central and the limited supply of office space in the next few years in the vicinity, we envisage that there will be strong growth potential of office rents in Wanchai District.

Wanchai District — Grade A Office Supply (1995 to 2010E)



Source: Rating and Valuation Department HKSAR, DTZ Valuation and Advisory Services

Wanchai District Grade A Office
Supply, Take Up and Occupancy Rate (1995 to 2005)



Source: Rating and Valuation Department HKSAR

According to the Rating and Valuation Department HKSAR, take-up of Grade A office in Wanchai District rebounded strongly in 2004 after three consecutive years of negative take-up. The average occupancy rate of Grade A office was 93.3% at the end of 2005. The figure was slightly above the 10-year average (1996 to 2005) of 93.1%. Following the economic recovery, the average rental level of Grade A office in Wanchai/Causeway Bay also recovered significantly by approximately 117% from the trough in the third quarter of 2003 to the third quarter of 2006.

The average occupancy rates[9] of 248 Queen's Road East for the three consecutive years ended 30 June 2004, 2005 and 2006 were 89.1%, 88.6% and 87.3% respectively. During the three months ended 30 September 2006, the Property recorded an average occupancy rate of 95.6%. 248 Queen's Road East has attracted medium to large enterprises as tenants. The major tenants include Anglo-Eastern Ship Management Limited, PCCW Teleservices (Hong Kong) Limited, Henderson Sunlight Asset Management Limited, Servier Hong Kong Limited, Office of the Privacy Commissioner for Personal Data and Longrow Shipping Limited.

[9] "Average occupancy rate" is in accordance with the information provided by Henderson Sunlight Asset Management Limited for the Deposited Property as defined in the Offering Circular.

Summary of 248 Queen's Road East Office Rental Forecast (June 2007E to June 2010E)

Period	Estimated Office Rental Growth
Year ending 30 June 2007	25.0%
Year ending 30 June 2008	12.0%
Years ending 30 June 2009 and 2010	7.5% per annum

Note: The percentage growth represents the change in market rents (i.e. new lease) over a one-year period for years ending 30 June 2007 to 2010. The percentage growth does not represent the projected rental revision of leases upon lease renewal.

Source: DTZ Valuation and Advisory Services

On Loong Commercial Building Property

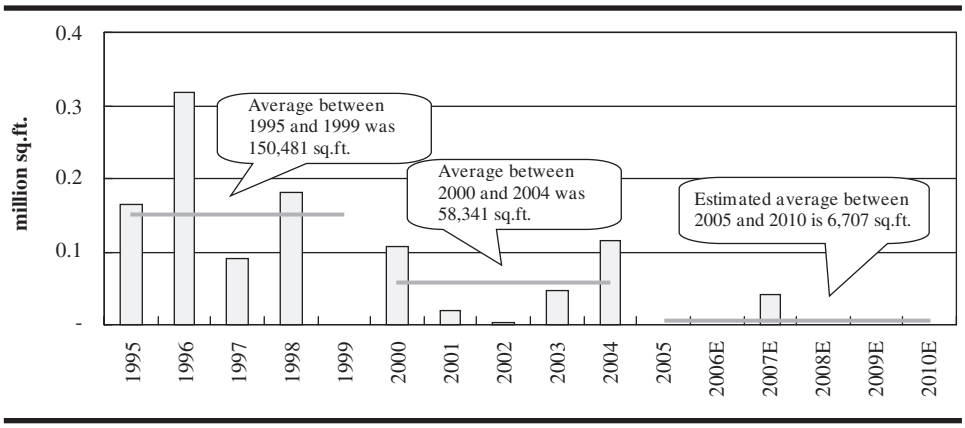
On Loong Commercial Building is a 23-storey Grade B office building located in Wanchai. The building is easily accessible by the two traffic arteries in Wanchai, namely Gloucester Road and Hennessy Road, as well as most means of public transport including MTR, franchised buses, mini-buses, trams or taxis. Novotel Century Hong Kong Hotel is diagonally opposite the building. The Hong Kong Convention and Exhibition Centre and the major shopping area in Causeway Bay, are within 10 to 15 minutes' walk from the building.

Construction material and interior design shops are concentrated along this section of Lockhart Road where pedestrian flow is heavy. Trading potential of ground floor shops is reasonably good.

Finished with mosaic-tiled exterior, On Loong Commercial Building Property is featured with false ceiling and carpeted floor. Completed in 1984, On Loong Commercial Building Property comprises the major portion of the building and has a total Gross Rentable Area of approximately 25,564 sq.ft. The ground floor is devoted to retailing uses whilst upper floors accommodate office units with sizes ranging from 538 sq.ft. to 1,596 sq.ft.

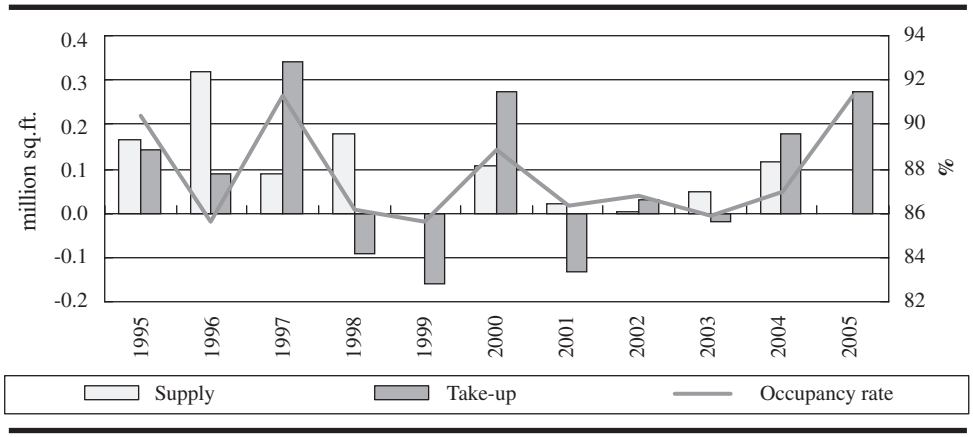
According to the Rating and Valuation Department HKSAR, the total stock of Grade B office space in Wanchai District was approximately 6.3 million sq.ft. at the end of 2005. The historical averages of Grade B office supply for 1995 to 1999 and 2000 to 2004 were approximately 150,481 sq.ft. per annum and 58,341 sq.ft. per annum respectively. The average new Grade B office supply for 2005 to 2010 is estimated to be approximately 6,707 sq.ft. per annum, a level well below the historical averages. Stock of Grade B office buildings is expected to consolidate at around 6.3 million sq.ft. as major supply in the next five years will comprise only 256 Hennessy Road in Wanchai.

Wanchai District — Grade B Office Supply (1995 to 2010E)



Source: Rating and Valuation Department HKSAR, DTZ Valuation and Advisory Services

Wanchai District Grade B Office
Supply, Take Up and Occupancy Rate (1995 to 2005)



Source: Rating and Valuation Department HKSAR

According to the Rating and Valuation Department HKSAR, take-up of Grade B offices in Wanchai improved significantly in 2004 and 2005 while occupancy rate edged up to approximately 91.3% in 2005, a level higher than the 10-year average (1996 to 2005) of 87.5%.

Amid improved market condition, rentals in overall Grade B office market revitalised from the trough in the third quarter of 2003 and have risen by 57.0% since then to the third quarter of 2006.

The property recorded very high average occupancy rates for the three consecutive years ended 30 June 2004, 2005 and 2006 of 96.1%, 99.1% and 93.2% respectively, a level substantially above the market in Wanchai District. During the three months ended 30 September 2006, On Loong Commercial Building Property recorded an average occupancy rate of 95.0%. The average rental rate per leased square foot of Gross Rentable Area per month[10] rebounded strongly from its lowest level in July 2004 by approximately 38.2% to approximately HK$13.5 in September 2006.

Summary of On Loong Commercial Building Property Office Rental Forecast (June 2007E to June 2010E)

Period	Estimated Office Rental Growth
Year ending 30 June 2007	18.0%
Year ending 30 June 2008	9.0%
Years ending 30 June 2009 and 2010	6.0% per annum

Note: The percentage growth represents the change in market rents (i.e. new lease) over a one-year period for years ending 30 June 2007 to 2010. The percentage growth does not represent the projected rental revision of leases upon lease renewal.

Source: DTZ Valuation and Advisory Services

Office Properties in Sheung Wan and Central

The office properties in Sheung Wan and Central are Bonham Trade Centre, 135 Bonham Strand Trade Centre, 235 Wing Lok Street Trade Centre and Winsome House Property.

Bonham Trade Centre

Located in the heart of Sheung Wan, Bonham Trade Centre is a 28-storey Grade B office building, well equipped by the provision of a central air-conditioning system, automatic sprinkler system and communal and satellite TV reception facilities. Completed in 1998, Bonham Trade Centre provides tenants with false ceiling with light panels and carpeted floor. The property is finished with glass curtain walling on its exterior.

[10] "Average rental rate per leased square foot of Gross Rentable Area per month" is in accordance with the information provided by Henderson Sunlight Asset Management Limited for the Deposited Property as defined in the Offering Circular. "Average rental rate per leased square foot of Gross Rentable Area per month" is given to represent the unit contractual rent (excluding turnover rent and miscellaneous income) as at the last date of each month, adjusted for rent-free period and escalating rent.

Sheung Wan is one of the core business areas next to Central and is one of the earliest established business and financial areas in Hong Kong including the location for The Chinese Gold and Silver Exchange Society. Sheung Wan is a popular office area for various sectors including trading, banking, finance and other business services. Business activities in Sheung Wan are well supported by commercial infrastructure such as hotels, service apartments, restaurants and retail facilities. The recent completion of the Four Seasons Hotel and renovation of the Vicwood Plaza are expected to further strengthen Sheung Wan as one of the core business areas in Hong Kong.

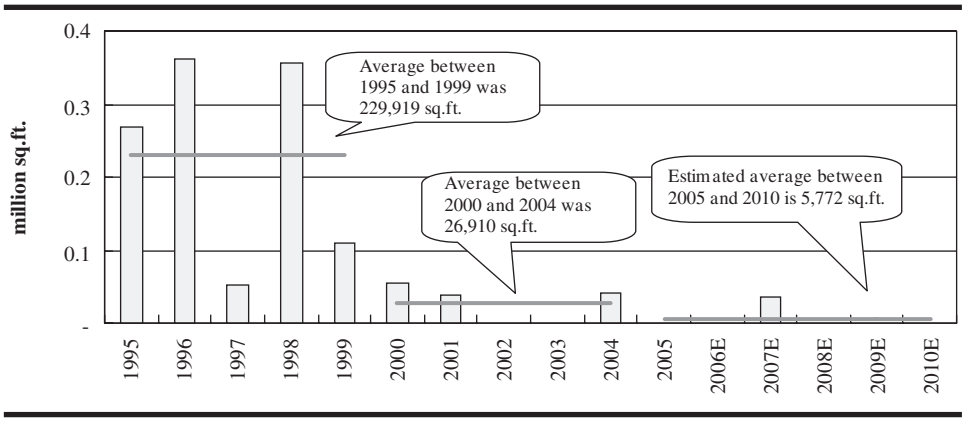
Sheung Wan enjoys good accessibility as it is the terminus of the Hong Kong MTR Line and is easily accessible by various means of public transport including buses, mini-buses, trams and taxis. It is close to the Hong Kong - Macau Ferry Terminal, the Airport Express Hong Kong Station and the Western Harbour Crossing, which connects the locality with West Kowloon. Sheung Wan is also home to other high quality office buildings such as Shun Tak Centre, Cosco Tower and Grand Millennium Plaza and major retail building such as Wing On Department Store.

The ground floor of the property enjoys heavy pedestrian traffic flow and the Sheung Wan MTR Station is within walking distance of the property. It fronts onto Bonham Strand which is famous for wholesale and retail of Chinese medicine and dried seafood.

Bonham Trade Centre has a total Gross Rentable Area of approximately 117,909 sq.ft. The ground and 1st floors are devoted to retail use, whilst upper floors accommodate office units with sizes ranging from 336 sq.ft. to 4,241 sq.ft.

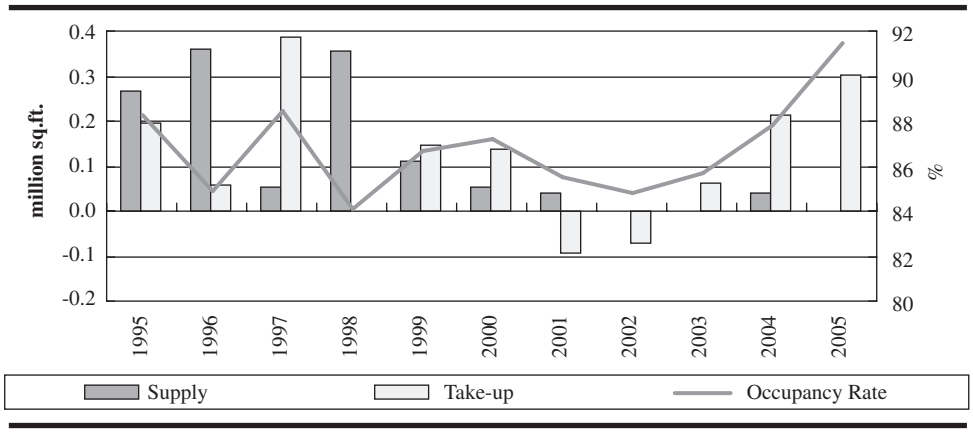
According to the Rating and Valuation Department HKSAR, the total stock of Grade B office space in Central and Western District (including Sheung Wan) was approximately 8.3 million sq.ft. at the end of 2005. The historical averages of Grade B office supply for 1995 to 1999 and 2000 to 2004 were approximately 229,919 sq.ft. per annum and 26,910 sq.ft. per annum respectively. The average new Grade B office supply for 2005 to 2010 is estimated to be about 5,772 sq.ft. per annum, which is below the historical average figures.

Central and Western District — Grade B Office Supply (1995 to 2010E)



Source: Rating and Valuation Department HKSAR, DTZ Valuation and Advisory Services

Central and Western District Grade B Office Supply, Take Up and Occupancy Rate (1995 to 2005)



Source: Rating and Valuation Department HKSAR

According to the Rating and Valuation Department HKSAR, the average occupancy rate of Grade B office in Central and Western District reached 91.5% at the end of 2005, higher than the last peak recorded in 2000 during the IT bubble era. The average Grade B office rental also bottomed out in the third quarter of 2003 and rebounded by 57.0% since then to the third quarter of 2006. In light of encouraging economic growth and limited space of Grade A office in the nearby Central area, it is anticipated that demand might spill-over from Central to office in Sheung Wan.

Amid favourable market conditions, the average occupancy rate of Bonham Trade Centre had been increasing since July 2002. The average occupancy rates for the three consecutive years ended 30 June 2004, 2005 and 2006 were 86.4%, 91.3% and 94.6% respectively, generally in line with the market in Central and Western District and was 89.9% during the three months ended 30 September 2006. Average rental rate per leased square foot of Gross Rentable Area per month has also climbed by approximately 29.7% from July 2004 to approximately HK$10.1 in September 2006.

Summary of Bonham Trade Centre Office Rental Forecast (June 2007E to June 2010E)

Period	Estimated Office Rental Growth
Year ending 30 June 2007	21.0%
Year ending 30 June 2008	12.0%
Years ending 30 June 2009 and 2010	5.5% per annum

Note: The percentage growth represents the change in market rents (i.e. new lease) over a one-year period for years ending 30 June 2007 to 2010. The percentage growth does not represent the projected rental revision of leases upon lease renewal.

Source: DTZ Valuation and Advisory Services

135 Bonham Strand Trade Centre Property

135 Bonham Strand Trade Centre is a 25-storey Grade B office building in Sheung Wan, which has good accessibility to Central, the central business district of Hong Kong and is situated within a few minutes' walking distance to the Sheung Wan MTR Station.

The ground floor of 135 Bonham Strand Trade Centre enjoys steady pedestrian traffic and has frontages onto Bonham Strand, Bonham Strand West and Wing Lok Street which have numerous wholesale and retail traders of Chinese medicine and dried seafood.

Completed in 2000, 135 Bonham Strand Trade Centre is also characterised by its contemporary design of a water green curtain wall and is finished with tiled and glazed walling on its exterior. Other characteristics of the building include full false ceiling, vertical blinds, split-type air-conditioning and carpeted floor.

135 Bonham Strand Trade Centre Property comprises the major portion of the building. It has a total Gross Rentable Area of approximately 63,915 sq.ft. with unit sizes ranging from 402 sq.ft. to the whole floor of 5,024 sq.ft. The ground floor is devoted to retail use, whilst upper floors (except third floor being a mechanical floor) accommodate office units with open views available at higher levels.

135 Bonham Strand Trade Centre Property has successfully attracted SMEs including import and export and logistics companies. The average occupancy rates of the property during the past three and a half years were usually higher than the general level of Grade B office in Central and Western District (including Sheung Wan).

