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If you have sold or transferred all your Units, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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SUNLIGHT REIT

Sunlight Real Estate Investment Trust

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

(Stock Code : 435)

Managed by Henderson Sunlight Asset Management Limited
恒基陽光資產管理有限公司

(1) PROPOSED AMENDMENTS TO THE TRUST DEED
(2) CONTINUING CONNECTED PARTY TRANSACTIONS
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING OF UNITHOLDERS

Independent Financial Adviser to the Independent Board Committee,
the Independent Unitholders and the Trustee



A letter from the Board is set out on pages 12 to 43 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Unitholders is set out on pages 44 to 45 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, the Independent Unitholders and the Trustee is set out on pages 46 to 65 of this circular.

A notice convening the EGM to be held at The Ballroom, 18th Floor, The Mira Hong Kong, 118 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong on Wednesday, 5 May 2021 at 10:30 a.m. is set out on pages N-1 to N-4 of this circular. A form of proxy for use by Unitholders at the EGM is also enclosed. Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the unit registrar of Sunlight REIT, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting, or any adjourned meeting, should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

In view of the COVID-19 outbreak, the Manager will implement the following precautionary measures for the EGM to safeguard the health and safety of Unitholders and other attendees:

- (a) compulsory body temperature screening;
- (b) submission of health declaration (a copy of the form is enclosed with this circular);
- (c) mandatory wearing of surgical face masks at all times;
- (d) assignment of a designated seating area to each attendee at the time of entrance; and
- (e) no refreshments, drinks and gifts will be provided.

The Manager reserves the right to deny entry into the EGM venue if such person:

- (i) refuses to comply with measures (a) to (d) above;
- (ii) has a body temperature of over 37.4 degree Celsius; or
- (iii) is subject to health quarantine prescribed by The Government of the HKSAR or has close contact with any person under quarantine.

These precautionary measures take time to complete, and therefore Unitholders are advised to arrive earlier in order to enter the EGM venue on time. The Manager seeks the understanding and cooperation of Unitholders to minimize the risk of spreading COVID-19.

The Manager reminds that attendees should carefully consider the risks of attending the EGM, taking into account their own personal circumstances. Instead of attending the EGM in person, Unitholders are encouraged to appoint the Chairman of the EGM as their proxy to vote at the EGM. The Manager will keep the evolving COVID-19 situation under review and will announce closer to the date of the EGM on implementation of additional measures, if necessary.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“135 Bonham Strand Trade Centre Company”	Tinselle Investment Limited, the registered owner of 135 Bonham Strand Trade Centre Property and a special purpose vehicle owned and controlled by Sunlight REIT
“135 Bonham Strand Trade Centre Property”	various portions in 135 Bonham Strand Trade Centre, 135 Bonham Strand, Sheung Wan, Hong Kong
“2018 Circular”	the circular of Sunlight REIT dated 13 April 2018
“2018 Extended Waiver”	the waiver granted by the SFC to Sunlight REIT from strict compliance with the requirements under Chapter 8 of the REIT Code in respect of continuing connected party transactions involving (i) leasing and licensing arrangements and (ii) property management and operations between the Sunlight REIT Group on one part and certain connected persons of Sunlight REIT on the other part, which was extended up to and including 30 June 2021 by an extension approved by way of an Ordinary Resolution passed at the extraordinary general meeting of Unitholders held on 2 May 2018, the details of which were set out in the Offering Circular and the 2018 Circular respectively
“Adjustments”	the adjustments which are charged or credited to the income statement of Sunlight REIT for the relevant financial year the effect of which shall be eliminated in the calculation of the Annual Distributable Income
“Aggregate Property Development Costs”	the combined value of (i) the aggregate investments in all property developments undertaken by a REIT; and (ii) the aggregate contract value of the uncompleted units of real estate in a building which is unoccupied and non-income producing or in the course of substantial development, redevelopment or refurbishment acquired by the REIT
“Announcement”	the announcement dated 31 March 2021 made by the Manager in relation to, among other things, the proposed amendments to the Trust Deed and continuing connected party transactions of Sunlight REIT

DEFINITIONS

“Annual Distributable Income”	as defined in the current Trust Deed to mean the amount calculated by the Manager as representing the consolidated audited net profit after tax of Sunlight REIT and each company wholly-owned (disregarding, for this purpose only, any part of the issued share capital which carries no right to vote and no right to receive distribution of profits) by the Trustee on behalf of Sunlight REIT for the relevant financial year as adjusted to eliminate the effects of Adjustments
“Annual Distributable Income Amendments”	the proposed amendments to the Trust Deed in connection with the Annual Distributable Income, the details of which are set out in Appendix III to this circular and to be considered and, if thought fit, approved by the Unitholders as the proposed Special Resolution no. 3 set out in the EGM Notice
“Associate(s)”	has the meaning ascribed to it under the REIT Code
“Beverley Commercial Centre Company”	Newcorp Development Limited (新萬發展有限公司), the registered owner of Beverley Commercial Centre Property and a special purpose vehicle owned and controlled by Sunlight REIT
“Beverley Commercial Centre Property”	various shops units on the ground floor of Beverley Commercial Centre at 87-105 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong
“Board”	the board of Directors
“Charge-out Collections”	in respect of a Property, and in relation to the relevant period, all items of air-conditioning charges, management fees, promotional charges, government rates, government rents, utility charges, cleaning and other charges which are payable by tenants or licensees to the relevant Property Holding Company
“Close Associate(s)”	has the meaning ascribed to it under the REIT Code
“Conduct of General Meeting Amendments”	the proposed amendments to the Trust Deed in relation to the conduct of general meetings, the details of which are set out in Appendix IV to this circular and to be considered and, if thought fit, approved by the Unitholders as the proposed Special Resolution no. 4 set out in the EGM Notice

DEFINITIONS

“Connected Deed(s) of Mutual Covenant”	the Deed(s) of Mutual Covenant pursuant to which a Connected DMC Manager has been currently appointed
“Connected DMC Manager(s)”	has the meaning given to it under the section headed “ <i>Continuing Connected Party Transactions: Property Management Transactions – (C) Deeds of Mutual Covenant</i> ” of the letter from the Board in this circular
“connected person(s)”	has the meaning ascribed to it under the REIT Code
“Deed(s) of Mutual Covenant”	in respect of a property owned by a Property Holding Company, the deed(s) which defines and regulates the rights, interests and obligations of the owners of the building or development of which the property forms part and the DMC Manager and sets out provisions relating to, among others, the management and maintenance of such building development
“Definitive Service Agreement(s)”	has the meaning given to it under section headed “ <i>Continuing Connected Party Transactions: Property Management Transactions – (B) Master Services Agreement – (iii) Subject matter</i> ” of the letter from the Board in this circular
“Deposited Property”	all the assets of Sunlight REIT for the time being held or deemed to be held upon the trust constituted by the Trust Deed
“Director(s)”	the director(s) of the Manager
“DMC Management Fee”	the management fees and expenses payable by the relevant Property Holding Company to the relevant Connected DMC Manager
“DMC Manager”	the manager of the relevant building or development appointed under the Deed of Mutual Covenant
“EGM”	the extraordinary general meeting of Unitholders convened by the EGM Notice to consider and, if thought fit, approve, among other things, the Trust Deed Amendments and the Property Management Transactions, or any adjournment thereof
“EGM Notice”	the notice of the EGM as set out in this circular
“Extended Term”	three years ending 30 June 2024

DEFINITIONS

“Fifth Supplemental Agreement”	the fifth supplemental agreement to the Property Management Agreement dated 31 March 2021 entered into by the Manager and the Property Manager for the purpose of, among other things, extending the term of the appointment of the Property Manager
“GAV”	the gross asset value of the relevant REIT
“Gross Property Revenue”	in respect of a property, and in relation to the relevant period, the amount equivalent to the Gross Revenue less the Charge-out Collections
“Gross Revenue”	<p>in respect of a property, and in relation to the relevant period, all income accruing or resulting from the operation of such property for the relevant period, including but not limited to base rental income, turnover rent, licence fees, Charge-out Collections and other sums (after deduction for all rebates, refunds, credits or discounts and rebates for rent free periods) due from tenants, licensees and concessionaires, business interruption insurance payments, carpark income, atrium income, interest income, advertising and other income attributable to the operation of such Property but, shall exclude the following:</p> <ul style="list-style-type: none">(i) proceeds derived or arising from the sale and/or disposal of the property and/or the operating equipment, or any part thereof;(ii) all proceeds from insurances taken out (but excluding business interruption insurance payments which shall form part of the Gross Revenue);(iii) all rental and other refundable security deposits;(iv) all taxes (whether in force at present or in the future), charged to tenants, licensees and users of the property for the sale or supply of services or goods, which taxes are accountable by the relevant Property Holding Company to the tax authorities; and(v) any Adjustment Payments (as defined in the Offering Circular) (which had been fully paid)

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HLD”	Henderson Land Development Company Limited (恒基兆業地產有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“HLD Group”	HLD and its subsidiaries
“HLD Related Group”	HLD and its subsidiaries and Associates (which for the avoidance of doubt, exclude the Sunlight REIT Group)
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Increase of Property Development Cap”	the proposed increase of the Property Development Cap to 25% (or such other higher percentage as may be permitted under the REIT Code) of the GAV of Sunlight REIT at any time
“Independent Board Committee”	independent committee of the Board established to advise the Independent Unitholders on the Property Management Transactions, comprising Mr. KWAN Kai Cheong, Dr. TSE Kwok Sang and Mr. KWOK Tun Ho, Chester, all being independent non-executive Directors
“Independent Financial Adviser”	VMS Securities Limited (鼎珮證券有限公司), a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and appointed as the independent financial adviser to advise the Independent Board Committee, the Independent Unitholders and the Trustee in respect of the Property Management Transactions
“Independent Unitholders”	Unitholders other than those who have a material interest in the Property Management Transactions
“Joint Venture Entity”	any entity or any partnership or other arrangement in which or through which Sunlight REIT invests in any jointly owned property as permitted under the REIT Code, which may be majority-owned or minority-owned by Sunlight REIT

DEFINITIONS

“Kwong Wah Plaza Companies”	Seiren Investment Limited (實盈置業有限公司) and Sound Bright Investment Limited (聲亮投資有限公司), the registered owners of Kwong Wah Plaza Property, and special purpose vehicles owned and controlled by Sunlight REIT
“Kwong Wah Plaza Property”	various portions in Kwong Wah Plaza at 11-15 Tai Tong Road, Yuen Long, New Territories, Hong Kong
“Latest Practicable Date”	7 April 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Manager”	Henderson Sunlight Asset Management Limited (恒基陽光資產管理有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of HLD, acting as the manager of Sunlight REIT
“Master Services Agreement”	the master agreement dated 31 March 2021 entered into between HLD and the Manager for setting out the framework terms governing the Service Transactions
“Maximum Cap”	has the meaning given to it under the REIT Code
“MCPI Company”	Sunlight Crownwill Limited, the registered owner of MCPI Property and a special purpose vehicle incorporated in the British Virgin Islands with limited liability owned and controlled by Sunlight REIT
“MCPI Property”	the commercial development (including car park spaces therein) of Metro City Phase I at 1 Wan Hang Road, Tseung Kwan O, Hong Kong
“Minority-owned Property(ies)”	means (a) jointly owned property(ies) in which Sunlight REIT will not have majority (i.e. more than 50%) ownership and control, including both Qualified Minority-owned Properties and Non-qualified Minority-owned Properties

DEFINITIONS

“Miscellaneous Fees Amendments”	the proposed amendments to the Trust Deed in connection with (i) the calculation of the variable fee of the Manager; (ii) the basis of calculation of the acquisition fee and divestment fee payable to the Manager in respect of acquisitions or divestments of real estate by Sunlight REIT; and (iii) the source of payment to third party agents or brokers in connection with the acquisition or divestment of any real estate, the details of which are set out in Appendix II to this circular and to be considered and, if thought fit, approved by Unitholders as the proposed Special Resolution no. 2 set out in the EGM Notice
“Net Property Income”	all items considered by the Manager to be in the nature of income in accordance with the generally accepted accounting principles in Hong Kong (such as all rents, dividends, distributions, licence fees, service charges, turnover rentals, advertising revenue and such other receipts but excluding interest and taxation rebates) minus direct property related expense of Sunlight REIT
“Non-qualified Minority-owned Property(ies)”	has the meaning given to it under the REIT Code
“Offering Circular”	the offering circular dated 8 December 2006 issued in connection with the initial public offering of the Units
“Ordinary Resolution”	a resolution of Unitholders passed by a simple majority of the votes of those Unitholders present and entitled to vote, whether in person or by proxy, at a duly convened meeting, where the votes shall be taken by way of a poll, but with a quorum of two or more Unitholders holding together not less than 10% of Units in issue
“Property Development Amendments”	the proposed amendments to the Trust Deed in connection with the Property Development and Related Activities and the Property Development Cap, the details of which are set out in Appendix I to this circular, and to be considered and, if thought fit, approved by Unitholders as the proposed Special Resolution no. 1 set out in the EGM Notice

DEFINITIONS

“Property Development and Related Activities”	the acquisition of uncompleted units in a building and property developments (including both new development projects and re-development of existing properties) undertaken in accordance with the REIT Code
“Property Development Cap”	has the meaning given to it under the section headed “ <i>Proposed Amendments to the Trust Deed – 1. Proposed Increase of the Investment Limit regarding Property Development and Related Activities and the Proposed Amendments to the Trust Deed in relation thereto</i> ” of the letter from the Board in this circular
“Property Holding Company(ies)”	the property holding company(ies) in the Sunlight REIT Group, each a special purpose vehicle owned and controlled by Sunlight REIT
“Property Management Agreement”	the agreement dated 29 November 2006 entered into between the Manager and the Property Manager (as supplemented and amended by supplemental agreements dated 28 April 2009, 25 June 2012, 12 May 2015 and 15 May 2018 respectively and acceded to by the Property Holding Companies) relating to the provision of certain property management, lease management and marketing services in respect of the properties of Sunlight REIT
“Property Management Transactions”	the transactions under the Renewed Property Management Agreement, the Master Services Agreement and the Connected Deeds of Mutual Covenant
“Property Manager”	Henderson Sunlight Property Management Limited (恒基陽光物業管理有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of HLD, acting as the property manager of Sunlight REIT
“Qualified Minority-owned Property”	has the meaning given to it under the REIT Code
“REIT(s)”	real estate investment trust(s) authorised by the SFC under the REIT Code
“REIT Code”	Code on Real Estate Investment Trusts issued by the SFC, as amended, supplemented and/or otherwise modified from time to time

DEFINITIONS

“REIT Code Alignment and Other Miscellaneous Amendments”	has the meaning given to it under the section headed “ <i>Proposed Amendments to the Trust Deed</i> ” of the letter from the Board in this circular
“REIT Code Amendments”	the amendments to the REIT Code which took effect on 4 December 2020
“Relevant Investments”	the relevant financial instruments in which a REIT is permitted to invest under the REIT Code, namely, securities listed on internationally recognized stock exchanges, unlisted debt securities, government and other public securities and local or overseas property funds
“Renewed Property Management Agreement”	the Property Management Agreement as supplemented by the Fifth Supplemental Agreement
“Service Transactions”	provision of Services by the relevant member of the HLD Related Group to the Sunlight REIT Group
“Services”	services including (i) cleaning services; (ii) maintenance services; (iii) renovation services (including physical improvements or repairs and project management of renovation or enhancement work); (iv) security services; (v) utilities services; (vi) car park management services; (vii) legal and other professional and consultancy services; and (viii) such other services in the ordinary and usual course of management and operation of the properties of the Sunlight REIT Group as may be agreed between HLD and the Manager from time to time in writing as to be governed by the Master Services Agreement
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time
“SKFE”	Shau Kee Financial Enterprises Limited (a company ultimately controlled by the private family trusts of Dr. LEE Shau Kee)
“SKFE Group”	SKFE and its subsidiaries

DEFINITIONS

“Special Resolution”	a resolution of Unitholders passed by a majority consisting of 75% or more of the votes of those Unitholders present and entitled to vote in person or by proxy at a duly convened meeting by way of a poll, but with a quorum of two or more Unitholders holding together not less than 25% of Units in issue
“SSC Company”	Bayman Limited, the registered owner of SSC Property and a special purpose vehicle incorporated in the British Virgin Islands with limited liability owned and controlled by Sunlight REIT
“SSC Property”	the commercial development (including all shops, the restaurant and the kindergarten) and carparks in the podium and basement of Sheung Shui Centre at 3 Chi Cheong Road, Sheung Shui, New Territories, Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sun Fai Commercial Centre Company”	Yu Loy Development Company Limited (裕來地產發展有限公司), the registered owner of Sun Fai Commercial Centre Property and a special purpose vehicle owned and controlled by Sunlight REIT
“Sun Fai Commercial Centre Property”	various portions in Sun Fai Commercial Centre at 576 Reclamation Street, Mong Kok, Kowloon, Hong Kong
“Sunlight REIT”	Sunlight Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorized under section 104 of the SFO
“Sunlight REIT Group”	Sunlight REIT, the special purpose vehicles owned and controlled by Sunlight REIT in accordance with the REIT Code and the Trust Deed and other companies or entities held or controlled by Sunlight REIT
“Supernova Stand Company”	United Glory Development Limited (安協發展有限公司), the registered owner of Supernova Stand Property and a special purpose vehicle owned and controlled by Sunlight REIT

DEFINITIONS

“Supernova Stand Property”	Shops 1 to 9 on ground floor and commercial common area and facilities in Supernova Stand at 28 Mercury Street, Causeway Bay, Hong Kong
“Trust Deed”	the trust deed dated 26 May 2006 constituting Sunlight REIT (as supplemented by six supplemental deeds dated 1 June 2006, 28 November 2006, 28 April 2009, 23 July 2010, 30 April 2012 and 16 March 2015 respectively), as may be modified, supplemented and amended from time to time
“Trust Deed Amendments”	the Property Development Amendments, the Miscellaneous Fees Amendments, the Annual Distributable Income Amendments and the Conduct of General Meeting Amendments
“Trustee”	HSBC Institutional Trust Services (Asia) Limited (滙豐機構信託服務(亞洲)有限公司), in its capacity as the trustee of Sunlight REIT
“Unit(s)”	unit(s) in Sunlight REIT
“Unitholder(s)”	any person(s) registered as holding a Unit
“Wai Ching Commercial Building Company”	Gain Fortune Development Limited (盈福發展有限公司), the registered owner of Wai Ching Commercial Building Property and a special purpose vehicle owned and controlled by Sunlight REIT
“Wai Ching Commercial Building Property”	various portions in Wai Ching Commercial Building at 77 Wai Ching Street, Yau Ma Tei, Kowloon, Hong Kong
“Winsome House Company”	Grand Faith Development Limited (旺信發展有限公司), the registered owner of Winsome House Property and a special purpose vehicle owned and controlled by Sunlight REIT
“Winsome House Property”	various portions in Winsome House at 73 Wyndham Street, Central, Hong Kong
“%”	percentage

LETTER FROM THE BOARD



SUNLIGHT REIT

Sunlight Real Estate Investment Trust

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

(Stock Code : 435)

Managed by

Henderson Sunlight Asset Management Limited

恒基陽光資產管理有限公司

Directors of the Manager:

Chairman and Non-Executive Director

Mr. AU Siu Kee, Alexander

Chief Executive Officer and Executive Director

Mr. WU Shiu Kee, Keith

Non-Executive Director

Mr. KWOK Ping Ho

Independent Non-Executive Directors

Mr. KWAN Kai Cheong

Dr. TSE Kwok Sang

Mr. KWOK Tun Ho, Chester

Registered Office of the Manager:

30th Floor, Dah Sing Financial Centre,

248 Queen's Road East,

Wan Chai,

Hong Kong

9 April 2021

To the Unitholders

Dear Sir/Madam,

(1) PROPOSED AMENDMENTS TO THE TRUST DEED

(2) CONTINUING CONNECTED PARTY TRANSACTIONS

(3) NOTICE OF EXTRAORDINARY GENERAL MEETING OF UNITHOLDERS

INTRODUCTION

Reference is made to the Announcement. The purpose of this circular is to (a) provide you with further information regarding (i) the proposed Increase of Property Development Cap; (ii) the Trust Deed Amendments (including the Property Development Amendments); (iii) the Property Management Transactions which constitute continuing connected party transactions of Sunlight REIT; and (iv) the resolutions to be proposed at the EGM; (b) set out the

LETTER FROM THE BOARD

recommendations of the Independent Board Committee to the Independent Unitholders in relation to the Property Management Transactions; (c) set out the recommendations of the Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee in relation to the Property Management Transactions; and (d) give you the EGM Notice.

PROPOSED AMENDMENTS TO THE TRUST DEED

With effect from 4 December 2020, certain amendments were made to the REIT Code which, among other things, provide greater flexibility in relation to property holdings, property developments and investments.

As disclosed in the Announcement, the Manager proposes to amend the Trust Deed in order to align with the REIT Code Amendments and incorporate other miscellaneous amendments which are principally house-keeping in nature or drafting improvements (collectively, the “**REIT Code Alignment and Other Miscellaneous Amendments**”), and such amendments to the Trust Deed are not subject to Unitholders’ approval. The REIT Code Alignment and Other Miscellaneous Amendments and, if approved by the Unitholders at the EGM, the Trust Deed Amendments will be effected by way of an amended and restated trust deed between the Manager and the Trustee.

1. Proposed Increase of the Investment Limit regarding Property Development and Related Activities and the Proposed Amendments to the Trust Deed in relation thereto

The Manager proposes to seek Unitholders’ approval for increasing the investment limit regarding Property Development and Related Activities pursuant to paragraph 7.2AA of the REIT Code, and amending the Trust Deed for such relaxation pursuant to Clause 36.1 of the Trust Deed.

Prior to the REIT Code Amendments, a REIT was allowed to be engaged or participate in property developments (including both new development projects and re-development of existing properties) provided that the aggregate investments in all property developments undertaken by the REIT together with the aggregate contract value of the uncompleted units of real estate acquired by the REIT (“**Property Development Cap**”) did not exceed 10% of its GAV at any time.

The REIT Code Amendments introduced greater flexibility to REITs by permitting the Property Development Cap to be increased from 10% to 25% of the GAV of the REIT, if (1) unitholders of the REIT have given their consent to such increase by way of resolution at a general meeting; (2) it is permissible under the constitutive documents of the REIT; and (3) no objection from the trustee has been obtained. In addition, under the REIT Code Amendments, the Maximum Cap, which is 25% of the GAV of the REIT, is applicable to the combined value of the Aggregate Property Development Costs together with all Non-qualified Minority-owned Properties, Relevant Investments, and other ancillary investments of the REIT.

