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If you have sold or transferred all your Units in Sunlight Real Estate Investment Trust, you should at once hand this circular and 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 EXTENSION OF PERIOD OF WAIVER IN RESPECT OF CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS

(2) NOTICE OF EXTRAORDINARY GENERAL MEETING OF UNITHOLDERS

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



Crescendo Capital Limited

A letter from the Board is set out on pages 6 to 16 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Unitholders is set out on pages 17 to 18 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 19 to 38 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, 2 May 2018 at 10:00 a.m. is set out on pages N-1 to N-2 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 22, 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.

13 April 2018

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DEFINITIONS

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

“2018 Waiver Extension”	the proposed extension of the 2015 Extended Waiver (as defined in the “Letter from the Board” set out in this circular) for the Relevant Connected Party Transactions (including the setting of the New Annual Caps) as described in this circular
“Announcement”	the announcement dated 12 April 2018 issued by the Manager in relation to, among other things, the 2018 Waiver Extension
“Board”	the board of Directors
“Connected Facilities Transactions”	transactions involving the use of facilities of the SKFE Connected Persons Group and/or the Manager Group by the Sunlight REIT Group from time to time
“Connected Leasing Transactions”	transactions entered into by the Sunlight REIT Group with certain tenants and licensees which are members of the SKFE Connected Persons Group and/or the Manager Group from time to time
“connected person(s)”	has the meaning ascribed to it under the REIT Code
“Director(s)”	the director(s) of the Manager
“EGM”	the extraordinary general meeting of Unitholders convened by the EGM Notice to consider and, if thought fit, approve the proposed 2018 Waiver Extension, or any adjournment thereof
“EGM Notice”	the notice of the EGM set out in this circular
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Board Committee”	independent committee of the Board established to advise the Independent Unitholders on the 2018 Waiver Extension and the New Annual Caps, comprising Mr. KWAN Kai Cheong, Mr. MA Kwong Wing, Dr. TSE Kwok Sang and Mr. KWOK Tun Ho, Chester, all being independent non-executive Directors
“Independent Financial Adviser”	Crescendo Capital Limited 蒼盛融資有限公司, which is licensed by the SFC to carry out Type 6 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 2018 Waiver Extension
“Independent Unitholders”	Unitholders other than those who have a material interest in the 2018 Waiver Extension within the meaning of paragraph 8.11 of the REIT Code
“Latest Practicable Date”	9 April 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Manager”	Henderson Sunlight Asset Management Limited 恒基陽光資產管理有限公司, as the manager of Sunlight REIT, or such other person as may from time to time be appointed as the manager of Sunlight REIT
“Manager Group”	the Manager and entities or persons which are from time to time connected persons of Sunlight REIT as a result of their connection with the Manager, including the Property Manager, HLD and other members of the same group
“New Annual Caps”	the proposed new annual caps for the Relevant Connected Party Transactions for the years ending 30 June 2019, 30 June 2020 and 30 June 2021 respectively, as set out in this circular
“Offering Circular”	the offering circular dated 8 December 2006 issued in connection with the initial public offering of the Units

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“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 Management Agreement”	the agreement dated 29 November 2006 entered into between the Manager and the Property Manager (and subsequently acceded to by the property holding companies within Sunlight REIT) relating to the provision of certain property management and lease management as well as marketing services in respect of the properties of Sunlight REIT, as amended by the supplemental agreements dated 28 April 2009, 25 June 2012 and 12 May 2015 respectively, each entered into between the Manager and the Property Manager
“Property Management Transactions”	four types of transactions entered into by, or by others on behalf of, the Sunlight REIT Group on one part and the SKFE Connected Persons Group and/or the Manager Group on the other part, namely (1) property management in respect of Sunlight REIT’s assets; (2) third party services; (3) deeds of mutual covenant; and (4) joint effort arrangements
“Property Manager”	Henderson Sunlight Property Management Limited 恒基陽光物業管理有限公司, as the property manager of Sunlight REIT, or such other person as may from time to time be appointed as the property manager of Sunlight REIT
“Register”	the register of Unitholders
“REIT”	real estate investment trust
“REIT Code”	Code on Real Estate Investment Trusts issued by the SFC, as amended, supplemented and/or otherwise modified from time to time

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“Relevant Connected Party Transactions”	continuing connected party transactions involving (1) leasing and licensing arrangements or (2) property management and operations between the Sunlight REIT Group on one part and the SKFE Connected Persons Group and/or the Manager Group on the other part, the details of which are set out in the Offering Circular and this circular
“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 incorporated in the British Virgin Islands with limited liability, is an investment holding company wholly-owned by a family trust of Dr. LEE Shau Kee, the chairman of HLD
“SKFE Connected Persons Group”	SKFE Holders, associates (as defined in the REIT Code) of SKFE Holders and entities or persons which are from time to time connected persons of Sunlight REIT as a result of their connection with the SKFE Holders
“SKFE Holders”	wholly-owned subsidiaries of SKFE which are significant holders of Sunlight REIT
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“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

DEFINITIONS

“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, or such other person as may from time to time be appointed as the trustee of Sunlight REIT. All references to the Trustee in this circular are, as the context may require, to the Trustee acting on behalf of Sunlight REIT and on the instructions of the Manager
“Unit”	one unit in Sunlight REIT
“Unit Registrar”	Tricor Investor Services Limited 卓佳證券登記有限公司, or such other person as may from time to time be appointed to keep and maintain the Register
“Unitholder”	any person registered as holder of a Unit

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
Mr. MA Kwong Wing
Dr. TSE Kwok Sang
Mr. KWOK Tun Ho, Chester

Registered Office of the Manager:

30th Floor, Sunlight Tower,
248 Queen's Road East,
Wan Chai,
Hong Kong

13 April 2018

To Unitholders

Dear Sir/Madam,

- (1) PROPOSED EXTENSION OF PERIOD OF WAIVER IN RESPECT OF
CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS**
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING OF UNITHOLDERS

1. INTRODUCTION

Reference is made to the Announcement. The purpose of this circular is (a) to provide you with further information regarding (i) the 2018 Waiver Extension; and (ii) the Ordinary

LETTER FROM THE BOARD

Resolution to be proposed at the EGM; (b) to set out the recommendations of the Independent Board Committee to the Independent Unitholders in relation to the Relevant Connected Party Transactions, the 2018 Waiver Extension and the New Annual Caps; (c) to set out the recommendations of the Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee in relation to the Relevant Connected Party Transactions, the 2018 Waiver Extension and the New Annual Caps; and (d) to give you the EGM Notice.

2. PROPOSED EXTENSION OF PERIOD OF WAIVER IN RESPECT OF CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS

A. INITIAL WAIVER GRANTED AND EXTENDED

As disclosed in the Offering Circular, subject to certain conditions, the SFC has granted a waiver from strict compliance with the requirements for disclosure and, where applicable, Unitholders' approval under Chapter 8 of the REIT Code in respect of the Relevant Connected Party Transactions for a period up to and including 30 June 2009 (the "**Initial Waiver**").

Details of the Relevant Connected Party Transactions and the Initial Waiver are more particularly set out in the section "Connected Party Transactions — Waivers for Certain Transactions" (pages 412 to 418) in the Offering Circular.

As disclosed in subsequent announcements and circulars issued by the Manager, the Initial Waiver was subsequently extended at the extraordinary general meeting of Unitholders held on 28 April 2009, and was further extended at the extraordinary general meetings of Unitholders held on 30 April 2012 and 13 March 2015 respectively (the latest extended waiver being the "**2015 Extended Waiver**").

B. EXPIRATION OF THE 2015 EXTENDED WAIVER

The 2015 Extended Waiver will expire on 30 June 2018. In accordance with the conditions of the 2015 Extended Waiver, the 2015 Extended Waiver may be extended beyond 30 June 2018, and/or its conditions may be modified from time to time, provided that:

- (a) the approval of Unitholders other than those who have a material interest in the relevant transactions within the meaning of paragraph 8.11 of the REIT Code is obtained by way of an Ordinary Resolution passed at a general meeting of Unitholders;
- (b) disclosure of details of the proposed extension and/or modification (as the case may be) shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and

LETTER FROM THE BOARD

- (c) any extension of the period of the 2015 Extended Waiver is made, on each occasion of such extension, for a period which shall expire not later than the third full financial year-end date of Sunlight REIT after the date on which the approval referred to in paragraph (a) above becomes effective.

