
CONNECTED PARTY TRANSACTIONS

Details of Connected Party Transactions

Following completion of the Offering, there will be continuing transactions between Sunlight REIT and the following persons noted below, which will constitute connected party transactions of Sunlight REIT within the meaning of the REIT Code. Details of these transactions as well as the modifications or waivers sought by Sunlight REIT in relation to the relevant provisions in Chapter 8 of the REIT Code on connected party transactions are set out below.

Introduction

Following completion of the Offering there will be, and it is likely that there will continue to occur from time to time, a number of transactions between the Manager, Sunlight REIT and other companies or entities held or controlled by Sunlight REIT (collectively, “**Sunlight REIT Group**”) and parties which have a relationship or connection with Sunlight REIT.

The REIT Code contains rules governing transactions between Sunlight REIT Group and certain defined categories of “connected persons” within the meaning given in the REIT Code. Such transactions will constitute “connected party transactions” for the purposes of the REIT Code.

Sunlight REIT’s “connected persons” will include, amongst others:

- (i) the Trustee and companies within the same group as the Trustee (“**Trustee Connected Persons**”). As a result, the list of “connected persons” of Sunlight REIT will include HSBC Holdings plc (“**HSBC**”) and other members of its group (including The Hongkong and Shanghai Banking Corporation Limited) since the Trustee is an indirect wholly-owned subsidiary of HSBC;
- (ii) the Manager and entities or persons which are from time to time connected persons of Sunlight REIT as a result of their connection with the Manager (“**Manager Group**”), including the Property Manager, HLD and other members of the same group;
- (iii) wholly-owned subsidiaries of SKFE which are expected to become significant holders (that is, holders holding (or deemed to be holding) 10% or more of the outstanding Units) immediately upon completion of the Offering (“**SKFE Holders**”), “associates” of SKFE Holders as defined in the REIT Code and entities or persons which are from time to time connected persons of Sunlight REIT as a result of their connection with SKFE Holders (“**SKFE Connected Persons Group**”);
- (iv) directors, senior executives or officers of the Trustee, the Manager or SKFE Holders and their respective “associates” as defined in the REIT Code. For this purpose, the “associates” of the directors include (amongst others) other companies of which they are directors; and
- (v) controlling entities, holding companies, subsidiaries or associated companies (as those terms are defined under the REIT Code) of the Manager or SKFE Holders.

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The Manager has applied for certain waivers from strict compliance with the REIT Code with respect to transactions (a) between Sunlight REIT Group, the SKFE Connected Persons Group and/or the Manager Group; and (b) between the Trustee Connected Persons and Sunlight REIT Group. These waivers are subject to the conditions mentioned under the sub-section headed “Waivers for Certain Transactions” below.

Internal Controls

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

As a general rule, the Manager must demonstrate to the Audit Committee that all connected party transactions entered into by Sunlight REIT satisfy the foregoing criteria, which may entail (where practicable) obtaining quotations from parties unrelated to the Manager, or obtaining one or more valuations from independent professional valuers.

The Manager shall investigate and monitor all transactions by Sunlight REIT in order to determine whether such transactions are connected party transactions. Furthermore, the Manager shall maintain a register to record all connected party transactions which are entered into by members of Sunlight REIT Group and the bases, including any quotations from unrelated and/or independent parties and independent valuations obtained to support such bases, on which they are entered into. The Manager shall also incorporate into its internal audit plan a review of all connected party transactions entered into by members of Sunlight REIT Group.

Waivers for Certain Transactions

Waivers for Certain Connected Party Transactions between Sunlight REIT Group, the SKFE Connected Persons Group and/or the Manager Group

The Manager has applied for, and the SFC has granted, a waiver from strict compliance with the requirements for disclosure, and, where applicable, Unitholders’ approval under Chapter 8 of the REIT Code in respect of the following categories of connected party transactions between Sunlight REIT Group, the SKFE Connected Persons Group and/or the Manager Group:

(i) *Leasing and licensing arrangements*

- (a) *Leasing and licensing:* It is currently intended that Sunlight REIT Group will enter into leasing and licensing transactions with certain tenants and licensees which may include persons or corporations from the SKFE Connected Persons Group and/or from the Manager Group (together, “**Connected Leasing Transactions**”).

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- (b) *Use of facilities:* It is envisaged that Sunlight REIT Group will use the facilities of the SKFE Connected Persons Group and/or the Manager Group from time to time, including the function rooms and other facilities in their hotels, for the purposes of, for example, holding meetings of Unitholders or investor or analyst briefings (“**Connected Facilities Transactions**”, together with the Connected Leasing Transactions, “**Connected Leasing/Facilities Transactions**”).