LETTER FROM THE BOARD

Under Clause 19.2(b) of the Trust Deed, Sunlight REIT may engage or participate in Property Development and Related Activities, including the acquisition of uncompleted units in a building which is unoccupied and non-income producing or in the course of substantial development, redevelopment or refurbishment, provided that (i) the aggregate investments in all Property Development and Related Activities (which, for such purpose, shall not include refurbishment, retrofitting and renovations) undertaken by Sunlight REIT together with (ii) the aggregate contract value of such uncompleted units acquired shall not exceed 10% of its GAV.

The Manager proposes to relax the investment limit applicable to Sunlight REIT (including the amendment of the relevant provisions in the Trust Deed) so that the Property Development Cap will be increased to 25% (or such other higher percentage as may be permitted under the REIT Code) of the GAV of Sunlight REIT, and accordingly amend Clauses 1.1 and 19.2(b) of the Trust Deed. The Manager considers that adjusting the Property Development Cap (from 10% to 25% of GAV) is in the interests of Sunlight REIT and the Unitholders as a whole, as it would provide Sunlight REIT with more flexibility in selecting acquisition targets and diversifying its investment portfolio.

In line with the above proposed amendments, the Manager also proposes to remove the definition of “10% GAV Cap” and insert the definition of “Property Development Costs” as the aggregate investments in all Property Development and Related Activities undertaken by Sunlight REIT under Clause 1.1 and Clause 19.2(b) of the Trust Deed respectively.

2. Other Proposed Amendments to the Trust Deed Requiring Unitholders’ Approval

Moreover, the Manager proposes to seek Unitholders’ approval pursuant to Clause 36.1 of the Trust Deed for certain other amendments to the Trust Deed, which are described below and the full text of which is set out in Appendix II to Appendix IV to this circular.

(A) Miscellaneous Fees Amendments

Currently:

- (i) under Clause 15.1(a)(ii) of the Trust Deed, a variable fee of 3% per annum of the Net Property Income of Sunlight REIT (before deducting the variable fee) is payable to the Manager for each financial year;
- (ii) under Clause 15.1(a)(iii) of the Trust Deed, the acquisition fee payable to the Manager in respect of direct or indirect acquisitions of real estate by Sunlight REIT shall not exceed 1% of the value of the relevant real estate according to the valuation performed by an approved valuer for the purpose of such acquisition;
- (iii) under Clause 15.1(a)(iv) of the Trust Deed, the divestment fee payable to the Manager in respect of direct or indirect divestment of real estate by Sunlight REIT shall not exceed 0.5% of the value of the relevant real estate according to the valuation performed by an approved valuer for the purpose of such sale; and

LETTER FROM THE BOARD

- (iv) under Clause 15.1(f) of the Trust Deed, any payment to third party agents or brokers in connection with the acquisition or divestment of any real estate by Sunlight REIT shall be paid by the Manager to such persons out of the acquisition fee or divestment fee received by the Manager, and not additionally paid out of the Deposited Property. On the other hand, certain other provisions (namely, Clause 16.2 coupled with Schedule D and Clause 19.12) in the Trust Deed state that any brokerage and commission and other costs incurred in the acquisition or disposal of investments shall be borne by Sunlight REIT out of the Deposited Property.

Basis of calculating the minimum amount of variable fee payable to the Manager

Given that the variable fee payable to the Manager is an incentive fee in nature which is dependent on the performance of the real estate owned and invested by Sunlight REIT, the Manager wishes to clarify that the minimum amount of the variable fee in respect of each real estate owned for each financial year would be zero and not a negative figure, and to provide in the Trust Deed that variable fee is payable to the Manager in respect of any real estate owned by any minority-owned Joint Venture Entity. As such, the Manager proposes to seek Unitholders' approval pursuant to Clause 36.1 of the Trust Deed to amend Clause 15.1(a)(ii) of the Trust Deed:

- (i) so that for the variable fee payable to the Manager in respect of any real estate owned by any special purpose vehicle (which does not include any minority-owned Joint Venture Entity), it will be calculated on an individual special purpose vehicle basis with reference to Sunlight REIT's share of the Net Property Income of each special purpose vehicle; and where the Net Property Income of any particular special purpose vehicle is a negative figure, the variable fee to be paid in respect of the real estate owned by such special purpose vehicle shall be zero; and
- (ii) so that the variable fee shall also be payable to the Manager in respect of any real estate owned by any minority-owned Joint Venture Entity, and such variable fee will be calculated on an individual minority-owned Joint Venture Entity basis with reference to Sunlight REIT's share of profits of each minority-owned Joint Venture Entity; and where there is any loss of any minority-owned Joint Venture Entity, the variable fee in respect of the real estate owned by such minority-owned Joint Venture Entity shall be zero.

The proposed basis of calculation of the variable fee payable to the Manager in respect of the Net Property Income in relation to each real estate or on an individual special purpose vehicle basis has also been adopted in certain other Hong Kong listed REITs.

For details of the calculation of the variable fee, please refer to paragraph 1 in Appendix II to this circular.

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Basis of calculating the Manager's fees in connection with acquisition or divestment of real estate

As the consideration for the direct or indirect acquisition or divestment of real estate is often different from the valuation of the relevant real estate, the Manager proposes to seek Unitholders' approval pursuant to Clause 36.1 of the Trust Deed to amend Clauses 15.1(a)(iii) and (iv) of the Trust Deed so that the calculation of acquisition fee and divestment fee payable to the Manager in respect of acquisitions or divestments of any real estate by Sunlight REIT will be based on the acquisition price or sale price (as the case may be) of the real estate, instead of its valuation. The proposed basis of calculation of such fees has also been adopted in certain other Hong Kong listed REITs.

Source of payment to third party agent in connection with acquisition or divestment of real estate

It is common in commercial property transactions in Hong Kong that a third party agent or broker would charge the buyer or seller an agency fee based on a prescribed percentage of the sale or acquisition price. In order to allow Sunlight REIT to obtain the best acquisition or selling price possible for its acquisitions or disposals should opportunities arise, while providing the Manager with more flexibility in finding suitable third party agents or brokers, the Manager proposes to amend Clause 15.1(f) of the Trust Deed with a view to clarifying that any such payment of third party agent or broker fees shall be paid out of the Deposited Property, but not out of any acquisition fee or divestment fee received or receivable by the Manager. Such proposed amendments to the source of payment to third party agent or broker fees also seek to align the relevant provisions of the Trust Deed with that of the usual practice of commercial property transactions in Hong Kong so that the third party agent or broker fees are borne by Sunlight REIT as the buyer or seller of the property. The proposed approach has also been adopted in certain other Hong Kong listed REITs.

The Miscellaneous Fees Amendments are subject to Unitholders' approval pursuant to Clause 36.1 of the Trust Deed and are set out in full in Appendix II to this circular.

(B) Annual Distributable Income Amendments

Under the REIT Code, a REIT is required to distribute to unitholders each year an amount not less than 90% of its audited annual net income after tax. In the case of Sunlight REIT, the Trust Deed also requires the total amount distributed to Unitholders each financial year be no less than 90% of the Annual Distributable Income. If so determined by the Manager from time to time, the distribution to Unitholders may exceed 90% of the Annual Distributable Income for each financial year.

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The Manager proposes to amend the definition of Annual Distributable Income in Clause 24.5 of the Trust Deed to the amount calculated by the Manager as (i) the consolidated audited profit/loss after tax of Sunlight REIT and the special purpose vehicles owned and controlled by it as adjusted to eliminate the effects of Adjustments for the relevant financial year plus (ii) all distributions received and receivable by Sunlight REIT and the special purpose vehicles from minority-owned Joint Venture Entities for that financial year. An item of Adjustment will be added to Clause 24.6 of the Trust Deed as sub-paragraph (gb) thereof so that any sharing of profits or losses of minority-owned Joint Venture Entities will be eliminated. Such proposed amendments to the Trust Deed referred to in this paragraph are made mainly for the purpose of aligning with the REIT Code Amendments which allow investments in Minority-owned Properties through minority-owned Joint Venture Entities and require all distributions received and receivable from minority-owned properties to form part of the net income for distribution to unitholders pursuant to the REIT's distribution policy, and therefore form part of the REIT Code Alignment and Other Miscellaneous Amendments which do not require Unitholders' approval.

The Manager further proposes to seek Unitholders' approval pursuant to Clause 36.1 of the Trust Deed for effecting the Annual Distributable Income Amendments which involve the amendment to the definition of Adjustments by including additional adjustments for various non-cash and other items common among other Hong Kong listed REITs, as summarised below. The effect of the Annual Distributable Income Amendments would be that any decreases in the valuation of investment properties (and the effects of certain other non-cash items described in paragraphs (ii), (iii) and (iv) below) in the financial years ending on and after 30 June 2021 will be eliminated in the calculation of Annual Distributable Income.

(i) Property revaluation losses

Clause 24.6(a) of the Trust Deed presently only allows the effect of "property revaluation gains" to be eliminated for the purposes of calculating the Annual Distributable Income. However, "property revaluation losses" are not similarly eliminated, meaning that such losses would reduce the Annual Distributable Income if they arise.

Any accounting entries arising from a property revaluation are non-cash in nature. To afford equal treatment with property revaluation gains, the Manager proposes to amend Clause 24.6(a) of the Trust Deed so that property revaluation losses in addition to gains would be eliminated for the purposes of determining Annual Distributable Income.

(ii) Impairment provisions

Clause 24.6(a) of the Trust Deed presently allows reversals of impairment provisions to be eliminated for the purposes of calculating the Annual Distributable Income. Nevertheless, "impairment provisions" are not similarly eliminated, meaning that such provisions would reduce the Annual Distributable Income if they arise.

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Impairment provisions are non-cash in nature. To afford equal treatment with reversals of impairment provisions, the Manager proposes to amend Clause 24.6(a) of the Trust Deed so that impairment provisions in addition to reversals of impairment provisions would be eliminated for the purposes of determining the Annual Distributable Income.

(iii) Depreciation and amortisations

The Manager proposes to insert Clause 24.6(ga) of the Trust Deed with a view to including depreciation and amortisations in respect of properties and the leasehold improvements thereof and ancillary machinery, equipment and other fixed assets thereat as an adjustment to Annual Distributable Income. Such depreciation and amortisations are non-cash in nature but are accounting expenses which reduce the Annual Distributable Income in the absence of an adjustment.

The proposed amendment to the Trust Deed would allow the relevant depreciation and amortisations to be eliminated for the purposes of determining the Annual Distributable Income.

(iv) Other material non-cash losses

Clause 24.6(h) of the Trust Deed presently only allows “material non-cash gains” to be eliminated for the purposes of calculating the Annual Distributable Income. However, “material non-cash losses” are not similarly eliminated, meaning that such losses would reduce the Annual Distributable Income if they arise.

To afford equal treatment with material non-cash gains, the Manager proposes to amend Clause 24.6(h) of the Trust Deed so that material non-cash losses in addition to material non-cash gains would be eliminated for the purposes of determining the Annual Distributable Income.

(v) Gains on disposal of Relevant Investments and properties

Clause 24.6(d) of the Trust Deed presently only allows realised gains on “disposal of properties” to be taken into account as an Adjustment. However, realised gains on disposals of properties through transfer of special purpose vehicles owned and controlled by Sunlight REIT or joint venture entities invested by Sunlight REIT are not specified as an Adjustment although in substance such indirect disposal of properties shall have substantially the same effect as direct disposal of properties. In addition, any realised gains on disposal of Relevant Investments are not adjusted for the purposes of determining the Annual Distributable Income under the current provisions of the Trust Deed, which means that any such gains are required to be included in the calculation of the Annual Distributable Income. To put such gains on disposal of Relevant Investments on the same footing as property disposal gains would permit Sunlight REIT to utilise the proceeds from such disposal to invest in real estate as and when appropriate. Accordingly,

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the Manager proposes to amend Clause 24.6(d) of the Trust Deed so that realised gains on disposal of Relevant Investments and properties, whether directly or indirectly through the disposal of any special purpose vehicle or Joint Venture Entity, shall be eliminated for the purposes of determining the Annual Distributable Income.

(vi) Discretion of the Manager

The second sentence in Clause 24.9 of the Trust Deed currently provides that if so required by the REIT Code, any revaluation surplus credited to income or gains on disposal of real estate shall not form part of net income for distribution to Unitholders unless the Manager shall have obtained the Trustee's prior consent. Given that property revaluation gains and realised gains on disposal of properties are currently part of the items of Adjustments in the Trust Deed and that their effects will be eliminated in the calculation of the Annual Distributable Income, the Manager proposes to remove the redundancy by deleting such sentence in Clause 24.9 of the Trust Deed. As part of the drafting amendments included in the REIT Code Alignment and Other Miscellaneous Amendments, the Manager also proposes to delete the first sentence in Clause 24.9 of the Trust Deed as it overlaps with another provision of the Trust Deed (i.e. Clause 24.8 of the Trust Deed). Notwithstanding such proposed amendments, the Manager's discretion to distribute more than 90% of the Annual Distributable Income to Unitholders for the relevant financial year will not be fettered or affected.

The Annual Distributable Income Amendments are subject to Unitholders' approval pursuant to Clause 36.1 of the Trust Deed and are set out in full in Appendix III to this circular.

(C) Conduct of General Meeting Amendments

In order to provide flexibility to Sunlight REIT in relation to the conduct of general meetings which presently requires physical attendance of Unitholders or their proxies at one meeting location under Schedule A to the Trust Deed, the Manager proposes to amend Clause 1.1 of, and Schedule A to, the Trust Deed such that general meetings can be convened (i) as a hybrid meeting where persons entitled to attend the general meeting can attend and participate via electronic means or attend physically at the meeting location; and/or (ii) to be held in multiple locations where simultaneous attendance and participation of the persons entitled to attend the general meeting can be implemented via electronic means.

Certain ancillary and other amendments relating to the conduct of general meetings are also proposed to be made to Schedule A to the Trust Deed.

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A summary of the major proposed changes brought about under the Conduct of General Meeting Amendments are set out below:

1. to allow all general meetings (including an annual general meeting, any adjourned meeting or postponed meeting) to be held as a physical meeting in any part of the world (except that the principal place of the general meeting must be a location in Hong Kong) and at one or more locations, or as a hybrid meeting and to set out the corresponding proceedings and the powers of the Manager and the chairman of general meeting in relation thereto by amending paragraphs 1.2, 1.3 and 3.1 of Schedule A to the Trust Deed and inserting paragraphs 1.4 to 1.8 of Schedule A to the Trust Deed;
2. to insert the definitions of “electronic facilities” and “hybrid meeting” under Clause 1.1 of the Trust Deed;
3. to include the additional details to be specified in a notice of general meeting in light of allowing general meetings to be held at more than one meeting location, or as a hybrid meeting under paragraph 2.2 of Schedule A to the Trust Deed;
4. to include powers of the Manager and the chairman of general meeting in relation to postponement or change of general meeting and details regarding the giving of notice for the postponed or changed meeting by inserting paragraphs 4.2 and 4.3 of Schedule A to the Trust Deed;
5. to specify the counting of votes by show of hands (which is applicable only for a resolution which relates purely to a procedural or administrative matter) by inserting paragraph 3.3A of Schedule A to the Trust Deed; and
6. to make other house-keeping amendments, and make consequential amendments in line with the above amendments to the current Trust Deed.

The Conduct of General Meeting Amendments are subject to Unitholders’ approval pursuant to Clause 36.1 of the Trust Deed and are set out in full in Appendix IV to this circular.

APPROVALS REQUIRED

Clause 36.1 of the Trust Deed provides that any amendment, variation, modification, alteration or addition to the Trust Deed must not impose upon any Unitholder any obligation to make any further payments in respect of his Units or to accept any liability in respect thereof and, save for certain limited exceptions as certified by the Trustee in writing, must be made with the sanction of a Special Resolution. It is also a condition of the authorisation of Sunlight REIT by the SFC under section 104 of the SFO that the Manager must ensure that no material changes will be made to the Trust Deed except with the prior approval of the SFC.

Therefore, Special Resolutions no. 1 to 4 are proposed to seek Unitholders’ approval for the Trust Deed Amendments.

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RESTRICTIONS ON VOTING

Paragraph 9.9(f) of the REIT Code provides that unitholders shall be prohibited from voting their own units at, or counted in the quorum for, a meeting at which they have a material interest in the business to be contracted and that interest is different from the interests of all other unitholders.

Further, under paragraph 3.2 of Schedule A to the Trust Deed, where a Unitholder has a material interest in the business conducted at a meeting of Unitholders, and that interest is different from the interests of other Unitholders, such Unitholder shall be prohibited from voting his Units at, or being counted in the quorum for, such meeting.

By virtue of the Manager's interest which may be regarded as material in the Miscellaneous Fees Amendments, and given that members of the HLD Group (other than the Manager) are close associates (as defined in Rule 1.01 of the Listing Rules) of the Manager, the HLD Group (including the Manager) shall abstain from voting on Special Resolution no. 2 to approve the Miscellaneous Fees Amendments (except for voting pursuant to a proxy under a specific direction given by any Unitholder(s) to vote for or against any such Special Resolution on his or their behalf). At the Latest Practicable Date, the HLD Group in aggregate held 301,319,511 Units, representing approximately 18.08% of Units in issue.

At the Latest Practicable Date, to the best of the Manager's knowledge, information and belief after having made reasonable enquiries, save as disclosed above, the Manager is not aware of any Unitholder who is required to abstain from voting on any of the Special Resolutions no. 1 to 4.

RECOMMENDATION

Having taken into account the duties of the Manager under the Trust Deed and the REIT Code, the Board considers that:

- (a) each of the Trust Deed Amendments is in the interests of Sunlight REIT and the Unitholders as a whole and that each of the Trust Deed Amendments is being made in compliance with the modification provisions of the Trust Deed and the REIT Code and that, among which, the Miscellaneous Fees Amendments, the Annual Distributable Income Amendments and the Conduct of General Meeting Amendments do not conflict with Sunlight REIT's investment policy and objective as set out in Clause 19.2 of the Trust Deed; and
- (b) the Property Development Amendments and the Increase of Property Development Cap are in line with the relaxations under the REIT Code Amendments and are in the interests of Sunlight REIT and the Unitholders as a whole.

Accordingly, the Board recommends all Unitholders to vote in favour of the Special Resolutions no. 1 to 4 relating to the Trust Deed Amendments to be proposed at the EGM.

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Having taken into account the duties of the Trustee under the Trust Deed and the REIT Code and:

- (a) based on the information contained in this circular, the Trustee is of the view that each of the Trust Deed Amendments is being made in compliance with the modification provisions of the Trust Deed and the REIT Code and that, among which, the Miscellaneous Fees Amendments, the Annual Distributable Income Amendments and the Conduct of General Meeting Amendments do not conflict with Sunlight REIT's investment policy and objective as set out in Clause 19.2 of the Trust Deed. Accordingly, the Trustee has no objection to the Trust Deed Amendments, subject to Unitholders' approval of such amendments, and to the requisite amendments being made to the Trust Deed; and
- (b) based on the information contained in this circular and subject to Unitholders' approval being obtained and to the requisite amendments being made to the Trust Deed, the Trustee has agreed to provide its no objection view in respect of the Increase of Property Development Cap in compliance with paragraph 7.2AA(c) of the REIT Code.

CONTINUING CONNECTED PARTY TRANSACTIONS: PROPERTY MANAGEMENT TRANSACTIONS

The REIT Code Amendments broadly align the requirements for REITs' connected party transactions with the requirements under the Listing Rules. Given that the 2018 Extended Waiver in respect of certain continuing connected party transactions of Sunlight REIT will expire on 30 June 2021, the following continuing connected party transactions will be subject to announcement, reporting and independent unitholders' approval requirements pursuant to the REIT Code after the expiry of the 2018 Extended Waiver.

For the purpose of the 2018 Extended Waiver, (1) the fees and reimbursements payable by the Sunlight REIT Group under the Property Management Agreement would not be subject to any annual cap for the three financial years ending 30 June 2021; and (2) the aggregate amounts payable by the Sunlight REIT Group to entities or persons who are connected persons of Sunlight REIT as a result of their connection with (a) the Manager (including the Property Manager and the HLD Group) or (b) those wholly-owned subsidiaries of SKFE which hold 10% or more Units in issue, in relation to the continuing connected party transactions in respect of third party services and the Connected Deeds of Mutual Covenant would be subject to a combined annual cap in respect of each of the three financial years ending 30 June 2021.

The aggregate transaction amounts in respect of the Services Transactions and the transactions under the Connected Deeds of Mutual Covenant in respect of each of the financial years ended 30 June 2019 and 2020 did not exceed the combined annual caps of HK\$23,850,000 and HK\$26,820,000 respectively for the corresponding financial year as prescribed under the 2018 Extended Waiver. The aggregate transaction amounts in respect of the Services Transactions and the transactions under the Connected Deeds of Mutual Covenant for the period from 1 July 2020 to 28 February 2021 did not exceed the relevant combined annual cap of HK\$30,170,000 for the financial year ending 30 June 2021.

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For the three financial years ending 30 June 2024, the continuing connected party transactions under the Renewed Property Management Agreement, the Master Services Agreement and the Connected Deeds of Mutual Covenant will respectively be subject to separate annual caps, which are subject to Independent Unitholders' approval at the EGM. In addition, Sunlight REIT is required to re-comply with the announcement and unitholders' approval requirements (if applicable) in relation to the Property Management Transactions before any annual cap is exceeded or if it proposes to effect a material change to their terms pursuant to Rule 14A.54 of the Listing Rules.

(A) Renewed Property Management Agreement

Pursuant to the Property Management Agreement, the Property Manager has been engaged to provide certain property management, lease management and marketing services in respect of the properties of Sunlight REIT since the date of listing of Sunlight REIT. The current term of the Property Management Agreement will expire on 30 June 2021.

On 31 March 2021, the Property Manager and the Manager (in its capacity as manager of Sunlight REIT) entered into the Fifth Supplemental Agreement to renew the Property Management Agreement for the Extended Term, conditional upon the approval of the Independent Unitholders. The terms and conditions of the transactions under the Renewed Property Management Agreement during the Extended Term (including without limitation, the rates of fees) are substantially identical to those under the Property Management Agreement.

The principal terms of the Renewed Property Management Agreement are set out below:

(i) Date

The Fifth Supplemental Agreement was entered into on 31 March 2021.

(ii) Parties

- The Property Manager, an indirect wholly-owned subsidiary of HLD; and
- The Manager (in its capacity as manager of Sunlight REIT).