The average occupancy rates of 135 Bonham Strand Trade Centre Property for the three consecutive years ended 30 June 2004, 2005 and 2006 were 94.3%, 95.9% and 92.9% respectively, above the market in Central and Western District. During the three months ended 30 September 2006, 135 Bonham Strand Trade Centre Property recorded an average occupancy rate of 87.3%. The average rental rate per leased square foot of Gross Rentable Area per month of the Property bottomed out in July 2004, rose by approximately 29.7% since then and reached approximately HK$10.6 in September 2006.

Summary of 135 Bonham Strand Trade Centre Property Office Rental Forecast (June 2007E to June 2010E)

Period	Estimated Office Rental Growth
Year ending 30 June 2007	21.0%
Year ending 30 June 2008	12.0%
Years ending 30 June 2009 and 2010	5.5% per annum

Note: The percentage growth represents the change in market rents (i.e. new lease) over a one-year period for years ending 30 June 2007 to 2010. The percentage growth does not represent the projected rental revision of leases upon lease renewal.

Source: DTZ Valuation and Advisory Services

235 Wing Lok Street Trade Centre

235 Wing Lok Street Trade Centre is a 26-storey Grade B office building in Sheung Wan located close to the Hong Kong-Macau Terminal and Western Harbour Crossing. The Property is situated close to Sheung Wan MTR Station and a bus terminus which serves several cross-harbour franchised bus routes. It is also well-served by other means of transport including trams, mini-buses and taxis.

The subject locality is generally characterised by high and medium-rise office buildings with ground floors mainly devoted to retail use. The pedestrian flow along Wing Lok Street is steady and trading potential of the shop units is reasonably good. This is an area famous for sale of Chinese medicine and dried seafood.

235 Wing Lok Street Trade Centre is finished with curtain walling on its exterior. Split-type air-conditioning units are also installed in each unit.

Completed in 2000, 235 Wing Lok Street Trade Centre has a total Gross Rentable Area of approximately 52,285 sq.ft. with unit sizes ranging from 557 sq.ft. to the whole floor of 1,364 sq.ft. The ground floor is devoted to retail use; the 1st floor is devoted to retail/office use, whilst the upper floors accommodate office units with harbour views available on the upper levels.

The average occupancy rates of 235 Wing Lok Street Trade Centre were high for the three consecutive years ended 30 June 2004, 2005 and 2006, which were 87.9%, 92.7% and 86.9% respectively, and was 77.7% during the three months ended 30 September 2006. The average rental rate per leased square foot of Gross Rentable Area per month bottomed out in November 2004 and has surged by approximately 37.9% since then to HK$8.1 in September 2006.

Summary of 235 Wing Lok Street Trade Centre Office Rental Forecast (June 2007E to June 2010E)

Period	Estimated Office Rental Growth
Year ending 30 June 2007	21.0%
Year ending 30 June 2008	12.0%
Years ending 30 June 2009 and 2010	5.5% per annum

Note: The percentage growth represents the change in market rents (i.e. new lease) over a one-year period for years ending 30 June 2007 to 2010. The percentage growth does not represent the projected rental revision of leases upon lease renewal.

Source: DTZ Valuation and Advisory Services

Winsome House Property

Winsome House, which was completed in 1999, is a 27-storey Grade B office building with city views of Hong Kong Island. Winsome House is well located in the commercial hub of Central and next to Lan Kwai Fong and Soho, which are renowned locations for premier dining and entertainment.

Winsome House is situated in Central which is the core business area of Hong Kong characterised by a mixture of Grade A and Grade B office premises. Major office buildings such as the International Finance Centre, Entertainment Building, New World Tower, The Landmark, No. 9 Queen's Road Central and the Centrium are all located in the vicinity.

Located in the heart of Central, Winsome House Property is easily accessible by various means of public transport including MTR, franchised buses, mini-buses, trams, taxis and ferries. It is close to the Central to Mid-levels escalator and is within several minutes' walk from the Central MTR Station and the Airport Express Hong Kong Station.

Shops in the vicinity are mainly characterised by speciality restaurants, bars, pubs and cafés. Winsome House has a main frontage onto Wyndham Street close to its junctions with Hollywood Road and Arbuthnot Road. Shops in the vicinity mainly specialise in antiques, furniture, art and paintings, whilst others are occupied by restaurants and cafés.

The building is finished with curtain walling on its exterior. Winsome House Property comprises a major portion of the building and has a total Gross Rentable Area of approximately 40,114 sq.ft. The lower ground and ground floors are devoted to retail, whilst upper floors accommodate office units with sizes ranging from 1,115 sq.ft. to the whole floor of 2,664 sq.ft.

The interior of the subject property is provided with 24-hour individual controlled air-conditioning system and communal and satellite TV reception facilities. The office units on the upper floors mainly have a south-west facing aspect enjoying distant views of the Mid-levels District.

The average occupancy rates of Winsome House Property were 96.4%, 96.9% and 91.5%, for the three consecutive years ended 30 June 2004, 2005 and 2006. During the three months ended 30 September 2006, the property recorded an average occupancy rate of 78.3%. The average rental rate per leased square foot of Gross Rentable Area per month climbed approximately 68.1% to approximately HK$18.2 in September 2006 when compared to the trough figure in April 2004.

Summary of Winsome House Property Office Rental Forecast
(June 2007E to June 2010E)

Period	Estimated Office Rental Growth
Year ending 30 June 2007	19.0%
Year ending 30 June 2008	12.0%
Years ending 30 June 2009 and 2010	6.0% per annum

Note: The percentage growth represents the change in market rents (i.e. new lease) over a one-year period for years ending 30 June 2007 to 2010. The percentage growth does not represent the projected rental revision of leases upon lease renewal.

Source: DTZ Valuation and Advisory Services

Office Properties in Mongkok, Tsimshatsui and Yau Ma Tei

The office properties in Mongkok, Tsimshatsui and Yau Ma Tei are Righteous Centre, Everglory Centre, Sun Fai Commercial Centre Property and Wai Ching Commercial Building Property.

Righteous Centre

Righteous Centre which was completed in 1996, is a 26-storey Grade B office building situated on the west side of Nathan Road which is the main traffic artery of Kowloon. It is located in a busy decentralised business area in Hong Kong where quality buildings such as the Pioneer Centre, the Argyle Centre and Langham Place are situated. The property is also situated in close proximity to Langham Place, a new landmark in Mongkok, comprising a Grade A office building, a five-star hotel and a shopping mall.

Mongkok is also a prime and well established retail locality popular with tourists and local residents. Various streets in Mongkok specialise in the sale of electrical appliances, audio-visual products, sportswear, fashion and building materials. Retail potential of the area has been further enhanced by the opening of Langham Place and the implementation of various pedestrian precincts.

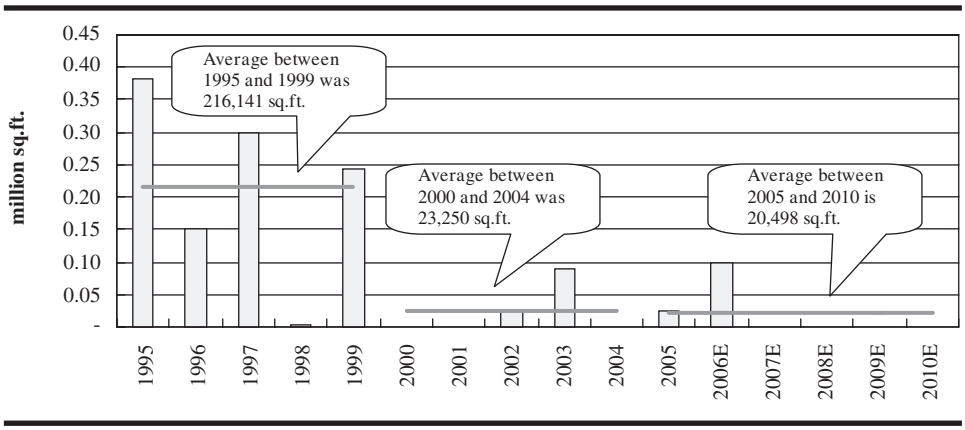
Righteous Centre enjoys excellent accessibility by various means of public transport including franchised buses and mini-buses which connect Mongkok to various districts in the territory. The Mongkok MTR Station, which is an interchange station of Kwun Tong Line and Tsuen Wan Line, is also within five minutes' walking distance. Access to the New Territories is also convenient from the nearby Mongkok KCR Station.

Righteous Centre has a good frontage to Nathan Road. Pedestrian flow along Nathan Road is heavy and neighbouring shops comprise jewellery shops, fashion stores, restaurants and other speciality outlets. Shopping arcades including Trendy Zone, Sino Centre and CTMA Centre can also be found in the immediate neighbourhood. Many upper floors of the buildings nearby are also utilised for retailing and commercial uses.

Righteous Centre is finished with curtain walling on its exterior and has a total Gross Rentable Area of approximately 51,767 sq.ft. The ground floor to third floor are devoted to retailing uses, fourth floor is a mechanical floor whilst the upper floors are office units with unit sizes ranging from 384 sq.ft. to 1,957 sq.ft. Split-type air-conditioning system is provided within the building.

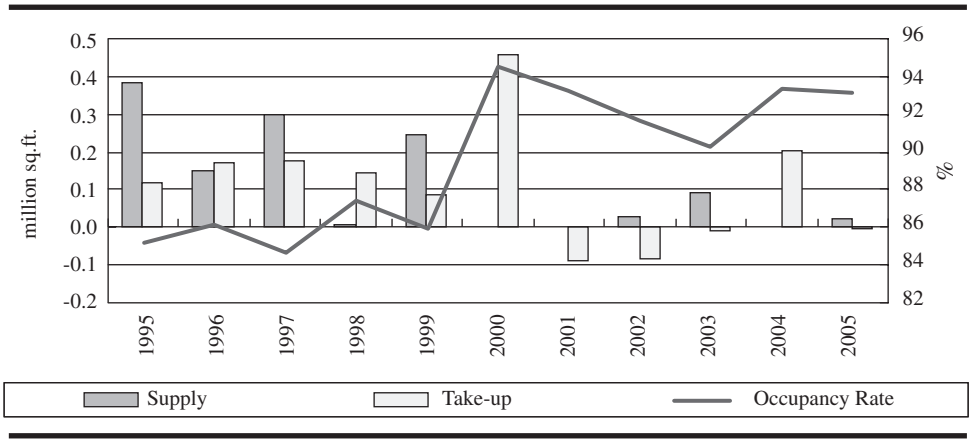
According to the Rating and Valuation Department HKSAR, the total stock of Grade B office space in Yau Tsim Mong District (including Mongkok) was approximately 6.98 million sq.ft. at the end of 2005. The historical averages of Grade B office supply for 1995 to 1999 and 2000 to 2004 were approximately 216,141 sq.ft. and 23,250 sq.ft. respectively per annum. The average new Grade B office supply for 2005 to 2010 is estimated to be about 20,498 sq.ft. per annum, which is below the historical averages.

Yau Tsim Mong District — Grade B Office Supply (1995 to 2010E)



Source: Rating and Valuation Department HKSAR, DTZ Valuation and Advisory Services

Yau Tsim Mong District Grade B Office
Supply, Take Up and Occupancy Rate (1995 to 2005)



Source: Rating and Valuation Department HKSAR

The occupancy rate for Grade B office in Yau Tsim Mong District reached 93.1% at the end of 2005. Amid improved market condition, rentals in overall Grade B office market revitalised from the trough in the third quarter of 2003 and have risen 57.0% since then to the third quarter of 2006.

Righteous Centre has managed to maintain high average occupancy rates. The average occupancy rates for the three consecutive years ended 30 June 2004, 2005 and 2006 were 93.0%, 94.1% and 93.8% respectively. During the three months ended 30 September 2006, Righteous Centre has seen an average occupancy rate of 90.7%. Amid recent favourable market condition, the average rental rate per leased square foot of Gross Rentable Area per month rebounded from its trough in April 2004 and surged approximately 74.5% since then to approximately HK$18.0 in September 2006.

Summary of Righteous Centre Office Rental Forecast
(June 2007E to June 2010E)

Period	Estimated Office Rental Growth
Year ending 30 June 2007	19.0%
Year ending 30 June 2008	8.5%
Years ending 30 June 2009 and 2010	6.0% per annum

Note: The percentage growth represents the change in market rents (i.e. new lease) over a one-year period for years ending 30 June 2007 to 2010. The percentage growth does not represent the projected rental revision of leases upon lease renewal.

Source: DTZ Valuation and Advisory Services

Everglory Centre

Everglory Centre, completed in 1999, is a 21-storey Grade B office building located in Tsimshatsui which is a well-established major business area in Hong Kong. Numerous three to five-star hotels, Grades A and B office buildings and luxury shopping malls are found in the district. In addition, cultural and entertainment facilities including the Cultural Centre, the Space Museum, the Hong Kong Museum of Art and Kowloon Park, one of the largest parks in Hong Kong, can also be found in the vicinity. Business activities are busy in Tsimshatsui where high quality office buildings such as The Gateway, 1 Peking Road, Concordia Plaza, the East Ocean Centre, the New East Ocean Centre and Harbour Crystal Centre are situated.

The status of Tsimshatsui as one of the major business areas in Hong Kong has been strengthened by the recent completion of Tsimshatsui Extension of the KCR railway line, which extends from the original Hung Hom terminus and carries passengers directly from the New Territories to Tsimshatsui. Completion of 1 Peking Road, a high quality office/commercial building and the opening of Sogo Department Store at Salisbury Road have also enhanced the image of Tsimshatsui. Various major development projects are being carried out in Tsimshatsui including the proposed Southern Link which connects KCR West Rail to East Rail, the mixed hotel/service apartment/retail redevelopment project at Hanoi Road by the Urban Renewal Authority, a high-grade hotel project at Canton Road, the redevelopment of the former Hyatt Regency Hotel and the redevelopment of Tung Ying Mansion.

Everglory Centre is located between Chatham Road and Nathan Road, the two traffic arteries in Tsimshatsui where various means of public road transport are available. The building is also within walking distance from Tsimshatsui MTR Station and Tsimshatsui East KCR Station, which are connected by an underground pedestrian walkway. Pedestrian flow within the vicinity is heavy and trades of the high-street shops nearby include fashionable goods, cosmetics and stylish restaurants. Everglory Centre is within few minutes' walking distance to Knutsford Terrace which is famous for pubs and speciality eateries.

Everglory Centre is finished with curtain walling exterior and has a total Gross Rentable Area of approximately 29,802 sq.ft. with sizes ranging from 708 sq.ft. to 1,461 sq.ft. for the office portions. Ground and first floors are designed for retailing uses. The second floor is a mechanical floor whilst the remaining upper floors accommodate office units. The interior of the Property is provided with split-typed air-conditioning, exclusive washrooms and 24-hour security management systems. Some office units on the upper floors also enjoy harbour views.

The average occupancy rate of Everglory Centre has remained high during the past 3 years and the average occupancy rates for each of the three consecutive years ended 30 June 2004, 2005 and 2006 were 98.8%, 97.7% and 97.9% respectively which were well above the average figures in Yau Tsim Mong District (including Tsimshatsui). During the three months ended 30 September 2006, Everglory Centre has achieved an average occupancy rate of 95.0%. The average rental rate per leased square foot of Gross Rentable Area per month was approximately HK$12.8 at September 2006.

Summary of Everglory Centre Office Rental Forecast (June 2007E to June 2010E)

Period	Estimated Office Rental Growth
Year ending 30 June 2007	22.0%
Year ending 30 June 2008	8.5%
Years ending 30 June 2009 and 2010	5.5% per annum

Note: The percentage growth represents the change in market rents (i.e. new lease) over a one-year period for years ending 30 June 2007 to 2010. The percentage growth does not represent the projected rental revision of leases upon lease renewal.

Source: DTZ Valuation and Advisory Services

Sun Fai Commercial Centre Property

Sun Fai Commercial Centre is a 15-storey Grade B office building with city views. It is located in Mongkok which is easily accessible by various forms of public transport including MTR, KCR, buses, mini-buses and taxis. The Cross Harbour Tunnel, Western Harbour Crossing and West Kowloon Highway, which connect the area with Hong Kong Island and the New Territories, are within short driving distance from the building. Prominent modern commercial developments including the Langham Place and the Pioneer Centre are located in the vicinity.

Completed in 1998, the building is finished with tiled exterior. Sun Fai Commercial Centre Property comprises the major portion of the building and has a total Gross Rentable Area of approximately 26,151 sq.ft. The ground floor is occupied for retailing purpose, whilst the upper floors accommodate office units with sizes ranging from 381 sq.ft. to the whole floor of 3,017 sq.ft. This size range is particularly suitable to those SMEs which prefer convenient locations at affordable rents. Split-type air conditioning system is provided in each office unit.

The average occupancy rates of Sun Fai Commercial Centre Property for each of the three consecutive years ended 30 June 2004, 2005 and 2006 were 94.3%, 97.1% and 96.4% respectively. During the three months ended 30 September 2006, Sun Fai Commercial Centre Property has achieved an average occupancy rate of 90.5%. The average rental rate per leased square foot of Gross Rentable Area per month bottomed out in August 2004 and has rebounded since then by approximately 32.0% to approximately HK$13.2 in September 2006.