(ii) *Property management and operations*

Property management transactions include any transactions in the nature of property management and operational arrangements in respect of the properties of Sunlight REIT Group (hereinafter referred to as “**Sunlight Properties**” and “**Sunlight Property**” means any one of them in this section) that are to be entered into by, or by others (e.g. the Property Manager) on behalf of, Sunlight REIT Group on the one part and the SKFE Connected Persons Group and/or the Manager Group on the other part. These include (a) property management of Sunlight REIT’s assets, (b) third party services, (c) transactions under the relevant deeds of mutual covenant, and (d) joint effort arrangements (together, “**Property Management Transactions**”).

- (a) *Property management in respect of Sunlight REIT’s assets:* Pursuant to the Property Management Agreement, the Manager delegated the property management functions in respect of Sunlight REIT’s property portfolio to the Property Manager. The Property Manager is an indirect wholly-owned subsidiary of HLD and a member of the Manager Group, and is thus a connected person of Sunlight REIT. Under the terms of the Property Management Agreement, each of the members of Sunlight REIT Group which owns the Sunlight Properties (hereinafter referred to as “**Sunlight Property Companies**” in this section) will execute a deed of ratification and accession so that the Sunlight Property Companies will be bound by, and be entitled to the benefits of, the Property Management Agreement.
- (b) *Third party services:* The Sunlight Property Companies and/or the Property Manager (as agent for or at the costs of the relevant Sunlight Property Companies under the terms of the Property Management Agreement) will enter into contracts with third party service providers for the provision of services in the ordinary and usual course of management and operation of the Sunlight Properties, including, among other things, cleaning, maintenance, renovation (including physical improvements or repairs and project management of renovation or enhancement work), security, utilities, car park management, legal and other professional and consultancy services in the ordinary and usual course of management and operation of properties, coach or other vehicle leasing and other property management and ancillary services for the relevant Sunlight Property. Some of these third party service providers may be members of the Manager Group or the SKFE Connected Persons Group where the Property Manager believes that engaging them based on normal commercial terms and market rates is in the interests of the Sunlight Property Companies.

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- (c) *Deeds of mutual covenant:* Each of the Sunlight Property Companies will, where applicable, be bound by, and have the benefit of, the terms of the deed of mutual covenant applicable to the Sunlight Property owned by it. The deed of mutual covenant binds the manager under the deed of mutual covenant (“**DMC Manager(s)**”) and all the owners of a development and their successors-in-title, irrespective of whether they are original parties to the deed of mutual covenant. It is currently anticipated that all of the DMC Managers in respect of Sunlight Properties to be held by Sunlight REIT Group will initially be members of the Manager Group. Further, there may also be situations arising where one or more members of the SKFE Connected Persons Group and/or the Manager Group may own other parts of the building or development of which the Sunlight Property owned by Sunlight REIT Group forms part, and therefore technically the deed of mutual covenant constitutes a contract between them.
- (d) *Joint effort arrangements:* It is envisaged that arrangements for the carrying out of works or procurement of services as a joint effort or for the joint benefit of the parties concerned may be entered into by or on behalf of Sunlight REIT Group with the SKFE Connected Persons Group and/or the Manager Group (in some cases together with other third parties). Examples of these include:
 - (i) Construction, decoration or other works are carried out and/or services procured from time to time for the joint benefit of the Sunlight Properties and properties owned by the SKFE Connected Persons Group and/or the Manager Group which are in the close vicinity of the Sunlight Properties.
 - (ii) Marketing and development activities to be undertaken on behalf of Sunlight REIT are carried out from time to time for the joint benefit of one or more of the Sunlight Properties and properties owned by the SKFE Connected Persons Group and/or the Manager Group. It is also expected that there will be joint effort promotional arrangements entered into by Sunlight REIT Group with the SKFE Connected Persons Group and/or the Manager Group (and/or other third parties), which include but are not limited to provision of free parking, entering into contracts with third parties to arrange for shuttle bus services, for advertisements promoting the properties concerned, and for overall image building of the properties concerned.

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Waiver Conditions

Pursuant to the waivers, the connected party transactions falling within the categories mentioned above need not be disclosed as connected party transactions and are not subject to Unitholders' approval, subject to the conditions imposed by the SFC set out below.