The Property Holding Companies have also acceded to and become parties to the Property Management Agreement. If the Renewed Property Management Agreement and the annual caps of the Property Management Transactions for the three financial years ending 30 June 2024 are approved by the Independent Unitholders at the EGM, the Manager will procure the Property Holding Companies to accede to the Fifth Supplemental Agreement.

(iii) Subject matter

The Property Manager shall provide, including without limitation, the following services in respect of the properties of the Sunlight REIT Group:

- (1) property management services, including co-ordinating tenants fitting out requirements, recommending third party contracts for provision of property management service, maintenance services, supervising the performance of service providers and contractors, arranging for adequate insurances and ensuring compliance with building and safety regulations

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- (2) lease management services, including administration of rental collection, management of rental arrears, initiating lease renewals and negotiation of terms
- (3) marketing and marketing co-ordination services.

(iv) Condition

The Fifth Supplemental Agreement is conditional upon the approval of the Independent Unitholders. If this condition is not fulfilled on or before 30 June 2021 (or such later date as may be agreed between the Manager and the Property Manager), the Fifth Supplemental Agreement shall lapse forthwith and be of no further effect.

(v) Duration

The appointment of the Property Manager will be extended for the Extended Term, unless terminated pursuant to the terms of the Renewed Property Management Agreement.

(vi) Consideration and other terms

1. *Property management services and lease management services*

The fee payable to the Property Manager for the property management services and lease management services pursuant to the Renewed Property Management Agreement during the Extended Term will not exceed 3% per annum of the Gross Property Revenue of each relevant property managed by it, which shall be paid by the relevant Property Holding Company.

The Manager and the Property Manager may mutually agree to revise the rate of such fee in respect of any property of the Sunlight REIT Group from time to time provided that it does not exceed 3% per annum of the Gross Property Revenue of such property.

Such fees are calculated each month and the relevant Property Holding Company will, on the recommendation of the Manager, arrange for payment of the fees to the Property Manager, within 14 days after receipt of the Property Manager's invoice. These fees will be reconciled with the audited accounts of the Property Holding Company for the relevant financial year within 14 days after the completion of the preparation of such audited accounts (or such other period as may be agreed between the parties), and any adjustment to the fees shall be paid to the Property Manager by the relevant Property Holding Company or refunded to the relevant Property Holding Company by the Property Manager within 30 days after the completion of the preparation of the said audited accounts.

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In respect of lease renewal, where any memorandum of lease renewal prepared by the Property Manager is entered into, an administrative fee not exceeding HK\$600 in respect of each such memorandum can be charged by the Property Manager to the relevant tenants or licensees.

2. *Marketing services*

The commissions payable to the Property Manager for its marketing services provided pursuant to the Renewed Property Management Agreement during the Extended Term will be as follows:

- (a) a commission equivalent to one month's base rent or licence fee, for securing a tenancy or licence of three years or more;
- (b) a commission equivalent to one-half month's base rent or licence fee, for securing a tenancy or licence of one year or more but less than three years;
- (c) a commission equivalent to one-half month's base rent or licence fee, for securing a renewal of tenancy or licence of one year or more;
- (d) a commission not exceeding the lower of one-half month's base rent or licence fee, or 10% (or a lower percentage as mutually agreed between the Manager and the Property Manager from time to time) of the total rent or licence fee for securing a tenancy, licence or renewal of tenancy or licence for a duration of less than 12 months;
- (e) a commission equal to one-fourth month's base rent or licence fee (as reviewed), for handling each rent or licence review during the term of a tenancy or licence provided for in the tenancy or licence agreement; and
- (f) if the tenancy, licence or renewal of tenancy or licence is secured by a third party agent appointed by the relevant Property Holding Company, having regard to the work done by the Property Manager in connection with such tenancy, licence or renewal of tenancy or licence and upon the recommendation of the Manager, the relevant Property Holding Company may, at its absolute discretion, pay the Property Manager the commissions for such tenancy, licence or renewal of tenancy or licence provided that any such commission shall be at rates not exceeding a half of those specified in (a) to (e) above (as the case may be).

The relevant Property Holding Company will, on the recommendation of the Manager, pay the relevant commission to the Property Manager after a binding tenancy or licence agreement (or, in the case of a rent or licence fee review, a document evidencing the tenant's or licensee's agreement to the rent or licence fee as reviewed) has been signed by the tenant or licensee and within 14 days after receipt of the Property Manager's invoice.

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The Property Manager will also be fully reimbursed by the relevant Property Holding Company for the employment costs, secondment costs and remuneration of employees of the Property Manager and other persons who are engaged by or under secondment to the Property Manager solely and exclusively for the management of the relevant property of Sunlight REIT and persons providing technical services who are engaged by or under the secondment to the Property Manager solely and exclusively for the management of one or more properties of Sunlight REIT. For the avoidance of doubt, all other operating costs of the Property Manager will be borne by itself.

The consideration in relation to the transactions under the Renewed Property Management Agreement is on normal commercial terms and was determined after arm's length negotiation by reference to other similar transactions in the market (where applicable).

(vii) Historical amounts and annual cap amounts

For each of the financial years ended 30 June 2018, 30 June 2019 and 30 June 2020 and the six months ended 31 December 2020, the aggregate amounts paid by the Sunlight REIT Group to the Property Manager in respect of the transactions under the Property Management Agreement were approximately HK\$52,601,000, HK\$52,216,000, HK\$51,882,000 and HK\$22,125,000 respectively.

It is expected that the maximum aggregate annual amount payable by the Sunlight REIT Group to the Property Manager in respect of the transactions under the Renewed Property Management Agreement for the three financial years ending 30 June 2024 will not exceed the amounts set out below:

<u>Financial year ending 30 June 2022</u>	<u>Financial year ending 30 June 2023</u>	<u>Financial year ending 30 June 2024</u>
HK\$62,040,000	HK\$68,710,000	HK\$68,820,000

The above proposed new annual caps for the transactions under the Renewed Property Management Agreement for the three financial years ending 30 June 2024 have been determined by taking into account (i) the historical and current commissions referable to the tenancies and licences of Sunlight REIT's properties portfolio; (ii) the relevant lease expiry profile; (iii) an assumed annual growth of 5% of reimbursed costs; (iv) the prevailing market conditions; and (v) no variation to the terms governing the Renewed Property Management Agreement, supplemented by a buffer of 10% for each of the three financial years ending 30 June 2024 for possible adjustments in, among other things, reimbursement amount and gross rental income of the Sunlight REIT Group. In addition, the proposed new annual caps have also taken into account the possibility of acquisition of properties located in Hong Kong in the future, for which the Property Manager will provide property management services, lease management services and marketing services pursuant to the Renewed Property Management Agreement.

LETTER FROM THE BOARD

(B) Master Services Agreement

In the ordinary course of business, members of the Sunlight REIT Group may from time to time enter into the Service Transactions with members of the HLD Related Group. The Master Services Agreement sets out the framework terms governing the Service Transactions. The principal terms of the Master Services Agreement are set out below:

(i) Date

31 March 2021

(ii) Parties

- HLD; and
- the Manager (in its capacity as manager of Sunlight REIT).

(iii) Subject matter

With respect to the Service Transactions to be agreed to be provided during the term of the Master Services Agreement, the relevant members of the HLD Related Group and of the Sunlight REIT Group (or the Property Manager as agent for, or at the costs of, the relevant members of the Sunlight REIT Group) shall enter into separate definitive service agreement(s) (“**Definitive Service Agreement(s)**”) setting out the detailed terms (including the fee and the payment terms).

(iv) Condition

The Master Services Agreement is conditional upon the approval of the Independent Unitholders. If this condition cannot be fulfilled on or before 30 June 2021 (or such later date as may be agreed between the Manager and HLD), the Master Services Agreement shall lapse forthwith and be of no further effect.

(v) Duration

The Master Services Agreement is for the duration of three years from 1 July 2021 to 30 June 2024, unless terminated in accordance with the terms of the Master Services Agreement.

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(vi) Consideration and other terms

The terms of, and the fee payable under, the Definitive Service Agreements shall be negotiated on a case-by-case and an arm's length basis, and shall be on normal commercial terms which (a) from the Sunlight REIT Group's perspective, shall be no less favourable than those which the relevant members of the Sunlight REIT Group could obtain from independent contractors or suppliers of comparable services, and (b) from the HLD Related Group's perspective, shall be no more favourable than those which the relevant members of the HLD Related Group made available to their independent third party customers.

Sunlight REIT Group shall invite competitive tenders or not less than three quotations (among which not more than one quotation shall be from a connected person of Sunlight REIT) from contractors or suppliers, so that a comparison of prices of a sufficient number of independent contractor(s) or supplier(s) of comparable services in the market will be conducted for management review with a view to ensuring that the terms of Services provided by the HLD Related Group (including the fees payable to the HLD Related Group for the Services) in connection with the Service Transactions are reasonable having regard to the scale, scope and quality of services required, and the reputation, experience and track record of performance of the service providers within the HLD Related Group and other relevant contractors or suppliers.

(vii) Historical amounts and annual cap amounts

For each of the financial years ended 30 June 2018, 30 June 2019 and 30 June 2020 and the six months ended 31 December 2020, the aggregate amounts paid by the Sunlight REIT Group to the HLD Related Group in respect of the Service Transactions were approximately HK\$2,720,000, HK\$2,814,000, HK\$3,759,000 and HK\$2,009,000 respectively.

It is expected that the maximum aggregate annual amount payable by the Sunlight REIT Group to the HLD Related Group in respect of the Service Transactions for the three financial years ending 30 June 2024 will not exceed the amounts set out below:

<u>Financial year ending</u> <u>30 June 2022</u>	<u>Financial year ending</u> <u>30 June 2023</u>	<u>Financial year ending</u> <u>30 June 2024</u>
HK\$7,230,000	HK\$7,590,000	HK\$8,610,000

LETTER FROM THE BOARD

The above proposed new annual caps for the Service Transactions for the three financial years ending 30 June 2024 have been determined by taking into account (i) the current service contracts with the HLD Related Group; (ii) the possible increase in security service fees ranging from 5% to 15% annually with due consideration of the terms of the existing and potential service contracts as well as the expected market conditions in the future; (iii) the assumption of other additional services estimated at HK\$1 million for the financial year ending 30 June 2022 and 5% annual increment thereafter, such other additional services may include, for instance, potential new contracts for management and operations of properties, potential repair and maintenance works or consultancy services which the HLD Related Group may enter into with the Sunlight REIT Group during the relevant financial periods; and (iv) supplemented by a buffer of 10% for each of the three financial years ending 30 June 2024 for contingencies. In addition, the proposed new annual caps have also taken into account the possibility of acquisition of properties by Sunlight REIT in the future, which may require security services from the HLD Related Group.

(C) Deeds of Mutual Covenant

In respect of certain properties owned by the Property Holding Companies, there are Deeds of Mutual Covenant which bind the relevant DMC Manager appointed thereunder and all the owners of the relevant development or building which is erected on the lot of land on which the property owned by the Property Holding Companies forms part and their successors-in-title, irrespective of whether they are original parties to the Deed of Mutual Covenant. Accordingly, although the Property Holding Companies are not original parties to such Deeds of Mutual Covenant, they are bound by and have the benefits of the terms thereof.

The DMC Managers currently appointed under certain Deeds of Mutual Covenant are members of the HLD Group (such DMC Managers referred to as the “**Connected DMC Managers**”) and they were so appointed prior to the relevant properties being acquired by the Sunlight REIT Group. Such Connected DMC Managers have agreed to undertake management of the relevant entire development, building, lot of land, and/or the common areas and facilities thereof. For the avoidance of doubt, the services provided by the Connected DMC Managers mainly involve the maintenance and management of common areas and facilities as shared among different owners of the relevant building or property and they are different from the property management services provided by the Property Manager to the Sunlight REIT Group under the Property Management Agreement as mentioned under the section headed “*Continuing Connected Party Transactions: Property Management Transactions – (A) Renewed Property Management Agreement – (iii) Subject matter*” above. DMC Management Fees are required to be paid to the Connected DMC Managers by the Property Holding Companies in the capacity as owners of the relevant properties.

LETTER FROM THE BOARD

The principal terms of the services provided by the Connected DMC Managers under the relevant Connected Deeds of Mutual Covenant are summarised below:

(i) *Date, Parties^{Note (1)}, Property and Duration*

Property owned by the relevant Property Holding Company	Date of the Connected Deed of Mutual Covenant	Connected DMC Manager	Property Holding Company	Term of the appointment of the Connected DMC Manager under the Connected Deed of Mutual Covenant
1. MCPI Property	26 April 1997	Metro City Management Limited	MCPI Company	Initially for a term of two years from the date of the first occupation permit in respect of any part of the estate and thereafter until the Connected DMC Manager resigns or is removed pursuant to the terms of the relevant Connected Deed of Mutual Covenant.
2. SSC Property	3 March 1994	Sheung Shui Centre Management Limited	SSC Company	
3. Supernova Stand Property	15 December 2001	Hang Yick Properties Management Limited	Supernova Stand Company	Initially for a term not exceeding two years from the date of the Connected Deed of Mutual Covenant and thereafter until the Connected DMC Manager resigns or is removed pursuant to the terms of the relevant Connected Deed of Mutual Covenant.
4. Kwong Wah Plaza Property	3 July 1998 (supplemented by a sub-Deed of Mutual Covenant dated 30 September 1999)	Hang Yick Properties Management Limited	Kwong Wah Plaza Companies	Initially for a term of two years from the date of issue of the occupation permit and thereafter until the Connected DMC Manager resigns or is removed pursuant to the terms of the relevant Connected Deed of Mutual Covenant.
5. Winsome House Property	3 July 1999	Hang Yick Properties Management Limited	Winsome House Company	
6. Wai Ching Commercial Building Property	22 June 1998	Hang Yick Properties Management Limited	Wai Ching Commercial Building Company	
7. Sun Fai Commercial Centre Property	22 June 1998	Hang Yick Properties Management Limited	Sun Fai Commercial Centre Company	
8. 135 Bonham Strand Trade Centre Property	23 June 2000	Hang Yick Properties Management Limited	135 Bonham Strand Trade Centre Company	Initially for a term of two years from the date of issue of the occupation permit (which is 3 January 2000). ^{Note (2)}

LETTER FROM THE BOARD

(i) *Date, Parties^{Note (1)}, Property and Duration (cont'd)*

Property owned by the relevant Property Holding Company	Date of the Connected Deed of Mutual Covenant	Connected DMC Manager	Property Holding Company	Term of the appointment of the Connected DMC Manager under the Connected Deed of Mutual Covenant
9. Beverley Commercial Centre Property	8 November 1982	Hang Yick Properties Management Limited	Beverley Commercial Centre Company	Initially for a term of five years from the date of issue of the occupation permit and thereafter until a management committee has been appointed under the Multi-Storey Building (Owners Incorporation) Ordinance or any statutory modification thereof for the time being in force. ^{Note (3)}

Notes:

- (1) *In addition to the Connected DMC Manager and the relevant Property Holding Company, there are numerous other parties which are bound by the relevant Connected Deed of Mutual Covenant, including the first owner of the relevant building and the current owners of the portions of the relevant building not owned by the Sunlight REIT Group. Such other parties are not named in the above table.*
- (2) *Although the initial term of Hang Yick Properties Management Limited as the DMC Manager of 135 Bonham Strand Trade Centre has ended and the Deed of Mutual Covenant does not provide for any subsequent term of the DMC Manager, after the expiry of the initial term, Hang Yick Properties Management Limited has continued to act as the DMC Manager with no specified term. As 135 Bonham Strand Trade Centre is not wholly-owned by the Sunlight REIT Group, the Sunlight REIT Group is not entitled to enter into any agreement with the DMC Manager to fix the current term of such appointment.*
- (3) *Although the management committee of Incorporated Owners of Beverley Commercial Centre has been appointed, Hang Yick Properties Management Limited has continued to act as the DMC Manager of Beverley Commercial Centre. As Beverley Commercial Centre is not majority-owned by the Sunlight REIT Group, the Sunlight REIT Group is not entitled to pass any resolution in the general meeting of the owners' corporation to fix the current term of such appointment.*

The above Connected Deeds of Mutual Covenant were entered into prior to acquisition of the relevant properties by the Sunlight REIT Group and the Sunlight REIT Group is not entitled to vary the provisions of such Connected Deeds of Mutual Covenant in respect of such properties (all the buildings or developments of which any such properties form part are not wholly-owned by the Sunlight REIT Group). As shown in the above table and the notes thereto, the current term of all the Connected DMC Managers is not fixed and it will continue until the relevant Connected DMC Manager resigns or is removed pursuant to the terms of the relevant Connected Deed of Mutual Covenant or the Buildings Management Ordinance (Chapter 344 of the Laws of Hong Kong). With regard to the duration of the appointment of the Connected DMC Managers and the continuing connected party transactions with the Connected DMC Managers during the term of their appointment, Sunlight REIT has complied and will comply with all applicable connected party transaction requirements under the Listing Rules and the REIT Code. The proposed annual cap amounts in respect of the continuing connected party transactions under the Connected Deeds of Mutual Covenant to be considered and, if thought fit, approved by the Independent Unitholders at the EGM, which are set out in paragraph (iii) below, are in respect of the three financial years ending 30 June 2024 only.

LETTER FROM THE BOARD

(ii) *Services provided by, and fees payable to, the Connected DMC Managers*

Property owned by the relevant Property Holding Company	Scope of services provided by the Connected DMC Manager	DMC Management Fee payable by the relevant Property Holding Company to the Connected DMC Manager ^{Note (1)}	The “Specified Portion”
1. MCPI Property	Undertake the management of the entire structure erected on the lot of land on which MCPI Property is erected and including all communal areas thereof in accordance with the provisions of the Connected Deed of Mutual Covenant.	The annual DMC Management Fee is generally calculated based on a Specified Portion of (i) annual budgeted expenditures for the respective type/user of property prepared by the Connected DMC Manager in the management of the building or development, and (ii) total remuneration receivable by the Connected DMC Manager from all owners of the relevant building or development (such remuneration amount not to exceed 10% of the total monthly costs, charges and expenses for the management and maintenance of the lot of land and the entire structure erected on it necessarily and properly incurred in the good and efficient management of the property provided that such percentage can be increased by resolution passed at meeting of the owners or estate owners’ committee).	The Specified Portion represents the proportion as the number of management units allocated to the commercial units owned by the Property Holding Company bears to the total management units allocated to the entire commercial development (other than the carpark), respectively, of the development as specified in the Connected Deed of Mutual Covenant.
2. SSC Property	Undertake the management of the entire structure erected on the lot of land on which SSC Property is erected and all common areas and facilities thereof in accordance the provisions of the Connected Deed of Mutual Covenant.	The annual DMC Management Fee is generally calculated based on a Specified Portion of (i) annual budgeted expenditures for the whole development and the respective type/user of property (e.g. carpark or other part of the commercial development) prepared by the Connected DMC Manager in the management of the building or development, and (ii) total remuneration receivable by the Connected DMC Manager from all owners of the development (such remuneration amount not to exceed 10% of the total expenditure reasonably and necessarily incurred in the good and efficient management of the property).	The Specified Portion represents the proportion as the number of management units allocated to the carpark or other part of the commercial development owned by the Property Holding Company bears to the total management units allocated to the entire carpark or commercial development (other than the carpark), respectively, of the development as specified in the Connected Deed of Mutual Covenant.

LETTER FROM THE BOARD

(ii) *Services provided by, and fees payable to, the Connected DMC Managers (cont'd)*

Property owned by the relevant Property Holding Company	Scope of services provided by the Connected DMC Manager	DMC Management Fee payable by the relevant Property Holding Company to the Connected DMC Manager ^{Note (1)}	The “Specified Portion”
3. Supernova Stand Property	Undertake the management of the building erected on the lots of land on which Supernova Stand Property is erected and all common areas and facilities thereof in accordance with the provisions of the Connected Deed of Mutual Covenant.	The annual DMC Management Fee is generally calculated based on a Specified Portion of (i) annual budgeted expenditures for the respective type/user of property (e.g. commercial development) prepared by the Connected DMC Manager in the management of the building or development, and (ii) total remuneration receivable by the Connected DMC Manager from all owners of the relevant building or development (such remuneration amount not to exceed 10% of the total monthly costs, charges and expenses for the management and maintenance of the lots of land and the building erected thereon necessarily and properly incurred in the good and efficient management of the property provided that such percentage can be increased by resolution passed at meeting of the owners or owners’ committee (or the owners’ corporation, if formed)).	The Specified Portion represents the proportion as the number of management units allocated to the commercial development owned by the Property Holding Company bears to the total management units allocated to the total management units allocated to the entire commercial development as specified in the Connected Deed of Mutual Covenant.
4. Kwong Wah Plaza Property	Undertake the management of the entire development erected on the lot of land on which Kwong Wah Plaza Property is erected and all common areas thereof in accordance with the provisions of the Connected Deed of Mutual Covenant.	The annual DMC Management Fee is generally calculated based on a Specified Portion of (i) annual budgeted expenditures for the whole development and shops or office development prepared by the Connected DMC Manager in the management of the building or development, and (ii) total remuneration receivable by the Connected DMC Manager from all owners of the relevant building or development (such remuneration amount is not to exceed 10% of the total expenditure necessarily and reasonably incurred in the good and efficient management of the property provided that such percentage can be increased by resolution passed at meeting of the management committee of the owners’ incorporation).	The Specified Portion represents the proportion as the number of management units allocated to the shops or office development owned by the Property Holding Company bears to the total management units allocated to all the shops or the entire office development, respectively, of the development as specified in the Connected Deed of Mutual Covenant.