C. 2018 WAIVER EXTENSION

Accordingly, the Manager now proposes to seek Independent Unitholders' approval, by way of an Ordinary Resolution at the EGM, (i) to extend the 2015 Extended Waiver for a further period of three years up to and including 30 June 2021, and (ii) to set the New Annual Caps for the Relevant Connected Party Transactions. The Relevant Connected Party Transactions with respect to which the 2018 Waiver Extension is sought are within the same categories as those described in the circular dated 17 February 2015 issued by the Manager to Unitholders.

Save as disclosed in this circular and save for the annual caps of the Relevant Connected Party Transactions set out in the section headed "Connected Party Transactions — Waiver Conditions" (pages 415 to 417) in the Offering Circular in connection with the Initial Waiver, the Manager confirms that the waiver conditions therein will continue to apply to Sunlight REIT in respect of the Relevant Connected Party Transactions for the three financial years ending 30 June 2021. The relevant annual caps for the Relevant Connected Party Transactions for the three financial years ending 30 June 2021 as proposed by the Manager are described below.

I. Leasing and licensing arrangements

(a) *Connected Leasing Transactions*

Historical transaction amounts

For each of the financial years ended 30 June 2016 and 30 June 2017 and the eight months ended 28 February 2018, the transaction amounts in respect of the Connected Leasing Transactions were approximately HK\$10,556,000, HK\$10,659,000 and HK\$7,061,000 respectively.

Proposed new annual caps

The Manager anticipates that for the three financial years ending 30 June 2021, the maximum aggregate sums payable to the Sunlight REIT Group by the SKFE Connected Persons Group and the Manager Group under the Connected Leasing Transactions will be as follows:

Financial year ending 30 June 2019	Financial year ending 30 June 2020	Financial year ending 30 June 2021
HK\$15,680,000	HK\$15,890,000	HK\$16,450,000

LETTER FROM THE BOARD

Basis of proposed new annual caps

The above proposed new annual caps for the Connected Leasing Transactions mainly consist of rental, building management and air-conditioning fees payable by the SKFE Connected Persons Group and/or the Manager Group. The above proposed new annual caps for the Connected Leasing Transactions for the three financial years ending 30 June 2021 have been determined by taking into account the current lease expiry profile and possible growth in rental, licence fees and charges reflecting market conditions in the future, and potential new tenancies and licences which the SKFE Connected Persons Group and/or the Manager Group may enter into with the Sunlight REIT Group during the relevant financial periods.

(b) Connected Facilities Transactions

Historical transaction amounts

For each of the financial years ended 30 June 2016 and 30 June 2017 and the eight months ended 28 February 2018, the transaction amounts in respect of the Connected Facilities Transactions were approximately HK\$87,000, HK\$90,000 and HK\$93,000 respectively.

Proposed new annual caps

The Manager anticipates that for the three financial years ending 30 June 2021, the maximum aggregate sums payable by the Sunlight REIT Group to the SKFE Connected Persons Group and the Manager Group under the Connected Facilities Transactions will be as follows:

Financial year ending 30 June 2019	Financial year ending 30 June 2020	Financial year ending 30 June 2021
HK\$300,000	HK\$350,000	HK\$400,000

Basis of proposed new annual caps

For each of the financial years ended 30 June 2016 and 30 June 2017 and the eight months ended 28 February 2018, facilities rentals were incurred by the Sunlight REIT Group in respect of the use of hotel function rooms provided by the Manager Group for the holding of annual general meetings of Unitholders. In tandem with the Sunlight REIT Group's growing business activities, the Manager currently envisages that Sunlight REIT may have the need to hold more general meetings of Unitholders in each financial year and thus would have a greater

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demand on facilities for such meetings, investor relations and public relations activities and it is possible that such facilities rental transactions might be entered into with the SKFE Connected Persons Group and/or the Manager Group during the relevant financial periods.

II. Property management and operations

(a) *Property Management Transactions in respect of Sunlight REIT's assets, third party services and deeds of mutual covenant*

Historical transaction amounts

For each of the financial years ended 30 June 2016 and 30 June 2017 and the eight months ended 28 February 2018, the transaction amounts in respect of third party services and deeds of mutual covenant under the Property Management Transactions were approximately HK\$15,888,000, HK\$14,914,000 and HK\$10,136,000 respectively. Such amounts included building management fees and other amounts paid by the Sunlight REIT Group to the managers under the deeds of mutual covenant which were members of the Manager Group (the “**DMC Managers**”), with significant parts of which being used for defraying building management costs and expenses on behalf of the owners of the relevant properties.

Proposed new annual caps

The Manager anticipates that for the three financial years ending 30 June 2021, the maximum aggregate sums payable by the Sunlight REIT Group to the SKFE Connected Persons Group and the Manager Group under the Property Management Transactions in respect of Sunlight REIT's assets, third party services and deeds of mutual covenant will be as follows:

Financial year ending 30 June 2019	Financial year ending 30 June 2020	Financial year ending 30 June 2021
HK\$23,850,000	HK\$26,820,000	HK\$30,170,000

Basis of proposed new annual caps

The above proposed new annual caps for the relevant Property Management Transactions have been determined with general reference to the relevant historical figures and factors as more particularly set out below:

(i) Property management in respect of Sunlight REIT's assets

Subject to approval by the SFC, provided that there is no variation to the terms and conditions governing the transactions under the Property Management Agreement (other than that as described in the Announcement), whether during the term of the Property Management Agreement or upon any renewal thereof or during the term of any such renewed agreement(s):

LETTER FROM THE BOARD

- (A) the fees and reimbursements payable to the Manager Group under the renewed Property Management Agreement will not be subject to any annual cap for the purpose of the waiver granted by the SFC (as may be extended and/or modified from time to time); and
- (B) the entering into by the Manager or Sunlight REIT of a renewed Property Management Agreement during the period of the waiver granted by the SFC (as may be extended and/or modified from time to time) will be exempt from all reporting, disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code.

Accordingly, similar to the arrangements under the 2015 Extended Waiver, the proposed new annual caps for the Property Management Transactions referred to above have not included the fees and reimbursements payable to the Manager Group under the renewed Property Management Agreement.

(ii) Third party services and deeds of mutual covenant

The proposed new annual caps for the three financial years ending 30 June 2021 have been determined after taking into account the current service contracts with the SKFE Connected Persons Group and/or the Manager Group and the periodic use of additional services and possible growth in costs and expenses reflecting expected market conditions in the future, supplemented by a buffer of 10% 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 SKFE Connected Persons Group and/or the Manager Group may enter into with the Sunlight REIT Group during the relevant financial periods. In particular, consideration has been given to the possibility of the SKFE Connected Persons Group and/or the Manager Group securing additional security service contracts in respect of certain Sunlight REIT properties; such contracts were entered into with independent third parties and will expire in the second quarter of 2019. In addition, the proposed new annual caps have also taken into account the possibility of acquisition of properties in the future, which may require security services from the SKFE Connected Persons Group and/or the Manager Group.

(b) *Property Management Transactions in respect of joint effort arrangements*

Historical transaction amounts

For each of the financial years ended 30 June 2016 and 30 June 2017 and the eight months ended 28 February 2018, the transaction amounts in respect of the Property Management Transactions in respect of joint effort arrangements were approximately HK\$2,105,000, HK\$1,967,000 and HK\$1,692,000 respectively.

LETTER FROM THE BOARD

Proposed new annual caps

The Manager anticipates that for the three financial years ending 30 June 2021, the maximum aggregate sums payable by/to the Sunlight REIT Group to/from the SKFE Connected Persons Group and the Manager Group under joint effort arrangements will be, in each case, as follows:

Financial year ending 30 June 2019	Financial year ending 30 June 2020	Financial year ending 30 June 2021
HK\$4,550,000	HK\$5,140,000	HK\$5,810,000

Basis of proposed new annual caps

The above proposed new annual caps for joint effort arrangements for the three financial years ending 30 June 2021 have been determined by reference to the estimated amount of joint promotional and development activities for retail properties after taking into account (i) the relevant historical figures for the current joint effort activities (including the recent rapid increase of free parking joint promotions); (ii) the possible growth in such joint effort activities as a result of market growth or better economies of scale in the future; and (iii) other potential new joint effort activities which the SKFE Connected Persons Group and/or the Manager Group may enter into with the Sunlight REIT Group during the relevant financial periods. The Manager also adopts estimated annual increments of 10% to 15% in the above new annual caps for the three years ending 30 June 2021 to reflect inflation and increasing trend for current and additional joint effort arrangements between the Sunlight REIT Group and the SKFE Connected Persons Group and/or the Manager Group.

