
RISK FACTORS

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.

RISK FACTORS

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.

RISK FACTORS

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)

RISK FACTORS

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.

RISK FACTORS

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

RISK FACTORS

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.

RISK FACTORS

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

RISK FACTORS

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

RISK FACTORS

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

RISK FACTORS

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.

RISK FACTORS

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.

RISK FACTORS

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

RISK FACTORS

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.

RISK FACTORS

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.

RISK FACTORS

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.

RISK FACTORS

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 —

RISK FACTORS

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.

RISK FACTORS

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.

RISK FACTORS

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.

RISK FACTORS

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 Beverly Commercial Centre are set out in the section headed "The Properties and Business" in this

RISK FACTORS

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.

RISK FACTORS

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.

RISK FACTORS

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

RISK FACTORS

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

RISK FACTORS

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.

RISK FACTORS

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.

RISK 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.

RISK FACTORS

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.

RISK FACTORS

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.

RISK FACTORS

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.

RISK FACTORS

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.

RISK FACTORS

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.

RISK FACTORS

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.