LETTER FROM THE BOARD

(ii) Services provided by, and fees payable to, the Connected DMC Managers (cont'd)

Property owned by the relevant Property Holding Company	Scope of services provided by the Connected DMC Manager	DMC Management Fee payable by the relevant Property Holding Company to the Connected DMC Manager ^{Note (1)}	The “Specified Portion”
5. Winsome House Property	Undertake the management, operation, servicing, maintenance, repair, renovation, replacement, security and insurance of the lot(s) of land(s) on which the relevant building is erected, the relevant building and all the common areas and common facilities thereto.	The annual DMC Management Fee is generally calculated based on a Specified Portion of (i) annual budgeted management expenses prepared by the Connected DMC Manager in the management of the building or development, and (ii) total remuneration receivable by the Connected DMC Manager from all owners of the relevant building or development (such remuneration amount not to exceed 15% of the total expenditure for the total management costs during the preceding year as certified in the audited accounts for the preceding year).	The Specified Portion represents the proportion as the number of management units allocated to the property owned by the Property Holding Company bears to the total management units allocated to the properties of the development as specified in the Connected Deed of Mutual Covenant. ^{Note (2)}
6. Wai Ching Commercial Building Property		The annual DMC Management Fee is generally calculated based on a Specified Portion of (i) annual budgeted expenditure prepared by the Connected DMC Manager in the management of the building or development, and (ii) total remuneration receivable by the Connected DMC Manager from all owners of the relevant building or development (such remuneration amount is equal to 10% (or such lesser percentage as the DMC Manager may from time to time at its discretion determine) of the total expenditure for the total management costs during the preceding year as certified in the audited accounts for the preceding year).	
7. Sun Fai Commercial Centre Property		The annual DMC Management Fee is generally calculated based on a Specified Portion of (i) annual budgeted expenditure prepared by the Connected DMC Manager in the management of the building or development, and (ii) total remuneration receivable by the Connected DMC Manager from all owners of the relevant building or development (such remuneration amount is equal to 10% (or such lesser percentage as the DMC Manager may from time to time at its discretion determine) of the total expenditure for the total management costs during the preceding year as certified in the audited accounts for the preceding year).	

LETTER FROM THE BOARD

(ii) *Services provided by, and fees payable to, the Connected DMC Managers (cont'd)*

Property owned by the relevant Property Holding Company	Scope of services provided by the Connected DMC Manager	DMC Management Fee payable by the relevant Property Holding Company to the Connected DMC Manager ^{Note (1)}	The "Specified Portion"
8. 135 Bonham Strand Trade Centre Property	Undertake the management, operation, servicing, maintenance, repair, renovation, replacement, security and insurance of the lot(s) of land(s) on which the relevant building is erected, the relevant building and all the common areas and common facilities thereto.	The annual DMC Management Fee is generally calculated based on a Specified Portion of (i) annual budgeted expenditure prepared by the Connected DMC Manager in the management of the building or development, and (ii) total remuneration receivable by the Connected DMC Manager from all owners of the relevant building or development (such remuneration amount not to exceed 10% of the total expenditure for the total management costs during the preceding year as certified in the audited accounts for the preceding year).	The Specified Portion represents the proportion as the number of management units allocated to the property owned by the Property Holding Company bears to the total management units allocated to the properties of the development as specified in the Connected Deed of Mutual Covenant. ^{Note (2)}
9. Beverley Commercial Centre Property		The monthly DMC Management Fee is generally calculated based on (i) a fixed sum of monthly management expense specified to be payable in respect of the shops owned by Property Holding Company; and (ii) a Specified Portion of total management expenses incurred by the Connected DMC Manager in the management of the shops and offices of the entire development (which is inclusive of remuneration receivable by the Connected DMC Manager).	The Specified Portion represents the proportion as the number of management units allocated to the shops owned by the Property Holding Company bears to the total management units allocated to the shops and offices of the entire development as specified in the Connected Deed of Mutual Covenant.

Notes:

- (1) *For properties no. 1 to 8, pro-rated DMC Management Fee shall be charged to the Property Holding Company on a monthly basis for its immediate payment.*
- (2) *For properties no. 5 to 8, the relevant Connected Deed of Mutual Covenant provides that if any management expenses incurred are solely relating to a specific portion or part of the building or development, such expenses shall be paid by the owners of the relevant portion or part of the building or development only.*

While the DMC Manager's remuneration forms part of the DMC Management Fee, the majority portion of the DMC Management Fee payable to the Connected DMC Manager represents the management expenses which are expenditure for the management and maintenance of the relevant building or development (including costs in engaging third party service providers to manage and maintain the relevant property).

LETTER FROM THE BOARD

All the terms of the Connected Deeds of Mutual Covenant, including those set out in the above table, were determined prior to acquisition of the relevant properties by the Sunlight REIT Group. Therefore, the Sunlight REIT Group was not involved in the negotiation or determination of these terms. Having taken into account that (i) the rate of Connected DMC Manager's maximum remuneration receivable under the Connected Deeds of Mutual Covenant in the range of 10% to 15% of total budgeted management expenses of the relevant property or building is in line with the prevailing market rate, and (ii) other owners of the relevant property or building unrelated to the Sunlight REIT Group or the HLD Group are also liable to pay the Connected DMC Manager the DMC Management Fee calculated on the same basis pursuant to the Connected Deeds of Mutual Covenant, the Manager considers that the terms of the appointment of the Connected DMC Manager (including without limitation, the determination and rates of the DMC Management Fee) are on normal commercial terms.

(iii) Historical amounts and annual cap amounts

For each of the financial years ended 30 June 2018, 30 June 2019 and 30 June 2020 and the six months ended 31 December 2020, the aggregate amounts paid by the Sunlight REIT Group to the Connected DMC Managers pursuant to the Connected Deeds of Mutual Covenant were approximately HK\$12,529,000, HK\$13,029,000, HK\$13,504,000 and HK\$6,033,000 respectively.

It is expected that the maximum aggregate annual amount payable by the Sunlight REIT Group to the Connected DMC Managers pursuant to the Connected Deeds of Mutual Covenant for the three financial years ending 30 June 2024 will not exceed the amounts set out below:

<u>Financial year ending</u> <u>30 June 2022</u>	<u>Financial year ending</u> <u>30 June 2023</u>	<u>Financial year ending</u> <u>30 June 2024</u>
HK\$18,000,000	HK\$18,960,000	HK\$19,980,000

The above proposed new annual caps for the Connected Deeds of Mutual Covenant for the three financial years ending 30 June 2024 have been determined by taking into account the historical amounts of the DMC Management Fee paid, the current rates of service fees of the Connected DMC Managers and possible growth in costs and expenses reflecting expected market conditions in the future, supplemented by a buffer of 10% for each of the three financial years ending 30 June 2024 for contingencies.

IMPLICATIONS OF THE PROPERTY MANAGEMENT TRANSACTIONS UNDER THE REIT CODE

At the Latest Practicable Date, the HLD Group holds an aggregate of approximately 18.08% of Units in issue while the SKFE Group holds an aggregate of approximately 22.44% of Units in issue. The Manager is an indirect wholly-owned subsidiary of HLD. Therefore, members of the HLD Related Group are connected persons of Sunlight REIT, and the Property Management Transactions constitute continuing connected party transactions of Sunlight REIT under the REIT Code.

LETTER FROM THE BOARD

As some of the applicable percentage ratios (as calculated pursuant to Rule 14.07 of the Listing Rules) in respect of the annual caps of the Property Management Transactions exceed 5% on an aggregate basis, the Property Management Transactions are subject to the announcement, reporting, annual review and Independent Unitholders' approval requirements pursuant to the REIT Code and/or Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the Property Management Transactions and therefore, none of them is required to abstain from voting on the relevant board resolutions of the Manager for approving the Property Management Transactions.

INTERNAL CONTROL

The Manager has established an internal control system to ensure that connected party transactions between the Sunlight REIT Group and its connected persons are monitored and that such transactions are undertaken on terms in compliance with the REIT Code. As required by the REIT Code, all connected party transactions must, among other things, be carried out at arm's length, on normal commercial terms and in the interests of unitholders.

In respect of the Property Management Transactions, the following internal control measures are in place to ensure that such transactions satisfy the foregoing criteria:

- (a) The Manager maintains a register to record all connected party transactions which are entered into by members of the Sunlight REIT Group and where applicable, the bases, including (with respect to the Services Transactions only) any competitive tenders and quotations from independent third parties obtained to support such bases, on which they are entered into. The Manager or (in respect of the DMC Management Fees under the Connected Deeds of Mutual Covenant) the Property Manager will verify that the amounts payable by the Sunlight REIT Group are calculated in accordance with the relevant agreements.
- (b) The register of connected party transactions is reviewed by the Compliance Department of the Manager on a monthly basis to ensure the relevant annual caps are not exceeded.
- (c) As a general rule, the Manager will demonstrate to the Audit Committee of the Board that all connected party transactions are carried out at arm's length, on normal commercial terms and in the interests of Unitholders. In particular, the Audit Committee is provided with a summary of the connected party transactions including their transaction amounts on a quarterly basis.
- (d) The Internal Audit Department of the Manager will review all connected party transactions entered into by the Sunlight REIT Group on half-yearly basis.

LETTER FROM THE BOARD

REVIEW AND REPORTING

The Property Management Transactions to be conducted during the three financial years ending 30 June 2024 will be subject to the following review and reporting processes pursuant to paragraph 8.7A of the REIT Code and Rules 14A.55 to 14A.59, and Rule 14A.71 and Rule 14A.72 of the Listing Rules (as modified under the REIT Code):

(a) Annual review by the independent non-executive Directors

The independent non-executive Directors shall review the transactions annually and confirm in Sunlight REIT's annual report for the relevant financial year that each transaction has been entered into: (i) in the ordinary and usual course of business of Sunlight REIT; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of Sunlight REIT and the Unitholders as a whole.

(b) Annual review by the auditors of Sunlight REIT

In respect of each relevant financial year, the Manager shall engage the auditors of Sunlight REIT to report on the transactions annually. The auditors of Sunlight REIT must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that any transactions: (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of Sunlight REIT; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing it; and (iv) have exceeded the applicable annual cap. The Manager shall provide a copy of such auditors' letter to the SFC at least 10 business days before the bulk printing of the annual report of Sunlight REIT.

(c) Auditors' access to records

The Manager shall allow, and ensure that the counterparties to the transactions allow, the auditors of Sunlight REIT sufficient access to their records for the purpose of reporting on the transactions.

(d) Notification to the SFC

The Manager shall promptly notify the SFC and publish an announcement if the independent non-executive Directors and/or the auditors of Sunlight REIT cannot confirm the matters set out in (a) and/or (b) above. The SFC may require Sunlight REIT to re-comply the announcement and unitholders' approval requirements and may impose additional conditions.

(e) Annual reports

A brief summary of the transactions containing the information specified in Rules 14A.71 and 14A.72 of the Listing Rules (as modified under the REIT Code) shall be included in Sunlight REIT's annual reports.

LETTER FROM THE BOARD

INFORMATION ON THE PARTIES TO THE PROPERTY MANAGEMENT TRANSACTIONS

Sunlight REIT is a Hong Kong collective investment scheme constituted as a unit trust by the Trust Deed, and is authorised under section 104 of the SFO. The Sunlight REIT Group is principally engaged in the business of ownership of and investment in income-generating office and retail properties in Hong Kong.

Each of MCPI Company, SSC Company, Supernova Stand Company, Kwong Wah Plaza Companies, Winsome House Company, Wai Ching Commercial Building Company, Sun Fai Commercial Centre Company, 135 Bonham Strand Trade Centre Company and Beverley Commercial Centre Company is a special purpose vehicle owned and controlled by Sunlight REIT and is principally engaged in property investment.

The Manager is an indirect wholly-owned subsidiary of HLD and is principally engaged in managing Sunlight REIT.

HLD, being ultimately controlled by the private family trusts of Dr. LEE Shau Kee, is an investment holding company the shares of which are listed on the Main Board of the Stock Exchange. The HLD Group is principally engaged in the business of property development and investment, construction, project management, property management, finance, department store operation and investment holding.

The Property Manager is an indirect wholly-owned subsidiary of HLD and is principally engaged in provisions of property management services to the properties of Sunlight REIT.

Metro City Management Limited, Hang Yick Properties Management Limited and Sheung Shui Centre Management Limited are wholly-owned subsidiaries of HLD and are principally engaged in property management.

APPROVALS REQUIRED AND RESTRICTIONS ON VOTING

The Manager wishes to obtain the approval of the Independent Unitholders for the Property Management Transactions by way of an Ordinary Resolution.

Paragraph 8.7F of the REIT Code provides that where a unitholder has a material interest in the transaction tabled for approval, and that interest is different from that of all other unitholders, such unitholder shall abstain from voting at the general meeting.

Further, under paragraph 3.2 of Schedule A to the Trust Deed, where a Unitholder has a material interest in the business conducted at a meeting of Unitholders, and that interest is different from the interests of other Unitholders, such Unitholder shall be prohibited from voting at, or being counted in the quorum for, such meeting.

LETTER FROM THE BOARD

Therefore, by virtue of the HLD Group's material interest in the Property Management Transactions, the HLD Group, which held 301,319,511 Units representing approximately 18.08% of Units in issue at the Latest Practicable Date, will abstain from voting on the Ordinary Resolution to approve the Property Management Transactions and the annual caps of such transactions for the three financial years ending 30 June 2024 (except for voting pursuant to a proxy under a specific direction given by Independent Unitholder(s) to vote for or against the Ordinary Resolution on his or their behalf).

For the avoidance of doubt, members of the SKFE Group are not the counterparties of the Property Management Transactions, nor are they associates (as defined in Rule 14A.13 of the Listing Rules) of HLD or of any counterparties of the Property Management Transactions. Accordingly, the SKFE Group (which held 374,072,708 Units or approximately 22.44% of Units in issue at the Latest Practicable Date) does not have a material interest in the Property Management Transactions or the annual caps thereof, and is not required to abstain from voting on the Ordinary Resolution to approve the Property Management Transactions and the annual caps of such transactions for the three financial years ending 30 June 2024.

At the Latest Practicable Date, to the best of the Manager's knowledge, information and belief after having made reasonable enquiries, the Manager is not aware of any Unitholder (other than the HLD Group) who is required to abstain from voting on the Ordinary Resolution to approve the Property Management Transactions and the annual caps of such transactions for the three financial years ending 30 June 2024.

As far as the Manager was aware, having made all reasonable enquiries, at the Latest Practicable Date:

- (a) the relevant members of the HLD Group controlled or were entitled to exercise control over the voting right in respect of their respective Units;
- (b) (i) there were no voting trusts or other agreements or arrangements or understanding (other than an outright sale) entered into by or binding upon any member of the HLD Group;
- (ii) there were no obligations or entitlements of any member of the HLD Group, whereby it had or might have temporarily or permanently passed control over the exercise of the voting rights in respect of its Units to a third party, either generally or on a case-by-case basis; and
- (c) there is no discrepancy between the beneficial unitholding interest of the HLD Group in Sunlight REIT as disclosed in this circular and the number of Units in respect of which it will control or will be entitled to exercise control over the voting rights at the EGM where an Ordinary Resolution will be proposed to approve the Property Management Transactions.

LETTER FROM THE BOARD

OPINION OF THE INDEPENDENT FINANCIAL ADVISER

VMS Securities Limited, being the Independent Financial Adviser, has been appointed as the independent financial adviser to provide an opinion on the Property Management Transactions to the Independent Board Committee, the Independent Unitholders and the Trustee. Your attention is drawn to the “Letter from the Independent Financial Adviser” set out in this circular. The Independent Financial Adviser confirms that it is of the view that (a) the Property Management Transactions will be entered into in the ordinary and usual course of business of Sunlight REIT, (b) the terms of the Property Management Transactions are on normal commercial terms, and are fair and reasonable; (c) the entering into of the Property Management Transactions is in the interests of Sunlight REIT and the Unitholders as a whole; and (d) the annual caps thereof for the three financial years ending 30 June 2024 are fair and reasonable and in the interest of Sunlight REIT and the Independent Unitholders as a whole.

OPINION OF THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Mr. KWAN Kai Cheong, Dr. TSE Kwok Sang and Mr. KWOK Tun Ho, Chester (all being independent non-executive Directors), has been established by the Board to advise the Independent Unitholders on the Property Management Transactions. Your attention is drawn to the “Letter from the Independent Board Committee” set out in this circular. Having taken into account the opinion of and the principal factors and reasons considered by the Independent Financial Adviser, the Independent Board Committee considers that the terms of the Property Management Transactions are on normal commercial terms entered into in the ordinary and usual course of business of the Sunlight REIT Group and the Property Management Transactions and the annual caps thereof for the three financial years ending 30 June 2024 are fair and reasonable so far as the Independent Unitholders are concerned, and are in the interests of Sunlight REIT and the Unitholders as a whole. The Independent Board Committee recommends that the Independent Unitholders vote in favour of the Ordinary Resolution to approve the Property Management Transactions and the annual caps thereof for the three financial years ending 30 June 2024 at the EGM.

RECOMMENDATION

The Board considers that the Property Management Transactions form an integral part of the normal operations of Sunlight REIT. In particular, the Property Manager has been a key and important delegate of the Manager since the listing of Sunlight REIT in relation to the management of the properties of Sunlight REIT. Hence, the Board is of the view that it is in the interests of Unitholders that the Property Management Agreement be extended for a further term of three years to ensure business continuity of Sunlight REIT.

LETTER FROM THE BOARD

The Board considers that the terms of the Property Management Transactions and the annual caps thereof for the three financial years ending 30 June 2024 are fair and reasonable and in the interests of Sunlight REIT and the Unitholders as a whole and that the Property Management Transactions are on normal commercial terms and the transactions thereunder will be carried out on an arm's length basis. The Board is of the view that the Property Management Transactions are consistent with the investment policy, objectives and strategy of Sunlight REIT and in compliance with the REIT Code and the Trust Deed. The Board therefore recommends that the Independent Unitholders vote in favour of the Ordinary Resolution to approve the Property Management Transactions and the annual caps thereof for the three financial years ending 30 June 2024 at the EGM.

Based on and in sole reliance on the information and assurances provided by the Manager including those in the Announcement and in this circular, the opinions of the Independent Board Committee and the Independent Financial Adviser set out in this circular and having taken into account its duties set out in the REIT Code and the Trust Deed, the Trustee considers that the terms of the Property Management Transactions are (i) consistent with Sunlight REIT's investment policy and in compliance with the REIT Code and the Trust Deed; (ii) in the interests of Sunlight REIT and the Unitholders as a whole; and (iii) on normal commercial terms which are fair and reasonable.

Accordingly, and on the above basis, the Trustee has no objection to the Property Management Transactions.

The above view is included in this circular solely to comply with paragraph 8.7D of the REIT Code.

Unitholders who are in any doubt as to the merits or impact of the Property Management Transactions should seek their own financial or other professional advice.

EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF UNITHOLDERS

The EGM will be held at The Ballroom, 18th Floor, The Mira Hong Kong, 118 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong on Wednesday, 5 May 2021 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the Special Resolutions and the Ordinary Resolution set out in the EGM Notice, which is set out on pages N-1 to N-4 of this circular.

The register of Unitholders will be closed from Friday, 30 April 2021 to Wednesday, 5 May 2021, both days inclusive, during which period no transfers of Units will be effected. In order to qualify to attend and vote at the EGM, all transfers of Units accompanied by the relevant unit certificates and the duly completed transfer forms must be lodged with the unit registrar of Sunlight REIT, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 29 April 2021.

LETTER FROM THE BOARD

If you are a Unitholder on the register of Unitholders on Wednesday, 5 May 2021 (being the date fixed for the purpose of determining Unitholders' entitlement to vote at the EGM), you can vote at the EGM. You will find enclosed with this circular a form of proxy for use for the purpose of the EGM.

Please complete, sign and date the enclosed form of proxy, whether or not you plan to attend the EGM in person, in accordance with the instructions printed thereon, and return it to the unit registrar of Sunlight REIT, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. The form of proxy should be completed and returned as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

The voting on all the proposed Special Resolutions and Ordinary Resolution at the EGM as set out in the EGM Notice will be taken by poll.

GENERAL INFORMATION

Your attention is drawn to the section headed "*General Information*" in this circular.

Yours faithfully,

On behalf of the Board

HENDERSON SUNLIGHT ASSET MANAGEMENT LIMITED

恒基陽光資產管理有限公司

(as manager of Sunlight Real Estate Investment Trust)

WU Shiu Kee, Keith

Chief Executive Officer and Executive Director



SUNLIGHT REIT

Sunlight Real Estate Investment Trust

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

(Stock Code : 435)

Managed by

Henderson Sunlight Asset Management Limited

恒基陽光資產管理有限公司

9 April 2021

To the Independent Unitholders

Dear Sir/Madam,

**CONTINUING CONNECTED PARTY TRANSACTIONS
PROPERTY MANAGEMENT TRANSACTIONS**

We have been appointed as members of the Independent Board Committee to advise you in respect of the Property Management Transactions, the details of which are set out in the “Letter from the Board” in the circular dated 9 April 2021 from the Manager to the Unitholders (the “**Circular**”), of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

VMS Securities Limited has been appointed by the Manager to advise us, the Independent Unitholders and the Trustee in connection with the Property Management Transactions, in particular as to whether (1) the Property Management Transactions are conducted in the ordinary and usual course of business of Sunlight REIT and the terms of which (including the annual caps thereunder) are at arm’s length and on normal commercial terms; and (2) the terms of the Property Management Transactions and the annual caps thereof for the three financial years ending 30 June 2024 are fair and reasonable so far as the Independent Unitholders are concerned, and are in the interests of Sunlight REIT and the Unitholders as a whole. Details of its opinion, together with the principal factors and reasons taken into consideration, and assumptions and qualifications in arriving at such opinion, are set out in the “Letter from the Independent Financial Adviser”, the text of which is contained in the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the opinion of and the principal factors and reasons considered by VMS Securities Limited, we consider that (i) the Property Management Transactions are entered into at arm's length and on normal commercial terms and in the ordinary and usual course of business of Sunlight REIT; and (ii) the terms of Property Management Transactions and the annual caps thereof for the three financial years ending 30 June 2024 are fair and reasonable so far as the Independent Unitholders are concerned, and are in the interests of Sunlight REIT and the Unitholders as a whole.

Accordingly, we recommend that the Independent Unitholders vote in favour of the Ordinary Resolution to approve the Property Management Transactions and the annual caps thereof for the three financial years ending 30 June 2024.

Yours faithfully,

Independent Board Committee

HENDERSON SUNLIGHT ASSET MANAGEMENT LIMITED

恒基陽光資產管理有限公司

(as manager of Sunlight Real Estate Investment Trust)

KWAN Kai Cheong TSE Kwok Sang KWOK Tun Ho, Chester

Independent Non-Executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from the independent financial adviser, VMS Securities Limited, to the Independent Board Committee, the Independent Unitholders and the Trustee, which has been prepared for the purpose of inclusion in this circular.