D. APPROVALS REQUIRED

I. Approval by Ordinary Resolution

Pursuant to the 2015 Extended Waiver, the Manager is required to issue an announcement and to issue a circular and notice to Unitholders in relation to the 2018 Waiver Extension in accordance with Chapter 10 of the REIT Code, and to seek Independent Unitholders' approval to extend the 2015 Extended Waiver for a further period which shall expire not later than the third full financial year-end date of Sunlight REIT after the date on which the approval by the Independent Unitholders for the 2015 Extended Waiver becomes effective. Accordingly, the Manager wishes to obtain the approval of the Independent Unitholders for the 2018 Waiver Extension and the New Annual Caps by way of an Ordinary Resolution.

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II. Restrictions on voting

The note to paragraph 8.11 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 his Units at, or being counted in the quorum for, such meeting.

Pursuant to the REIT Code and the Trust Deed, by virtue of their material interest in the 2018 Waiver Extension, SKFE and HLD will, and will procure the SKFE Connected Persons Group and the Manager Group to, abstain from voting on the Ordinary Resolution to approve the 2018 Waiver Extension 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).

So far as the Manager is aware, as at the Latest Practicable Date, holdings of Units of the SKFE Connected Persons Group and the Manager Group were as follows:

<u>Name</u>	<u>Number of Units held</u>	<u>Approximate percentage of Unit holding</u>
Uplite Limited	224,443,625	13.68%
Wintrade Limited	149,629,083	9.12%
Cobase Limited	76,533,345	4.66%
Richful Resources Limited	67,378,972	4.11%
The Manager	121,906,184	7.43%
AU Siu Kee, Alexander	1,530,000	0.09%
WU Shiu Kee, Keith	700,000	0.04%
LO Yuk Fong, Phyllis	100,000	0.006%
CHAN Wing Cheng	130,000	0.008%
LEE King Yue	50,000	0.003%
LEE Pui Ling, Angelina	2,307	0.0001%

Please refer to the paragraph headed “Conflicts of Interests and Business Competitions with HLD, SKFE and other companies” in the Corporate Governance section in Sunlight REIT’s 2017/18 Interim Report (which was published on 23 February 2018) for details of the conflicts or potential conflicts of interests involving certain members of the SKFE Connected Persons Group and the Manager Group.

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As 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 the Ordinary Resolution to approve the 2018 Waiver Extension and the New Annual Caps.

E. OPINION OF THE INDEPENDENT FINANCIAL ADVISER

Crescendo Capital Limited, being the Independent Financial Adviser, has been appointed as the independent financial adviser to provide an opinion on the 2018 Waiver Extension and the New Annual Caps 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 Relevant Connected Party Transactions are conducted in the ordinary and usual course of business of Sunlight REIT and the terms of which are at arm's length and on normal commercial terms; and (b) the 2018 Waiver Extension and the New Annual Caps are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Sunlight REIT and the Independent Unitholders as a whole.

F. OPINION OF THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Mr. KWAN Kai Cheong, Mr. MA Kwong Wing, 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 2018 Waiver Extension and the New Annual Caps. 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 (a) the Relevant Connected Party 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 (b) the 2018 Waiver Extension and the New Annual Caps are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Sunlight REIT and the Independent Unitholders as a whole. The Independent Board Committee recommends that the Independent Unitholders vote in favour of the Ordinary Resolution to approve the 2018 Waiver Extension and the New Annual Caps at the EGM.

G. RECOMMENDATION

Having regard to the reasons for, the terms of, the factors and other information in relation to the 2018 Waiver Extension and the New Annual Caps, the Board considers that:

- (a) the 2018 Waiver Extension and the New Annual Caps, and the basis of the New Annual Caps, are fair and reasonable having regard to the interests of Sunlight REIT and the Independent Unitholders as a whole; and

LETTER FROM THE BOARD

- (b) the Relevant Connected Party Transactions have been/will be entered into (i) in the ordinary and usual course of business of Sunlight REIT; and (ii) at arm's length and on normal commercial terms and are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Sunlight REIT and the Independent Unitholders as a whole.

Further, the Board notes that the Relevant Connected Party Transactions will also be subject to the other existing conditions of the 2015 Extended Waiver.

The Board therefore recommends that the Independent Unitholders vote in favour of the Ordinary Resolution to approve the 2018 Waiver Extension and the New Annual Caps at the EGM.

Based and in sole reliance on (a) the information and assurance provided by the Manager; (b) the opinion of the Independent Financial Adviser; and (c) the "Letter from the Independent Board Committee" set out in this circular, the Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code, is of the view that the 2018 Waiver Extension and the New Annual Caps are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Sunlight REIT and the Independent Unitholders as a whole. This view is being furnished for the sole purpose of complying with paragraph 10.10(o) of the REIT Code, and is not to be taken as a recommendation or representation by the Trustee of the merits of the 2018 Waiver Extension and the New Annual Caps. The Trustee has not made any assessment of the merits or impact of the 2018 Waiver Extension and the New Annual Caps, other than for the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the REIT Code.

Accordingly, Unitholders who are in any doubt as to the merits or impact of the 2018 Waiver Extension and the New Annual Caps should seek their own financial or other professional advice.

3. EXTRAORDINARY GENERAL MEETING

The EGM will be held at 10:00 a.m. on Wednesday, 2 May 2018 at The Ballroom, 18th Floor, The Mira Hong Kong, 118 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong, for the purpose of considering and, if thought fit, passing with or without modifications, the Ordinary Resolution set out in the EGM Notice, which is set out on pages N-1 to N-2 of this circular.

The Register will be closed from Thursday, 26 April 2018 to Wednesday, 2 May 2018, both days inclusive, during which period no transfer 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, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 25 April 2018.

LETTER FROM THE BOARD

If you are a Unitholder on the Register on Wednesday, 2 May 2018 (being the date fixed for the purposes 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, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. The form of proxy should be completed and returned as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM 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 EGM, or any adjourned meeting, should you so wish.

The voting on the proposed Ordinary Resolution at the EGM will be taken by poll.

4. MISCELLANEOUS

The Manager is not aware of any material adverse change in the financial or trading position of the Sunlight REIT Group since 30 June 2017.

The Manager and the Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular by the Directors have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

In case of any inconsistency between the English and Chinese versions of this circular, the English version shall prevail.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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

13 April 2018

To the Independent Unitholders

Dear Sir/Madam,

**PROPOSED EXTENSION OF PERIOD OF WAIVER IN RESPECT OF
CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS**

We have been appointed as members of the Independent Board Committee to advise you in respect of the 2018 Waiver Extension and the New Annual Caps, the details of which are set out in the “Letter from the Board” in the circular dated 13 April 2018 from the Manager to 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.

Crescendo Capital Limited has been appointed by the Manager to advise us, the Independent Unitholders and the Trustee in connection with the 2018 Waiver Extension and the New Annual Caps, in particular as to (1) whether the Relevant Connected Party Transactions are conducted in the ordinary and usual course of business and the terms of which are at arm’s length and on normal commercial terms; and (2) whether the 2018 Waiver Extension (and the New Annual Caps thereunder) are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Sunlight REIT and the Independent Unitholders as a whole. Details of their 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 Crescendo Capital Limited, we consider that (i) the Relevant Connected Party 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 2018 Waiver Extension and the New Annual Caps are fair and reasonable so far as the Independent Unitholders are concerned, and are in the interests of Sunlight REIT and the Independent Unitholders as a whole.

Accordingly, we recommend that the Independent Unitholders vote in favour of the Ordinary Resolution to approve the 2018 Waiver Extension and the New Annual Caps.

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 MA Kwong Wing TSE Kwok Sang KWOK Tun Ho, Chester
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from the Independent Financial Adviser prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee, the Independent Unitholders and the Trustee in respect of the 2018 Waiver Extension and the New Annual Caps.