Summary of Sun Fai Commercial Centre Property Office Rental Forecast (June 2007E to June 2010E)

Period	Estimated Office Rental Growth
Year ending 30 June 2007	19.0%
Year ending 30 June 2008	8.5%
Years ending 30 June 2009 and 2010	6.0% per annum

Note: The percentage growth represents the change in market rents (i.e. new lease) over a one-year period for years ending 30 June 2007 to 2010. The percentage growth does not represent the projected rental revision of leases upon lease renewal.

Source: DTZ Valuation and Advisory Services

Wai Ching Commercial Building Property

Wai Ching Commercial Building is a 19-storey Grade B office building situated in Jordan, which forms part of the Yau Tsim Mong District. Featuring a modern curtain wall exterior facade, Wai Ching Commercial Building is one of the few modern designed office buildings in the locality. The building is situated within a few minutes' walking distance from the Jordan MTR Station as well as a bus terminus. The Western Harbour Crossing and West Kowloon Highway are within easy reach. Moreover, the building is in close proximity to Union Square, on top of the Kowloon Airport Express Station, which is being developed and will become a landmark of the district.

Completed in 1997, the building is finished with curtain walling on its exterior facade. Wai Ching Commercial Building Property comprises the major portion of the building and has a total Gross Rentable Area of approximately 16,321 sq.ft. The ground and first floors are devoted to retailing uses whilst the upper floors are office units with sizes ranging from 452 sq.ft. to the whole floor of 1,358 sq.ft. This size range appeals to SMEs which prefer convenient locations. Private lavatories and split-type air conditioning system are provided in each unit.

The average occupancy rates of Wai Ching Commercial Building Property for each of the three consecutive years of 2004, 2005 and 2006 ended 30 June were 78.3%, 70.0% and 64.1% respectively. During the three months ended 30 September 2006, Wai Ching Commercial Building Property has recorded an average occupancy rate of 60.4%. The average rental rate per leased square foot of Gross Rentable Area per month was approximately HK$6.1 at September 2006.

Summary of Wai Ching Commercial Building Property Office Rental Forecast (June 2007E to June 2010E)

Period	Estimated Office Rental Growth
Year ending 30 June 2007	15.5%
Year ending 30 June 2008	7.0%
Years ending 30 June 2009 and 2010	6.0% per annum

Note: The percentage growth represents the change in market rents (i.e. new lease) over a one-year period for years ending 30 June 2007 to 2010. The percentage growth does not represent the projected rental revision of leases upon lease renewal.

Source: DTZ Valuation and Advisory Services

Office Properties in North Point and Aberdeen

The office property in North Point is Java Road 108 Commercial Centre and the office property in Aberdeen is Yue Fai Commercial Centre Property.

Java Road 108 Commercial Centre

Java Road 108 Commercial Centre, completed in 1998, is a 25-storey Grade B office building in North Point, in the Eastern District on Hong Kong Island. North Point is easily accessible by various means of transport including buses, trams, minibus and taxis available along Java Road and King's Road. In addition, the North Point MTR Station, which is the interchange station of the Island Line and Tseung Kwan O Line, is within three minutes' walk of the property. The nearby Island Eastern Corridor highway also provides quick access to Central on Hong Kong Island, and to Kowloon East via the Eastern Harbour Tunnel. Central, Wanchai, Causeway Bay on Hong Kong Island and Kwun Tong and Kowloon Bay on Kowloon Peninsula are all within easy reach.

North Point is a popular decentralised business area with numerous office buildings developed along Java Road, King's Road and Marble Road. Major office buildings such as the China United Centre, Island Place, the K. Wah Centre and the North Point Government Offices are located in the vicinity. In addition, there are several hotels nearby including Harbour Plaza North Point, City Garden Hotel and Newton Inn North Point, etc. Other commercial establishments such as serviced apartments, restaurants and retailing facilities, are also found in the locality.

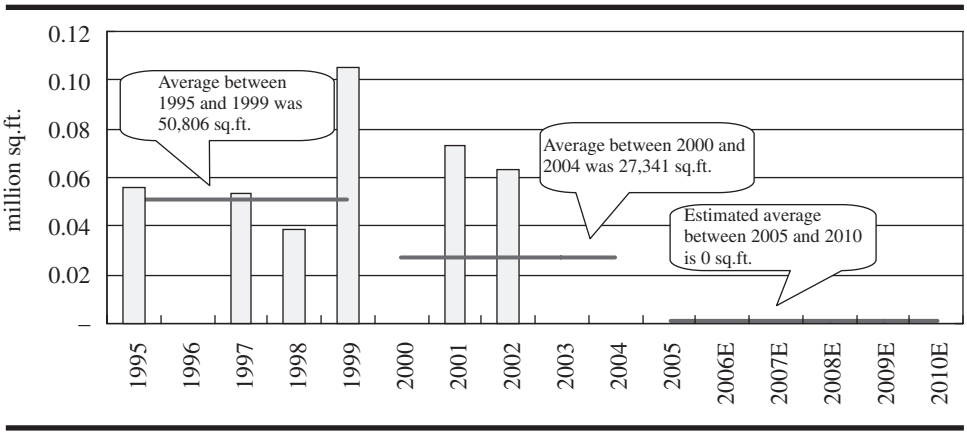
The exterior of the property is finished with mosaic tiles and curtain wall glazing. Its ground floor is devoted to general retail purpose whilst the upper floors are for office use. Completed in 1998, it has a total Gross Rentable Area of approximately 37,923 sq.ft. with office units ranging in sizes from 731 sq.ft. to the whole floor of 1,688 sq.ft.

The ground floor shops of Java Road 108 Commercial Centre have main frontages facing onto Java Road close to the junction of Shu Kuk Street. Shops in the vicinity are mainly restaurants, clinics and grocers. Pedestrian flow along this section of Java Road is moderate and trading potential is reasonable. Office units on the upper floors are mainly north facing, enjoying views of Victoria Harbour.

According to the Rating and Valuation Department HKSAR, the total stock of Grade B office space in the Eastern District (including North Point) was approximately 2.0 million sq.ft. at the end of 2005. The historical averages of Grade B office supply for 1995 to 1999 and 2000 to 2004 were approximately 50,806 sq.ft. per annum and 27,341 sq.ft. per annum respectively. It is anticipated that no major new Grade B office supply in the Eastern District will come on-stream from 2006 to 2010.

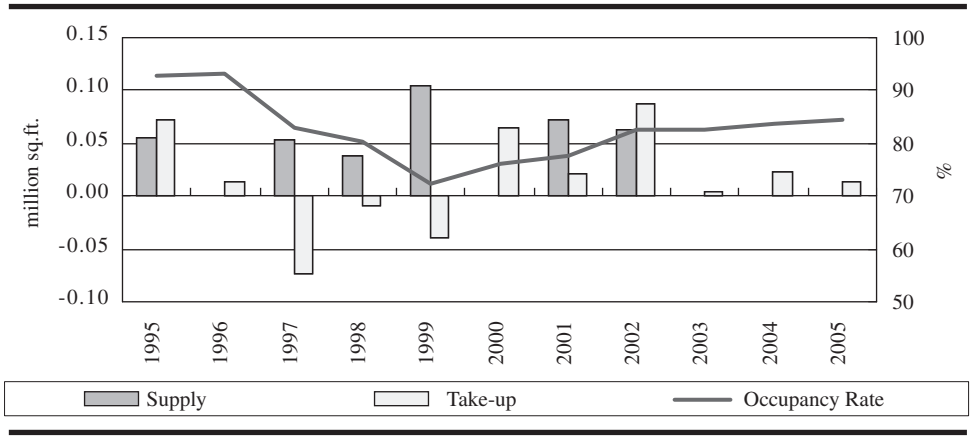
Occupancy rate in Grade B office in the Eastern District has increased steadily after 1999 and reached 84.6% at the end of 2005. The average Grade B office rental also bottomed out in the third quarter of 2003 and rebounded by 57.0% since then to the third quarter of 2006.

Eastern District — Grade B Office Supply (1995 to 2010E)



Source: Rating and Valuation Department HKSAR, DTZ Valuation and Advisory Services

Eastern District Grade B Office
Supply, Take Up and Occupancy Rate (1995 to 2005)



Source: Rating and Valuation Department HKSAR

Average occupancy rates of Java Road 108 Commercial Centre for the three consecutive years of 2004, 2005 and 2006 ended 30 June were high at 94.1%, 93.2% and 92.5% respectively. During the three months ended 30 September 2006, Java Road 108 Commercial Centre recorded an average occupancy rate of 85.7%. Average rental rate per leased square foot of Gross Rentable Area per month reached a trough during February 2004 and has rebounded by approximately 35.1% reaching approximately HK$12.2 in September 2006.

Summary of Java Road 108 Commercial Centre Office Rental Forecast (June 2007E to June 2010E)

Period	Estimated Office Rental Growth
Year ending 30 June 2007	21.0%
Year ending 30 June 2008	9.5%
Years ending 30 June 2009 and 2010	5.5% per annum

Note: The percentage growth represents the change in market rents (i.e. new lease) over a one-year period for years ending 30 June 2007 to 2010. The percentage growth does not represent the projected rental revision of leases upon lease renewal.

Source: DTZ Valuation and Advisory Services

Yue Fai Commercial Centre Property

Yue Fai Commercial Centre is a 26-storey (including a mechanical floor) Grade B office building in Aberdeen, within Southern District. Aberdeen is an established residential and commercial area which is linked by Aberdeen Tunnel to Causeway Bay, a prime shopping area on Hong Kong Island and further to South Kowloon via Cross Harbour Tunnel.

Yue Fai Commercial Centre is easily accessible by various means of public transport including franchised buses, mini-buses and taxis. A bus terminus is also situated within a short walking distance of the property.

Yue Fai Commercial Centre Property comprises three of the six shop units on the ground floor and a major portion of the upper office floors of the building. It has a total Gross Rentable Area of approximately 42,751 sq.ft. Completed in 1997, the building is finished with aluminium framed window glazing and granite tiled external facade. The office units are installed with split-type air-conditioning system and office unit sizes range from as small as 255 sq.ft. to 2,048 sq.ft. on a whole floor basis.

The subject retail units enjoy frontages onto Aberdeen Main Road and are in close proximity to a large residential complex known as Aberdeen Centre which contains more than 2,700 flat units. There is a pedestrian crossing point in front of the building which facilitates pedestrian flow across Aberdeen Main Road.

According to the Rating and Valuation Department HKSAR, the total stock of Grade B office space in the Southern District (including Aberdeen) was approximately 0.4 million sq.ft. at the end of 2005. Between 1995 and 2004, the new Grade B office supply in the Southern District was nominal. It is anticipated that there will be no major Grade B office supply in Southern District between 2006 and 2010.

According to the Rating and Valuation Department HKSAR, occupancy rate in Grade B office in the Southern District fluctuated considerably from 97.8% in 1995 to 31.7% in 1997 and gradually rebounded to 78.4% in 2005. The sharp decrease in occupancy rate in Grade B office in 1997 was due to a negative 0.3 million sq.ft. take-up in that year.

The average occupancy rates of Yue Fai Commercial Centre Property for the three consecutive years ended 30 June 2004, 2005 and 2006 were 95.5%, 95.7% and 86.4% respectively which were above the market average in the Southern District. During the three months ended 30 September 2006, the subject property has recorded an average occupancy rate of 77.2%. The average rental rate per leased square foot of Gross Rentable Area per month was at its lowest level in December 2003 and subsequently rebounded by approximately 57.6% to approximately HK$11.8 in September 2006.

Summary of Yue Fai Commercial Centre Property Office Rental Forecast (June 2007E to June 2010E)

Period	Estimated Office Rental Growth
Year ending 30 June 2007	16.0%
Year ending 30 June 2008	8.0%
Years ending 30 June 2009 and 2010	5.0% per annum

Note: The percentage growth represents the change in market rents (i.e. new lease) over a one-year period for years ending 30 June 2007 to 2010. The percentage growth does not represent the projected rental revision of leases upon lease renewal.

Source: DTZ Valuation and Advisory Services

Retail Property in Tseung Kwan O

The retail property in Tseung Kwan O is Metro City Phase I Property.

Metro City Phase I Property

Metro City Phase I Property is an integral part of the Metro City (Phases I, II and III) shopping centre. The Metro City shopping centre is one of the largest regional shopping malls in Kowloon East with approximately 1.5 million sq.ft. retail space located in Po Lam Area of Tseung Kwan O New Town. The Metro City shopping centre is of a sophisticated design to meet the needs of a huge catchment population providing shopping, eating, entertainment and leisure facilities.

Metro City Phase I Property is easily accessible by various means of public transport including MTR, franchised buses, mini-buses, shuttle buses and taxis. The property is strategically located close to the Po Lam MTR Station on the Tseung Kwan O Line, a bus terminus as well as the Tseung Kwan O Tunnel which connects the area with the eastern part of Kowloon Peninsula.

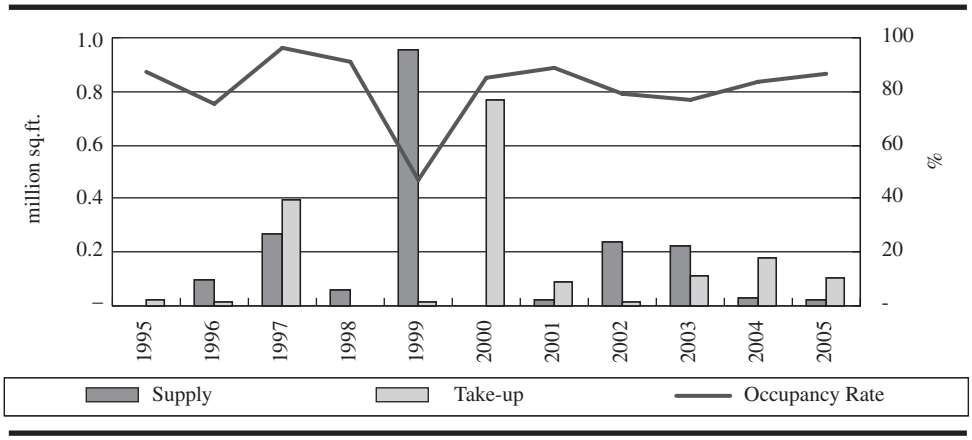
The entire Metro City Phase I development is located at the centre of the Po Lam Area in Tseung Kwan O New Town and is linked to Yau Tong and other urban districts by MTR. The entire Metro City development is a large scale private residential development providing a total of 21 residential blocks (6,768 units) completed in three phases between 1996 and 1999. Metro City Phase I, completed in 1996, comprises six residential blocks (2,048 units) erected on a three-storey common commercial podium accommodating a shopping arcade, club house and car-parking facilities. Metro City Phase I is directly connected by footbridges to the Po Lam MTR Station, and to Phase II and Phase III of the development.

Metro City Phase I Property comprises a three-storey commercial/car-parking podium, including a two-storey shopping arcade with a total Gross Rentable Area of 188,889 sq.ft. (excluding car-parking spaces), and 452 car-parking spaces situated on the ground floor, level 1 and level 2, 20 motor cycle-parking spaces and 14 bicycle-parking spaces in the commercial podium of Metro City Phase I Development. Metro City Phase I Property provides a comfortable environment to shoppers with high ceiling, spacious circulation area and a large skylight atrium. It provides flexible shop sizes ranging from 50 sq.ft. to 24,857 sq.ft. Numerous brand name retailers and chained stores can also be found in the shopping centre. The major tenants include Hang Seng Bank Limited, Bank of Communications Co., Ltd., Centaline Property Agency Limited and Japan Home Centre (H.K.) Limited.

Metro City Phase I Property serves a large population in Tseung Kwan O. The 2005 population of Tseung Kwan O New Town is approximately 338,100 and is expected to rise to approximately 480,000 in its full development as a result of the Hong Kong government's initiatives to decentralise population to the New Towns. With good town planning and land use design, Tseung Kwan O New Town is a young new town and has a well-developed transportation and service infrastructure to support its fast growing population, mainly characterised by a younger age group with higher incomes. The catchment population of Metro City Phase I Property includes local residents within Metro City and from various public housing estates and Home Ownership Scheme developments nearby such as Yan Ming Court, Verbena Heights, The Pinnacle, Ho Ming Court, King Lam Estate, Ying Ming Court and Po Lam Estate.

The supply of retail premises in Sai Kung District (including Tseung Kwan O) was low over the past 10 years except in 1999 when various private commercial/residential developments were completed. This upheaval in supply in 1999 pushed the occupancy rate to a record low of approximately 50%. This anomaly was met by the strong take up in 2000 which drove the occupancy rates up to between 76.8% and 89.0% over the past six years. The total stock of private commercial premises in Sai Kung District was approximately 2.2 million sq.ft. in 2005.