VMS Securities Limited
49/F, One Exchange Square
8 Connaught Place, Central
Hong Kong

9 April 2021

To: *the Independent Board Committee, the Independent Unitholders and the Trustee of Sunlight Real Estate Investment Trust*

Dear Sirs,

CONTINUING CONNECTED PARTY TRANSACTIONS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee, the Independent Unitholders and the Trustee on the Property Management Transactions (as defined below) which constitute continuing connected party transactions under the REIT Code and together with the proposed new annual caps for each of the three financial years ending 30 June 2022, 2023 and 2024 (the “**New Annual Caps**”), in respect of which the Independent Unitholders’ approval will be sought at the EGM. Details of the Property Management Transactions (as defined below) and the relevant proposed New Annual Caps are set out in the Letter from the Board contained in the circular of Sunlight REIT to Unitholders dated 9 April 2021 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

As at the Latest Practicable Date, the HLD Group holds an aggregate of approximately 18.08% of Units in issue. The Manager is a wholly-owned subsidiary of HLD. Therefore, members of the HLD Related Group are connected persons of Sunlight REIT, and the transactions contemplated under the Renewed Property Management Agreement, the Master Services Agreement and the Connected Deeds of Mutual Covenant (collectively, the “**Property Management Transactions**”) constitute continuing connected party transactions of Sunlight REIT under the REIT Code. As some of the applicable percentage ratios (as calculated pursuant to Rule 14.07 of the Listing Rules) in respect of the New Annual Caps exceed 5% on an aggregate basis, the Property Management Transactions are subject to the announcement, reporting, annual review and Independent Unitholders’ approval requirements pursuant to the REIT Code and/or Chapter 14A of the Listing Rule.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

By virtue of the HLD Group's material interest in the Property Management Transactions, the HLD Group will abstain from voting on the Ordinary Resolution to approve the Property Management Transactions and the New Annual Caps (except for voting pursuant to a proxy under a specific direction given by Independent Unitholder(s) to vote for or against the Ordinary Resolution on his or their behalf).

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. KWAN Kai Cheong, Dr. TSE Kwok Sang and Mr. KWOK Tun Ho, Chester, has been established to advise the Independent Unitholders on the Property Management Transactions and the New Annual Caps. We, VMS Securities Limited, have been appointed to advise the Independent Board Committee, the Independent Unitholders and the Trustee in this regard.

We are independent from, and not associated with, (i) the Sunlight REIT Group; (ii) the Trustee; (iii) the Manager; (iv) the HLD Group; (v) each of the substantial holders of Sunlight REIT; (vi) directors or chief executives of the Manager, the Trustee or any subsidiaries of Sunlight REIT; (vii) each of the relevant connected person(s) with respect to the Property Management Transactions; and (viii) their respective associates (as defined in the REIT Code). Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the aforementioned parties.

Save for acting as an independent financial adviser in this appointment, we have not acted as a financial adviser or an independent financial adviser to Sunlight REIT and its associates in the past two years. As at the Latest Practicable Date, there had been no other relationships or interests existing between us on one hand and the Sunlight REIT Group, the Trustee, the Manager, the HLD Group, and their respective substantial unitholders/shareholders and/or associates on the other hand that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules in acting as the independent financial adviser in respect of the Property Management Transactions and the proposed New Annual Caps, the details of which are contained in the Circular.

In formulating our opinion, we have reviewed, among other things, information as set out in the Circular, the latest annual report and the interim report of Sunlight REIT, and agreements in relation to the Property Management Transactions. We have also relied on the information and facts supplied, and the opinions expressed by the Directors and management of the Manager, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were provided or expressed to us, and will remain so up to the EGM. We have sought and received confirmation from the Manager that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information received is sufficient for us to reach the opinion and recommendation set out in this letter and to justify our reliance on such information. We have no reason to believe that any material information has been withheld, nor doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Sunlight REIT Group, the Manager, the HLD Related Group and the relevant parties to the Property Management Transactions, nor have we carried out any independent verification of the information supplied.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion with regard to the Property Management Transactions and the New Annual Caps, we have taken into account the following principal factors:

1. Background to and reasons for the Property Management Transactions, and the 2018 Extended Waiver

Sunlight REIT is a Hong Kong collective investment scheme constituted as a unit trust by the Trust Deed, and is authorised under section 104 of the SFO. The Sunlight REIT Group is principally engaged in the business of ownership of and investment in income-generating office and retail properties in Hong Kong.

The Property Manager, being a wholly-owned subsidiary of HLD, has been delegated by the Manager with the responsibilities to provide services contemplated under the Property Management Agreement since the listing of Sunlight REIT. Meanwhile, the HLD Related Group has also been providing certain services (such as security) to certain properties of Sunlight REIT. Based on the satisfactory performance of the service providers as mentioned above and for the sake of business continuity, the Manager is of the view that it is in the interests of Sunlight REIT and the Unitholders as a whole to continue this business relationship with the HLD Related Group.

For the purpose of the 2018 Extended Waiver, (1) the fees and reimbursements payable by the Sunlight REIT Group under the Property Management Agreement would not be subject to any annual cap for the three financial years ending 30 June 2021; and (2) the aggregate amounts payable by the Sunlight REIT Group to entities or persons who are connected persons of Sunlight REIT as a result of their connection with (a) the Manager (including the Property Manager and the HLD Group) or (b) those wholly-owned subsidiaries of SKFE which hold 10% or more Units in issue, in relation to the continuing connected party transactions in respect of third party services and the Connected Deeds of Mutual Covenant would be subject to a combined annual cap in respect of each of the three financial years ending 30 June 2021. In view of the expiry of the 2018 Extended Waiver on 30 June 2021 and pursuant to relevant provisions of the REIT Code, the Manager entered into the Renewed Property Management Agreement and the Master Services Agreement with the Property Manager and HLD respectively for regulating the terms of services to be provided to the Sunlight REIT Group subject to approval of the Independent Unitholders. The Sunlight REIT Group currently intends to continue to own the relevant properties governed by the Connected Deeds of Mutual Covenant. So long as any part of the relevant properties governed by the Connected Deeds of Mutual Covenant is owned by the Property Holding Companies, the relevant Property Holding Companies are bound by and have the benefits of the existing arrangement under the Connected Deeds of Mutual Covenant. For the three financial years ending 30 June 2024, the continuing connected party transactions under the Renewed Property Management Agreement, the Master Services Agreement and the Connected Deeds of Mutual Covenant will respectively be subject to separate annual caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As some of the applicable percentage ratios (as calculated pursuant to Rule 14.07 of the Listing Rules) in respect of the New Annual Caps of the Property Management Transactions exceed 5% on an aggregate basis, approval from the Independent Unitholders in respect of (i) the Property Management Transactions, which include transactions contemplated under the Renewed Property Management Agreement, the Master Services Agreement and the Connected Deeds of Mutual Covenant; and (ii) their respective New Annual Caps will be sought at the EGM pursuant to the REIT Code and/or Chapter 14A of the Listing Rules.

2. Principal terms of the Property Management Transactions

Principal terms of the Property Management Transactions are set out in the section headed “*Continuing Connected Party Transactions: Property Management Transactions*” in the Letter from the Board contained in the Circular. A summary of the principal terms is as follows:

(A) Renewed Property Management Agreement

On 31 March 2021, the Property Manager and the Manager (in its capacity as manager of Sunlight REIT) entered into the Fifth Supplemental Agreement for the renewal of the Property Management Agreement for the Extended Term, unless terminated pursuant to the terms of the Renewed Property Management Agreement. The terms and conditions of the transactions contemplated under the Renewed Property Management Agreement during the Extended Term (including without limitation, the rates of fees) are substantially identical to those under the Property Management Agreement.

Condition

The Fifth Supplemental Agreement is conditional upon the approval of the Independent Unitholders. If this condition is not fulfilled on or before 30 June 2021 (or such later date as may be agreed between the Manager and the Property Manager), the Fifth Supplemental Agreement shall lapse forthwith and be of no further effect.

Services to be provided by the Property Manager

The Property Manager shall provide, including without limitation, the following services in respect of the properties of the Sunlight REIT Group:

- (i) property management services, including co-ordinating tenants fitting out requirements, recommending third party contracts for provision of property management service, maintenance services, supervising the performance of service providers and contractors, arranging for adequate insurances and ensuring compliance with building and safety regulations;
- (ii) lease management services, including administration of rental collection, management of rental arrears, initiating lease renewals and negotiation of terms; and
- (iii) marketing and marketing co-ordination services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Consideration and other terms

(i) *Property management services and lease management services*

The fee payable to the Property Manager for the property management services and lease management services pursuant to the Renewed Property Management Agreement during the Extended Term will not exceed 3% per annum of the Gross Property Revenue of each relevant property managed by it, which shall be paid by the relevant Property Holding Company. The Manager and the Property Manager may mutually agree to revise the rate of such fee in respect of any property of the Sunlight REIT Group from time to time provided that it does not exceed 3% per annum of the Gross Property Revenue of such property.

Such fees are calculated each month and the relevant Property Holding Company will, on the recommendation of the Manager, arrange for payment of the fees to the Property Manager, within 14 days after receipt of the Property Manager's invoice. These fees will be reconciled with the audited accounts of the Property Holding Company for the relevant financial year within 14 days after the completion of the preparation of such audited accounts (or such other period as may be agreed between the parties), and any adjustment to the fees shall be paid to the Property Manager by the relevant Property Holding Company or refunded to the relevant Property Holding Company by the Property Manager within 30 days after the completion of the preparation of the said audited accounts.

In respect of lease renewal, where any memorandum of lease renewal prepared by the Property Manager is entered into, an administrative fee not exceeding HK\$600 in respect of each such memorandum can be charged by the Property Manager to the relevant tenants or licensees.

(ii) *Marketing services*

Pursuant to the Renewed Property Management Agreement, the Property Manager is entitled to commissions for its provision of marketing services and such commissions are determined by reference to the duration of the relevant leases/licences entered into or renewed and the total rental/licence fees paid as detailed in the section headed "*Continuing Connected Party Transactions: Property Management Transactions*" in the Letter from the Board contained in the Circular.

(iii) *Reimbursement*

The Property Manager will also be fully reimbursed by the relevant Property Holding Company for certain employment costs, secondment costs and remuneration of employees of the Property Manager and other persons who are engaged by or under secondment to the Property Manager solely and exclusively for the management of the relevant property of Sunlight REIT and persons providing

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

technical services who are engaged by or under the secondment to the Property Manager solely and exclusively for the management of one or more properties of Sunlight REIT. The reimbursement of costs are included in the New Annual Caps. For the avoidance of doubt, all other operating costs of the Property Manager will be borne by itself.

The Manager confirms that the fees payable in relation to the transactions contemplated under the Renewed Property Management Agreement are on normal commercial terms and will be carried out on arm's length basis.

We have reviewed the latest annual reports published on the day immediately before the Latest Practicable Date by two other real estate investment trusts (the "**Two Other REITs**") listed on the Stock Exchange. We note that the Two Other REITs engage their respective connected parties as property manager and pay a property management fee of 3% per annum of gross property revenue for the provision of property management services and lease management services. The Two Other REITs also engage their respective connected parties to provide marketing services. The commissions payable by the Two Other REITs in respect of the provision of marketing services are determined by reference to the duration of the relevant leases/licences entered into or renewed. The commissions and fees paid by the Two Other REITs are in general comparable to those offered by the relevant Property Holding Company to the Property Manager pursuant to the Renewed Property Management Agreement.

In respect of the reimbursement of costs (being included in the New Annual Caps), we understand from the Manager that no mark-up will be charged by the Property Manager and it is purely on a reimbursement basis. We are given to understand that the Manager has established internal control measures such as checking the calculation breakdown and the relevant supporting documents to ensure accuracy of costs to be reimbursed by the relevant Property Holding Company, and there has been no dispute with the Property Manager on this matter so far. We have been provided by the Manager and reviewed a copy of debit note for reimbursement of staff costs for the month of December 2020, which included a detailed breakdown by nature and amount of such reimbursements. Moreover, the payment is authorized by the chief executive officer of the Manager. Accordingly, we consider that adequate internal control measures are in place.

On this basis, we consider that the services to be provided under the Renewed Property Management Agreement are being conducted on normal commercial terms.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(B) Master Services Agreement

The Master Services Agreement dated 31 March 2021 was entered into between HLD and the Manager (in its capacity as manager of Sunlight REIT), and shall be valid from 1 July 2021 to 30 June 2024 unless being early terminated in accordance with its terms. The Master Services Agreement is subject to the approval by the Independent Unitholders at the EGM. If this condition cannot be fulfilled on or before 30 June 2021 (or such later date as may be agreed between the Manager and HLD), the Master Services Agreement shall lapse forthwith and be of no further effect.

The Master Services Agreement is a framework agreement which contains principles, terms and conditions upon which the parties thereto are to carry out the transactions contemplated thereunder. The relevant members of the HLD Related Group and the Sunlight REIT Group (or the Property Manager as agent for, or at the costs of, the relevant members of the Sunlight REIT Group) shall enter into separate definitive service agreement(s) (the “**Definitive Service Agreement(s)**”) setting out the detailed terms (including the fee and the payment terms) in respect of the Service Transactions to be provided by relevant members of the HLD Related Group.

It is further stipulated in the Master Services Agreement that the terms of, and the fee payable under, the Definitive Service Agreements shall be negotiated on a case-by-case and an arm’s length basis, and shall be on normal commercial terms which (a) from the Sunlight REIT Group’s perspective, shall be no less favourable than those which the relevant members of the Sunlight REIT Group could obtain from independent contractors or suppliers of comparable services, and (b) from the HLD Related Group’s perspective, shall be no more favourable than those which the relevant members of the HLD Related Group made available to their independent third party customers.

It is stated in the section headed “*Continuing Connected Party Transactions: Property Management Transactions*” in the Letter from the Board contained in the Circular that the Sunlight REIT Group shall invite competitive tenders or not less than three quotations (among which not more than one quotation shall be from a connected person of Sunlight REIT) from contractors or suppliers, so that a comparison of prices of a sufficient number of independent contractor(s) or supplier(s) of comparable services in the market will be conducted for management review with a view to ensuring that the terms of Services provided by the HLD Related Group (including the fees payable to the HLD Related Group for the Services) in connection with the Service Transactions are reasonable having regard to the scale, scope and quality of services required, and the reputation, experience and track record of performance of the service providers within the HLD Related Group and other relevant contractors or suppliers. In view of the invitation of quotations involve not less than two independent contractors or suppliers for the Manager to compare terms offered by the HLD Related Group, we consider that the invitation of quotations can ensure the Service Transactions to be conducted on normal commercial terms.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the past three financial years ended 30 June 2018, 2019 and 2020, and the six months ended 31 December 2020, the third party services provided by the HLD Related Group were related to security services for certain properties of the Sunlight REIT Group. The HLD Related Group is currently engaged to provide security services for three properties of the Sunlight REIT Group. We have reviewed the tender analysis and recommendation in respect of security services for these three properties and note that a total of four service providers (one being a member of the HLD Related Group while the other three service providers being independent third parties) submitted their tenders in 2019. The tenderers which provided the three lowest prices were selected, and after they were interviewed by the Property Manager, they were invited for the final round of tendering procedure. The security service contract was awarded to the HLD Related Group after having considered, among other things, (1) the total service fee offered by the HLD Related Group for these three properties being the lowest; (2) good quality of services having been provided to the Sunlight REIT Group in the past; (3) sufficient manpower of the HLD Related Group; and (4) satisfactory rating in respect of security service provided by the HLD Related Group in the 2018 survey completed by tenants of two properties of the Sunlight REIT Group. In relation to the security service agreements for the period from 1 July 2019 to 30 June 2021 signed between the Property Manager (on behalf of Sunlight REIT) and a member of the HLD Related Group in respect of the aforesaid three properties awarded to the HLD Related Group through tender process, we have reviewed the procurement approval form signed by the chief executive officer of the Manager. In addition, we have reviewed the related email correspondence between the Manager and the Trustee. Based on the information provided by the Manager to the Trustee including that it had acted in compliance with such procurement policy, the Trustee had no objection to the Manager's award of those contracts to a member of the HLD Related Group.

As set out above, the third party services provided by the HLD Related Group were related to security services for certain properties of the Sunlight REIT Group for the past three financial years ended 30 June 2018, 2019 and 2020, and the six months ended 31 December 2020. We understand from the Manager that the security service contracts as mentioned were awarded to the HLD Related Group through the process of tender instead of invitation of quotation. We are also given to understand from the Manager that for selection by way of tender or invitation of quotation, due consideration will be made in respect of the scale, scope and quality of services required, as well as the reputation, experience and the performance track record of the service providers within the HLD Related Group and other relevant contractors or suppliers. On this basis, we consider that interests of the Independent Unitholders can be safeguarded under the tendering process and the transactions contemplated under the Master Services Agreement are being conducted on normal commercial terms.

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(C) Connected Deeds of Mutual Covenant

The DMC Managers currently appointed under certain Deeds of Mutual Covenant are members of the HLD Group (such DMC Managers referred to as the “**Connected DMC Managers**”) and they were so appointed prior to the relevant properties being acquired by the Sunlight REIT Group. Such Connected DMC Managers have agreed to undertake management of the relevant entire development, building, lot of land, and/or the common areas and facilities thereof.

The Deeds of Mutual Covenant bind the relevant DMC Managers appointed thereunder and all the owners of the relevant properties or lot of land on which the property is located and their successors-in-title, irrespective of whether they are original parties to the Deeds of Mutual Covenant. As stated in the Letter from the Board contained in the Circular, although some of the Property Holding Companies (each a special purpose vehicle owned and controlled by Sunlight REIT) are not original parties to the Connected Deeds of Mutual Covenant, they are bound by and have the benefits of the terms thereof. Further, the Sunlight REIT Group is not entitled to vary the provisions of such Connected Deeds of Mutual Covenant in respect of such properties (all the buildings or developments of which any such properties form part are not wholly- owned by the Sunlight REIT Group).

While the DMC Manager’s remuneration forms part of the DMC Management Fee, the majority portion of the DMC Management Fee payable to the Connected DMC Manager represents the management expenses which are expenditure for the management and maintenance of the relevant building or development (including costs in engaging third party service providers to manage and maintain the relevant property).

We have reviewed and noted that the terms of the Connected Deeds of Mutual Covenant differ from one property to another which is likely because terms of the Connected Deeds of Mutual Covenant were determined at different period of time and under different market conditions. We also note that the DMC Management Fee payable to the Connected DMC Managers pursuant to the relevant Connected Deeds of Mutual Covenant are generally based on the proportion as the number of management units allocated to the portion/part of the property owned by the Sunlight REIT Group bears to the total management units allocated to the entire development erected on the lot(s) of land. Taken into account that the Connected Deeds of Mutual Covenant were entered into prior the acquisition of the relevant properties by the Sunlight REIT Group and the Sunlight REIT Group is not entitled to vary the provisions of such Connected Deeds of Mutual Covenant (all the buildings or developments of which any such properties form part are not wholly-owned by the Sunlight REIT Group), we are of the opinion that the current term of all the Connected DMC Managers (being not fixed and to continue until the relevant Connected DMC Manager resigns or is removed pursuant to the terms of the relevant Connected Deeds of Mutual Covenant or the Buildings Management Ordinance) is in line with normal business practice for deeds of this type. Details of the DMC Management Fee payable to the Connected DMC Manager are set out in the section headed “*Continuing Connected Party Transactions: Property Management Transactions – (C) Deeds of Mutual Covenant*” in the Letter from the Board contained in the Circular. In view of the fact that (1) the Deeds of Mutual Covenant bind the Connected DMC Managers and all the owners of a development and their successors-in-title, irrespective of whether they are original parties to the Connected Deeds of Mutual

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Covenant; (2) all the owners of a development and their successors-in-title, including the Sunlight REIT Group and other independent third parties, are bound by, and have the benefit of, the terms of the Connected Deeds of Mutual Covenant; and (3) DMC Management Fee payable to the Connected DMC Managers pursuant to the relevant Connected Deeds of Mutual Covenant are generally based on the proportion as the number of management units allocated to the portion/part of the property owned by the Sunlight REIT Group bears to the total management units allocated to the entire development erected on the lot(s) of land, we consider that it is fair and reasonable for the Sunlight REIT Group to be abide by the Connected Deeds of Mutual Covenant.

Given that the Property Management Transactions will be conducted on normal commercial terms as set out above, we consider that the entering into of the Property Management Transactions is in the interests of Sunlight REIT and the Unitholders as a whole. In light of the principal activities of the Sunlight REIT Group, we also consider that the Property Management Transactions will be conducted in the ordinary and usual course of business of the Sunlight REIT Group.

3. The New Annual Caps

The Property Management Transactions are subject to the relevant New Annual Caps whereby the amount of the Property Management Transactions for each of the three financial years ending 30 June 2022, 2023 and 2024 will not exceed the applicable New Annual Caps stated in the “Letter from the Board” contained in the Circular.

In assessing the reasonableness of the relevant New Annual Caps, we have discussed with the Manager the basis and underlying assumptions for the purpose of setting the relevant New Annual Caps.

(A) *Renewed Property Management Agreement*

Set out below are the approximate aggregate historical amounts payable pursuant to the Property Management Agreement for the three financial years ended 30 June 2018, 2019 and 2020 and for the six months ended 31 December 2020:

	For the financial year ended 30 June			For the six months ended
	2018	2019	2020	31 December
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2020
				<i>HK\$'000</i>
Aggregate amounts in respect of the Property Management Agreement	52,601	52,216	51,882	22,125
<i>Approximate decrease as compared to the previous year (%)</i>		<i>(0.7%)</i>	<i>(0.6%)</i>	

The historical amount in respect of the Property Management Agreement had been fairly stable for the three financial years ended 30 June 2018, 2019 and 2020, which was mainly attributable to the stable portfolio mix of the properties of the Sunlight REIT Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the portfolio mix of existing tenancies, the relevant lease expiry profile and the prevailing market conditions, an assumption of annual growth of 5% of the costs reimbursement as a result of continual business development and continual improvement of quality of services to be provided to tenants of the Sunlight REIT Group, as well as a further assumption of a property acquisition by the Sunlight REIT Group, the Manager estimates the transaction amount payable pursuant to the Renewed Property Management Agreement for the financial year ending 30 June 2022 to be HK\$56.4 million.

In determining the estimated amount payable pursuant to the Renewed Property Management Agreement for the year ending 30 June 2023 of approximately HK\$62.46 million, the Manager assumes that (i) there is an annual growth of 5% of the reimbursement amount and (ii) a property will be further acquired by the Sunlight REIT Group. The Manager does not assume any further acquisition of properties in estimating the amount for the year ending 30 June 2024. An annual growth of 5% on the reimbursement amount is built in for the estimation for the year ending 30 June 2024 and is offset by the drop of market service expense due to the drop in number of leases expiring in the year ending 30 June 2024. Therefore, the estimated amount for the year ending 30 June 2024 of approximately HK\$62.56 million is relatively the same as that for the previous year.