1506 Tai Tung Building
8 Fleming Road
Wanchai, Hong Kong

13 April 2018

*To the Independent Board Committee,
the Independent Unitholders and the Trustee*

Dear Sirs,

PROPOSED EXTENSION OF PERIOD OF WAIVER IN RESPECT OF CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee, the Independent Unitholders and the Trustee with respect to the 2018 Waiver Extension and the New Annual Caps, details of which are set out in the Letter from the Board contained in the circular dated 13 April 2018 to the Unitholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

The SFC has granted a waiver from strict compliance with the requirements for disclosure and, where applicable, Unitholders’ approval under Chapter 8 of the REIT Code in respect of the Relevant Connected Party Transactions for a period up to, and including, 30 June 2009, which was subsequently extended to 30 June 2018 with the approval of the Unitholders at the extraordinary general meetings of Unitholders held on 28 April 2009, 30 April 2012 and 13 March 2015. The Manager expects that the Relevant Connected Party Transactions will continue after 30 June 2018. Therefore, the Manager proposes to seek the Unitholders’ approval, by way of an Ordinary Resolution at the EGM, to further extend the waiver for a period of three years up to, and including, 30 June 2021 and to set the New Annual Caps for the Relevant Connected Party Transactions.

Pursuant to the REIT Code and the Trust Deed, by virtue of the material interests of SKFE and HLD in the 2018 Waiver Extension, SKFE and HLD shall, and shall procure the SKFE Connected Persons Group and the Manager Group to, abstain from voting on the Ordinary Resolution to approve the 2018 Waiver Extension and the New Annual Caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Kwan Kai Cheong, Mr. Ma Kwong Wing, Dr. Tse Kwok Sang and Mr. Kwok Tun Ho, Chester, has been established to advise the Independent Unitholders in respect of the fairness and reasonableness of the 2018 Waiver Extension and the New Annual Caps. We, Crescendo Capital Limited, have been appointed to advise the Independent Board Committee, the Independent Unitholders and the Trustee in connection with the 2018 Waiver Extension and the New Annual Caps, in particular as to whether the Relevant Connected Party Transactions are conducted in the ordinary and usual course of business of the Sunlight REIT Group and whether the terms of which are at arm's length and on normal commercial terms, and whether the 2018 Waiver Extension and the New Annual Caps are fair and reasonable so far as the Independent Unitholders are concerned, and in the interests of Sunlight REIT and the Independent Unitholders as a whole.

We are independent of (i) the Sunlight REIT Group; (ii) the Trustee; (iii) the Manager Group; (iv) the SKFE Connected Persons Group; and (v) SKFE, a significant Unitholder, and their respective associates and do not have any shareholding in any member of the Sunlight REIT Group or right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of the Sunlight REIT Group. 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. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fee or benefit from the Sunlight REIT Group and its associates. We were not aware of any relationship or interest between us and Sunlight REIT or any other parties that would be reasonably considered to affect our independence to act as an independent financial adviser to the Independent Board Committee, the Independent Unitholders and the Trustee.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information and representations supplied, and the opinions expressed, by the Directors and management of the Manager and have assumed that such information and statements, and representations made to us or referred to in the Circular are true, accurate and complete in all material respects as of the date hereof and will continue as such at the date of the EGM. The Manager and the Directors, collectively and individually, have accepted full responsibility for the accuracy of the information contained in the Circular and confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular by the Directors have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

a reasonable basis for our recommendation. The documents we have reviewed include, among others, the Circular, the latest interim and annual reports of Sunlight REIT, agreements entered into between the Sunlight REIT Group and the SKFE Connected Persons Group and the Manager Group (as the case may be) in relation to the Relevant Connected Party Transactions, quotations provided by, and agreements entered into with, independent third parties in respect of transactions similar to the Relevant Connected Party Transactions, the valuation reports on market rent for Connected Leasing Transactions, the internal control and compliance procedures contained in the compliance manual of the Manager for governing the continuing connected party transactions, the published documents of other listed real estate investment trusts and other market information. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Manager, or is misleading, untrue or inaccurate, and consider that they may be relied upon in formulating our opinion. We have not, however, for the purpose of this exercise, conducted any independent investigation or audit into the businesses or affairs or future prospects of the Sunlight REIT Group, the Manager and the related subject of, and parties to, the Relevant Connected Party Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the 2018 Waiver Extension, we have considered the following principal factors and reasons:

1. Background of the Relevant Connected Party Transactions and the Waiver

In 2006, the SFC granted a waiver from strict compliance with the requirements for disclosure and, where applicable, Unitholders' approval under Chapter 8 of the REIT Code in respect of the Relevant Connected Party Transactions for a period up to, and including, 30 June 2009. With the Unitholders' approvals at the extraordinary general meetings of Unitholders held on 28 April 2009, 30 April 2012 and 13 March 2015, extended waivers with waiver period up to, and including, 30 June 2012, 30 June 2015 and 30 June 2018 respectively were granted to Sunlight REIT (the latest extended waiver being the "**2015 Extended Waiver**").

The 2015 Extended Waiver will expire on 30 June 2018. In accordance with the conditions of the 2015 Extended Waiver, the waiver period of the 2015 Extended Waiver may be extended beyond 30 June 2018 and/or the conditions of the 2015 Extended Waiver may be modified from time to time, provided that:

- (a) the approval of Unitholders other than those who have a material interest in the relevant transactions within the meaning of paragraph 8.11 of the REIT Code is obtained by way of an Ordinary Resolution passed at a general meeting of Unitholders;

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- (b) disclosure of details of the proposed extension and/or modification (as the case may be) shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (c) any extension of the period of the 2015 Extended Waiver is made, on each occasion of such extension, for a period which shall expire not later than the third full financial year-end date of Sunlight REIT after the date on which the approval referred to in paragraph (a) above becomes effective.

As it is expected that the Relevant Connected Party Transactions will continue after 30 June 2018, the Manager proposes to seek Unitholders' approval, by way of an Ordinary Resolution at the EGM to extend the 2015 Extended Waiver for a further period of three years up to, and including, 30 June 2021 and to set the New Annual Caps for the Relevant Connected Party Transactions.

The Relevant Connected Party Transactions include (a) the Connected Leasing Transactions; (b) the Connected Facilities Transactions; and (c) the Property Management Transactions in respect of (i) property management in respect of Sunlight REIT's assets; (ii) third party services; (iii) deeds of mutual covenant; and (iv) joint effort arrangements, details of which are more particularly set out in the Offering Circular and summarized as follows:

(a) Connected Leasing Transactions

Connected Leasing Transactions include leasing and licensing transactions entered into by the Sunlight REIT Group with certain tenants and licensees which are members of the SKFE Connected Persons Group and/or the Manager Group.

(b) Connected Facilities Transactions

Connected Facilities Transactions include transactions involving the use of facilities of the SKFE Connected Persons Group and/or the Manager Group by the Sunlight REIT Group.

(c) Property Management Transactions

Property Management Transactions include four types of transactions entered into by, or by others on behalf of, the Sunlight REIT Group on one part and the SKFE Connected Persons Group and/or the Manager Group on the other part, in relation to (i) property management in respect of Sunlight REIT's assets; (ii) third party services; (iii) deeds of mutual covenant; and (iv) joint effort arrangements.

(i) Property management in respect of Sunlight REIT's assets

Pursuant to the Property Management Agreement, the Manager delegated the property management functions in respect of the properties of Sunlight REIT (the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

“**Sunlight REIT Properties**”) to the Property Manager, an indirect wholly-owned subsidiary of HLD and a member of the Manager Group. The Property Manager is appointed on an exclusive basis to operate, manage and market the Sunlight REIT Properties, subject to overall supervision of the Manager.

(ii) Third party services

The companies holding the Sunlight REIT Properties (the “**Property Companies**”) and/or the Property Manager (as agent for or at the costs of the relevant Property Companies under the terms of the Property Management Agreement) will engage third party service providers for the provision of services in the ordinary and usual course of management and operation of the Sunlight REIT Properties, including, among other things, cleaning, maintenance, renovation (including physical improvements or repairs and project management of renovation or enhancement work), security, utilities, car park management, legal and other professional and consultancy services in the ordinary and usual course of management and operation of properties, coach or other vehicle leasing and other property management and ancillary services for the relevant Sunlight REIT Properties. Some of these third party service providers may be members of the SKFE Connected Persons Group and/or the Manager Group.