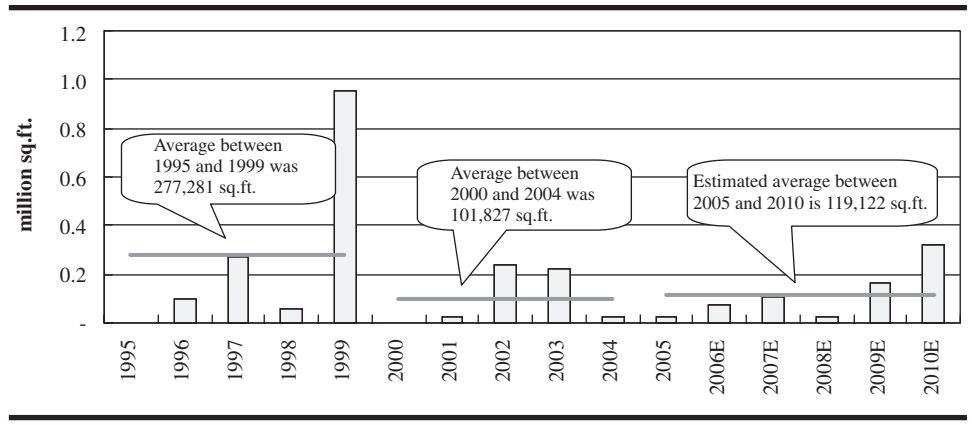
Sai Kung District Private Commercial
Supply, Take Up and Occupancy Rate (1995 to 2005)



Source: Rating and Valuation Department HKSAR

According to the Rating and Valuation Department HKSAR, the average occupancy rate of private commercial premises in Sai Kung District was 86.5% at the end of 2005 which was, above the 10-year average (1996 to 2005) of 80.9%. The historical averages of private commercial premises supply for 1995 to 1999 and 2000 to 2004 were approximately 277,281 sq.ft. per annum and 101,827 sq.ft. per annum respectively. The average new private commercial supply for 2005 to 2010 is estimated to be approximately 119,122 sq.ft. per annum, a level above the 2000 to 2004 historical average.

Sai Kung District — Private Commercial Supply (1995 to 2010E)



Source: Rating and Valuation Department HKSAR, DTZ Valuation and Advisory Services

Several similar shopping centres can be found along the MTR stations of Tseung Kwan O Line such as East Point City, which is close to Hang Hau MTR Station. However, due to their relatively smaller sizes, the catchments of these shopping centres are generally limited to nearby residents and do not create strong direct competition with the subject property.

Tseung Kwan O New Town is still developing under the Government's long term planning. Projects in the pipeline include the followings:

Name of development	Location	Total retail gross area sq.ft.	Estimated year of completion
The Grandiose	Tseung Kwan O MTR Station	128,000	2006
Metro Town	Tiu Keng Leng MTR Station	180,000	2006
Project in Area 56	Tseung Kwan O MTR Station	645,000	2008 to 2012
Project (Dreamcity) in Area 86	Under construction depot of Tseung Kwan O MTR Line	430,000	2008 to 2012

As these new supplies of retail space in Tseung Kwan O New Town are largely shopping centres of local or smaller district scale, they are not expected to pose direct competition to Metro City Phase I Property.

Metro City Phase I Property has successfully attracted a wide range of retailers and currently enjoys a diversified trade mix engaged in a wide range of retailing activities including banks, restaurants, household goods, property agencies, clinics and pharmacies. The average occupancy rates of the property for the three consecutive years ended 30 June 2004, 2005 and 2006 were 93.2%, 95.6% and 85.0% respectively. During the three months ended 30 September 2006, Metro City I Property recorded an average occupancy rate of 81.1%. The average rental rate per leased square foot of Gross Rentable Area per month was at its lowest level in February 2004 and has subsequently rebounded by approximately 28.6% to approximately HK$24.3 in September 2006.

Summary of Metro City Phase I Property Retail Rental Forecast (June 2007E to June 2010E)

Period	Estimated Retail Rental Growth
Year ending 30 June 2007	15.5%
Year ending 30 June 2008	12.5%
Years ending 30 June 2009 and 2010	5.0% per annum

Note: The percentage growth represents the change in market rents (i.e. new lease) over a one-year period for years ending 30 June 2007 to 2010. The percentage growth does not represent the projected rental revision of leases upon lease renewal.

Source: DTZ Valuation and Advisory Services

Retail Property in Sheung Shui

The retail property in Sheung Shui is Sheung Shui Centre Shopping Arcade.

Sheung Shui Centre Shopping Arcade

Sheung Shui Centre Shopping Arcade is a district shopping centre located strategically beside Sheung Shui KCR Station, which is an interchange point of the KCR and Lok Ma Chau Spur Line, designed to ease the volume of cross-border passengers between Hong Kong and Shenzhen. When the Lok Ma Chau Spur Line comes into operation in 2007, commuters in this area are expected to increase resulting in a rise in passenger flow.

Sheung Shui Centre Shopping Arcade is connected by a covered footbridge to the Sheung Shui KCR Station and is easily accessible by various means of public transport including KCR, franchised buses, mini buses and taxis.

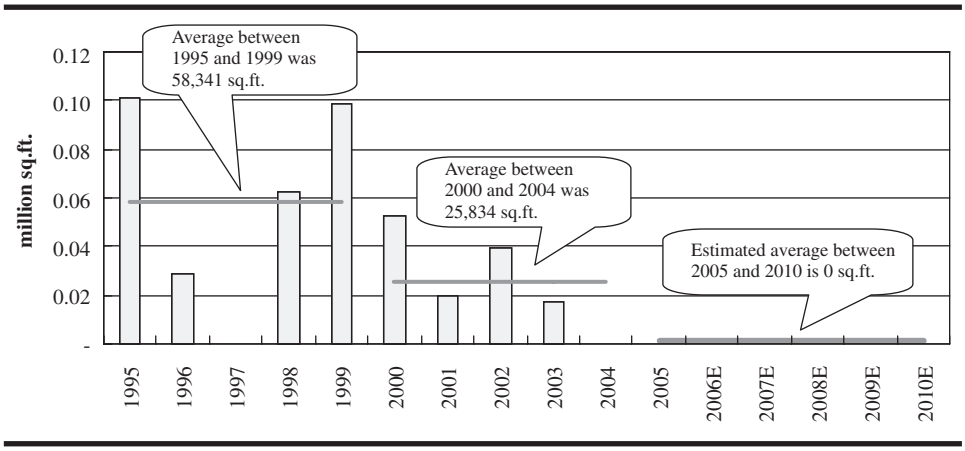
Located at the commercial/residential hub of the Sheung Shui town, Sheung Shui Centre Shopping Arcade is part of a large scale residential development known as Sheung Shui Centre. Completed in 1993, Sheung Shui Centre comprises six high-rise residential towers (1,128 residential units) erected upon Sheung Shui Centre Shopping Arcade and recreational facilities including swimming pool, tennis courts and children's playground.

Sheung Shui Centre Shopping Arcade comprises a two-storey shopping arcade, a kindergarten on Level three and a basement carpark accommodating 269 car-parking spaces, 28 lorry-parking spaces, six loading and unloading spaces and 226 bicycle-parking spaces. The shopping arcade has a total Gross Rentable Area of approximately 122,339 sq.ft. excluding car-parking spaces.

Sheung Shui Centre Shopping Arcade is designed with high ceilings and a spacious circulation area to provide a comfortable environment to shoppers. The property serves a large population in Sheung Shui and Fanling towns in the North District (including Sheung Shui) of the New Territories. The overall population of the North District is approximately 292,400 and is expected to increase to 324,500 by 2013 in accordance with the forecast of the Planning Department HKSAR. The catchment population of Sheung Shui Centre Shopping Arcade covers not only local Sheung Shui residents but also commuters to Shenzhen and visitors from China. When the Lok Ma Chau Spur Line is completed in 2007, Sheung Shui Centre Shopping Arcade is expected to benefit further from an increased volume of cross-border passengers, which is likely to induce a strong uplift in rentals. Several shopping arcades can be found in the vicinity including Landmark North, Metropolis Plaza and Lung Fung Garden which, together with the property, form a cluster of shopping centres and focus of retailing activities.

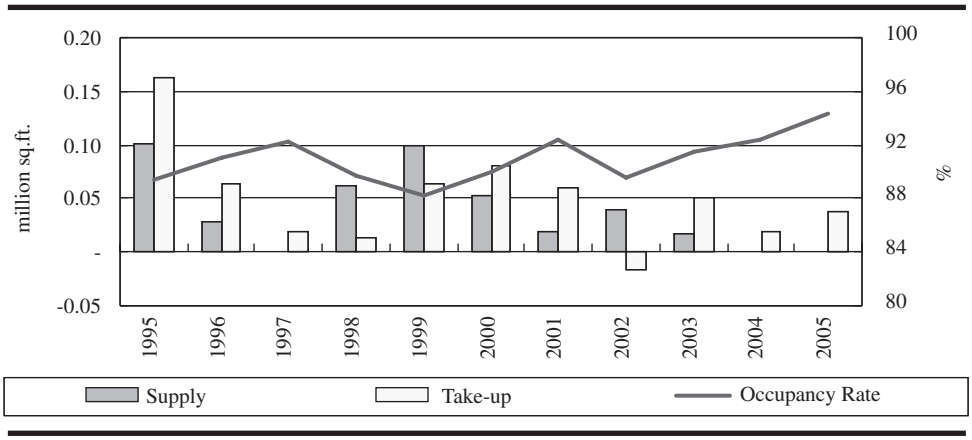
According to the Rating and Valuation Department HKSAR, the total stock of private commercial premises in the North District of New Territories was approximately 1.9 million sq.ft. at the end of 2005. The historical averages of private commercial supply for 1995 to 1999 and 2000 to 2004 were approximately 58,341 sq.ft. per annum and 25,834 sq.ft. per annum respectively. As no major supply of retail space is expected in future, the outlook of retail rental growth in Sheung Shui is positive.

North District — Private Commercial Supply (1995 to 2010E)



Source: Rating and Valuation Department HKSAR, DTZ Valuation and Advisory Services

North District Private Commercial Supply, Take Up and Occupancy Rate (1995 to 2005)



Source: Rating and Valuation Department HKSAR

According to the Rating and Valuation Department HKSAR, the average occupancy rate of private commercial premises in the North District reached at 94.4% at the end of 2005, a level above the 10-year average (1996 to 2005) of 91.2%.

Sheung Shui Centre Shopping Arcade appeals to a wide range of retailers with a diversified trade mix, including fashion/accessories, restaurant, financial/professional and business services, food retail, community, social and personal services. The major tenants include Forever Sky (Asia) Limited, Bank of Communications Co., Ltd., The Bank of East Asia Limited, Maxim's Caterers Limited, The Hongkong and Shanghai Banking Corporation Limited, The Dairy Farm Company Limited and A.S. Watson Group (HK) Limited.

The average occupancy rates of Sheung Shui Centre Shopping Arcade for the three consecutive years ended 30 June 2004, 2005 and 2006 were 97.3%, 98.3% and 96.9% respectively and well above the market averages in North District. During the three months ended 30 September 2006, the property recorded an average occupancy rate of 93.2%. The average rental rate per leased square foot of Gross Rentable Area per month was at its lowest level in October 2003 and has rebounded by approximately 30.6% to approximately HK$52.2 in September 2006.

Summary of Sheung Shui Centre Shopping Arcade Retail Rental Forecast (June 2007E to June 2010E)

Period	Estimated Retail Rental Growth
Year ending 30 June 2007	15.0%
Year ending 30 June 2008	17.5%
Years ending 30 June 2009 and 2010	6.0% per annum

Note: The percentage growth represents the change in market rents (i.e. new lease) over a one-year period for years ending 30 June 2007 to 2010. The percentage growth does not represent the projected rental revision of leases upon lease renewal.

Source: DTZ Valuation and Advisory Services

Retail Property in Yuen Long

The retail property in Yuen Long is Kwong Wah Plaza Property.

Kwong Wah Plaza Property

Kwong Wah Plaza is a modern and quality commercial/office building strategically located in the town centre of Yuen Long. It was completed in 1998 and is situated on the busy Tai Tong Road, close to Castle Peak Road Yuen Long Section. The area experiences heavy pedestrian and vehicular flow. Kwong Wah Plaza is a 17-storey building including a basement and a mechanical floor with curtain walling exterior, satellite TV reception and loading/unloading area.

Kwong Wah Plaza Property comprises a three-storey shopping arcade including a basement and a major portion of office floors with a total Gross Rentable Area of approximately 64,842 sq.ft. Office units range in size from 447 sq.ft. to the whole floor of 5,501 sq.ft. Shop units range in size from 422 sq.ft. to 9,964 sq.ft.

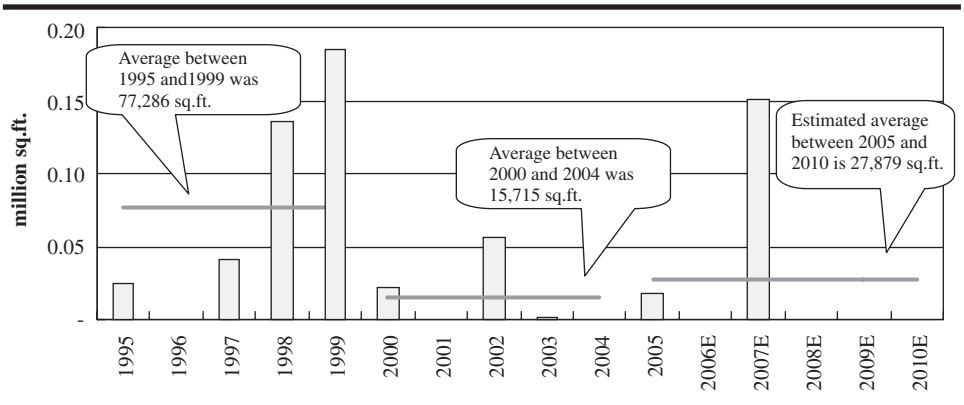
Since 1970, Yuen Long has developed into an established commercial/residential area with a large population. The immediate locality of the subject property is characterized by a mixture of high-rise commercial/office buildings, commercial/residential developments and old tenement type blocks. Retail premises in Yuen Long town centre are mainly high-street shops which are concentrated along several main roads including Castle Peak Road, Tai Tong Road and Kau Yuk Road. The subject property together with other shopping centres such as Hop Yick Plaza and Citimall form the shopping hub in Yuen Long town.

Transportation from Yuen Long to other parts of Hong Kong has improved significantly with the completion of KCR West Rail Line and Route 3 Highway in recent years. Accessibility will be further enhanced when the Western Corridor and Deep Bay Link are expected to complete (according to the proposed schedule) in 2006-2007. Kwong Wah Plaza Property is accessible by various means of transport. The nearest Light Rail Transit, Tai Tong Road Station and West Rail Yuen Long Station are within several minutes' walking distance whilst buses, mini-buses and taxis are readily available along Castle Peak Road Yuen Long Section.

Kwong Wah Plaza Property serves a large catchment population in Yuen Long District which was approximately 539,100 in 2005 and is expected to rise to approximately 632,200 in 2013 according to the forecast of the Planning Department HKSAR. A large residential development, known as Yoho Town Phase 2, is expected to introduce approximately 2,000 domestic residential units in Yuen Long. The development is scheduled for completion in phases from 2008 onwards. As such, the retailing potential of Yuen Long town is anticipated to improve further in the coming years.

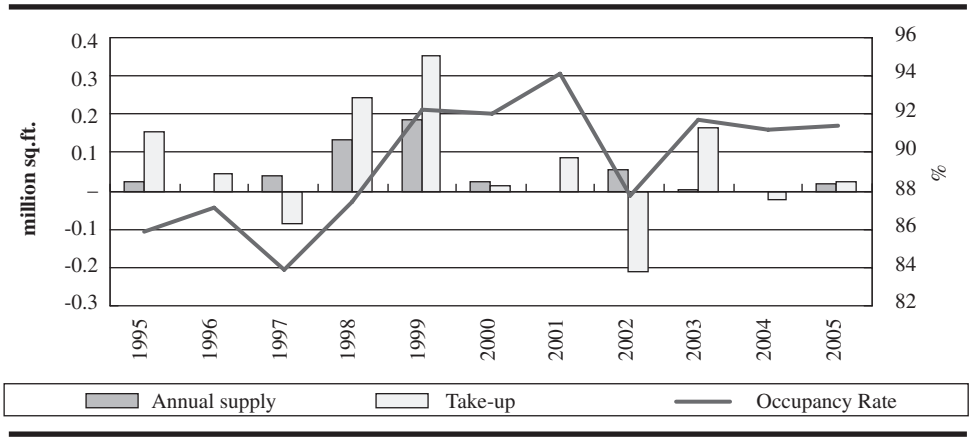
According to the Rating and Valuation Department HKSAR, the total stock of private commercial premises in Yuen Long District was approximately 4.2 million sq.ft. at the end of 2005. The historical averages of private commercial supply for 1995 to 1999 and 2000 to 2004 were approximately 77,286 sq.ft. per annum and 15,715 sq.ft. per annum respectively. The average new private commercial supply for 2005 to 2010 is estimated to be approximately 27,879 sq.ft. per annum, a level marginally above the historical average of 2000 to 2004.