The costs reimbursement increased by approximately 3.6% for the financial year ended 30 June 2019 as compared to that of the prior year, and further increased by approximately 0.2% for the financial year ended 30 June 2020 as compared to that for the financial year ended 30 June 2019. As advised by the Manager, the drop in the rate of increase for the financial year ended 30 June 2020 was primarily due to temporary shortage of some direct site staff during the period. In view of (i) the historical increase of the reimbursement amount for the two financial years ended 30 June 2019 and 2020; and (ii) the continual business development and continual improvement of quality of services to be provided to tenants of the Sunlight REIT Group, we consider the assumption of annual growth of 5% on the reimbursement amount for the coming three financial years ending 30 June 2022, 2023 and 2024 to be reasonable.

It was stated in the interim results announcement of Sunlight REIT dated 4 February 2021 that as the Manager is firmly committed to steering through the coronavirus volatility, the Independent Unitholders should also be assured of its unwavering aspirations to expanding the investment footprint of Sunlight REIT. Accordingly, we consider that the assumption of the possible acquisitions in setting the New Annual Caps is consistent with the business development strategy of Sunlight REIT.

A buffer of 10% has also been incorporated by the Manager when determining the New Annual Caps for the coming three financial years ending 30 June 2022, 2023 and 2024 to cater for possible adjustments in, among other things, (a) reimbursement amount; and (b) gross rental income of the Sunlight REIT Group. Accordingly, the New Annual Caps are proposed by the Manager to be HK\$62.04 million, HK\$68.71 million and HK\$68.82 million for each of three financial years ending 30 June 2022, 2023 and 2024.

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Given that (a) consideration in relation to the transactions contemplated under the Renewed Property Management Agreement will be conducted on normal commercial terms as set out in the section headed “*Continuing Connected Party Transactions: Property Management Transactions*” in the Letter from the Board contained in the Circular; (b) the buffer can cater for the possible gross revenue of the properties rebound after the COVID-19 pandemic; (c) the buffer can provide the Manager with an allowance for contingencies to accommodate possible fluctuations resulting from any changes in rental or other market conditions which, in turn, affect the amount payable to the Property Manager; and (d) we have reviewed and compared the range of contingency buffer of other REITs listed on the Stock Exchange as extracted from their respective circulars published within the last three years and noted that the contingency buffer ranged from 5% to 25%, we are of the view that the buffer of 10% for each of the three financial years ending 30 June 2022, 2023 and 2024 is reasonable.

In light of the above, we consider the proposed New Annual Caps as set out below to be fair and reasonable as far as the Independent Unitholders are concerned:

	For the financial year ending 30 June		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
New Annual Caps for the Renewed Property Management Agreement	62,040	68,710	68,820
<i>Approximate increase as compared to the annual caps of previous year (%)</i>		<i>10.8%</i>	<i>0.2%</i>

(B) Master Services Agreement

Set out below are the approximate historical amount of the Service Transactions for the three financial years ended 30 June 2018, 2019 and 2020 and for the six months ended 31 December 2020:

	For the financial year ended 30 June			For the six months ended
	2018	2019	2020	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Aggregate amounts in respect of the Service Transactions	2,720	2,814	3,759	2,009
<i>Approximate increase as compared to the previous year (%)</i>		<i>3.5%</i>	<i>33.6%</i>	

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For the past three financial years ended 30 June 2018, 2019 and 2020, and the six months ended 31 December 2020, the Service Transactions provided by the HLD Related Group were related to the security services for certain properties of the Sunlight REIT Group. The HLD Related Group was awarded security service contract for two properties of the Sunlight REIT Group during the two financial years ended 30 June 2018 and 2019. Thus, the historical transaction amount was relatively the same during these two financial years ended 30 June 2018 and 2019. Security service contract for two properties was renewed with some increment for further two years effective on 1 July 2019. An additional security service contract was awarded to the HLD Related Group for the provision of security services to another property of the Sunlight REIT Group effective on 1 July 2019 for a duration of two years, which accordingly contributed to the increase of the historical transaction amount for the financial year ended 30 June 2020.

The existing security service contracts for the three properties will expire on 30 June 2021. Tender of new security service contracts for a duration of two years in respect of the three properties will be arranged prior to 30 June 2021 and new security service contracts will be entered into after completion of the tender.

The Manager estimates the transaction amount for the year ending 30 June 2022 to be approximately HK\$6.57 million by assuming principally (a) an increase of 15% of security service fee for the new contracts; (b) the security service contract may be awarded to the HLD Related Group for the possible acquisition of property by the Sunlight REIT Group during the year ending 30 June 2022; and (c) the HLD Related Group may provide other Service Transactions to the Sunlight REIT Group in an amount of HK\$1 million.

An increase of 5% in respect of both of the security service fee and the other Service Transactions that may be provided by the HLD Related Group is applied by the Manager to estimate the transaction amount for the year ending 30 June 2023. This results in the estimated transaction amount of approximately HK\$6.89 million for the year ending 30 June 2023. As the duration of the security service contract is two years, new security service contracts have to be entered into by parties for the provision of security services for the two years ending 30 June 2024 and 2025. Accordingly, the Manager applies (a) an increase of 15% of security service fee for the new contracts (being the same that applied for determining the estimated transaction amount for the year ending 30 June 2022); and (b) an increase of 5% in respect of other Service Transactions that may be provided by the HLD Related Group to estimate the transaction amount for the year ending 30 June 2024. The estimated transaction amount for the year ending 30 June 2024 is approximately HK\$7.82 million.

We have reviewed the list of increment of security service fees of all properties of the Sunlight REIT Group with the HLD Related Group and independent third party service providers being engaged by the Sunlight REIT Group to provide the security services. From the list, we note that the increase of security service fee for the first year of the new contract (as compared to the previous contract) is, in general, higher than the increase of security service fee for the second year (as compared to service fee charged

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in the first year of the new contract). This explains why (a) a higher rate of increase of 15% is applied by the Manager when the new security service contracts are to be entered into during each of the year ending 30 June 2022 and 30 June 2024; and (b) a lower rate of increase of 5% is applied by the Manager for the year ending 30 June 2023 (being the second year of the new security service contract to be entered into during the year ending 30 June 2022). The assumption of the rate of increase of 15% in respect of first year of the new contract and 5% in respect of second year of the new contract are within the range of the increase for the existing security service contracts entered into by the Property Manager (as the agent for, or at the costs of, the Sunlight REIT Group) with the HLD Related Group or independent third party service providers for the provision of security services for the two years ending 30 June 2020 and 2021. The statutory minimum wage was adjusted to HK\$34.5 per hour in May 2017 by an increase of approximately 6.2% and was further adjusted to HK\$37.5 per hour in May 2019 by an increase of approximately 8.7%. In light of the state of the economy due to the COVID-19 pandemic, it has been announced that there will be no adjustment to the statutory minimum wage in May 2021. Moreover, we have reviewed “Hong Kong Monthly Digest of Statistics” issued in February 2021 by the Census and Statistics Department of Hong Kong and note that the real wage indices for real estate leasing and maintenance management of all broad occupational groups for September 2019 and September 2020 were 138.1 and 150.5 respectively, representing an increase of approximately 9%. As advised by the Manager, there are also assumptions of increased costs for quality security staff and more ad-hoc additional relievers required for any quarantine arrangements. On this basis, we consider (i) the rate of increase of 15% and 5% in respect of security service fee; and (ii) annual increase of 5% for the other Service Transactions that may be provided by the HLD Related Group to be reasonable.

The security service contracts with the HLD Related Group were awarded through tender process. The service fee charged by the HLD Related Group in the first and second year had to be set out in the tender. We have reviewed the tender analysis and recommendation in respect of the security services being awarded to the HLD Related Group for the two years ending 30 June 2021, for which the Manager compared the service fees offered by the HLD Related Group as against that provided by independent third party service providers. In view of the fact that (i) the security service contracts with the HLD Related Group were awarded through a tendering process; and (ii) the total service fee offered by the HLD Related Group was the lowest, we are of the view that the terms of provision of security services by the HLD Related Group were, from the perspective of Sunlight REIT, no less favorable than those available from independent third party service providers.

In setting the New Annual Caps for the Renewed Property Management Agreement, the Manager assumes that there may be a possibility of acquisition of properties by Sunlight REIT in the future which in turn would require additional security services. In connection with the above, we are given to understand that the Manager uses the estimated transaction amount of an existing property of Sunlight REIT with similar size and grade as the basis for deriving the transaction amount of additional security services for the year ending 30 June 2022. We have checked and note that the estimated transaction

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amount of security services in respect of the possible acquisition for the year ending 30 June 2022 to be broadly similar to that of the existing property of Sunlight REIT. Therefore, we are of the view that the Manager's assumption in estimating the transaction amount for awarding additional security service contract to the HLD Related Group in respect of the possible acquisition of property for the year ending 30 June 2022 is reasonable.

In respect of the assumption of other Service Transactions of HK\$1 million for the financial year ending 30 June 2022, although the HLD Related Group provided the Manager with security services only for the past three years ended 30 June 2018, 2019 and 2020, and the six months ended 31 December 2020, we understand from the Manager that there may be the possibility for HLD Related Group to provide Sunlight REIT with other Service Transactions such as repair and maintenance transactions or consultancy for the coming three financial years ending 30 June 2022, 2023 and 2024. Furthermore, the Manager estimates the amount of HK\$1 million by reference to the historical amount charged by independent third party service providers in respect of these other Service Transactions. We have reviewed two letters of award issued by the Manager to independent third party service providers for (i) professional design and consultancy services for renovation purpose; and (ii) certain repair and maintenance work. We note that the amount charged by each of independent third party service providers exceeded HK\$1 million. Given that there may be a possibility of awarding consultancy, repair and maintenance works of smaller scale to the HLD Related Group, we consider that it is reasonable for the Manager to estimate the amount of HK\$1 million for these other Service Transactions. Moreover, pursuant to the Master Services Agreement, the transactions have to be conducted on arm's length basis, and on normal commercial terms. On this basis, we consider that it is appropriate to include this HK\$1 million in estimating the transaction amount for the financial year ending 30 June 2022.

A buffer of 10% has also been incorporated by the Manager when determining the New Annual Caps for the coming three financial years ending 30 June 2022, 2023 and 2024 for contingencies, for instance, potential new contracts for management and operations of properties, additional landlord's fitting out provisions, or building facilities maintenance and improvement works which the HLD Related Group may enter into with the Sunlight REIT Group during the relevant financial periods. Accordingly, the New Annual Caps are proposed by the Manager to be HK\$7.23 million, HK\$7.59 million and HK\$8.61 million for each of three financial years ending 30 June 2022, 2023 and 2024. Given that (a) the terms and service fees payable to be on normal commercial terms pursuant to the Master Services Agreement; (b) the buffer can provide flexibility for the Sunlight REIT Group to source services from the HLD Related Group if the Manager considers that the terms offered by the HLD Related Group are in the interests of the Sunlight REIT Group and the Unitholders as a whole; and (c) we have reviewed and compared the range of contingency buffer of other REITs listed on the Stock Exchange as extracted from their respective circulars published within the last three years and noted that the contingency buffer ranges from 5% to 25%, we are of the view that the buffer of 10% for each of the three financial years ending 30 June 2022, 2023 and 2024 is reasonable.

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In light of the above, we consider the proposed New Annual Caps as set out below to be fair and reasonable as far as the Independent Unitholders are concerned:

	For the financial year ending 30 June		
	2022	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
New Annual Caps for the Master Services Agreement	7,230	7,590	8,610
<i>Approximate increase as compared to the annual caps of previous year (%)</i>		<i>5.0%</i>	<i>13.4%</i>

(C) Connected Deeds of Mutual Covenant

Set out below are the approximate historical amounts of the DMC Management Fees payable by the Sunlight REIT Group to the Connected DMC Managers pursuant to the relevant Connected Deeds of Mutual Covenant for the three financial years ended 30 June 2018, 2019 and 2020 and for the six months ended 31 December 2020:

	For the financial year ended 30 June			For the six months ended
	2018	2019	2020	31 December 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Aggregate amounts in respect of the DMC Management Fees for the Connected Deeds of Mutual Covenant	12,529	13,029	13,504	6,033
<i>Approximate increase as compared to the previous year (%)</i>		<i>4.0%</i>	<i>3.6%</i>	

The Manager advises us that a substantial part of the historical transaction amount paid to the Connected DMC Managers was related to property management fee, and the increase of historical amount for the past three financial years ended 30 June 2018, 2019 and 2020 was mainly due to the increase of rate of property management fee as a result of increasing labour and maintenance costs of the properties.

In estimating the transaction amounts of the DMC Management Fees payable by the Sunlight REIT Group to the Connected DMC Managers pursuant to the Connected Deeds of Mutual Covenant for the year ending 30 June 2022, the Manager assumes (a) an overall growth of approximately 5%; and (b) approximately HK\$2 million to be incurred for ad hoc major repair works. Therefore, the estimated transaction amount for the year ending 30 June 2022 is approximately HK\$16.36 million. For the transaction amount in respect of the DMC Management Fees for the two years ending 30 June 2023 and 30 June 2024, the estimated amount is approximately HK\$17.23 million and HK\$18.16 million respectively, which is based on an overall annual growth of approximately 5%.

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The historical transaction amount mainly represented the property management fee payable to the Connected DMC Managers. We have reviewed the movement of unit rate of property management fee and note that the increase of unit rate of property management fee for 2018/2019 and 2019/2020 was in a range of between 1.9% and 7%. As for 2020/2021, save for an increase of 3% of unit rate of property management fee for a property, the unit rate of property management fee of all other properties under the Connected Deeds of Mutual Covenant remains unchanged which is mainly due to the COVID-19 pandemic. Moreover, we have reviewed statistics from the Census and Statistics Department of Hong Kong and note that the composite consumer price index was 2.4%, 2.9% and 0.3% for 2018, 2019 and 2020 respectively. The significant drop of composite consumer price index in 2020 was likely attributable to the COVID-19 pandemic. Since there is no change of unit rate of property management fee for most of properties under the Connected Deeds of Mutual Covenant for 2020/2021, it is likely that that the unit rate will be adjusted upward after the COVID-19 pandemic. In view of (a) the overall annual increase of 5% to be within the range of the historical increase of unit rate of property management fee for 2018/2019 and 2019/2020; and (b) the increase of composite consumer price index in 2018 and 2019, we are of the view that the annual increment rate of 5% applied by the Manager to estimate the transaction amount for coming three financial years ending 30 June 2022, 2023 and 2024 is reasonable.

The Manager advises us that one of Connected DMC Managers has received a governmental order for building and window inspection in respect of a building in which a property of the Sunlight REIT Group forms part. The Manager estimates preliminarily that the Sunlight REIT Group has to share the costs in a range of between approximately HK\$0.6 million and HK\$0.81 million. As the details of repairing work and costs sharing among property owners are yet to be finalised, the estimated costs to be shared by the Sunlight REIT Group is subject to change. We understand from the Manager that the age of properties under the Connected Deeds of Mutual Covenant range from 21 years to 40 years, and there is a likelihood that certain structural repair and replacement works may be required. On this basis, we concur with the Manager's view that it is reasonable to include a fee of HK\$2 million for ad hoc major repair works with an annual increment rate of 5%.

Furthermore, a buffer of 10% for contingencies such as unforeseeable market fluctuations is budgeted for the proposed New Annual Caps for the Connected Deeds of Mutual Covenant for each of the three financial years ending 30 June 2022, 2023 and 2024. We have reviewed and compared the range of contingency buffer of other REITs listed on the Stock Exchange as extracted from their respective circulars published within the last three years and note that the contingency buffer ranges from 5% to 25%. Given that the 10% contingency buffer proposed by the Manager falls within the range, we are of the view that the buffer adopted is reasonable.

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In light of the above, we consider the proposed New Annual Caps as set out below to be fair and reasonable as far as the Independent Unitholders are concerned:

	For the financial year ending 30 June		
	2022	2023	2024
	HK\$'000	HK\$'000	HK\$'000
New Annual Caps for the Connected Deeds of Mutual Covenant	18,000	18,960	19,980
<i>Approximate increase as compared to the annual caps of previous year (%)</i>		5.3%	5.4%

4. Review and Reporting

In compliance with relevant provisions of the REIT Code and the Listing Rules (as modified under the REIT Code), the Property Management Transactions to be conducted for the coming three financial years ending 30 June 2022, 2023 and 2024 shall be subject to the following review and reporting process:

(a) Annual review by the independent non-executive Directors

The independent non-executive Directors shall review the Property Management Transactions annually and confirm in Sunlight REIT's annual report for the relevant financial year that each of the Property Management Transactions has been entered into: (i) in the ordinary and usual course of business of Sunlight REIT; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of Sunlight REIT and the Unitholders as a whole.

(b) Annual review by the auditors of Sunlight REIT

In respect of each relevant financial year, the Manager shall engage the auditors of Sunlight REIT to report on the Property Management Transactions annually. The auditors of Sunlight REIT must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that any Property Management Transactions: (i) have not been approved by the Board; (ii) (in the case of provision of goods and services by the Sunlight REIT Group) were not entered into, in all material respects, in accordance with the pricing policies of Sunlight REIT; (iii) were not entered into, in all material respects, in accordance with the Renewed Property Management Agreement, the Master Services Agreement and the Connected Deeds of Mutual Covenant (as the case to be); and (iv) have exceeded the applicable New Annual Caps. The Manager shall provide a copy of such auditors' letter to the SFC at least 10 business days before the bulk printing of the annual report of Sunlight REIT.

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(c) Auditors' access to records

The Manager shall allow, and ensure that the counterparties to the Property Management Transactions allow, the auditors of Sunlight REIT sufficient access to their records for the purpose of reporting on the Property Management Transactions.

(d) Notification to the SFC

The Manager shall promptly notify the SFC and publish an announcement if the independent non-executive Directors of the Manager and/or the auditors of Sunlight REIT cannot confirm the matters set out in points (a) and/or (b) above respectively. The SFC may require Sunlight REIT to re-comply the announcement and unitholders' approval requirements and may impose additional conditions.

(e) Annual reports

A brief summary of the Property Management Transactions containing the information specified in the Listing Rules (as modified under the REIT Code) shall be included in Sunlight REIT's annual reports.

We reviewed the annual reports of Sunlight REIT for the three years ended 30 June 2018, 2019 and 2020, and noted that annual review had been conducted by the independent non-executive Directors of the Manager and the auditor of Sunlight REIT. As disclosed in the annual reports, the independent non-executive Directors of the Manager and the auditor of Sunlight REIT were able to confirm the matters set out in points (a) and (b) above respectively for the three years ended 30 June 2018, 2019 and 2020. Moreover, a summary of connected party transactions had been disclosed in the annual reports for the three years ended 30 June 2018, 2019 and 2020. Accordingly, the aforesaid review and reporting procedures has been implemented by the Manager and Sunlight REIT.

In light of (i) internal control measures established by the Manager in respect of connected party transactions as set out in the section headed "*Continuing Connected Party Transactions: Property Management Transactions*" in the Letter from the Board contained in the Circular; (ii) the review and reporting process on the Property Management Transactions, in particular, (1) the limit of the applicable annual amounts of the Property Management Transactions by way of the relevant New Annual Caps; (2) the on-going review by the independent non-executive Directors of the Manager and auditors of Sunlight REIT regarding the terms of the Property Management Transactions; and (3) the aforesaid on-going review by the auditors of the Sunlight REIT regarding the New Annual Caps; and (iii) the requirement for Sunlight REIT to re-comply with the announcement and unitholders' approval requirements (if applicable) in relation to the Property Management Transactions before any New Annual Cap is exceeded or it proposes to effect a material change to their terms pursuant the Listing Rules, we are of the view that appropriate measures have been in place to (i) govern the conduct of the Property Management Transactions; and (ii) safeguard the interests of the Independent Unitholders.

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OPINION

Having taken into account the above principal factors, we consider that (i) the Property Management Transactions will be entered into in the ordinary and usual course of business of Sunlight REIT; (ii) the terms of the Property Management Transactions are on normal commercial terms, and fair and reasonable; (iii) the entering into of the Property Management Transactions is in the interests of Sunlight REIT and the Unitholders as a whole; and (iv) the New Annual Caps are fair and reasonable and in the interest of Sunlight REIT and the Independent Unitholders as a whole. Accordingly, we recommend, and we advise the Independent Board Committee to recommend, the Independent Unitholders to vote in favour of the Ordinary Resolution to be proposed at the EGM to approve the Property Management Transactions and the New Annual Caps.

Yours faithfully,
for and on behalf of
VMS SECURITIES LIMITED

Emily Chan	Richard Leung
<i>Managing Director –</i>	<i>Managing Director –</i>
<i>Corporate Finance</i>	<i>Corporate Finance</i>

Ms. Emily Chan is a licensed person and responsible officer of VMS Securities Limited registered with the SFC to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. She has over 20 years of experience in the investment banking and corporate finance industry.

Mr. Richard Leung is a licensed person and responsible officer of VMS Securities Limited registered with the SFC to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over 15 years of experience in the corporate finance industry.

GENERAL INFORMATION

1. RESPONSIBILITY STATEMENT

The Manager and the Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular, which includes particulars given in compliance with the Listing Rules (to the extent applicable pursuant to the REIT Code) for the purpose of giving information with regard to Sunlight REIT. The Manager and the Directors confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts or matters the omission of which would make any statement in this circular misleading.

2. INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

At the Latest Practicable Date, the interests and short positions of the Manager and each Director and chief executive of the Manager in Units and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Manager and the Stock Exchange under Schedule C of the Trust Deed (including interests and short positions in which he was deemed or taken to have pursuant to Schedule C of the Trust Deed), or which were required to be entered in the register maintained by the Manager under Schedule C of the Trust Deed, or which were required, pursuant to the code governing dealings in securities of Sunlight REIT adopted by Directors, the terms of which are no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) of Appendix 10 to the Listing Rules (as if it were applicable to Sunlight REIT), to be notified to the Manager and the Stock Exchange, were as follows:

Long position

Name	Nature of interest and capacity	Total number of Units held at the Latest Practicable Date	Approximate percentage (%) of issued Units at the Latest Practicable Date
The Manager	Beneficial owner	157,407,194	9.443
AU Siu Kee, Alexander	Beneficial owner and interest of spouse	2,300,000 ^{Note}	0.138
WU Shiu Kee, Keith	Beneficial owner	930,000	0.056
KWOK Tun Ho, Chester	Beneficial owner	12,000	0.001

Note: Of the 2,300,000 Units in which Mr. AU Siu Kee, Alexander was interested, 201,000 Units were directly held by Mr. AU, 1,999,000 Units were jointly held under his name and his deceased spouse's name, and the remaining 100,000 Units were directly held under the estate of his deceased spouse (hence in which Mr. AU has deemed interest).