(iii) Deeds of mutual covenant

Each of the Property Companies will, where applicable, be bound by, and has the benefit of, the terms of the deed of mutual covenant applicable to the Sunlight REIT Properties owned by it. The deed of mutual covenant binds the manager under the deed of mutual covenant (the “**DMC Manager**”) and all the owners of a development and their successors-in-title, irrespective of whether they are original parties to the deed of mutual covenant. Currently, all the DMC Managers in respect of the Sunlight REIT Properties are members of the Manager Group. There may also be situations arising where one or more members of the SKFE Connected Persons Group and/or the Manager Group may own other parts of the building or development of which the Sunlight REIT Properties forms part, and therefore technically the deed of mutual covenant constitutes a contract between them.

(iv) Joint effort arrangements

Joint effort arrangements include arrangements for the carrying out of works or procurement of services as a joint effort or for the joint benefit of the parties concerned that may be entered into by, or on behalf of, the Sunlight REIT Group with the SKFE Connected Persons Group and/or the Manager Group (in some cases together with other third parties).

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2. Reasons for the Relevant Connected Party Transactions

Sunlight REIT is a real estate investment trust formed primarily to own and invest in income-producing office, retail and other properties with the objective of providing the Unitholders with regular and stable cash distributions with the potential for sustainable long-term growth of such distributions and enhancement in value of the property portfolio.

Having considered that (i) leasing of properties is one of the core businesses and major source of income of the Sunlight REIT Group and the Connected Leasing Transactions shall contribute a stable and reliable income to the Sunlight REIT Group; (ii) the Sunlight REIT Group has the practical need to use various facilities in hotels for the purposes of holding meetings of Unitholders or investor and analyst briefings from time to time and the Connected Facilities Transactions shall enable the Sunlight REIT Group to use the facilities of the SKFE Connected Persons Group and/or the Manager Group as and when appropriate and offer a greater flexibility for the Sunlight REIT Group in facility selection; (iii) the SKFE Connected Persons Group and the Manager Group have been providing property management services to the Sunlight REIT Group before Sunlight REIT's listing on the Stock Exchange and the Sunlight REIT Group is satisfied with their quality of services; (iv) the Property Management Transactions in respect of the property management of Sunlight REIT's assets, third party services and deeds of mutual covenants shall facilitate continuous effective management of the Sunlight REIT Properties; (v) the Property Management Transactions in respect of the joint effort arrangements may lower the operational costs of the Sunlight REIT Group by utilizing the advantageous joint effort on procurement of services or marketing and development activities; and (vi) the majority of the Relevant Connected Party Transactions have been entered into (or are of categories similar to those entered into) between the Sunlight REIT Group and its connected persons before Sunlight REIT's listing on the Stock Exchange, we consider that the Relevant Connected Party Transactions are commercial transactions conducted in the ordinary and usual course of business of the Sunlight REIT Group and it is fair and reasonable, and in the interest of Sunlight REIT and the Independent Unitholders as a whole to continue the Relevant Connected Party Transactions.

3. Major Terms of the Relevant Connected Party Transactions

The 2015 Extended Waiver was granted by the SFC subject to the conditions, inter alia, that the Relevant Connected Party Transactions are entered into (i) in the ordinary and usual course of business of Sunlight REIT; (ii) on normal commercial terms (to the extent that there are sufficient comparable transactions) or, where there are insufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Sunlight REIT than terms readily available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreements and the Manager's internal procedures governing them, if any, on terms that are fair and reasonable and in the interests of the Unitholders as a whole. Moreover, an independent valuation shall be conducted for each of the Connected Leasing Transactions before it is first entered into except where they are conducted on standard or published rates.

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To ensure all Relevant Connected Party Transactions are carried out at arm's length, on normal commercial terms and in the best interests of the Unitholders, the Manager has established an internal control system, with written policies and procedures, to ensure that the Relevant Connected Party Transactions are undertaken on terms in compliance with the REIT Code. Internal control measures include, inter alia, (i) the Manager must demonstrate to its audit committee that all Relevant Connected Party Transactions satisfy the conditions of the 2015 Extended Waiver, which may entail (where practicable) obtaining quotations from parties not related to the Manager, or obtaining one or more valuations from independent professional valuers; and (ii) the Manager shall maintain a register to record all Relevant Connected Party Transactions and the bases on which they are entered into and supporting documents, such as quotations from independent third parties and independent valuations obtained, to support such bases.

We have reviewed the internal control and compliance procedures contained in the compliance manual of the Manager for governing the continuing connected party transactions and we are of the view that adequate and appropriate procedures were set to govern the continuing connected party transactions. We have also reviewed the terms of the Relevant Connected Party Transactions carried out during the period from 1 July 2015 to the Latest Practicable Date (the "**Review Period**") to assess whether such transactions were conducted in compliance with the conditions of the 2015 Extended Waiver and the internal control and compliance procedures.

(a) Connected Leasing Transactions

As at the Latest Practicable Date, there were a total of six Connected Leasing Transactions involving leasing of offices and shops of the Sunlight REIT Properties. The Manager confirmed that the Connected Leasing Transactions were conducted in the ordinary and usual course of business of the Sunlight REIT Group and the terms of such transactions were on normal commercial terms. We noted that an independent valuation has been conducted for each of the Connected Leasing Transactions involving leasing of offices and shops prior to the entering into of the respective tenancy agreements in order to ascertain the market rent for the premises. We have also reviewed all the tenancy agreements in relation to the Connected Leasing Transactions involving leasing of offices and shops and their respective valuation report and noted that the rentals of the Connected Leasing Transactions were at or above market levels set out in the respective valuation reports. We have also compared the terms of the Connected Leasing Transactions with those of the tenancy agreements entered into between the Sunlight REIT Group and independent third parties at the same Sunlight REIT Properties and noted that the major terms, such as rentals, building management fees and rental deposit offered to the SKFE Connected Persons Group and/or the Manager Group were in general similar and comparable to those for the independent third parties.

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In view of the above, we are satisfied that the Connected Leasing Transactions carried out during the Review Period were entered into in the ordinary and usual course of business of Sunlight REIT and the terms of which were on normal commercial terms, at arm's length and fair and reasonable so far as the Independent Unitholders are concerned.

(b) Connected Facilities Transactions

During the Review Period, a total of three Connected Facilities Transactions involving the use of hotel facilities of the SKFE Connected Persons Group and/or the Manager Group had been entered into by the Sunlight REIT Group for the purpose of holding general meetings of Unitholders. The Manager confirmed that the Connected Facilities Transactions were conducted in the ordinary and usual course of business of the Sunlight REIT Group and the terms of such transactions were on normal commercial terms.

We noted that the Connected Facilities Transactions were conducted in accordance with the Manager's internal procurement procedures, which require, inter alia, invitation of quotations from independent third parties with hotel facilities of comparable ratings. We have reviewed the quotations from the SKFE Connected Persons Group and/or the Manager Group and other independent third parties in respect of the use of hotel function room and noted that the Manager had considered the pricing, area of the facilities and the refreshment packages, if applicable, quoted by various vendors in its selection process, and contracts were awarded to the lowest bid with similar terms.

Based on the above, we are satisfied that the terms of the Connected Facilities Transactions carried out during the Review Period were on normal commercial terms, at arm's length and fair and reasonable so far as the Independent Unitholders are concerned.

(c) Property Management Transactions

(i) Property management in respect of Sunlight REIT's assets

We have reviewed the Property Management Agreement and noted that for the property management services and lease management services provided by the Property Manager, the Property Manager receives a fee of 3% per annum of the gross property revenue of the properties managed by it. For the marketing services provided by the Property Manager, the Property Manager receives a commission equivalent to (i) one month's base rent or licence fee, for securing a tenancy or licence of three years or more; (ii) 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; (iii) one-half month's base rent or licence fee, for securing a renewal of tenancy or

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licence of one year or more; (iv) one-half month's base rent or licence fee or 10% of the total rent or licence fee, whichever is the lower, for securing a tenancy, licence or renewal of tenancy or licence for a duration of less than 12 months; (v) 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 (vi) if the tenancy, licence or renewal is secured by a third party agent appointed by the relevant Property Company, having regard to the work done by the Property Manager in connection with such tenancy, licence or renewal and upon the recommendation of the Manager, the relevant Property Company may, at its absolute discretion, pay the Property Manager the commissions for such tenancy, licence or renewal provided that any such commission shall be at rates not exceeding a half of those specified in (i) to (v) above (as the case may be). In addition to the above fee, the Property Manager is also reimbursed by the relevant Property Companies for staff costs incurred for the management of the Sunlight REIT Properties.