Yuen Long District — Private Commercial Supply (1995 to 2010E)



Source: Rating and Valuation Department HKSAR, DTZ Valuation and Advisory Services

Yuen Long District Private Commercial
Supply, Take Up and Occupancy Rate (1995 to 2005)



Source: Rating and Valuation Department HKSAR

According to the Rating and Valuation Department HKSAR, the average occupancy rate of private commercial premises in Yuen Long District reached 91.4% at the end of 2005, a level above the 10-year average (1996 to 2005) of 89.9%.

The major tenants of Kwong Wah Plaza Property include A.S. Watson Group (HK) Limited, Gold Harvest Video Amusement Company Limited and American International Assurance Company (Bermuda) Limited. The average occupancy rates of Kwong Wah Plaza Property for the three consecutive years ended 30 June 2004, 2005 and 2006 were 96.3%, 97.7% and 97.4% respectively, and were well above the market averages of Yuen Long District. During the three months ended 30 September 2006, the Property has recorded an average occupancy rate of 99.1%. The average rental rate per leased square foot of Gross Rentable Area per month was at its lowest level in November 2003 and has subsequently rebounded by approximately 32.0% to approximately HK$22.6 in September 2006.

Summary of Kwong Wah Plaza Property Retail Rental Forecast
(June 2007E to June 2010E)

Period	Estimated Retail Rental Growth
Year ending 30 June 2007	12.0%
Year ending 30 June 2008	9.5%
Years ending 30 June 2009 and 2010	6.0% per annum

Note: The percentage growth represents the change in market rents (i.e. new lease) over a one-year period for years ending 30 June 2007 to 2010. The percentage growth does not represent the projected rental revision of leases upon lease renewal.

Source: DTZ Valuation and Advisory Services

Retail Property in Tsimshatsui

The retail property in Tsimshatsui is Beverley Commercial Centre Property.

Beverley Commercial Centre Property

Beverley Commercial Centre is located in the heart of Tsimshatsui district which is a traditional tourist, commercial, shopping and entertainment area of Kowloon. The retail portion of the building is a popular shopping arcade specialising in fashion and accessories.

Completed in 1982, Beverley Commercial Centre is a 20-storey commercial/office building including basement. Beverley Commercial Centre Property comprises a major portion of shop units on the ground floor of the building devoted to retailing use and has a total Gross Rentable Area of approximately 7,934 sq.ft. with unit sizes ranging from 93 sq.ft. to 236 sq.ft.

Beverley Commercial Centre Property is easily accessible by means of various public transport including MTR, KCR, franchised buses, mini-buses and taxis. The Hung Hom KCR Station, Tsimshatsui MTR Station and Cross Harbour Tunnel are situated within short walking distance from the subject property.

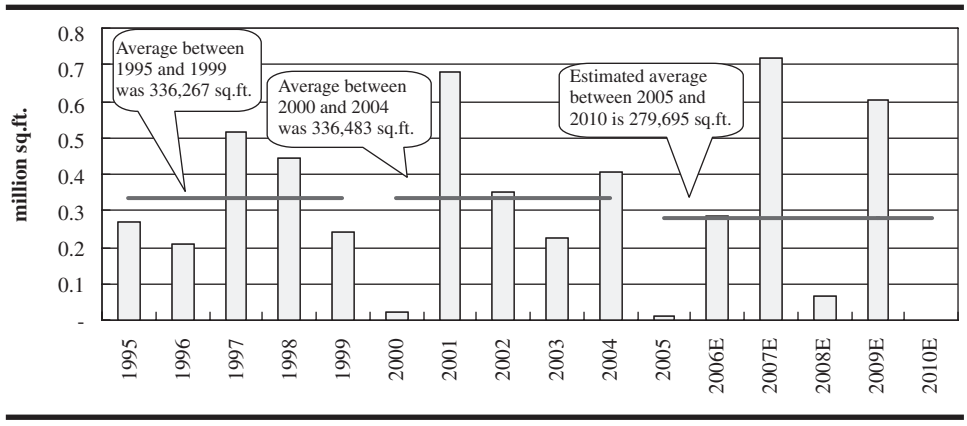
Beverley Commercial Centre Property serves a large catchment from the nearby high-rise commercial buildings, composite commercial/residential buildings, hotels, educational institutions and communal facilities including the Hong Kong Museum of History, the Hong Kong Science Museum and the Hong Kong Polytechnic University. Moreover, it specialises in fashion and accessories popular to the youngsters and office ladies.

The overall population of Yau Tsim Mong District (including Tsimshatsui), where the Property is located, was approximately 295,400. According to the forecast by the Planning Department HKSAR, the population of this district is expected to grow to 322,400 by 2013.

According to the Rating and Valuation Department HKSAR, the total stock of private commercial premises in Yau Tsim Mong District (including Tsimshatsui) was approximately 20.7 million sq.ft. at the end of 2005. The historical averages of private commercial supply for 1995 to 1999 and 2000 to 2004 were approximately 336,267 sq.ft. per annum and 336,483 sq.ft. per annum respectively. The average new private commercial supply for 2005 to 2010 is estimated to be approximately 279,695 sq.ft. per annum, which is below the historical averages.

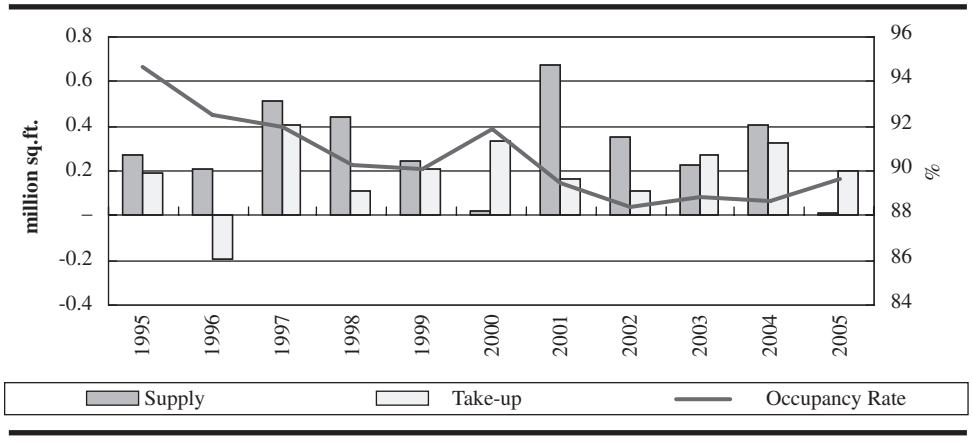
Several retail premises are expected to be completed in Tsimshatsui in the next few years. There is an extensive Urban Renewal Authority redevelopment project at Mody Road, Hanoi Road and Carnarvon Road. In addition, redevelopments of Tung Ying Mansion and Hyatt Regency Hotel, both situated at Nathan Road, have recently started. It is envisaged that the retail potential of shops in Tsimshatsui will be further enhanced upon completion of these projects.

Yau Tsim Mong District — Private Commercial Supply (1995 to 2010E)



Source: Rating and Valuation Department HKSAR, DTZ Valuation and Advisory Services

Yau Tsim Mong District Private Commercial Supply, Take Up and Occupancy Rate (1995 to 2005)



Source: Rating and Valuation Department HKSAR

According to the Rating and Valuation Department HKSAR, the average occupancy rate of private commercial premises in Yau Tsim Mong District was 89.6% at the end of 2005 which was close to the 10-year average (1996 to 2005) of 90.2%.

Beverley Commercial Centre Property has successfully attracted fashion and accessories retailers as tenants. The average occupancy rates of Beverley Commercial Centre Property for the three consecutive years ended 30 June 2004, 2005 and 2006 were 41.7%, 92.8% and 82.8% respectively. During the three months ended 30 September 2006, the property has recorded an average occupancy rate of 75.4%. The average rental rate per leased square foot of Gross Rentable Area per month was approximately HK$26.5 at September 2006.

Summary of Beverley Commercial Centre Property Retail Rental Forecast (June 2007E to June 2010E)

Period	Estimated Retail Rental Growth
Year ending 30 June 2007	8.5%
Year ending 30 June 2008	7.0%
Years ending 30 June 2009 and 2010	5.0% per annum

Note: The percentage growth represents the change in market rents (i.e. new lease) over a one-year period for years ending 30 June 2007 to 2010. The percentage growth does not represent the projected rental revision of leases upon lease renewal.

Source: DTZ Valuation and Advisory Services

Retail Properties in North Point and Quarry Bay

The retail properties in North Point and Quarry Bay are Royal Terrace Property, Supernova Stand Property and Glory Rise Property.

Royal Terrace Property

Royal Terrace is a 36-storey composite commercial/residential building in Quarry Bay. Quarry Bay is an established commercial and residential area in the Eastern District of Hong Kong Island. The property is situated on King's Road which is a main thoroughfare and enjoys heavy pedestrian flow.

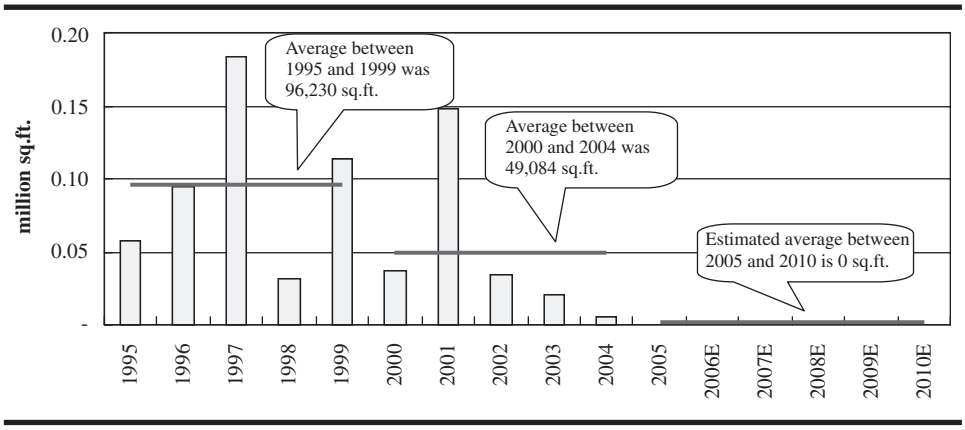
Completed in 2002, Royal Terrace Property comprises 11 ground floor shops mainly having frontages onto King's Road with a total Gross Rentable Area of approximately 9,565 sq.ft. (excluding car-parking spaces), 49 private car-parking spaces and 10 motorcycle-parking spaces.

The subject property is situated in close proximity to Quarry Bay MTR Station and Taikoo Place which is a major decentralised business area on Island East and is characterized by modern high-rise Grade A office developments. Royal Terrace Property is easily accessible by various public transport means including MTR, franchised buses, mini-buses, trams and taxis.

The subject property enjoys a large catchment from workers in the nearby high-rise commercial buildings in North Point, including North Point Government Offices and Taikoo Place, and residents in the composite buildings. The overall population of the Eastern District, where the property is located, was approximately 580,800 in 2005. Neighbouring retail units include cafes, restaurants, florists and convenience stores. Trading potential of the shops along that section of King's Road is reasonably good.

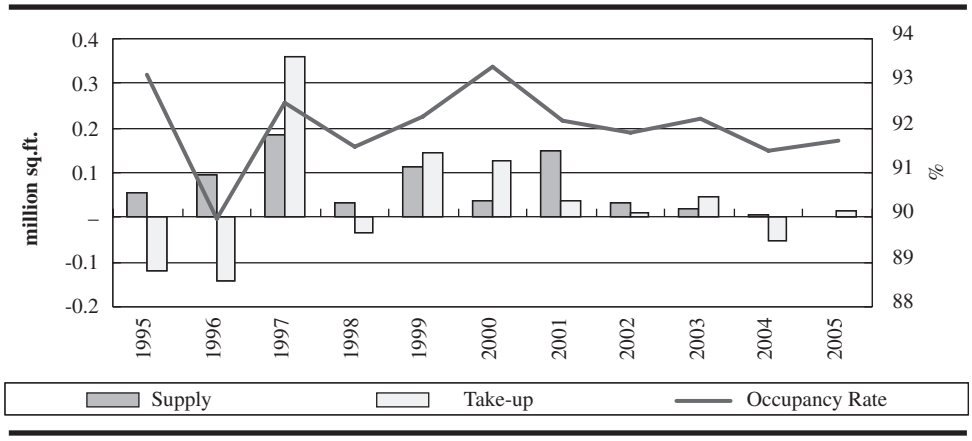
According to the Rating and Valuation Department HKSAR, the total stock of private commercial space in the Eastern District (including Quarry Bay) was approximately 7.7 million sq.ft. at the end of 2005. The historical averages of private commercial supply for 1995 to 1999 and 2000 to 2004 were approximately 96,230 sq.ft. per annum and 49,084 sq.ft. per annum respectively. Future supply of retail space in the Eastern District is expected to be nominal in the next few years.

Eastern District — Private Commercial Supply (1995 to 2010E)



Source: Rating and Valuation Department HKSAR, DTZ Valuation and Advisory Services

Eastern District Private Commercial Supply, Take Up and Occupancy Rate (1995 to 2005)



Source: Rating and Valuation Department HKSAR

According to the Rating and Valuation Department HKSAR, the average occupancy rate of private commercial premises in the Eastern District reached 91.7% at the end of 2005, in line with the 10-year average (1996 to 2005) of 91.9%.

Royal Terrace Property has recorded continuous increase in occupancy and the occupancy rates for the three consecutive years ended 30 June 2004, 2005 and 2006 were 73.3%, 84.1% and 93.6% respectively. During the three months ended 30 September 2006, the Property has achieved an average occupancy rate of 100%. The average rental rate per leased square foot of Gross Rentable Area per month was approximately HK$23.1 at September 2006.

Summary of Royal Terrace Property Retail Rental Forecast
(June 2007E to June 2010E)

Period	Estimated Retail Rental Growth
Year ending 30 June 2007	9.0%
Year ending 30 June 2008	8.5%
Years ending 30 June 2009 and 2010	5.0% per annum

Note: The percentage growth represents the change in market rents (i.e. new lease) over a one-year period for years ending 30 June 2007 to 2010. The percentage growth does not represent the projected rental revision of leases upon lease renewal.

Source: DTZ Valuation and Advisory Services

Supernova Stand Property

Supernova Stand is a 27-storey modern composite commercial/residential building situated at Mercury Street, North Point, which is an established commercial and residential area in the Eastern District of Hong Kong Island. Completed in 2001, Supernova Stand Property comprises nine ground floor shops with a total Gross Rentable Area of approximately 4,226 sq.ft. As at 30 April 2006, eight of the subject shops were leased to a supermarket.

The property is close to Fortress Hill MTR Station and is also well served by other public transport services including franchised buses, mini-buses, trams and taxis available along King's Road and Electric Road in the vicinity.

Supernova Stand Property serves a large population in the nearby high-rise commercial buildings, composite buildings, hotels and schools. It is adjacent to Causeway Bay Market which is the only public wet market in this district. Most of the ground floor shops in the area are occupied by groceries, food provision stores and other daily shops.

The main portion of the property is leased to Wellcome as a supermarket which becomes a focal shopping point for local residents and hence the Property has enjoyed a steady Rental Income. In the years ended 30 June 2004, 2005 and 2006, and the three months ended 30 September 2006, the occupancy rate of Supernova Stand Property remained at 88.4%. The average rental rate per leased square foot of Gross Rentable Area per month was approximately HK$43.6 at September 2006.

Summary of Supernova Stand Property Retail Rental Forecast (June 2007E to June 2010E)

Period	Estimated Retail Rental Growth
Year ending 30 June 2007	9.0%
Year ending 30 June 2008	8.5%
Years ending 30 June 2009 and 2010	5.0% per annum

Note: The percentage growth represents the change in market rents (i.e. new lease) over a one-year period for years ending 30 June 2007 to 2010. The percentage growth does not represent the projected rental revision of leases upon lease renewal.

Source: DTZ Valuation and Advisory Services

Glory Rise Property

Glory Rise is a modern 26-storey composite commercial/residential building situated in the hub of North Point in the Eastern District. Completed in 2003, Glory Rise Property comprises the ground floor (accommodating six shops) and the first floor (accommodating three shops) with a total Gross Rentable Area of approximately 7,086 sq.ft.

Glory Rise Property is close to North Point MTR Station and is also well served by other public transport services including franchised buses, mini-buses, trams and taxis available along King's Road and Java Road.

Glory Rise Property enjoys a large catchment from the residents in North Point District and workers in nearby high-rise commercial buildings, hotels and schools. Chun Yeung Street is lined with market stalls and experience a high volume of pedestrian traffic during the daytime. Most shops in the area are occupied by groceries, food provision stores and other daily shops and the retailing potential of the shops is good.

