
PROFIT FORECAST

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.

PROFIT FORECAST

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

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

PROFIT FORECAST

	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

PROFIT FORECAST

	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.

PROFIT FORECAST

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.

PROFIT FORECAST

- (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.

PROFIT FORECAST

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:

Property Category ⁽²⁾	Contribution to Rental Income ⁽¹⁾	
	For the	For the
	year ended 30 June 2006	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:

Property Category ⁽¹⁾	Contribution to net property income	
	For the	For the
	year ended 30 June 2006	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.

PROFIT FORECAST

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:

Categories of Tenants	Percentage of Rental Income
	For the period from anticipated Listing Date to 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.

PROFIT FORECAST

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.

Property Category ⁽¹⁾	Proportion of Total Gross Rentable Area	Average occupancy rates		
	As at 30 June 2006	Historical	Forecast	
		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.

PROFIT FORECAST

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.

PROFIT FORECAST

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.

PROFIT FORECAST

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.

PROFIT FORECAST

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.

PROFIT FORECAST

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;

PROFIT FORECAST

- 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.

PROFIT FORECAST

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.

PROFIT FORECAST

- (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.