The term of the appointment of the Property Manager under the Property Management Agreement will expire on 30 June 2018. The Manager wishes to further extend the appointment of the Property Manager for a period of three years up to and including 30 June 2021 on the same terms and conditions of the Property Management Agreement, subject to the proposed amendments as described in the Announcement, by entering into a supplemental agreement which will take effect on 1 July 2018. As set out in the Announcement, the Manager wishes to amend the Property Management Agreement such that the Manager and the Property Manager may mutually agree to revise the rate of the fee in respect of any property from time to time provided that it does not exceed 3% per annum of the gross property revenue of such property. Furthermore, the Manager also wishes to revise the commission in the case of securing a tenancy, licence or renewal of tenancy or licence for a duration of less than 12 months, such that the commission payable in such cases will not be 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.

The Manager confirmed that the Property Management Transactions in respect of property management service for Sunlight REIT's assets were conducted in the ordinary and usual course of business of the Sunlight REIT Group and the terms of such transactions were on normal commercial terms or, where there were insufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Sunlight REIT Group than terms available from/to independent third parties. We have reviewed terms of similar transactions regarding the property management services of other listed real

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estate investment trust and noted that two other listed real estate investment trusts have also adopted the same term (i.e. 3% per annum of gross property revenue) regarding property management services and lease management services provided.

In light of the above, we are of the opinion that the terms of Property Management Transactions in connection with property management in respect of Sunlight REIT's assets carried out during the Review Period were on normal commercial terms, at arm's length and fair and reasonable so far as the Independent Unitholders are concerned.

(ii) Third party services

As at the Latest Practicable Date, two Sunlight REIT Properties and their car parks were using the third party services provided by the SKFE Connected Persons Group and/or the Manager Group. The Manager confirmed that the Property Management Transactions in respect of third party services were conducted in ordinary and usual course of business of Sunlight REIT and the terms of such transactions were on normal commercial terms. The Manager further confirmed that the Property Management Transactions in respect of third party services were conducted in accordance with the Manager's internal procurement procedures, which require, among other things, invitation of tenders or quotations from contractors or suppliers, including both the SKFE Connected Persons Group and/or the Manager Group and independent third parties.

We have reviewed the contracts for the security services awarded to the SKFE Connected Persons Group and/or the Manager Group and the respective summary of tenders and tender result analyses and noted that the Manager's internal procurement procedures were adhered to and the tendering and selection process was fair and reasonable.

Having reviewed the tendering process and comparisons, we are of the opinion that the terms of the Property Management Transactions in respect of third party services carried out during the Review Period were on normal commercial terms, at arm's length and fair and reasonable so far as the Independent Unitholders are concerned.

(iii) Deeds of mutual covenant

We have been provided by the Manager all the deeds of mutual covenant of Sunlight REIT Properties with contributions and fees payable to the Manager Group. We noted that the terms of the deeds of mutual covenant varied on a case-by-case basis as such deeds of mutual covenant were prepared at different periods of time and under different market conditions. As such, it is not meaningful

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to make direct comparison between the terms amongst the deeds. In view of the fact that the deed of mutual covenant binds the DMC Manager and all the owners of a development and their successors-in-title, irrespective of whether they are original parties to the deed of mutual covenant, and 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 deeds of mutual covenant, we consider that it is fair and reasonable and appropriate for the Sunlight REIT Group to be abide by the deeds of mutual covenant.

(iv) Joint effort arrangements

We understand from the Manager that the joint effort arrangements conducted during the Review Period were (i) joint effort promotional arrangements entered into by the Sunlight REIT Group with the SKFE Connected Persons Group and/or the Manager Group for the provision of free parking to shoppers at a retail property of Sunlight REIT; and (ii) other parking concessions offered to members of a property owners club who were owners of properties developed by the SKFE Connected Persons Group and/or the Manager Group which were of a nominal amount. The Manager confirmed that the Property Management Transactions in respect of joint effort arrangements were conducted in the ordinary and usual course of business of the Sunlight REIT Group and the terms of such transactions were on normal commercial terms or, where there were insufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Sunlight REIT Group than terms available from/to independent third parties.

In respect of the arrangement for the provision of free parking to shoppers at a retail property of Sunlight REIT, we were given to understand that free parking was given, in the form of parking fee concession in Octopus cards, to shoppers who parked their cars in any parking space of any one of the three phases of a retail property, one of which is owned by Sunlight REIT. We have reviewed the free parking agreement and noted that the parking expenses were allocated and adjusted based on the pro rata share of the retail mall area owned by the respective parties. As the allocation process based on a pro rata share of the areas is generally accepted by the market as a fair and equitable way to allocate either income or expense, we consider the basis of allocation of parking fee concession under the joint effort arrangements were fair and reasonable.

In light of the above, we are of the opinion that the terms of the Property Management Transactions in respect of joint effort arrangements carried out during the Review Period were on normal commercial terms, at arm's length and fair and reasonable so far as the Independent Unitholders are concerned.

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Based on the abovementioned assessments, we are satisfied that the Relevant Connected Party Transactions carried out during the Review Period were in compliance with the conditions of the 2015 Extended Waiver, on normal commercial terms, at arm's length and fair and reasonable so far as the Independent Unitholders are concerned, and the internal control and compliance procedures were properly implemented by the Manager in governing the Relevant Connected Party Transactions. We believe that the terms of the Relevant Connected Party Transactions to be carried out in the future would also be on normal commercial terms, at arm's length and fair and reasonable to the Independent Unitholders if the same internal control measures and procurement procedures are consistently applied by the Manager.

4. Bases of the New Annual Caps

The historical transaction amounts, annual caps and the New Annual Caps for each of the Relevant Connected Party Transactions are summarized as follow:

	Historical transaction amounts			Annual caps			New Annual Caps		
	For the financial year ended 30 June		For the eight months ended 28 February	For the financial year ended/ending 30 June			For the financial year ending 30 June		
	2016	2017	2018	2016	2017	2018	2019	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Connected Leasing Transactions	10,556	10,659	7,061	13,880	14,070	14,740	15,680	15,890	16,450
Connected Facilities Transactions	87	90	93	400	440	490	300	350	400
Property Management Transactions:									
- in respect of Sunlight REIT's assets, third party services and deeds of mutual covenant	15,888	14,914	10,136	29,110	31,820	35,730	23,850	26,820	30,170
- in respect of joint effort arrangements	2,105	1,967	1,692	3,970	4,710	5,590	4,550	5,140	5,810

(a) Connected Leasing Transactions

The New Annual Caps for the Connected Leasing Transactions mainly consist of rental, building management and air-conditioning fees payable by the SKFE Connected Persons Group and/or the Manager Group, and have been determined by taking into account the current lease expiry profile and possible growth in rental, licence fees and charges reflecting market conditions in the future, and potential new tenancies and licences which the SKFE Connected Persons Group and/or the Manager Group may enter into with the Sunlight REIT Group during the relevant financial periods.

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We have reviewed, and discussed with the Manager, the basis and assumptions adopted in determining the New Annual Caps for the Connected Leasing Transactions. We noted that currently six premises are leased to the SKFE Connected Persons Group and the Manager Group under the Connected Leasing Transactions. It is assumed that such rentals will be renewed upon expiry of the existing tenancy agreements with increase in rentals at compound annual growth rates (the “CAGR”) of 5% for Grade A offices and retail shops and 3% for Grade B offices.

As the subject properties of all the existing transactions under the Connected Leasing Transactions are Grade A and Grade B offices and retail shops, we focused our analysis on the property rentals in these types of properties. We have reviewed “Hong Kong Property Review Monthly Supplement (February 2018)” issued by Rating and Valuation Department and the rental indices for the past four years and the relevant growth rates stated therein are summarized as follow:

Year	Private offices (Grade A)		Private offices (Grade B)		Private Retail	
	Rental indices	Growth rate (%)	Rental indices	Growth rate (%)	Rental indices	Growth rate (%)
2014	219.0	n/a	212.1	n/a	173.1	n/a
2015	230.9	5.4	226.0	6.6	182.5	5.4
2016	237.9	3.0	231.0	2.2	178.6	(2.1)
2017	249.0	4.7	237.5	2.8	182.5	2.2

We noted that the annual growth rates for Grade A offices and Grade B offices in 2017 were 4.7% and 2.8% respectively, which are in line with the forecasted CAGR of rentals for Grade A offices and Grade B offices of 5% and 3% respectively adopted by the Manager for the projection of the transaction amount of Connected Leasing Transactions. Meanwhile, the annual growth rates of retail fluctuated during 2015 to 2017 with a range between -2.1% and 5.4%. All the forecasted CAGR adopted by the Manager falls within the range of the respective categories for the past three years. Based on the above, we consider that it is reasonable for the Manager to take into account the possible increase in rental of 3% per annum for Grade B offices and 5% per annum for Grade A offices and shops in determination of the New Annual Caps in respect of the Connected Leasing Transactions with the SKFE Connected Persons Group and/or the Manager Group.