The property has attracted various tenants including food retailers. The occupancy rates of the property for the three consecutive years ended 30 June 2004, 2005 and 2006 were 43.5%, 64.6% and 71.1% respectively. During the three months ended 30 September 2006, the property has recorded an average occupancy rate of 60.0%. The average rental rate per leased square foot of Gross Rentable Area per month was approximately HK$48.3 at September 2006.

Summary of Glory Rise Property Retail Rental Forecast (June 2007E to June 2010E)

Period	Estimated Retail Rental Growth
Year ending 30 June 2007	9.0%
Year ending 30 June 2008	8.5%
Years ending 30 June 2009 and 2010	5.5% per annum

Note: *The* percentage growth represents the change in market rents (i.e. new lease) over a one-year period for years ending 30 June 2007 to 2010. The percentage growth does not represent the projected rental revision of leases upon lease renewal.

Source: DTZ Valuation and Advisory Services

Retail Property in Hung Hom

The retail property in Hung Hom is Palatial Stand Property.

Palatial Stand Property

Palatial Stand is a 23-storey composite commercial/residential building in Hung Hom which is an established commercial and residential area in Kowloon. It is situated at Wuhu Street, a main thoroughfare in the district with a moderately heavy pedestrian flow.

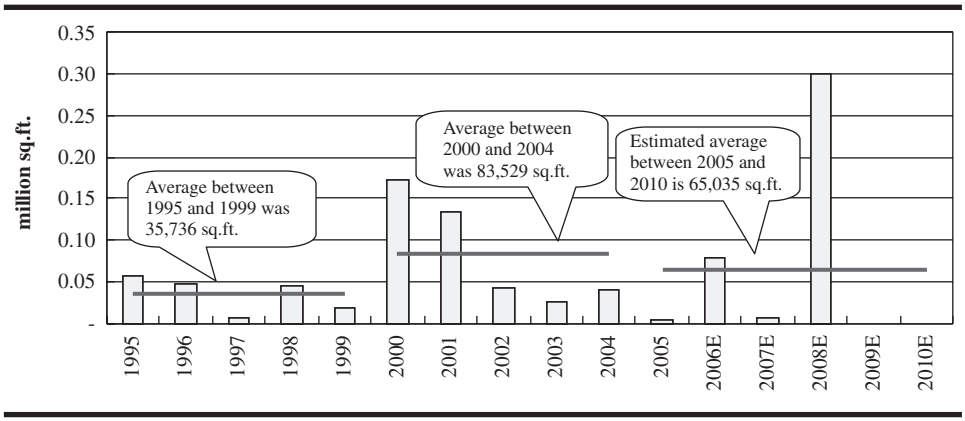
Completed in 2001, Palatial Stand Property comprises all the ground floor shops and two office units on the first floor with a total Gross Rentable Area of approximately 8,625 sq.ft. The ground floor shops enjoy frontages onto Wuhu Street which extend to the comprehensive residential complexes of Whampoa Estate and Whampoa Garden which together accommodate over 13,000 domestic units.

The property is easily accessible by various public transport means including franchised buses, mini-buses and taxis along Wuhu Street. It is also within easy reach of Hung Hom KCR Station.

The overall population of Kowloon City District (including Hung Hom), was approximately 359,100 in 2005. According to the forecast by the Planning Department HKSAR, the population of this district is expected to rise to 423,400 by 2013, which is brought by completion of future new residential developments.

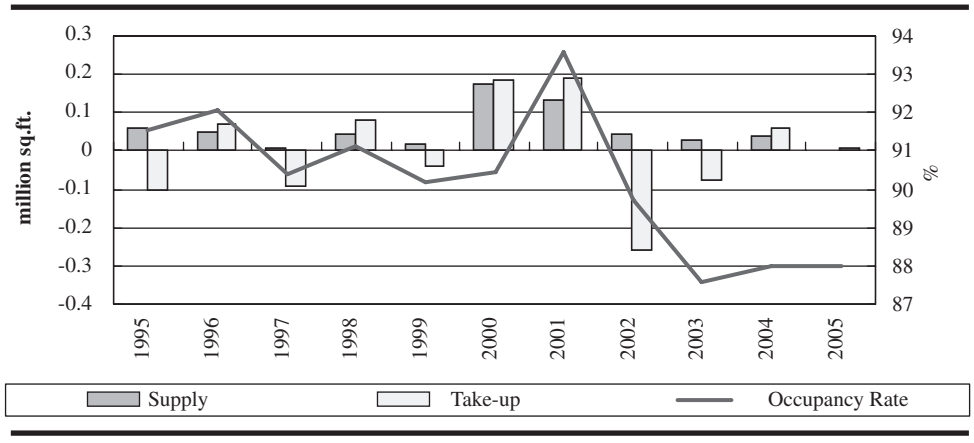
According to the Rating and Valuation Department HKSAR, the total stock of private commercial premises in the Kowloon City District was approximately 7.3 million sq.ft. at the end of 2005. The historical averages of private commercial supply for 1995 to 1999 and 2000 to 2004 were approximately 35,736 sq.ft. per annum and 83,529 sq.ft. per annum respectively. The average new retail supply for 2005 to 2010 is estimated to be approximately 65,035 sq.ft. per annum, a level below the 2000 to 2004 historical average.

Kowloon City District — Private Commercial Supply (1995 to 2010E)



Source: Rating and Valuation Department HKSAR, DTZ Valuation and Advisory Services

Kowloon City District Private Commercial Supply, Take Up and Occupancy Rate (1995 to 2005)



Source: Rating and Valuation Department HKSAR

According to the Rating and Valuation Department HKSAR, the average occupancy rate of private commercial premises in the Kowloon City District was 88.0% at the end of 2005, a level below the 10-year average (1996 to 2005) of 90.1%.

Palatial Stand Property has attracted various tenants including aquarium, pub, shipping and education centre. The average occupancy rates of Palatial Stand for the three consecutive years ended 30 June 2004, 2005 and 2006 were 51.1%, 61.5% and 90.1% respectively. During the three months ended 30 September 2006, the property has achieved an average occupancy rate of 100%. The average rental rate per leased square foot of Gross Rentable Area per month was approximately HK$9.5 at September 2006.

Summary of Palatial Stand Property Retail Rental Forecast (June 2007E to June 2010E)

Period	Estimated Retail Rental Growth
Year ending 30 June 2007	8.5%
Year ending 30 June 2008	7.0%
Years ending 30 June 2009 and 2010	5.0% per annum

Note: The percentage growth represents the change in market rents (i.e. new lease) over a one-year period for years ending 30 June 2007 to 2010. The percentage growth does not represent the projected rental revision of leases upon lease renewal.

Source: DTZ Valuation and Advisory Services

Sale Transactions

Further to the market analysis in the previous sections, the following section sets out a list (Note 1) of selected sale transactions in the areas where the four properties with the highest appraised values are located namely, Wanchai and Admiralty (248 Queen's Road East), Northern District/Tai Po (Sheung Shui Centre Shopping Arcade), Tseung Kwan O, Sai Kung and East Kowloon (Metro City Phase I Property) and Yuen Long and West New Territories (Kwong Wah Plaza Property) during the period from 1 January 2006 to 30 September 2006. The information of individual transactions is extracted from the database of Economic Property Research Centre (EPRC) (Note 2).

Strata title office sales transactions in Wanchai and Admiralty

Market transactions within Wanchai and Admiralty are selected because of their proximity to the property.

Building Name	Instrument Date	Floor	Unit Number	Area (sq.ft.) (Note 3)	Purchase Price (HK$ million)	Unit Price (HK$/sq.ft.)
ADMIRALTY CENTRE BLOCK 02	25/09/2006	14	1B	920 G	23.430	25,467 G
ADMIRALTY CENTRE BLOCK 01	11/08/2006	07	1A	1,680 G	12.220	7,274 G
ADMIRALTY CENTRE BLOCK 02	28/07/2006	16	—	10,627 G	81.500	7,669 G
ADMIRALTY CENTRE BLOCK 01	23/03/2006	06	3	2,493 G	16.817	6,746 G
BANK OF AMERICA TOWER	08/09/2006	36	—	13,880 G	140.288	10,107 G
BANK OF AMERICA TOWER	05/09/2006	25	6A	1,208 S	18.300	15,149 S
BANK OF AMERICA TOWER	30/08/2006	26	02	700 G	36.00	51,429 G
BANK OF AMERICA TOWER	26/08/2006	34	01	2,332 G	23.507	10,080 G
BANK OF AMERICA TOWER	19/07/2006	16	—	9,990 G	122.144	12,227 G

Building Name	Instrument Date	Floor	Unit Number	Area (sq.ft.) (Note 3)	Purchase Price (HK$ million)	Unit Price (HK$/sq.ft.)
BANK OF AMERICA TOWER	21/04/2006	14	—	13,880 G	118.674	8,550 G
BANK OF AMERICA TOWER	31/03/2006	25	6A	1,208 S	15.820	13,096 S
BANK OF AMERICA TOWER	17/03/2006	19	8-11	4,930 G	41.500	8,418 G
FAIRMONT HOUSE	03/04/2006	06	—	8,858 G	70.000	7,902 G
CONVENTION PLAZA	24/08/2006	41	B	998 S	13.736	13,764 S
CONVENTION PLAZA	24/03/2006	41	G	1,725 S	25.300	14,667 S
FAR EAST FINANCE CENTRE	27/09/2006	46	—	10,800 G	118.8	10,999 G
FAR EAST FINANCE CENTRE	11/08/2006	18	—	10,800 G	107.784	9,980 G
FAR EAST FINANCE CENTRE	07/06/2006	47	05	2,320 G	23.906	10,304 G
HARCOURT HOUSE	22/05/2006	09	—	17,042 G	115.000	6,748 G
LIPPO CENTRE BLOCK 01	01/09/2006	14	—	12,627 G	107.33	8,500 G
LIPPO CENTRE BLOCK 01	06/09/2006	25	01	2,040 G	17.340	8,500 G
LIPPO CENTRE BLOCK 01	08/08/2006	20	07	1,850 G	17.530	9,476 G
LIPPO CENTRE BLOCK 01	26/06/2006	33	03	3,124 G	25.617	8,200 G
LIPPO CENTRE BLOCK 01	30/05/2006	33	03	3,124 G	25.617	8,200 G
LIPPO CENTRE BLOCK 01	17/05/2006	33	05	1,400 G	12.284	8,774 G
LIPPO CENTRE BLOCK 02	08/05/2006	23	10	970 G	9.200	9,485 G
LIPPO CENTRE BLOCK 01	03/05/2006	14	—	12,627 G	107.330	8,500 G
LIPPO CENTRE BLOCK 01	29/04/2006	29	2 & 3	2,838 G	22.200	7,822 G
LIPPO CENTRE BLOCK 01	13/04/2006	8	—	14,891 G	122.098	8,199 G
LIPPO CENTRE BLOCK 01	13/04/2006	12	6	1,646 G	12.200	7,412 G
LIPPO CENTRE BLOCK 02	13/04/2006	36	4B	2,240 G	19.040	8,500 G
LIPPO CENTRE BLOCK 02	11/04/2006	25	2 & 3	1,503 S	16.800	11,178 S
LIPPO CENTRE BLOCK 01	28/03/2006	31	7	1,565 G	13.459	8,600 G
LIPPO CENTRE BLOCK 02	27/03/2006	08	3	4,219 G	31.221	7,400 G
LIPPO CENTRE BLOCK 01	22/03/2006	25	9	892 G	8.638	9,864 G
LIPPO CENTRE BLOCK 02	16/03/2006	04	—	13,400 G	95.800	7,149 G
LIPPO CENTRE BLOCK 02	14/03/2006	37	5 & 6	2,490 S	31.080	12,482 S
LIPPO CENTRE BLOCK 02	06/03/2006	04	—	13,400 G	101.8	7,597 G
LIPPO CENTRE BLOCK 01	27/01/2006	13	2	1,542 G	16.235	10,529 G
AXA CENTRE	28/08/2006	17-24	—	81,167 G	478.900	5,900 G

Building Name	Instrument Date	Floor	Unit Number	Area (sq.ft.) (Note 3)	Purchase Price (HK$ million)	Unit Price (HK$/sq.ft.)
AXA CENTRE	12/06/2006	05	—	10,584 S	38.000	3,590 S
AXA CENTRE	23/06/2006	14	—	10,584 S	71.125	6,720 S
AXA CENTRE	23/06/2006	13	—	10,584 S	71.125	6,720 S
AXA CENTRE	04/04/2006	15	7	1,784 G	7.225	4,050 G
EMPEROR GROUP CENTRE	30/08/2006	07	05	1,431 G	6.153	4,300 G
JONSIM PLACE	05/01/2006	04	A-B	1,431 G	7.800	5,451 G
SUNSHINE PLAZA	07/09/2006	16	—	3,558 S	15.674	4,405 S
SUNSHINE PLAZA	14/07/2006	33	—	5,130 G	20.800	4,055 G
SUNSHINE PLAZA	27/03/2006	31	—	5,130 G	23.200	4,522 G
TESBURY CENTRE	23/02/2006	03	1	1,188 G	5.000	4,209 G

Strata title commercial sales transactions in Northern District/Tai Po

Market transactions within Northern District (including Sheung Shui and Fanling) and Tai Po are selected because of the proximity to the property or similarity of the nature of the property.

Building Name	Instrument Date	Floor	Unit Number	Area (sq.ft.) (Note 3)	Purchase Price (HK$ million)	Unit Price (HK$/sq.ft.)
GREENERY PLAZA	04/09/2006	L1	13A	782 G	3.650	4,668 G
GREENERY PLAZA	04/04/2006	L1	23	320 G	2.350	3,718 G
PLOVER COVE GARDEN	17/03/2006	2	13B	370 S	3.800	10,270 S
JADE PLAZA	09/03/2006	L1	15	191 G	2.750	14,398 G
MEI HING MANSION	12/08/2006	G	6	1,011 G	2.980	2,948 G
MEI HING MANSION	07/08/2006	02	—	8,720 G	15.500	1,778 G
PING ON BUILDING	22/06/2006	G	F	457 S	16.000	35,011 S
REVE PLAZA	18/09/2006	G	C	1,034 S	6.300	6,093 S

Building Name	Instrument Date	Floor	Unit Number	Area (sq.ft.) (Note 3)	Purchase Price (HK$ million)	Unit Price (HK$/sq.ft.)
TAI PO PLAZA	03/05/2006	L2	33-21	290 G	2.238	7,717 G
TAI PO PLAZA	08/03/2006	L2	33-18	295 G	2.350	7,966 G
TAI PO PLAZA	21/02/2006	L2	33-18	295 G	2.200	7,451 G
TAI PO PLAZA	23/01/2006	L2	18	282 G	5.180	18,369 G
TREASURE GARDEN	02/02/2006	G	1	815 S	5.000	6,135 S
TAI WO CENTRE	21/01/2006	G	1	572 G	5.000	8,741 G

Strata title commercial sales transactions in Tseung Kwan O, Sai Kung and East Kowloon

Market transactions within Tseung Kwan O, Sai Kung and East Kowloon which is easily accessible by various means of public transportation are selected because of their proximity to the property or similarity of the nature of the property.

Building Name	Instrument Date	Floor	Unit Number	Area (sq.ft.) (Note 3)	Purchase Price (HK$ million)	Unit Price (HK$/sq.ft.)
BEVERLY GARDEN ARCADE	16/08/2006	G	19	754 G	4.450	5,902 G
BEVERLY GARDEN ARCADE	16/08/2006	G	20	759 G	4.465	5,883 G
BEVERLY GARDEN ARCADE	16/08/2006	G	21	759 G	4.465	5,883 G
BEVERLY GARDEN ARCADE	07/02/2006	G	53-54	666 G	4.500	6,757 G
BEVERLY GARDEN ARCADE	13/01/2006	G	53-54	666 G	4.050	6,081 G
CHI CHEONG BUILDING	06/06/2006	G	2A	437 S	4.000	9,153 S
CITIMARK	12/07/2006	G	B1	7,859 G	22.885	2,912 G
CITIMARK	12/07/2006	G	B2	3,585 G	11.455	3,195 G
HIP LEE BUILDING	17/08/2006	G	C	500 S	3.100	6,200 S
HOLFORD GARDEN	28/08/2006	G	5	369 G	2.800	7,588 G
GREENFIELD COURT ARCADE	24/07/2006	G	E	1,196 G	12.000	10,333 G
LAGUNA CITY PHASE 3	12/07/2006	G	2A	492 G	3.450	7,012 G

Building Name	Instrument Date	Floor	Unit Number	Area (sq.ft.) (Note 3)	Purchase Price (HK$ million)	Unit Price (HK$/sq.ft.)
KAM WAH BUILDING	18/04/2006	G	D	628 S	10.500	16,720 S
SIU YAT BUILDING	06/04/2006	G	3	348 G	3.880	11,149 G
YAN ON MANSION	15/03/2006	G	J	335 S	14.250	42,537 S
LAGUNA CITY PHASE 03 ARCADE	13/03/2006	G	5A	474 G	3.200	6,751 G
ROOMY MANSION	10/03/2006	G	I&J	774 S	25.500	32,946 S
ROOMY MANSION	08/03/2006	G	I&J	774 S	24.000	31,008 S
WING SHUN BUILDING	23/03/2006	G	B	450 S	15.800	35,111 S
KWUN TONG PLAZA	06/09/2006	01	26	230 G	3.000	13,043 G
KWUN TONG PLAZA	28/04/2006	G	30	311 G	4.800	15,434 G
KWUN TONG PLAZA	19/01/2006	M	10	265 G	4.500	16,981 G
RICHLAND GARDENS ARCADE	19/01/2006	G	20	522 G	4.490	8,602 G
TIN PO BUILDING	29/07/2006	G	3	380 G	4.000	10,526 G
YAN ON MANSION	28/06/2006	G	J	335 S	15.200	45,373 S
YAU TONG CENTRE	14/07/2006	G	09-13	1,880 S	7.800	4,149 S
YAU TONG CENTRE	10/06/2006	G	03&04	606 G	2.370	3,911 G

Strata title commercial sales transactions in Yuen Long and Strata title office sales transactions in West New Territories

Market transactions within West New Territories (including Yuen Long, Tuen Mun, Tsuen Wan and Kwai Chung) are selected because of the their proximity to the property or similarity of the nature of the property.