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Save as disclosed in the above, at the Latest Practicable Date, none of the Manager, the Directors or chief executive of the Manager had or deemed to have any interest or short positions in Units, underlying Units and any debentures of Sunlight REIT or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Manager and the Stock Exchange under Schedule C of the Trust Deed (including interests and short positions in which he was deemed or taken to have pursuant to Schedule C of the Trust Deed), or which were required to be entered in the register maintained by the Manager under Schedule C of the Trust Deed, or which were required, pursuant to the code governing dealings in securities of Sunlight REIT adopted by Directors, the terms of which are no less exacting than those set out in the Model Code (as if it were applicable to Sunlight REIT), to be notified to the Manager and the Stock Exchange.

3. COMMON DIRECTORS

At the Latest Practicable Date, the following Directors were also directors of the following company which had interests in Units or underlying Units which would fall to be disclosed to the Manager under Schedule C of the Trust Deed:

Name of Common Directors	Name of Company
AU Siu Kee, Alexander KWOK Ping Ho	HLD

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Sunlight REIT Group since 30 June 2020, being the date to which the latest published audited consolidated financial statements of Sunlight REIT were made up.

5. MATERIAL ADVERSE CHANGE

The Manager confirms that after making reasonable enquiries, as at the Latest Practicable Date, it was not aware of any material adverse change in the financial or trading position of the Sunlight REIT Group since 30 June 2020, being the date to which the latest published audited consolidated financial statements of Sunlight REIT were made up.

6. COMPETING INTERESTS

At the Latest Practicable Date, the following Directors had interests in the following businesses which were considered to compete or were likely to compete, either directly or indirectly, with the business of the Sunlight REIT Group other than those business where the

GENERAL INFORMATION

Directors were appointed as directors to represent the interests of the Sunlight REIT Group:

Name of Director	Business which were considered to compete or likely to compete with the business of the Sunlight REIT Group		Nature of interest of the Director in the entity
	Name of entity	Description of business	
AU Siu Kee, Alexander	HLD and some of its subsidiaries, associates and/or related companies	The development, investment and management of retail, office and other properties in and outside Hong Kong.	An independent non-executive director of HLD and a director of some of HLD's subsidiaries, associates and/or related companies
KWOK Ping Ho			An executive director of HLD and a director of some of HLD's subsidiaries, associates and/or related companies

The Manager and the Property Manager are both indirect wholly-owned subsidiaries of HLD. The HLD Group is engaged in, among other things, the development, investment and management of retail, office and other properties in and outside Hong Kong. Therefore, the Manager may experience conflicts of interest with HLD when acquiring and disposing of investments, or in connection with transactions between Sunlight REIT on one hand and HLD on the other hand. The Manager and the Property Manager may also experience conflicts of interest with HLD when identifying and competing for potential tenants.

Please refer to the paragraph headed “*Conflicts of interest and business competition*” in the Corporate Governance section in Sunlight REIT’s 2020/21 Interim Report (which was issued on 24 February 2021) for details of the conflicts or potential conflicts of interests involving certain members of the HLD Group.

Save as disclosed above, at the Latest Practicable Date, none of the Manager, the Directors and their respective Close Associates has interest in any business apart from the business of the Sunlight REIT Group, which was considered to compete or is likely to compete, either directly or indirectly, with that of the Sunlight REIT Group or any other conflicts of interests with the Sunlight REIT Group.

7. DIRECTORS’ INTERESTS IN CONTRACTS OR ARRANGEMENTS

At the Latest Practicable Date, save for the Trust Deed, the Manager was not materially interested in any contract or arrangement which is subsisting at the date of this circular and which is significant in relation to the business of the Sunlight REIT Group.

GENERAL INFORMATION

At at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is subsisting at the date of this circular and which is significant in relation to the businesses of the Group.

8. EXPERT AND CONSENT

The following sets out the qualifications of the expert who has provided its opinion in this circular:

Name	Qualifications
VMS Securities Limited	a corporation licensed to carry out Type 1 (dealing in securities), and Type 6 (advising on corporate finance) regulated activities under the SFO

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or reports and references to its name, in the form and context in which they respectively appear.

At the Latest Practicable Date, the Independent Financial Adviser did not have any unitholding or shareholding, directly or indirectly, in Sunlight REIT or any member of the Sunlight REIT Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in Sunlight REIT or any member of the Sunlight REIT Group.

At the Latest Practicable Date, the Independent Financial Adviser did not have any interest, directly or indirectly, in any assets which since 30 June 2020, the date to which the latest published audited consolidated financial statements of Sunlight REIT were made up, had been acquired or disposed of by or leased to any member of the Sunlight REIT Group, or are proposed to be acquired or disposed of by or leased to any member of the Sunlight REIT Group.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Pursuant to the REIT Code, a copy of the Trust Deed is available for inspection by the public during normal office hours at the Manager's registered office, at 30th Floor, Dah Sing Financial Centre, 248 Queen's Road East, Wan Chai, Hong Kong.

Copies of the Renewed Property Management Agreement, the Master Services Agreement and the Connected Deeds of Mutual Covenants will also be available for inspection during normal office hours at the Manager's registered office, at 30th Floor, Dah Sing Financial Centre, 248 Queen's Road East, Wan Chai, Hong Kong from the date of this circular and up to and including the date of the EGM.

10. GENERAL

In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

The Manager proposes to seek Unitholders' approval to make amendments to the Trust Deed of which the full text or extract of the relevant clauses are reproduced in this Appendix I, with the proposed insertions and deletions indicated by, respectively, the underlined text and the strikethrough text below. All capitalised terms in the proposed Trust Deed amendments contained in this Appendix I are terms defined in the Trust Deed which shall have the corresponding meanings ascribed to them in the Trust Deed.

(Please refer to Special Resolution no. 1)

1. The removal of the definition of “**10% GAV Cap**” under Clause 1.1 of the Trust Deed;
2. A new definition of “Property Development Costs” under Clause 1.1 of the Trust Deed be inserted in alphabetical order as follows:

“Property Development Costs” has the meaning ascribed to it in Clause 19.2(b);

3. Clause 19.2(b) of the Trust Deed be amended as follows:

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

...

- (b) The Manager may engage or participate in Property Development and Related Activities, including the acquisition of uncompleted units in a building which is unoccupied and non-income producing or in the course of substantial development, redevelopment or refurbishment, provided that (i) the aggregate investments in all Property Development and Related Activities (which, for such purpose, shall not include refurbishment, retrofitting and renovations) undertaken by [the] Sunlight REIT (which shall mean the total project costs borne and to be borne by [the] Sunlight REIT, inclusive of the costs for the acquisition of land (if any) and the development or construction costs and financing costs) (“**Property Development Costs**”) together with (ii) the aggregate contract value of such uncompleted units acquired ((i) and (ii) collectively as the “**Aggregate Development Costs**”) shall not exceed ~~the 10% GAV Cap~~ 25% (or such other higher percentage as may be permitted under the REIT Code) of the gross asset value of Sunlight REIT at any time.

Note: The texts put in square brackets in this Appendix above will be deleted as part of the REIT Code Alignment and Other Miscellaneous Amendments and such deletions do not require Unitholders' approval. In other words, such proposed deletions will be effected whether or not Special Resolution no. 1 is approved.

**APPENDIX II PROPOSED TRUST DEED AMENDMENTS RELATING TO
MISCELLANEOUS FEES OF THE MANAGER AND
SOURCE OF PAYMENT TO THIRD PARTY AGENTS**

The Manager proposes to seek Unitholders' approval to make the amendments to the Trust Deed of which the full text or extract of the relevant clauses are reproduced in this Appendix II, with the proposed insertions and deletions indicated by, respectively, the underlined text and the strikethrough text below. All capitalised terms in the proposed Trust Deed amendments contained in this Appendix II are terms defined in the Trust Deed which shall have the corresponding meanings ascribed to them in the Trust Deed.

(Please refer to Special Resolution no. 2)

1. Clause 15.1(a)(ii) of the Trust Deed be amended as follows:

(ii) In each Financial Year, a variable fee (the "**Variable Fee**") ~~of 3% per annum of the Net Property Income (before deduction therefrom of the Variable Fee)~~ payable to the Manager in respect of the Real Estate owned by Sunlight REIT calculated in accordance with this Clause 15.1(a)(ii), which shall accrue on a daily basis, is payable quarterly in arrears within 30 days after the last day of every calendar quarter and is subject to the Variable Fee Adjustment (as defined below). ~~The Variable Fee shall be calculated as follows:~~

(A) ~~The Variable Fee shall be calculated on the basis 3% per annum of~~ Sunlight REIT's share of (1) the Net Property Income of each Special Purpose Vehicle (before deduction therefrom of the Variable Fee), and (2) the profits (excluding any revaluation gain or loss of any Real Estate) of each Minority-owned Joint Venture Entity, as set out in (i) the unaudited quarterly management accounts (in the case of each quarterly payment) and (ii) the audited annual Accounts (in the case of the Variable Fee Adjustment (as defined below)), of the Sunlight REIT relevant Special Purpose Vehicle and, as the case may be, the relevant Minority-owned Joint Venture Entity.

(B) (1) If the aggregate of the amounts of the Variable Fee paid quarterly to the Manager exceeds the Variable Fee due to the Manager in respect of the relevant Financial Year calculated in accordance with paragraph (ii)(A)(ii) above, the Manager shall pay ~~the~~ Sunlight REIT the difference within 30 days after the announcement of the audited annual results in accordance with Clause 15.1(e)(iii).

(2) If the aggregate of the amounts of the Variable Fee paid quarterly to the Manager is less than the Variable Fee due to the Manager in respect of the relevant Financial Year calculated in accordance with paragraph (ii)(A)(ii) [above], then ~~the~~ Sunlight REIT shall pay the Manager the difference within 30 days after the announcement of the audited annual results in accordance with Clause 15.1(e)(ii).

- (3) The reconciliation and resulting payment pursuant to the preceding provisions of this paragraph (B) is referred to as the “**Variable Fee Adjustment**”.

For the avoidance of doubt:

- (I) the Variable Fee of the Manager shall be calculated on an individual Special Purpose Vehicle basis and an individual Minority-owned Joint Venture Entity basis;
- (II) if the Net Property Income of any Special Purpose Vehicle is a negative figure, the Variable Fee in respect of the relevant Real Estate owned by such Special Purpose Vehicle shall be zero; and
- (III) if there is any loss (after excluding any revaluation gain or loss of any Real Estate) of any Minority-owned Joint Venture Entity as recorded in its financial statements, the Variable Fee in respect of such Minority-owned Joint Venture Entity shall be zero.
2. Clause 15.1(a)(iii) of the Trust Deed be amended as follows:
- (iii) Other than in respect of the acquisitions of the Properties in connection with the Initial Public Offering, an acquisition fee (the “**Acquisition Fee**”) not exceeding the rate of 1% (and being 1% as at the date of this Trust Deed) of the ~~value~~ purchase price of any Real Estate purchased directly or indirectly by [the] Sunlight REIT ~~according to the valuation done by an Approved Valuer in accordance with Clause 21 for the purpose of such acquisition~~ (pro-rated if applicable to the proportion of [the] Sunlight REIT’s interest in the Real Estate acquired), which shall be paid as soon as practicable after (and in any event within 14 days after) the completion of the acquisition.

The Acquisition Fee will be paid to the Manager in the form of cash or, at the election of the Manager and with the prior approval of Holders by an Ordinary Resolution, entirely in the form of Units or partly in cash and partly in the form of Units. When paid in the form of Units, the Manager shall be entitled to receive such number of Units as may be purchased for the relevant amount of the Acquisition Fee at the same issue price of Units used to finance or part finance the acquisition in respect of which the Acquisition Fee is payable or, where Units are not issued to finance or part finance such acquisition, at the issue price that is equal to the highest of: (a) the average closing price of the Units for the 10 trading days on the SEHK immediately prior to the date of entry into of the agreement for the acquisition of the Real Estate, (b) the average closing price of the Units for the 10 trading days on the SEHK immediately prior to the date of the announcement in respect of the acquisition

APPENDIX II PROPOSED TRUST DEED AMENDMENTS RELATING TO
MISCELLANEOUS FEES OF THE MANAGER AND
SOURCE OF PAYMENT TO THIRD PARTY AGENTS

of the Real Estate, and (c) the average closing price of the Units for the 10 trading days on the SEHK immediately prior to the date of completion of the acquisition of the Real Estate, in each case rounded down to the nearest whole number of Units and with any remaining amount to be paid in cash.

3. Clause 15.1(a)(iv) of the Trust Deed be amended as follows:

(iv) A divestment fee (the “**Divestment Fee**”) not exceeding the rate of 0.5% (and being 0.5% as at the date of this Trust Deed) of the value-sale price of any Real Estate directly or indirectly sold or divested by [the] Sunlight REIT ~~according to the valuation done by an Approved Valuer in accordance with Clause 21 for the purpose of such sale~~ (pro-rated if applicable to the proportion of [the] Sunlight REIT’s interest in the Real Estate sold) which shall be paid as soon as practicable after (and in any event within 14 days after) the completion of the divestment. The Divestment Fee will be paid to the Manager in the form of cash or, at the election of the Manager and with the prior approval of Holders by an Ordinary Resolution, entirely in the form of Units or partly in cash and partly in the form of Units. When paid in the form of Units, the Manager shall be entitled to receive such number of Units as may be purchased at the issue price that is equal to the highest of: (a) the average closing price of the Units for the 10 trading days on the SEHK immediately prior to the date of entry into of the agreement for the divestment of the Real Estate, (b) the average closing price of the Units for the 10 trading days on the SEHK immediately prior to the date of the announcement in respect of the divestment of the Real Estate, and (c) the average closing price of the Units for the 10 trading days on the SEHK immediately prior to the date of completion of the divestment of the Real Estate, in each case rounded down to the nearest whole number of Units and with any remaining amount to be paid in cash.

4. Clause 15.1(f) of the Trust Deed be amended as follows:

(f) Any payment to third party agents or brokers in connection with the acquisition or divestment of any Real Estate ~~for~~ by [the] Sunlight REIT shall be paid ~~by Manager to such persons~~ out of the Deposited Property and, for the avoidance of doubt, not out of any Acquisition Fee or Divestment Fee received or receivable by the Manager ~~and not additionally out of the Deposited Property.~~

Note: The texts put in square brackets in this Appendix above will be added or (if shown in strikethrough) deleted as part of the REIT Code Alignment and Other Miscellaneous Amendments and such additions or deletions do not require Unitholders’ approval. In other words, such proposed additions or deletions will be effected whether or not Special Resolution no. 2 is approved.

The Manager proposes to seek Unitholders' approval to make amendments to the Trust Deed of which the full text or extract of the relevant clauses are reproduced in this Appendix III, with the proposed insertions and deletions indicated by, respectively, the underlined text and the strikethrough text below. All capitalised terms in the proposed Trust Deed amendments contained in this Appendix III are terms defined in the Trust Deed which shall have the corresponding meanings ascribed to them in the Trust Deed.

(Please refer to Special Resolution no. 3)

1. Clause 24.6 of the Trust Deed be amended as follows:

For the purposes of this Clause 24, "**Adjustments**" means adjustments which are charged or credited to the income statement for the relevant Financial Year, including:

- (a) the effects of property revaluation gains or losses, including impairment provisions and reversals of impairment provisions;
- (b) impairment loss of goodwill, recognition of or adjustment to negative goodwill except for those relating to the Adjustment Payments;
- (c) differences between cash and accounting finance costs, including fair value changes on financial instruments;
- (d) realised gains on the disposal of Relevant Investments or properties (whether directly or indirectly through the disposal of any Special Purpose Vehicle or Joint Venture Entity);
- (e) deferred tax charges/credits in respect of property valuation movements, fair value changes on financial instruments and commercial building allowances/capital allowances claimed;
- (f) the portion of the remuneration of the Manager that is paid or payable in the form of Units;
- (g) costs of any public offering of Units that are expensed through the income statement but are funded by proceeds from the issuance of such Units;
- (ga) depreciation and amortisation in respect of properties and the leasehold improvements thereof and ancillary machinery, equipment and other fixed assets thereat;
- [(gb) sharing of profits or losses of Minority-owned Joint Venture Entities;

- (h) other material non-cash gains or losses as recorded in the income statement; and
 - (i) the effects of any amount paid to the Manager, the Trustee or ~~the~~ Sunlight REIT pursuant to the DPU Guarantees or the Deeds of Distribution Waiver or otherwise for the express purpose of distribution to Holders which, for the avoidance of doubt, does not include any Adjustment Payments.
2. Clause 24.9 of the Trust Deed be amended as follows^{Note (ii)}:

~~[The Manager may (but is not obliged to), at its discretion from time to time, direct the Trustee to make distributions over and above the minimum 90% of the Annual Distributable Income if and to the extent the Sunlight REIT, in the opinion of the Manager, has funds surplus to its business requirements.] If so required by the REIT Code, any (a) revaluation surplus credited to income, or (b) gains on disposal of real estate, shall not form part of net income for distribution to Holders unless the Manager shall have obtained the Trustee's prior consent. [Deleted]~~

Notes:

- (i) *The texts put in square brackets in this Appendix above will be added or (if shown in strikethrough) deleted as part of the REIT Code Alignment and Other Miscellaneous Amendments and such additions or deletions do not require Unitholders' approval. In other words, such proposed additions or deletions will be effected whether or not Special Resolution no. 3 is approved.*
- (ii) *The first sentence in Clause 24.9 will be deleted as a house-keeping amendment as it overlaps with another provision of the Trust Deed. Notwithstanding such amendment, the Manager will continue to have discretion (but will not be obliged to) direct the Trustee to make distributions over and above the minimum 90% of the Annual Distributable Income if and to the extent that Sunlight REIT, in the opinion of the Manager, has funds surplus to its business requirements.*

The Manager proposes to seek Unitholders' approval to make amendments to the Trust Deed of which the full text or extract of the relevant clauses are reproduced in this Appendix IV, with the proposed insertions and deletions indicated by, respectively, the underlined text and the strikethrough text below. All capitalised terms in the proposed Trust Deed amendments contained in this Appendix IV are terms defined in the Trust Deed which shall have the corresponding meanings ascribed to them in the Trust Deed.

(Please refer to Special Resolution no. 4)

1. A new definition of "electronic facilities" under Clause 1.1 of the Trust Deed be inserted in alphabetical order as follows:

"electronic facilities" include, without limitation, website addresses, webinars, webcasts, videos, software programmes or any form of conference call systems (telephone, video, web or otherwise);

2. A new definition of "hybrid meeting" under Clause 1.1 of the Trust Deed be inserted in alphabetical order as follows:

"hybrid meeting" shall mean a general meeting held and conducted by (i) physical attendance by Holders and/or proxies at one or more meeting location(s); and (ii) virtual attendance and participation by Holders and/or proxy by means of electronic facilities, provided that the only location or one of the locations of the meeting for physical attendance by Holders and/or proxy shall be in Hong Kong which shall be the principal meeting place for the general meeting;

3. Paragraph 1.2 of Schedule A to the Trust Deed be amended as follows:

The Trustee or the Manager may respectively (and the Manager shall at the request in writing of not less than two Holders registered as together holding not less than 10% of the Units for the time being in issue and outstanding) at any time convene a meeting of Holders at such time or place ~~in Hong Kong~~ (subject as hereinafter provided) as the party convening the meeting may think fit and propose resolutions for consideration at such meeting. The Manager shall determine the classification of the business of such meeting as special or ordinary in accordance with the REIT Code and the following provisions of this Schedule shall apply thereto.

4. Paragraph 1.3 of Schedule A to the Trust Deed be amended as follows:

At any meeting of Holders, the Chairman of the board of directors of the Manager or a person nominated by the Manager (if present) shall be the Chairman of the meeting. If at any meeting, the Chairman of the meeting shall not be present within fifteen minutes after the time appointed for holding such meeting or is unwilling to act, the directors of the Manager present shall choose another director as Chairman

of the meeting. Any director of the Manager (including without limitation, the Chairman of the meeting) attending and participating at a meeting by means of electronic facilities shall be deemed to be present at that meeting for all purposes of the REIT Code and other applicable laws, rules and regulations and this Schedule.

5. A new paragraph 1.4 be inserted immediately after paragraph 1.3 of Schedule A to the Trust Deed as follows:

The Manager may, at its absolute discretion, arrange for (a) any general meeting to be held at more than one location by using electronic facilities as determined and directed by the Manager that enable persons entitled to attend the meeting to do so by simultaneous attendance and participation, provided that at least one location of the meeting shall be in Hong Kong which shall be the principal meeting place for the general meeting; and/or (b) any general meeting to be held and conducted in the form of a hybrid meeting, provided that the only location or one of the locations of the meeting shall be in Hong Kong which shall be the principal meeting place for the general meeting as specified in the notice of meeting. The following provisions shall apply to any such arrangement:

- (i) The Holders present in person (or in the case of a corporation, by its duly authorised representative) or by proxy at any meeting location and/or Holders participating in a hybrid meeting by electronic facilities shall be counted in the quorum for and entitled to vote at the meeting in question, and that meeting shall be duly constituted and its proceedings shall be valid provided that the Chairman of the meeting is satisfied that adequate facilities are available throughout the meeting to enable Holders (or in the case of a corporation, its duly authorised representative) or its proxy present at all the meeting locations and attending by using electronic facilities to participate in the business for which the meeting has been convened.
- (ii) Subject to paragraph 1.3 of this Schedule, the Chairman of the meeting shall be present at, and the meeting shall be deemed to have taken place at, the principal meeting place.
- (iii) If Holders (or in the case of a corporation, its duly authorised representative) or their proxies attend a general meeting by being present at one of the meeting locations and/or participate in a hybrid meeting by means of electronic facilities, a failure (for any reason) of communication equipment, or any other failure in the arrangements for enabling those in a meeting location other than the principal meeting place to participate in the business for which the meeting has been convened, or in the case of a hybrid meeting, the inability of one or more Holders (or in the case of corporations, their duly authorised representatives) or proxies to access or continue to access the electronic facilities despite adequate electronic facilities having been made available by

the Manager, shall not affect the validity of the meeting or the resolutions passed, or any business conducted there or any decision made thereat or any action taken pursuant to such business.

- (iv) If any of the meeting locations is outside Hong Kong and/or in the case of a hybrid meeting, the provisions of this Schedule concerning the service and giving of notice for the meeting, and the time for lodging proxies, shall be applied by reference to the principal meeting place in Hong Kong.