Meanwhile, it was assumed that additional retail properties of Sunlight REIT might be leased to the SKFE Connected Persons Group and/or the Manager Group upon expiry of current leases with independent third parties in the financial year ending

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30 June 2019. Based on the above, the total transaction amounts of the Connected Leasing Transactions were anticipated to increase by approximately HK\$3.7 million, HK\$3.8 million and HK\$4.1 million for the financial years ending 30 June 2019, 30 June 2020 and 30 June 2021 respectively.

We have reviewed the tenancy expiry profile of two retail properties of Sunlight REIT for the financial year ending 30 June 2019 provided by the Manager and noted that leases with independent third parties which would expire during that financial year are sufficient for the assumed additional leases for the Connected Leasing Transactions. Given the abovementioned tenancy expiry profile, we consider that the inclusion of possible new leases with the SKFE Connected Persons Group and/or the Manager Group in the New Annual Caps for the Connected Leasing Transactions is reasonable.

Moreover, in projecting the New Annual Caps for the Connected Leasing Transactions, the Manager assumed that the building management fee, air-conditioning fee and other miscellaneous fees would increase at a rate of 8% per annum, after taking into account the historical incremental rates and the increasing labour costs and electricity charges.

With reference to the “2017 Economic Background and 2018 Prospects” issued by the Government of Hong Kong in February 2018, the gross domestic product (“GDP”) of Hong Kong grew by 3.8% in 2017, up from 2.1% in 2016. The labour market maintained a low unemployment rate, averaging 3.1% in 2017, and the underlying inflation eased for the sixth consecutive year, averaging 1.7% in 2017. With the expectations that external demand would be benefited from the strengthening global economy while the domestic demand would remain resilient on the back of favourable labour market conditions and benign business sentiment, the real GDP growth in 2018 is forecasted to be 3% to 4%. The consumer price inflation is also expected to increase at 2.5% with the improving global and local economic conditions. According to “Hong Kong Monthly Digest of Statistics” issued in February 2018 by the Census and Statistics Department, the composite consumer price index for 2015, 2016 and 2017 was 100.6, 103.0 and 104.5 respectively while the year-on-year rates of change in the composite consumer price indices were in the range of 1.5% and 3.0% for 2015 to 2017.

We have also reviewed a summary of the historical rates of the building management fee and air-conditioning fee of the relevant properties under the Connected Leasing Transactions and noted that the increment rates for 2015 to 2017 ranged from 2% to 9%. Having considered the actual increment rates for the past three years and economic growth of Hong Kong, we consider that it is reasonable to adopt a growth rate of 8% per annum for forecasting the building management fee, air-conditioning fee and other miscellaneous fees.

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Having taken into account all the abovementioned factors, we consider that the New Annual Caps of the Connected Leasing Transactions are fair and reasonable so far as the Independent Unitholders are concerned.

(b) Connected Facilities Transactions

According to the Manager, the New Annual Caps for the Connected Facilities Transactions were determined with reference to the estimated usage of the facilities of the SKFE Connected Persons Group and/or the Manager Group during the relevant financial periods as a result of the anticipated corporate, investor relations and public relations activities of Sunlight REIT.

During the Review Period, the Sunlight REIT Group used the hotel function rooms provided by the Manager Group for the holding of annual general meetings of Unitholders. In tandem with the Sunlight REIT Group's growing business activities, the Manager currently envisages that Sunlight REIT may have the need to hold more general meetings of Unitholders in each financial year and thus will have a greater demand on facilities for such meetings, investor relations and public relations activities, and it is possible that such facilities rental transactions may be entered into with the SKFE Connected Persons Group and/or the Manager Group for the three financial years ending 30 June 2021. It was assumed that three functions and/or events including general meetings and investor relations events would be held for each financial year and an annual growth rate on facilities rental of 15% was adopted in calculating the facilities rentals. We have reviewed the quotations from independent third parties regarding facilities rentals obtained by the Manager during the Review Period and noted that the quoted prices varied substantially among different facility vendors and the offers provided at different periods of time by the same vendor also fluctuated significantly in the range of -11% to 31% year-on-year.

In view of the Sunlight REIT Group's assumed increase in demand on facilities and the possible fluctuations in pricing regarding facilities rentals, we consider the New Annual Caps of the Connected Facilities Transactions are fair and reasonable so far as the Independent Unitholders are concerned.

(c) Property Management Transactions

The New Annual Caps for the Property Management Transactions in respect of Sunlight REIT's assets, third party services, deeds of mutual covenants and joint effort arrangements were determined with general reference to the historical transaction amounts and the following factors:

(i) Property management in respect of Sunlight REIT's assets

Subject to approval by the SFC, provided that there is no variation to the terms and conditions governing the transactions under the Property Management

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Agreement (other than that as described in the Announcement), whether during the term of the Property Management Agreement or upon any renewal thereof or during the term of any such renewed agreement(s):

- the fees and reimbursements payable to the Manager Group under the renewed Property Management Agreement will not be subject to any annual cap for the purpose of the waiver granted by the SFC (as may be extended and/or modified from time to time); and
- the entering into by the Manager or Sunlight REIT of a renewed Property Management Agreement during the period of the waiver granted by the SFC (as may be extended and/or modified from time to time) will be exempt from all reporting, disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code.

Accordingly, similar to the arrangements under the 2015 Extended Waiver, the proposed New Annual Caps for the Property Management Transactions referred to in the Circular have not included the fees and reimbursements payable to the Manager Group under the renewed Property Management Agreement.

(ii) Third party services and deeds of mutual covenant

We have reviewed, and discussed with the Manager, the basis and assumptions adopted in determining the New Annual Caps for the Property Management Transactions in respect of third party services and deeds of mutual covenant. We noted that the projected third party services mainly included security services and other professional/consultancy services while the deeds of mutual covenant mainly accounted for expenses for the management, security, air-conditioning system, repair and maintenance services, renovation works and professional fee in relation to the Sunlight REIT Properties.

The New Annual Caps for the third party services and deeds of mutual covenant under the Property Management Transactions were determined after taking into account the current service contracts with the SKFE Connected Persons Group and/or the Manager Group and the periodic use of additional services and possible growth in costs and expenses reflecting expected market conditions in the future, supplemented by a buffer of 10% 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 SKFE Connected Persons Group and/or the Manager Group may enter into with the Sunlight REIT Group during the relevant financial periods. In particular, consideration has been given to the possibility of the SKFE Connected

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Persons Group and/or the Manager Group securing additional security service contracts in respect of certain Sunlight REIT properties whose existing security service contracts were entered into with independent third parties and will expire in the second quarter of 2019.

In respect of the third party services, two security service contracts were entered into with the Manager Group and such contracts will be expired in mid-2019. The Manager assumed that the SKFE Connected Persons Group and/or the Manager Group would participate in the tenders and there were possibilities that the SKFE Connected Persons Group and/or the Manager Group would be successful in procuring the tender(s). In addition, the Manager projected an annual growth rate in a range of 15% to 20%, having considered the inflation, increasing labour costs, shortage of labour in the market and additional security staff required for ad-hoc security measures, security reinforcement and special events. Furthermore, there are other professional services which are assumed to be provided by the construction or technical team of the SKFE Connected Persons Group and/or the Manager Group in respect of technical and/or major repair works for the Sunlight REIT Properties in their ordinary and usual course of business. Moreover, security services may be required from the SKFE Connected Persons Group and/or the Manager Group as a result of possible property acquisition(s) in the future. Therefore, the Manager has included a budget for the three financial years ending 30 June 2021 to cater for the possible new service contract(s) to be entered into with the SKFE Connected Persons Group and/or the Manager Group in relation to the third party services with reference to the existing security service fee charged to the Sunlight REIT Properties, and taking into account the possible growth in costs and expenses at annual growth rates in the range of 15% to 20% as mentioned above.