Strata Title Commercial Sales Transactions

Building Name	Instrument Date	Floor	Unit Number	Area (sq.ft.) (Note 3)	Purchase Price (HK$ million)	Unit Price (HK$/sq.ft.)
HING FOOK BUILDING PHASE 1	07/07/2006	G	2	340 G	2.000	5,882 G
KAM HEI HOUSE	21/08/2006	G	5	137 G	2.560	18,686 G
KUI FAT BUILDING	25/04/2006	G	4	1,120 S	12.000	10,695 S
FU LOY GARDEN ARCADE	16/09/2006	G	15	455 S	2.000	4,396 S
LOK FU BUILDING	07/07/2006	G	11	765 S	2.598	3,396 S
ON FOOK BUILDING	14/03/2006	G	4	685 S	8.900	12,993 S
KAM FUNG BUILDING	07/03/2006	G	1	1,045 G	12.280	11,751 G
HO SHUN TAI BUILDING	27/02/2006	G	6	310 S	3.850	12,419 S
FULL SHING BUILDING	13/02/2006	G	61	436 G	3.250	7,454 G
MAN YIP BUILDING	10/06/2006	G	1	320 S	2.900	9,063 S
ON NING BUILDING	14/06/2006	G	K	630 S	3.200	5,079 S
HEALEY BUILDING	14/03/2006	G	14	183 G	2.450	13,388 G
SHUN FAT HOUSE	06/07/2006	G	B	250 S	21.000	84,000 S
TAK HING BUILDING	15/08/2006	G	04-06	1,653 G	3.080	1,863 G
WAH KIN BUILDING	22/08/2006	G	1	411 G	2.068	5,032 G
YEE FUNG SHOPPING ACRADE	11/08/2006	G	7	610 G	2.468	4,046 G
YEE FUNG SHOPPING ACRADE	11/08/2006	G	69	688 G	2.550	3,706 G
YEE FUNG SHOPPING ACRADE	11/08/2006	G	66	937 G	2.900	3,095 G

Strata Title Office Sales Transactions

Building Name	Instrument Date	Floor	Unit Number	Area (sq.ft.) (Note 3)	Purchase Price (HK$ million)	Unit Price (HK$/sq.ft.)
CHI FU CENTRE	01/09/2006	08	06&07	968 G	1.280	1,322 G
CHI FU CENTRE	21/06/2006	07	04&05	1,059 G	1.190	1,124 G
CHI FU CENTRE	20/06/2006	05	04&05	1,059 G	1.540	1,534 G
CHI FU CENTRE	16/06/2006	10	01&02	973 G	1.290	1,326 G
METROPLAZA TOWER 02	09/09/2006	45	1A	788 G	3.300	4,188 G
METROPLAZA TOWER 02	15/08/2006	31	10	751 G	3.280	4,368 G
METROPLAZA TOWER 02	10/08/2006	25	09-10	1,502 G	6.030	4,015 G
METROPLAZA TOWER 02	04/08/2006	40	04	767 G	3.060	3,990 G
METROPLAZA TOWER 02	26/06/2006	43	2B	767 G	3.090	4,029 G
METROPLAZA TOWER 02	09/06/2006	35	5	756 G	3.000	3,968 G
METROPLAZA TOWER 02	27/05/2006	28	5	759 G	6.679	8,800 G
METROPLAZA TOWER 02	09/05/2006	38	1A	788 G	3.467	4,400 G
METROPLAZA TOWER 02	31/03/2006	45	6,7A	3,111 G	13.829	4,445 G
METROPLAZA TOWER 02	31/03/2006	28	12	1,465 G	6.300	4,300 G
METROPLAZA TOWER 02	31/03/2006	29	8	1,465 G	6.500	4,437 G
METROPLAZA TOWER 02	31/03/2006	38	7	2,659 G	11.200	4,212 G
METROPLAZA TOWER 02	23/03/2006	15	3	743 G	2.550	3,432 G
METROPLAZA TOWER 02	23/03/2006	15	4	743 G	2.500	3,365 G
METROPLAZA TOWER 02	20/02/2006	11	7-8	3,079 G	11.810	3,836 G
METROPLAZA TOWER 02	26/01/2006	46	2-3	2,208 G	8.390	3,800 G
NAN FUNG CENTRE	04/09/2006	11	16	605 G	2.700	4,463 G
NAN FUNG CENTRE	08/08/2006	15	06	1,216 G	3.980	3,273 G
NAN FUNG CENTRE	08/08/2006	15	07	1,011 G	3.330	3,294 G
NAN FUNG CENTRE	03/08/2006	12	31	605 G	2.138	3,534 G
NAN FUNG CENTRE	12/07/2006	10	15	373 G	1.708	4,579 G
NAN FUNG CENTRE	07/07/2006	12	31	605 G	2.138	3,534 G
NAN FUNG CENTRE	05/07/2006	09	49	1,224 G	3.183	2,600 G
NAN FUNG CENTRE	08/06/2006	07	06	661 G	2.520	3,812 G
NAN FUNG CENTRE	05/06/2006	19	06	1,216 G	4.250	3,495 G
NAN FUNG CENTRE	09/05/2006	17	13	1,014 G	3.650	3,600 G
NAN FUNG CENTRE	09/05/2006	17	14	946 G	3.430	3,626 G
NAN FUNG CENTRE	03/04/2006	12	31	605 G	1.948	3,220 G
NAN FUNG CENTRE	29/03/2006	07	38	1,041 G	2.900	2,786 G

Building Name	Instrument Date	Floor	Unit Number	Area (sq.ft.) (Note 3)	Purchase Price (HK$ million)	Unit Price (HK$/sq.ft.)
NAN FUNG CENTRE	22/03/2006	21	3H	505 G	1.650	3,267 G
NAN FUNG CENTRE	17/03/2006	09	42	661 G	1.999	3,024 G
NAN FUNG CENTRE	14/03/2006	12	26	328 G	1.350	4,116 G
NAN FUNG CENTRE	18/02/2006	22	3G	505 G	1.300	2,574 G
NAN FUNG CENTRE	27/01/2006	09	1	833 G	2.520	3,025 G
NAN FUNG CENTRE	21/01/2006	12	7	532 G	1.610	3,026 G
TUEN MUN PARKLANE SQUARE	26/07/2006	25	05	789 G	1.500	1,901 G
TUEN MUN PARKLANE SQUARE	18/07/2006	26	19	774 G	1.420	1,835 G
TUEN MUN PARKLANE SQUARE	13/06/2006	19	09	1,331 G	2.450	1,841 G
TUEN MUN PARKLANE SQUARE	23/01/2006	18	20	772 G	1.390	1,801 G
YUEN LONG TRADE CENTRE	20/06/2006	08	03&04	1,004 G	1.540	1,534 G
YUEN LONG TRADE CENTRE	25/07/2006	15	02	534 G	1.200	2,247 G
YUEN LONG TRADE CENTRE	01/08/2006	14	03	552 G	1.270	2,301 G
YUEN LONG TRADE CENTRE	08/09/2006	17	04	472 G	1.039	2,201 G

Whole-block Office Sale Transactions

The whole-block office sales transactions in the EPRC database are listed as follows (Note 4):

Building Name	Instrument Date	Area (sq.ft.) (Note 3)	Purchase Price (HK$ million)	Unit Price (HK$/sq.ft.)
HONG KONG				
RIGHT EMPEROR COMMERCIAL BUILDING	16/09/2006	41,950 G	159.800	3,809 G
CAPITAL BUILDING	07/06/2006	54,000 G	338.00	6,259 G
LI DONG BUILDING	07/09/2006	63,000 G	266.5	4,230 G
CHUANG'S CITY TOWER	01/09/2006	55,800 G	282.000	5,054 G
GRAND MILLENNIUM PLAZA LOW BLOCK	23/05/2006	383,091 G	2,375.00	6,200 G
HANG SENG BUILDING	26/04/2006	264,400 G	2,250.00	8,510 G
CAPITOL PLAZA	21/03/2006	30,000 G	196.00	6,533 G
DBS BUILDING	17/03/2006	90,703 G	655.00	7,221 G
WELLINGTON CENTRE	01/03/2006	38,000 G	135.00	3,553 G
JERVOIS STREET 1	28/02/2006	3,000 G	15.83	5,277 G
LIU CHONG HING BANK BUILDING	14/02/2006	100,000 G	650.00	6,500 G
COIN ORGANIZE CENTRE	25/01/2006	38,000 G	178.00	4,684 G

Building Name	Instrument Date	Area (sq.ft.) (Note 3)	Purchase Price (HK$ million)	Unit Price (HK$/sq.ft.)
KOWLOON				
POLLY COMMERCIAL BUILDING	27/06/2006	76,500 G	380.00	4,967 G
KEE SHING COMMERCIAL BUILDING	17/05/2006	19,588 G	98.000	5,003 G
CHIAP LEE COMMERCIAL BUILDING	18/03/2006	18,867 G	142.80	7,569 G
HIRANAND HOUSE	13/03/2006	33,768 G	245.00	7,255 G
ASHLEY CENTRE	06/03/2006	38,000 G	200.80	5,284 G

Notes:

(1) Sale and purchase agreements in respect of properties for which information as to its area is not available have been excluded.

(2) EPRC Limited, which controls EPRC, is a company incorporated under the laws of Hong Kong in 1999 and an indirect wholly owned subsidiary of Hong Kong Economic Times Holdings Limited (The Group). The Group controls Hong Kong Economic Times, being the leading financial newspaper in Hong Kong (Source: Initial Public Offering Prospectus of Hong Kong Economic Times Holdings Limited dated 22 July 2005).

(3) No clear definition on "gross floor area" ("G") or "saleable area" ("S") is provided by EPRC and there is no available source to check whether it has the same meaning as that defined under the Buildings Ordinance.

(4) The relevant database contains information relating to sale and purchase agreements or tenders of office and commercial transactions. The database of EPRC does not include details of property transactions effected by way of the sale and purchase of shares of a property holding company.

(5) The transaction details and area analyses are extracted from EPRC without independent review or verification by DTZ. DTZ cannot make any assurance as to the accuracy of any item of the extracted transaction details which should be regarded as indicative only and treated with appropriate caution.

Limiting Conditions

1. Property market forecasting is a potentially hazardous exercise. The inputs into the forecasting process are highly uncertain. For example, there is a divergence of opinion on the future performance of the economy and on key assumptions regarding inflation and interest rates. The strong inter-dependence between the various factors emphasises the potential sensitivity of the results to changes in the assumptions. Econometric models identify the underlying relationships between economic forecasts. The predictions from the models ignore the irregularities in the data. As a consequence, the resulting forecasts tend to follow a more regular pattern than would be expected on the basis of the past.

2. All forward-looking statements in this Hong Kong Grade A and Grade B Office and Retail Property Markets Analysis Report are DTZ's beliefs, expectations, forecasts or predictions for the future and are based on certain assumptions. They are subject to risks and uncertainties which could cause actual results to differ materially from such forecasts. Variations to any assumption may significantly affect outcomes. DTZ cannot make any assurance that the forecasts will be achieved or that such forecasts and forward looking statements will turn out to be correct.

3. With respect to all external third party information and statistical models which we have relied upon to generate the forward looking statements, no independent verification has been undertaken.

4. Whilst DTZ has exercised reasonable care in preparing the report, no representation, warranty or covenant, express or implied, is given and no undertaking is made as to the accuracy, reasonableness or completeness of the information contained in this report.

Henderson Sunlight Asset Management Limited ("Manager")
30th Floor, 248 Queen's Road East
Wanchai
Hong Kong

HSBC Institutional Trust Services (Asia) Limited
1 Queen's Road Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Deutsche Bank AG, Hong Kong Branch
55th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Macquarie Securities Limited
19th Floor CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

8 December 2006

Dear Sirs,

Due Diligence Survey on 20 Properties in Hong Kong
Building Consultancy Review Summary

1. Introduction

DTZ Debenham Tie Leung Project Services Ltd. and Savills Project Consultancy Limited were jointly appointed as the property consultants to carry out a comprehensive building condition survey of the following 20 Properties (as defined in the Offering Circular) (herein after called the "Properties") to be acquired by Sunlight Real Estate Investment Trust ("Sunlight REIT"):

	Property Name*	Address	Location
(a)	248 Queen's Road East	248 Queen's Road East	Wanchai, H.K.
(b)	Bonham Trade Centre	50 Bonham Strand	Sheung Wan, H.K.
(c)	Righteous Centre	585 Nathan Road	Mong Kok, Kln.
(d)	135 Bonham Strand Trade Centre Property	135 Bonham Strand	Sheung Wan, H.K.
(e)	Winsome House Property	73 Wyndham Street	Central, H.K.
(f)	Java Road 108 Commercial Centre	108 Java Road	North Point, H.K.
(g)	Sun Fai Commercial Centre Property	576 Reclamation Street	Mong Kok, Kln.
(h)	Wai Ching Commercial Building Property	77 Wai Ching Street	Yau Ma Tei, Kln.
(i)	235 Wing Lok Street Trade Centre	235 Wing Lok Street	Sheung Wan, H.K.
(j)	Yue Fai Commercial Centre Property	208 Aberdeen Main Road	Aberdeen, H.K.
(k)	Everglory Centre	1B Kimberley Street	Tsimshatsui, Kln.
(l)	On Loong Commercial Building Property	276-278 Lockhart Road	Wanchai, H.K.
(m)	Metro City Phase I Property	1 Wan Hang Road	Tseung Kwan O, Sai Kung, N.T.
(n)	Sheung Shui Centre Shopping Arcade	3 Chi Cheong Road	Sheung Shui, N.T.
(o)	Kwong Wah Plaza Property	11 Tai Tong Road	Yuen Long, N.T.
(p)	Beverley Commercial Centre Property	87-105 Chatham Road South	Tsimshatsui, Kln.
(q)	Glory Rise Property	128 Chun Yeung Street	North Point, H.K.
(r)	Supernova Stand Property	28 Mercury Street	North Point, H.K.
(s)	Palatial Stand Property	118 Wuhu Street	Hung Hom, Kln.
(t)	Royal Terrace Property	933 King's Road	North Point, H.K.

* Refer to the Definition Section of the Offering Circular of Sunlight REIT

This letter summarises the approach of our comprehensive building condition survey conducted between 11 January 2006 to 17 October 2006 and the findings of review. However, this letter only covers the major points of the report. More detailed and relevant information is contained in the comprehensive building condition survey reports of the Properties. Thus, this letter should be used in connection with the comprehensive building condition survey reports.

2. Surveys and Evaluations Conducted

The comprehensive building condition surveys on the 20 Properties are focused on the following areas:

(a) visual inspections of the Properties to confirm their structural integrity. Accordingly, confirmation as to the structural integrity of the Properties is limited to the extent that it can be verified by visual inspection;

(b) visual inspections of the current building layouts and usage against the latest general building plans approved by the Buildings Department to identify any unauthorised building works;

(c) review of current building layouts to identify any existing or potential hazards and deviations in respect of the fire safety requirements under the Buildings Ordinance and the Fire Safety (Commercial Premises) Ordinance;

(d) visual inspections of all building elements in accessible common areas of the Properties, including all building facades, external walls, roofs, corridors, lobbies, lavatories and electrical and mechanical plant rooms to identify any apparent major building defects;

(e) review of any existing or potential hazards in respect of general building health and safety including means of escapes, provision of facilities for the disabled, etc.; and

(f) visual inspections of all major building services installations, including air-conditioning, fire services, lifts, escalators, plumbing and above ground drainage, to identify any apparent major defects.

After the completion of visual inspections and reviews of the Properties, we:

(a) compiled a list of areas that contravene the Buildings Ordinance and the Fire Safety (Commercial Premises) Ordinance and allied codes of practice, including the Code of Practice for Means of Escape, and the Code of Practice for Minimum Fire Services Installation and Equipment;

(b) compiled a list of apparent defects of building elements and major building services installations, together with the proposed remedial works; and

(c) compiled a ten-year forecast of maintenance and capital expenditure.