For the avoidance of doubt, notwithstanding anything in this Schedule to the contrary, neither the Manager nor the Chairman of the meeting shall be obliged to arrange any general meeting to be held at more than one location or in the form of a hybrid meeting.

6. A new paragraph 1.5 be inserted immediately after the inserted paragraph 1.4 of Schedule A to the Trust Deed as follows:

The Manager and, at any general meeting, the Chairman of the meeting may from time to time make such arrangements for attendance and/or participation and/or voting at any location or locations at which the meeting will take place and/or attendance and/or participation and/or voting at a hybrid meeting (whether involving the issue of tickets or some other means of identification, passcode, electronic voting, seat reservation or otherwise) as it/he shall in its/his absolute discretion consider appropriate, and may from time to time change any such arrangements, provided that a Holder who, pursuant to such arrangements, is not entitled to attend, in person or by proxy, at any particular location shall be entitled so to attend at one of the other locations; and the entitlement of any Holder so to attend the meeting or adjourned or postponed meeting at such location or locations shall be subject to any such arrangement as may be for the time being in force and by the notice of meeting or adjourned or postponed meeting stated to apply to the meeting.

7. A new paragraph 1.6 be inserted immediately after the inserted paragraph 1.5 of Schedule A to the Trust Deed as follows:

If it appears to the Chairman of the meeting that:

- (i) the facilities at the principal meeting place or at such other location or locations at which the meeting may be attended have become inadequate for the purposes referred to in paragraph 1.4 of this Schedule;
- (ii) in the case of a hybrid meeting, electronic facilities being made available by the Manager have become inadequate;

(iii) it is not possible to ascertain the view of those present or to give all persons entitled to do so a reasonable opportunity to communicate and/or vote at the meeting; or

(iv) there is violence or the threat of violence, unruly behaviour or other disruption occurring at the meeting,

then the Chairman of meeting may, at his absolute discretion, without the consent of the meeting, interrupt or adjourn the meeting. All business conducted or decision made at the meeting up to the time of such adjournment shall be valid.

8. A new paragraph 1.7 be inserted immediately after the inserted paragraph 1.6 of Schedule A to the Trust Deed as follows:

The Manager and, at any general meeting, the Chairman of the meeting may make any arrangement and impose any requirement or restriction it or he consider(s) appropriate to ensure the security and orderly conduct of a meeting including, without limitation, requirements for evidence of identity to be produced by those attending the meeting, the searching of their personal property and the restriction of items that may be taken into the meeting place, obeying any precautionary measures and regulations in relation to prevention and control of spread of disease, determining the number and frequency of and the time allowed for and manner of raising questions at a meeting, and muting those who participate in a hybrid meeting by means of electronic facilities. Holders shall also comply with all requirements or restrictions imposed by the owner of the premises at which the meeting is held. Any decision made under this Schedule shall be final and conclusive and a person who refuses to comply with any such arrangements, requirements, restrictions or precautionary measures may be refused entry to the meeting or removed (physically or electronically) from the meeting.

9. A new paragraph 1.8 be inserted immediately after the inserted paragraph 1.7 of Schedule A to the Trust Deed as follows:

All persons seeking to attend and participate in a hybrid meeting shall be responsible for maintaining adequate facilities to enable them to do so. Subject to paragraph 1.6 of this Schedule, any inability of a person or persons to attend or participate in a general meeting by way of electronic facilities shall not invalidate the proceedings and/or resolutions passed at that meeting.

10. Paragraph 2.2 of Schedule A to the Trust Deed be amended as follows:

At least ten business days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given and of Saturdays, Sundays and public holidays in Hong Kong) of every meeting shall be given to the Holders in the manner provided in this Trust Deed, except that at least twenty-one days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of the meeting shall be given to the Holders where a Special Resolution is proposed for consideration at such meeting. The notice shall specify the place (and if the meeting is to be held in 2 or more places, the principal place of meeting and other place or places of the meeting), the day and hour of meeting, details of the electronic facilities for attendance and participation by electronic means at the meeting (in case of a hybrid meeting) and the terms of any resolution to be proposed thereat. A copy of the notice shall be sent ~~by post~~ to the Trustee, unless the meeting is convened by the Trustee in which case a copy of the notice shall be sent ~~by post~~ to the Manager. The accidental omission to give notice to or the non-receipt of notice by any of the Holders shall not invalidate any resolution passed or any proceedings at any meeting. In this paragraph 2.2, "Holders" means the persons who were shown as Holders on the Register as at the close of business on the last Business Day before the notice under this paragraph 2 was sent. Where a meeting is adjourned or a meeting is postponed or changed, and subject to paragraph 4.2 of this Schedule in relation to an adjourned meeting and paragraph 4.3 of this Schedule in relation to a postponed or changed meeting, this paragraph applies as if the reference to the notice given under this paragraph 2.2 was a reference to the notice of the adjourned meeting or the notice of the postponed meeting given under paragraph 4.1 below.

11. Paragraph 3.1 of Schedule A to the Trust Deed be amended as follows:

At any meeting of Holders, two or more Holders present in person, by corporate representative or by proxy registered as holding together not less than 10% of the Units for the time being in issue and outstanding shall form a quorum for the transaction of business, except for the purpose of passing a Special Resolution. The quorum for passing a Special Resolution shall be two or more Holders present in person, by corporate representative or by proxy registered as holding together not less than 25% of the Units in issue and outstanding. Any Holder (in the case of a corporation, by its duly authorised representative) or his proxy attending and participating in a general meeting by electronic facilities is deemed to be present at and shall be counted in the quorum of the meeting. No business shall be transacted at any meeting unless the requisite quorum is present at the commencement of business. Separate proxies shall, for the avoidance of doubt, be permitted but the number of proxies appointed by any one Holder (other than HKSCC Nominees Limited (or any successor thereto) or a recognised clearing house (within the meaning of the SFO) or its nominees) shall not exceed two.

12. A new paragraph 3.3A of Schedule A to the Trust Deed be inserted immediately after paragraph 3.3 of Schedule A to the Trust Deed as follows:

On a show of hands every Holder who is present in person, by corporate representative or by proxy shall have one vote, provided that subject to paragraph 3.1 of this Schedule, where more than one proxy is appointed by a Holder, each such proxy shall have one vote on a show of hands. Votes (whether on a show of hands or a poll) may be cast by such means, electronic or otherwise, as the Manager or the Chairman of the meeting may determine.

13. Paragraph 3.7 of Schedule A to the Trust Deed be amended as follows:

An instrument of proxy may be in the following form or in any other form (including electronic form) which the Trustee shall approve:

“I/We/name of body corporate of being a Holder of Units of and in the trust known as [the] Sunlight Real Estate Investment Trust hereby appoint of or failing him of as my/our proxy to vote for me/us and on my/our behalf at the meeting of Holders of Units of and in the said trust to be held on the day of and at any adjournment or postponement thereof.

AS WITNESS my/our hand/signed under seal this day of .

Signed ”

14. Paragraph 3.8 of Schedule A to the Trust Deed be amended as follows:

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal (or revocation of the proxy or of the power of attorney or other authority under which the proxy was signed) or the transfer of the Units in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received at the place appointed for the deposit of proxies (or if no such place is appointed at the registered office of the Registrar) at least two hours before the commencement of the meeting or adjourned or postponed meeting at which the proxy is used.

15. Paragraph 3.11 of Schedule A to the Trust Deed be amended as follows:

The instrument appointing a proxy and (if required by the Manager) the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be deposited at the place specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith (or, if no such place is specified, at the registered office of the Registrar) or sent to any electronic address or by any electronic means as specified in such notice or document, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned or postponed meeting at which the person named in the instrument proposes to vote, or, in the case of a poll taken subsequently to the date of a meeting or adjourned or postponed meeting, not less than 48 hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve (12) months from the date stated in it as the date of its execution, except for an adjourned or a postponed meeting which is an adjournment or a postponement of an original meeting held within twelve (12) months from such date, or for a poll demanded at such an original meeting or an adjourned or a postponed meeting. Delivery of any instrument appointing a proxy shall not preclude a Holder from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked. A person appointed to act as a proxy need not be a Holder.

16. The heading of paragraph 4 of Schedule A to the Trust Deed be amended as follows:

ADJOURNED MEETINGS AND POSTPONED MEETINGS

17. A new paragraph 4.2 be inserted immediately after paragraph 4.1 of Schedule A to the Trust Deed as follows:

The Chairman of the meeting may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time to time (or indefinitely) and/or from place to place and/or from one form to another as the meeting shall determine. Whenever a meeting is adjourned for fourteen days or more, at least seven clear days' notice, specifying the place, the day and the hour of the adjourned meeting shall be given in the same manner as in the case of an original meeting but it shall not be necessary to specify in such notice the nature of the business to be transacted at the adjourned meeting. Save as aforesaid, no Holder shall be entitled to any notice of an adjournment or of the business to be transacted at any adjourned meeting. No business shall be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.

18. A new paragraph 4.3 be inserted immediately after the inserted paragraph 4.2 of Schedule A to the Trust Deed as follows:

If, after the sending of notice of a general meeting but before the meeting is held, or after the adjournment of a meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Manager, in its absolute discretion, consider that it is impracticable or unreasonable for any reason to hold a general meeting on the date or at the time and place or by means of electronic facilities specified in the notice calling the meeting, they may postpone the meeting to another date and/or time and/or change the place and/or electronic facilities and/or form of the meeting, without approval from the Holders. Without prejudice to the generality of the foregoing, the Manager shall have the power to provide in every notice calling a meeting that, if a black rainstorm warning or a gale warning or other similar event is in force at any time on the day of the meeting (unless such relevant warning or event has been cancelled or ceased at a prescribed time prior to the meeting as may be specified in the relevant notice) the meeting shall be automatically postponed and changed without further notice. This paragraph 4.3 shall be subject to paragraph 4.2 of this Schedule and the following:

- (i) when a meeting is so postponed and/or there is a change in the place and/or electronic facilities and/or form of the meeting, the Manager shall endeavour to post notice of such postponement or change on the website of Sunlight REIT as soon as practicable (provided that failure to post such a notice shall not affect the automatic postponement of or change to such meeting);
- (ii) when a meeting is postponed or there is a change to a meeting in accordance with this paragraph 4.3, unless already specified in the original notice of the meeting or included in the notice posted on the website of Sunlight REIT, the Manager shall fix the date, time, place and electronic facilities (if applicable) for the meeting so postponed or changed and at least seven clear days' notice of the postponement or change shall be given by one of the means specified in Clause 28.8 of this Trust Deed which shall specify the date, time, place and electronic facilities (if applicable) for the meeting so postponed or changed, and the date and time by which proxies shall be submitted in order to be valid at such meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the meeting so postponed or changed unless revoked or replaced by a new proxy); and
- (iii) notice of the business to be transacted at the meeting so postponed or changed shall not be required, nor shall any accompanying documents be required to be recirculated, provided that the business to be transacted at such meeting is the same as that set out in the original notice of general meeting circulated to the Holders.

Note: The texts put in square brackets in this Appendix above will be deleted as part of the REIT Code Alignment and Other Miscellaneous Amendments and such deletions do not require Unitholders' approval. In other words, such proposed deletions will be effected whether or not Special Resolution no. 4 is approved.

NOTICE OF EXTRAORDINARY GENERAL MEETING



SUNLIGHT REIT

Sunlight Real Estate Investment Trust

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

(Stock Code : 435)

Managed by

Henderson Sunlight Asset Management Limited

恒基陽光資產管理有限公司

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of the unitholders (“Unitholders”) of Sunlight Real Estate Investment Trust (“Sunlight REIT”) will be held at The Ballroom, 18th Floor, The Mira Hong Kong, 118 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong on Wednesday, 5 May 2021 at 10:30 a.m. for considering and, if thought fit, passing, with or without modifications, the following resolutions, of which Resolution nos. 1 to 4 are intended to be proposed as special resolutions, and Resolution no. 5 is intended to be proposed as an ordinary resolution.

SPECIAL RESOLUTIONS

1. “**THAT** :
 - (a) pursuant to Clause 36.1 of the Trust Deed, approval be and is hereby given for the Property Development Amendments as set out in Appendix I to the Circular;
 - (b) approval be and is hereby given for the increase of Property Development Cap (as defined in the Circular) to 25% (or such other higher percentage as may be permitted under the REIT Code) of the gross asset value of Sunlight REIT at any time; and
 - (c) Henderson Sunlight Asset Management Limited as the manager of Sunlight REIT (the “**Manager**”), any director of the Manager and HSBC Institutional Trust Services (Asia) Limited as the trustee of Sunlight REIT (the “**Trustee**”) and any duly authorized officer of the Trustee each be and is hereby authorized to do or procure to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the

NOTICE OF EXTRAORDINARY GENERAL MEETING

Manager or the Trustee (as the case may be) may consider desirable, expedient, necessary or in the interest of Sunlight REIT to implement or give effect to the amendments of the Trust Deed referred to in paragraph (a) and/or paragraph (b) above.”

2. **“THAT :**

- (a) pursuant to Clause 36.1 of the Trust Deed, approval be and is hereby given for the Miscellaneous Fees Amendments as set out in Appendix II to the Circular; and
- (b) the Manager, any director of the Manager and the Trustee and any duly authorized officer of the Trustee each be and is hereby authorized to do or procure to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or the Trustee (as the case may be) may consider desirable, expedient, necessary or in the interest of Sunlight REIT to implement or give effect to the amendments of the Trust Deed referred to in paragraph (a) above.”

3. **“THAT :**

- (a) pursuant to Clause 36.1 of the Trust Deed, approval be and is hereby given for the Annual Distributable Income Amendments as set out in of Appendix III to the Circular; and
- (b) the Manager, any director of the Manager and the Trustee and any duly authorized officer of the Trustee each be and is hereby authorized to do or procure to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or the Trustee (as the case may be) may consider desirable, expedient, necessary or in the interest of Sunlight REIT to implement or give effect to the amendments of the Trust Deed referred to in paragraph (a) above.”

4. **“THAT :**

- (a) pursuant to Clause 36.1 of the Trust Deed, approval be and is hereby given for the Conduct of General Meeting Amendments as set out in Appendix IV to the Circular; and
- (b) the Manager, any director of the Manager and the Trustee and any duly authorized officer of the Trustee each be and is hereby authorized to do or procure to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager

NOTICE OF EXTRAORDINARY GENERAL MEETING

or the Trustee (as the case may be) may consider desirable, expedient, necessary or in the interest of Sunlight REIT to implement or give effect to the amendments of the Trust Deed referred to in paragraph (a) above.”

ORDINARY RESOLUTION

5. “**THAT :**

- (a) the Renewed Property Management Agreement, the Master Services Agreement and the Connected Deeds of Mutual Covenant (each as defined and described in the Circular, a copy of which has been produced to this meeting and marked “*” and signed by the chairman of the EGM for identification purpose) and the Property Management Transactions (as defined and described in the Circular) be and are hereby approved, confirmed and ratified;
- (b) the proposed annual caps in respect of the Property Management Transactions for each of the three financial years ending 30 June 2022, 30 June 2023 and 30 June 2024 be and are hereby approved; and
- (c) the Manager, any director of the Manager and the Trustee and any duly authorized officer of the Trustee each be and is hereby authorized to do and procure to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or the Trustee (as the case may be) may consider desirable, expedient, necessary or in the interest of Sunlight REIT to implement or give effect to the matters resolved upon in paragraph (a) and/or paragraph (b) above.”

By order of the Board

HENDERSON SUNLIGHT ASSET MANAGEMENT LIMITED

恒基陽光資產管理有限公司

(as manager of Sunlight Real Estate Investment Trust)

CHUNG Siu Wah

Company Secretary

Hong Kong, 9 April 2021

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes :

- (a) Unless otherwise defined in this notice or the context requires otherwise, terms defined in the circular of Sunlight REIT dated 9 April 2021 to Unitholders (the “**Circular**”) shall have the same meanings when used in this notice.
- (b) Pursuant to the Trust Deed, any Unitholder is entitled to appoint proxy to attend and vote in his/her stead at the meeting (or any adjournment thereof), but the number of proxies appointed by any Unitholder (other than HKSCC Nominees Limited or a recognized clearing house within the meaning of the Securities and Futures Ordinance) shall not exceed two. A proxy need not be a Unitholder.
- (c) In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be returned to the unit registrar of Sunlight REIT, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (the “**Unit Registrar**”) no later than 10:30 a.m. on Monday, 3 May 2021, or not less than 48 hours before the time appointed for holding of any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting (or any adjournment thereof) or at the poll concerned should you so wish. In the event that you attend the meeting or adjourned meeting (as the case may be) after having lodged a form of proxy, the form of proxy will be deemed to have been revoked.
- (d) In the case of joint Unitholders, the vote of Unitholder who is first-named on the register of Unitholders, whether tendered in person or by proxy, shall be acceptable to the exclusion of the votes of other joint Unitholders. For this purpose, seniority shall be determined by the order in which the names stand in the register of Unitholders.
- (e) For the purpose of determining entitlements to attend and vote at the meeting (or any adjournment thereof), the register of Unitholders will be closed from Friday, 30 April 2021 to Wednesday, 5 May 2021, both days inclusive, during which period no transfer of Units will be effected. In order to be eligible to attend and vote at the meeting (or any adjournment thereof), completed transfer forms accompanied by the relevant unit certificates must be lodged for registration with the Unit Registrar no later than 4:30 p.m. on Thursday, 29 April 2021.
- (f) The voting of the resolutions proposed at the meeting as set out in this notice shall be taken by way of a poll.
- (g) If a Typhoon Signal No. 8 (or above) is hoisted or a Black Rainstorm Warning Signal is in force at or at any time after 7:00 a.m. on the date of the meeting, the meeting will be rescheduled. The Manager will publish an announcement on the websites of Sunlight REIT at www.sunlightreit.com and HKEXnews of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk to notify Unitholders of the arrangement on the rescheduled meeting.
- (h) Please indicate in advance, not less than one week before the time appointed for holding the meeting, if Unitholders, because of disabilities, need special arrangements to participate in the meeting. Any such request should be made in writing to the Unit Registrar by post or by email at Sunlightreit-ecom@hk.tricorglobal.com. The Manager will endeavour to make the necessary arrangements unless there is unjustifiable hardship in arranging for them.
- (i) The translation of this notice into Chinese language is for reference only. In case of any inconsistency, the English version of this notice shall prevail.

HEALTH DECLARATION FORM
FOR USE AT THE EXTRAORDINARY GENERAL MEETING (THE “EGM”)

To : Sunlight Real Estate Investment Trust (“**Sunlight REIT**”)
(**Stock Code : 435**)
c/o Henderson Sunlight Asset Management Limited
(as manager of Sunlight REIT)

Please note the following:

- All attendees must undergo a compulsory body temperature screening.
- The completed and signed health declaration form is mandatory for all attendees and must be ready for collection at the main entrance of the EGM venue.
- Surgical face masks must be worn at all times.
- Attendees who are subject to health quarantine prescribed by The Government of the HKSAR will not be admitted to the EGM venue.
- Each attendee will be assigned to a designated seating area at the time of entrance.
- **Attendees may be denied entry into the EGM venue if they fail to comply with the above precautionary measures.**

I hereby declare that:

1. I have not travelled outside of Hong Kong in the past 14 days.
2. I am not currently or have not been under compulsory quarantine or medical surveillance order by the Department of Health of Hong Kong in the past 14 days.
3. I am not currently suffering from COVID-19 and/or have not had any of the following symptoms in the past 14 days: fever, sore throat, malaise, dry cough, shortness of breath or other flu-like symptoms.
4. To the best of my knowledge, I have not been in close contact with anyone who has been outside of Hong Kong during the past 14 days. (Close contact could mean (among other things): having direct physical contact, living in the same household and/or having social contact in close proximity.)
5. To the best of my knowledge, I have not otherwise been in close contact with anyone (i) with a suspected, probable or confirmed case of COVID-19; and (ii) who was under compulsory quarantine or medical surveillance ordered by the Department of Health of Hong Kong in the past 14 days.

I confirm that the above information and declaration is accurate to the best of my knowledge, and agree that such information will be processed and used in accordance with the Personal Information Collection Statement below. I understand that making a false statement may jeopardise the health and safety of other attendees as well as the EGM proceedings.*

* If you have any doubts or concerns in respect of providing any of these confirmations, please refrain from attending the EGM.

Signature :	_____	Mobile no. :	_____
Date :	5 May 2021	Email address :	_____
Full name :	_____		

By signing this form I consent to the use of my personal data described in the Personal Information Collection Statement below.

PERSONAL INFORMATION COLLECTION STATEMENT

- (i) Sunlight REIT may use and retain the personal data collected through this form or which Sunlight REIT and/or its unit registrar, Tricor Investor Services Limited (the “**Unit Registrar**”), already holds about you, for the purpose of the assessment of health risks related to the EGM, including contact tracing and other health-related purposes, for the purpose of making disclosure so required by law, regulation or Court, for the purpose of reporting to and complying with requests from government or regulatory authorities, including but not limited to the Centre for Health Protection or other agencies of the Department of Health or government department, and for the purpose of establishing or defending claims to protect the rights and properties of Sunlight REIT.
- (ii) Your personal data may be disclosed or transferred by Sunlight REIT to other companies or bodies for any of the purposes stated in paragraph (i) above, and retained for such period as may be necessary for verification and record purposes. Personal data which is no longer required will be destroyed. In addition, Sunlight REIT may also disclose or transfer such personal data to insurers of Sunlight REIT, in Hong Kong or overseas, and to government or regulatory authorities. Sunlight REIT shall at all times to ensure your personal data will be protected against unauthorized or accidental access, processing, erasure and other use. Appropriate physical, electronic and managerial measures will be implemented to safeguard and secure your personal data. Your personal data will only be accessible to authorized staff/personnel.
- (iii) You have the right to request access to and/or correction of the personal data in accordance with the provisions of the Personal Data (Privacy) Ordinance, and to request information in relation to the uses of your personal data by Sunlight REIT. Any such request for access to and/or correction of your personal data should be made in writing to the Privacy Compliance Officer of the Unit Registrar either by post to Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, by e-mail (Sunlightreit-ecom@hk.tricorglobal.com) or by fax to (852) 2810 8185.
- (iv) Your attention is drawn to section 59(2) of the Personal Data (Privacy) Ordinance, which provides that in circumstances in which the application of statutory restrictions on the use of personal data would be likely to cause serious harm to the physical health of the data subject or any other individual, personal data relating to the identity or location of an individual may be disclosed to a relevant third party without consent.