We have reviewed “Hong Kong Monthly Digest of Statistics” issued in February 2018 by the Census and Statistics Department and noted that the real wage indices for real estate leasing and maintenance management for September 2016 and September 2017 were 132.6 and 136.5 respectively, representing an increase of approximately 2.9%. We also noted that the minimum wage level under the Minimum Wage Ordinance has been increased from HK\$28 per hour in May 2011 to HK\$34.5 per hour in May 2017, representing a CAGR of approximately 3.5%. In addition, we have reviewed information provided by the Manager regarding security services provided by independent third parties for Sunlight REIT Properties and noted that the growth rates of security services fee for contract renewals ranged from 2.0% to 12.1% for 2015 to 2017. Having considered the historical growth rates and the possible revision of minimum wage level in mid-2019, we consider that the growth rates adopted for the third party services under the Property Management Transactions are fair and reasonable.

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For the deeds of mutual covenant under the Property Management Transactions, there are currently nine Sunlight REIT Properties (aged from 19 to 37 years) which fall under the deeds of mutual covenant category with contributions and fees payable to the DMC Managers which are members of the Manager Group. The Manager projected that the transaction amounts would grow at annual rates ranging from 5% to 15%, having taking into account the inflation, increasing labour costs, shortage of labour in the market and the renovation works to be carried out for the three financial years ending 30 June 2021.

We have reviewed the historical contributions to the DMC Managers for 2015 to 2017 and noted that the annual growth rates during the period ranged from 0.7% to 5.5%. We noted that certain projected growth rates were higher than the historical growth rates and the recent increases in composite consumer price index in the range from 1.5% to 3.0% for 2015 to 2017 as mentioned above. We were given to understand that the higher projected annual growth rates were due to the projection of possible structural repair and replacement works to be carried out for certain Sunlight REIT Properties in view of the aging of the facilities and buildings. Meanwhile, certain Sunlight REIT Properties recorded deficits in the property management accounts of the DMC Managers and in some of these cases, a rise in contribution to the DMC Managers might be required to eliminate such deficits. Given the above factors, we consider that the growth rates adopted for the deeds of mutual covenant under the Property Management Transactions are fair and reasonable.

Furthermore, a buffer of 10% for contingencies such as unforeseeable market fluctuations is budgeted for the New Annual Caps of the Property Management Transactions in respect of third party services and deeds of mutual covenants for each of the three financial years ending 30 June 2021. We have reviewed the range of contingency buffer of other listed real estate investment trusts and noted that a buffer in a range of 5% to 25% was normally adopted by other listed real estate investment trusts for the budget of annual caps. Given that the buffer rate of 10% proposed by the Manager falls within the range of other listed real estate investment trusts, we are of the view that the buffer adopted is reasonable.

Based on the above factors, we consider the New Annual Caps for the Property Management Transactions in respect of third party services and deeds of mutual covenants are fair and reasonable so far as the Independent Unitholders are concerned.

(iii) Joint effort arrangements

The New Annual Caps for the Property Management Transactions in respect of joint effort arrangements were determined by reference to the estimated amount of

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joint promotional and development activities for retail properties after taking into account (i) the relevant historical figures for the current joint effort activities (including the recent rapid increase of free parking joint promotions); (ii) the possible growth in such joint effort activities as a result of market growth or better economies of scale in the future; and (iii) other potential new joint effort activities which the SKFE Connected Persons Group and/or the Manager Group may enter into with the Sunlight REIT Group during the relevant financial periods.

We have reviewed, and discussed with the Manager, the basis and assumptions adopted in determining the New Annual Caps for the Property Management Transactions in respect of joint effort arrangements and noted that the New Annual Caps for the Property Management Transactions in respect of joint effort arrangements mainly included budgets for (i) the provision of parking promotional arrangement; and (ii) marketing expenses for joint promotional and development activities for the retail properties which were absent during the Review Period. We also understand that estimated annual increments in a range of 10% to 15% have been adopted in forecasting the transaction amount for joint effort arrangements, having taking into account the historical annual increments and general inflation.

We noted that the historical transaction amounts of joint effort arrangements fluctuated during the Review Period. For the financial year ended 30 June 2017, the transaction amount of joint effort arrangements reduced by approximately 6.6% as compared to the prior year, which was mainly due to the decreased usages of parking services. However, the demand for parking spaces increased during the second half of 2017. Together with the increments in the hourly parking rate, the transaction amount of joint effort arrangements for the eight months ended 28 February 2018 amounted to approximately HK\$1.7 million, representing an increase of approximately 14.9% from the previous corresponding period.

Having considered the recent increasing trend in parking promotional arrangement and the increases in composite consumer price index as mentioned above, we consider that the annual growth rates adopted in estimating the joint effort arrangements are reasonable, and the New Annual Caps for the Property Management Transactions in respect of joint effort arrangements are fair and reasonable so far as the Independent Unitholders are concerned.

Having taken into account the above analysis, we consider that the New Annual Caps of each of the Relevant Connected Party Transactions proposed by the Board are fair and reasonable so far as the Independent Unitholders are concerned.

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5. Conditions of the Waiver

As set out in the announcement of Sunlight REIT issued on 13 March 2015 in relation to the poll results of the extraordinary general meeting of Sunlight REIT approving, among others, the 2015 Extended Waiver and the annual caps for the Relevant Connected Party Transactions for the years ended/ending 30 June 2016, 2017 and 2018, certain waivers were granted by the SFC in relation to the 2015 Extended Waiver, subject to conditions described therein. We are of the view that the waiver conditions of the 2015 Extended Waiver can provide appropriate measures to govern the Manager in carrying out the Relevant Connected Party Transactions and safeguard the interests of the Independent Unitholders. The Manager undertakes that it will continue to comply with the waiver conditions of the 2018 Waiver Extension to be imposed by the SFC.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that (i) the Relevant Connected Party Transactions are/will be conducted in the ordinary and usual course of business of the Sunlight REIT Group and the terms of which are/will be at arm's length and on normal commercial terms; and (ii) the 2018 Waiver Extension and the New Annual Caps (and their basis) are fair and reasonable so far as the Independent Unitholders are concerned, and in the interests of Sunlight REIT and the Independent Unitholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Unitholders, as well as the Independent Unitholders, to vote in favour of the Ordinary Resolution to approve the 2018 Waiver Extension and the New Annual Caps at the upcoming EGM.

Yours faithfully,
For and on behalf of

Crescendo Capital Limited

Amilia Tsang
Managing Director

Helen Fan
Associate Director

Notes:

1. Ms. Amilia Tsang is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activity and has approximately 14 years of experience in corporate finance.
2. Ms. Helen Fan is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activity and has approximately 10 years of experience in corporate finance.

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 an extraordinary general meeting of unitholders of Sunlight Real Estate Investment Trust will be held at The Ballroom, 18th Floor, The Mira Hong Kong, 118 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong on Wednesday, 2 May 2018 at 10:00 a.m. for considering and, if thought fit, passing, with or without modifications, the following ordinary resolution.

ORDINARY RESOLUTION

“THAT:

- (a) the 2018 Waiver Extension and the New Annual Caps (as defined and described in the circular dated 13 April 2018 and despatched to Unitholders of which the notice convening this meeting forms a part, a copy of which has been produced to this meeting and marked “*” and signed by the Chairman for the purpose of identification) be and is hereby approved; and
- (b) the Manager, any director of the Manager and 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 matters resolved upon in paragraph (a) 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, 13 April 2018

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 13 April 2018 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 separate proxies 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 a recognized clearing house within the meaning of the SFO) 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 deposited with the Unit Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than 10:00 a.m. on Monday, 30 April 2018, 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 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.
- (e) For the purpose of determining entitlements to attend and vote at the EGM, the Register will be closed from Thursday, 26 April 2018 to Wednesday, 2 May 2018, both days inclusive, during which period no transfer of Units will be effected. In order to qualify to attend and vote at the meeting (or at any adjournment thereof), all unit certificates accompanied by the duly completed transfer forms must be lodged with the Unit Registrar no later than 4:30 p.m. on Wednesday, 25 April 2018.
- (f) The voting of the resolution 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 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) 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.