The comprehensive building condition surveys were carried out by registered professional surveyors (Building Surveying) and experienced building services engineers. They consisted of visual inspections of the building elements of common areas, major building services installations and a review of the current building layout of the Properties in order to verify their overall condition and conformity to the relevant statutory requirements in respect of health and safety including the Buildings Ordinance and the Fire Safety (Commercial Premises) Ordinance. The findings of the surveys are as follows:

(a) *Structural Soundness*

The median of the building age of the Properties is 8 years. Visual inspections were carried out on the exposed structure of the Properties. No major structural defects or deficiencies which a prudent creditor or purchaser might take into consideration were found. We are satisfied, to the extent that the same can be verified by visual inspections, that the structure of the Properties is sound.

(b) *Building Layouts*

Having reviewed the approved general building plans, the occupation permits and the licensing information provided by the Manager against the existing site condition and usage at the time of inspections, no unauthorised building works or incompatible uses were found in the Properties.

(c) *Health and Safety*

Except for Beverley Commercial Centre and On Loong Commercial Building as described below, we noted that the Properties complied generally with relevant health and safety regulations at the time of inspections.

The Buildings Department and the Fire Services Department have issued the following directions to Beverley Commercial Centre and On Loong Commercial Building, the costs of which will be borne by the Vendor Companies.

Beverley Commercial Centre

A total of 4 directions to common areas including corridors, staircases, cable ducts, mechanical and electrical plant rooms and toilets, under section 5 of the Fire Safety (Commercial Premises) Ordinance. All the fire safety improvement works as required under these directions have been completed subject to the compliance inspection by the relevant Government Departments.

On Loong Commercial Building

A total of 2 directions to common areas including corridors, staircases, cable ducts and mechanical and electrical plant rooms and office areas and toilets under section 5 of the Fire Safety (Commercial Premises) Ordinance. All the fire safety improvement works as required under these directions have been completed subject to the compliance inspection by the relevant Government Departments.

(d) *Building Defects*

The overall condition of the building elements of accessible common areas in the Properties was generally good. Although we found some defects during our inspections, these defects were minor and could be rectified as part of the maintenance programme or a one-off capital expense exercise to ensure the Properties remain in good condition.

(e) *Building Services Defects*

The major building services installations, including air-conditioning, fire services, electrical and lift installations, plumbing and above ground drainage of the Properties were generally in good condition with some minor defects. These defects could be rectified as part of the maintenance programme or a one-off capital expense exercise to ensure the installations remain in good condition.

3. Reports Delivered

We have prepared a comprehensive building condition survey report for each of the Properties. The contents of the reports include:

(a) a summary of the report;

(b) a brief description of the Properties;

(c) a brief description of apparent defects of building elements and building services installations that were found during the inspections;

(d) recommendations on remedial works / repairs / replacement required for defects and recommended cost and timing for completion;

(e) ten-year forecast of maintenance and capital expenditure for each of the Properties; and

(f) photographic records of defects.

4. Cost Estimates for Remedial Works and Ten-year Forecast of Maintenance and Capital Expenditure

After the extent and nature of the apparent defects referred to above were identified, we estimated the cost of necessary remedial works. In addition to the cost of remedial works, we have prepared a ten-year forecast of maintenance and capital expenditure for some building elements and building services installations that may be required within that time. The summary of this forecast is shown in Appendix 1 of this letter.

The following methodology was adopted to estimate the ten-year forecast of maintenance and capital expenditure:

(a) the estimation of repair costs was based on the apparent defects that were found during the visual inspections of the accessible common areas of the Properties;

(b) the estimation of this forecast was based on historical cost data provided by the Manager, the existing condition and age of the Properties, together with the appropriate maintenance schedules produced under our professional judgment; and

(c) the estimation of this forecast has included allowance for inflation.

5. Conclusion

Having inspected the Properties, it is concluded that both the current conditions of building and structural fabrics and building services installations are generally in good conditions.

For the building services installations, it was found that, considering the age of the equipment, the installations are in a functional condition. No major equipment of any of the Properties needs to be replaced within three to five years.

6. Caveats

(a) In carrying out our survey and review, we have relied on information provided by the Manager, such as approved general building plans, occupation permits, the licensing information of existing usage, as-built building services drawings, test certificates, maintenance and capital expenditure records, and we have independently verified such information through physical site inspections, verifications and reliability assessments. While we believe this information to be accurate, we cannot accept any responsibility for this information should it prove otherwise, save to the extent that such is stated as having been verified by us.

(b) The survey was conducted based on visual inspections and no testing was carried out on the structure, building fabric, services or equipment of any of the Properties.

(c) We cannot accept any responsibility for the condition of concealed or inaccessible parts of the Properties.

Yours sincerely
For and on behalf of

DTZ Debenham
Tie Leung Project Services Ltd.
Daniel Tsang
Director
MHKIS, RPS(BS)
Authorized Person (Surveyor)

Savills Project
Consultancy Limited
Remus Wong
Associate Director
MSc BSc MHKIS MRICS RPS(BS) ACIArb
Authorized Person (Surveyor)

Appendix 1 — summary of ten-year forecast of maintenance and capital expenditure

	Properties Name	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
						HK$					
(a)	248 Queen Road East	$2,255,916	$2,884,722	$2,301,249	$2,374,754	$2,549,959	$2,621,300	$2,607,350	$2,706,245	$2,807,092	$3,859,781
(b)	Bonham Trade Centre	$ 908,369	$ 974,787	$1,016,793	$1,330,619	$1,211,847	$1,893,264	$1,064,943	$1,382,966	$1,181,502	$1,254,377
(c)	Righteous Centre	$ 398,614	$ 632,676	$ 428,900	$ 351,566	$ 413,073	$ 371,530	$ 431,932	$ 492,405	$ 403,620	$ 474,234
(d)	135 Bonham Strand Trade Centre Property	$ 272,727	$ 356,272	$ 682,721	$ 778,128	$ 557,324	$ 464,765	$ 375,677	$1,260,219	$ 468,301	$ 358,122
(e)	Winsome House Property	$ 213,840	$ 219,817	$ 316,208	$ 292,465	$ 238,868	$ 245,558	$ 653,134	$ 750,919	$ 467,214	$ 824,239
(f)	Java Road 108 Commercial Centre Property	$ 323,820	$ 375,158	$ 342,208	$ 741,822	$ 361,639	$ 371,813	$ 700,705	$ 392,876	$ 851,095	$ 415,185
(g)	Sun Fai Commercial Centre Property	$ 185,149	$ 215,074	$ 435,282	$ 294,532	$ 206,784	$ 212,572	$ 246,926	$1,110,269	$ 515,008	$1,054,589
(h)	Wai Ching Commercial Building Property	$ 198,838	$ 176,899	$ 331,867	$ 315,845	$ 178,968	$ 214,675	$ 189,128	$1,005,903	$ 446,575	$ 220,649
(i)	235 Wing Lok Street Trade Centre Property	$ 284,756	$ 346,625	$ 309,617	$ 359,352	$ 459,494	$ 333,999	$ 390,668	$ 355,459	$ 355,155	$ 416,188
(j)	Yue Fai Commercial Centre Property	$ 302,945	$ 175,517	$ 180,432	$ 243,325	$1,124,396	$ 319,961	$ 201,505	$ 207,147	$ 229,473	$ 293,277
(k)	Everglory Centre	$ 231,814	$ 270,896	$ 244,977	$ 251,837	$ 308,888	$ 576,137	$ 311,006	$ 281,249	$ 289,124	$ 297,220
(l)	On Loong Commercial Building Property	$ 565,861	$ 562,401	$ 270,415	$ 246,335	$ 263,866	$ 260,002	$ 314,124	$ 309,618	$ 281,973	$ 302,100
(m)	Metro City Phase 1 Property	$1,323,012	$1,296,649	$1,992,706	$1,554,041	$1,408,646	$2,139,994	$1,488,636	$1,530,320	$1,633,161	$1,617,208
(n)	Sheung Shui Centre Property	$1,084,888	$1,023,143	$1,052,467	$1,163,080	$1,315,126	$1,544,404	$1,184,616	$1,822,943	$1,304,657	$2,310,963
(o)	Kwong Wah Plaza Property	$ 447,405	$ 474,563	$ 644,128	$ 586,561	$ 610,851	$ 513,664	$1,632,090	$1,081,051	$ 658,031	$ 623,735
(p)	Beverley Commercial Centre Property	$ 73,178	$ 80,824	$ 84,476	$ 82,735	$ 83,752	$ 84,018	$ 90,648	$ 175,605	$ 93,317	$ 93,832
(q)	Glory Rise Property	$ 73,718	$ 70,368	$ 74,051	$ 82,239	$ 82,693	$ 95,538	$ 93,503	$ 99,942	$ 111,925	$ 115,465
(r)	Supernova Stand Property	$ 65,686	$ 64,321	$ 66,122	$ 81,353	$ 69,876	$ 75,411	$ 73,844	$ 86,792	$ 80,908	$ 81,401
(s)	Palatial Stand Property	$ 71,612	$ 75,726	$ 80,022	$ 96,743	$ 89,160	$ 82,200	$ 84,519	$ 441,128	$ 101,425	$ 823,335
(t)	Royal Terrace Property	$ 49,934	$ 52,652	$ 53,857	$ 105,022	$ 56,179	$ 57,361	$ 58,570	$ 59,806	$ 61,070	$ 62,400

A. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection free of charge at the registered office of the Manager at 30th Floor, 248 Queen's Road East, Wanchai, Hong Kong during normal business hours up to and including the Listing Date (up to 12:00 noon):

1. Trust Deed;

2. Property Management Agreement;

3. Sale and Purchase Agreements;

4. Forms of Deeds of Tax Covenant;

5. Accountants' Report, which is set out in Appendix I to this Offering Circular;

6. Profit Forecast of Sunlight REIT, together with the reporting accountants' letter on the accounting policies of such forecast and the Joint Global Coordinators' comfort letter;

7. Letter from the Independent Property Valuer in relation to Rental Income, the text of which is set out in Appendix IV to this Offering Circular;

8. Independent Property Valuer's Valuation Report, the text of which is set out in Appendix V to this Offering Circular;

9. Letter from the Market Consultant in relation to its Hong Kong Grade A and Grade B Office and Retail Property Markets Analysis Report, the text of which is set out in Appendix VI to this Offering Circular, and the full report of the Market Consultant;

10. Letter from the Property Consultants in relation to their Building Survey Reports, the text of which is set out in Appendix VII to this Offering Circular;

11. Written consents referred to in the section headed "Qualifications and Consents of Experts" in section B of this Appendix;

12. Hong Kong Underwriting Agreement;

13. SKFE Subscription Agreement;

14. HLD Subscription Agreement;

15. Deeds of Adjustment Payments;

16. DPU Guarantees;

17. Deeds of Distribution Waiver;

18. Corporate governance policy of the Manager;

19. Term Loan Facility Agreement;

20. Amendment Agreement relating to the Term Loan Facility Agreement;

21. Revolving Credit Facility Agreement;

22. Amendment Agreement relating to the Revolving Credit Facility Agreement;

23. Form of Master Definitions and Interpretation Schedule (relating to the loan facility agreements and the related security documents);

24. Form of Mortgage;

25. Form of Assignment of Proceeds;

26. Form of Charge Over Accounts;

27. Form of Loan Guarantee;

28. Form of Assignment of Property Management Agreement;

29. Form of Assignment of Insurances;

30. Form of Share Charge in respect of the Finance Company Share;

31. Form of Share Charge in respect of the Holding Company Share(s);

32. Form of Subordination Deed;

33. Form of Security Trust Deed;

34. Interest Rate Swap Agreements;

35. Novation agreement in respect of the Novation;

36. Trustee's appointment letters of the directors of certain REIT Group Companies; and

37. HLD Commitment Letter.

B. QUALIFICATIONS AND CONSENTS OF EXPERTS

The qualifications of the experts who have given opinions in this Offering Circular are as follows:

The Hongkong and Shanghai Banking Corporation Limited	A registered institution to conduct type 1 (Dealing in Securities), type 4 (Advising on Securities) and type 6 (Advising on Corporate Finance) regulated activities under the SFO and is also a licensed bank under the Banking Ordinance
Deutsche Bank AG, Hong Kong Branch	A deemed registered institution under the SFO to carry on types 1, 4, 6, 7 and 9 regulated activities as defined under the SFO and a licensed bank under the Banking Ordinance
Macquarie Securities Limited	A licensed corporation under the SFO to conduct types 1, 4 and 6 regulated activities as defined under the SFO
KPMG	Certified Public Accountants
Savills Valuation and Professional Services Limited	Independent Property Valuer
DTZ Debenham Tie Leung Limited	Market Consultant
DTZ Debenham Tie Leung Project Services Ltd.	Property Consultant
Savills Project Consultancy Limited	Property Consultant

The Joint Global Coordinators, KPMG, Savills Valuation and Professional Services Limited, DTZ Debenham Tie Leung Limited, DTZ Debenham Tie Leung Project Services Ltd. and Savills Project Consultancy Limited, have given and have not withdrawn their respective written consents to the issue of this Offering Circular with the inclusion of their reports and/or letters and/or the references to their names included herein in the form and context in which they are respectively included.

C. TRADE MARKS

(a) As at the Latest Practicable Date, the Domain Name Company had registered the following trade marks (each as a series) in Hong Kong:

Trade Mark	Class	Registration Number	Valid period
	16, 35, 36, 41	300624717	22 April 2006 - 21 April 2016
	16, 35, 36, 41	300624645	22 April 2006 - 21 April 2016

(b) As at the Latest Practicable Date, the Domain Name Company had applied for registration of the following trade marks (each as a series) in Hong Kong and such applications are still being processed:

Trade Mark	Class	Application Number	Application Date
SUNLIGHT	16, 35, 36, 41	300624654	22 April 2006
陽光	16, 35, 36, 41	300624663	22 April 2006
SUNLIGHT REAL ESTATE INVESTMENT TRUST	16, 35, 36, 41	300624672	22 April 2006
SUNLIGHT REIT	16, 35, 36, 41	300624681	22 April 2006
陽光房地產投資信託基金	16, 35, 36, 41	300624690	22 April 2006
陽光房地產基金	16, 35, 36, 41	300624708	22 April 2006

D. MISCELLANEOUS

Save as disclosed in this Offering Circular, as at the Latest Practicable Date:

(a) none of the Directors nor any of the parties listed in section B of this Appendix is interested in Sunlight REIT's promotion, or in any assets which have, within the two years immediately preceding the issue of this Offering Circular, been acquired or disposed of by or leased to Sunlight REIT, or are proposed to be acquired or disposed of by or leased to Sunlight REIT or any companies controlled by it;

(b) none of the Directors nor any of the parties listed in section B of this Appendix are materially interested in any contract or arrangement subsisting at the date of this Offering Circular which is significant in relation to Sunlight REIT's business;

(c) save in connection with the Underwriting Agreements, none of the parties listed in section B of this Appendix:

(i) is interested legally or beneficially in any of the Units or any shares in any of the companies controlled by Sunlight REIT; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for Sunlight REIT's securities;

(d) no amount or securities or benefit has been paid or allotted or given by Sunlight REIT within the two years preceding the date of this Offering Circular to any of Sunlight REIT's promoters nor is any such amount or securities or benefit intended to be paid or allotted or given;

(e) none of the Directors or their respective associates has any interest in the top five tenants in respect of the Properties taken as a whole, in terms of Rental Income for the month ended 30 September 2006, other than, in the case of any tenant or its holding company which is a listed company, as a shareholder holding less than 0.1% of the issued share capital of the listed company;

(f) there are no outstanding loans or guarantees granted or provided by Sunlight REIT or any companies controlled by it to, or for the benefit of, any of the Directors;

(g) within the two years preceding the date of this Offering Circular, Sunlight REIT has not issued nor agreed to issue any Units fully or partly paid either for cash or for a consideration other than cash;

(h) save in connection with the Underwriting Agreements, no outstanding Units are under option or have been agreed conditionally or unconditionally to be put under option;

(i) Sunlight REIT has not issued nor agreed to issue any founder units, management units or deferred units;

(j) none of the equity and debt securities of Sunlight REIT are listed or dealt with on any other stock exchange nor is any listing or permission to deal in the equity and debt securities being or proposed to be sought;

(k) Sunlight REIT has no outstanding convertible debt securities;

(l) within the two years immediately preceding the date of this Offering Circular, no commissions, discounts, brokerages or other special items have been granted or paid to any Director, proposed Director, promoter, any of the parties listed in section B of this Appendix nor any other person in connection with the issue or sale of any Units or shares or loan capital of Sunlight REIT or any of the companies controlled by it;

(m) save for the Deeds of Distribution Waiver, there are no arrangements in existence under which future dividends of Sunlight REIT are to be waived or agreed to be waived; and

(n) there have been no interruptions in the business of the Property Companies or the Vendor Companies which may have or have already had a significant effect on the financial position of the Property Companies and Vendor Companies, taken as a whole, in the last 12 months.