(i) Extensions or modifications

The waivers in the preceding paragraphs granted by the SFC have been granted for a period to expire on 30 June 2009. The waivers may be extended beyond 30 June 2009, and/or the conditions of the waiver may be modified from time to time, provided that:

- (a) the approval of Unitholders other than those who have a material interest in the relevant transactions within the meaning of paragraph 8.11 of the REIT Code (“**Independent Unitholders**”) is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
- (b) disclosure of details of the proposed extension and/or modification (as the case may be) is made by way of an announcement by the Manager of such proposal, and a circular and notice are issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (c) any extension of the period of the waiver is made, on each occasion of such extension, for a period which will expire not later than the third full financial year-end date of Sunlight REIT after the date on which the approval referred to in (a) above becomes effective.

(ii) Annual caps

The annual value of the connected party transactions described in the following table shall not exceed the respective annual cap amounts set for the relevant period as set out therein:

Categories of connected party transactions	Listing Date to		
	30 June 2007	FY2008	FY2009
Connected Leasing Transactions	HK\$ 4,700,000	HK\$10,600,000	HK\$12,700,000
Connected Facilities Transactions	HK\$ 300,000	HK\$ 660,000	HK\$ 730,000
Property Management Transactions			
in (ii)(a), (b) and (c)	HK\$23,900,000	HK\$49,800,000	HK\$54,800,000
Property Management Transactions in (ii)(d)	HK\$ 2,100,000	HK\$ 4,100,000	HK\$ 4,500,000

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In respect of the Connected Leasing Transactions first entered into on or after the Listing Date, an independent valuation will be conducted for each of such leasing and licensing transactions before it is first entered into except where they are conducted on standard or published rates.

(iii) Disclosure in semi-annual and annual report

Details of the relevant connected party transactions will be disclosed in Sunlight REIT's semi-annual and annual reports in the relevant financial year as required under paragraph 8.14 of the REIT Code.

(iv) Auditors' review procedures

In respect of each relevant financial period, the Manager will engage and agree with the auditors of Sunlight REIT to perform review procedures on connected party transactions. The auditors will then provide a report to the Manager on the factual findings based on the work performed by them (and a copy of such report will be provided to the SFC), confirming whether all such connected party transactions:

- (a) have received the approval of the Board (including the independent non-executive Directors);
- (b) have been entered into in accordance with the pricing policies of Sunlight REIT;
- (c) have been entered into in accordance with the terms of the agreements (if any) governing the transactions; and
- (d) the total value in respect of which has not exceeded the relevant annual cap amounts referred to in (ii) above (where applicable).

(v) Review by the independent non-executive Directors

The independent non-executive Directors will review the relevant connected party transactions annually and confirm in Sunlight REIT's annual report for the relevant financial period that such transactions have been entered into:

- (a) in the ordinary and usual course of business of Sunlight REIT;
- (b) on normal commercial terms (to the extent that there are sufficient comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Sunlight REIT than terms readily available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreements and the Manager's internal procedures governing them, if any, on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

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(vi) Auditors' access to books and records

The Manager will allow, and will procure the counterparty to the relevant connected party transaction to allow, the auditors of Sunlight REIT sufficient access to their records for the purpose of reporting on the transactions.

(vii) Notification to the SFC

The Manager will promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors and/or the independent non-executive Directors will not be able to confirm the matters set out in (iv) and (v) above.

(viii) Subsequent increase in annual caps with Independent Unitholders' approval

The Manager may from time to time seek to increase one or more of the annual caps set out above, for example, when Sunlight REIT acquires additional properties and increases the scale of its operations or when there are changes in market or operating conditions, provided that:

- (a) the approval of Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
- (b) disclosure of details of the proposal to increase the cap amounts is made by way of an announcement by the Manager of such proposal, and a circular and notice are issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (c) the requirements referred to in paragraphs (ii) to (vii) in this section will continue to apply to the relevant transactions, save that the increased annual cap amounts or cap amount will apply.

(ix) Paragraph 8.14 of the REIT Code

The Manager will comply with all requirements under paragraph 8.14 of the REIT Code where there is any material change to the terms of the relevant connected party transactions or where there is any subsequent change to the REIT Code which may impose stricter requirements in respect of disclosure and/or Unitholders' approval.

Details of the relevant connected party transactions will be disclosed in Sunlight REIT's semi-annual and annual reports in the relevant financial year as required under paragraph 8.14 of the REIT Code. The independent non-executive Directors will review the relevant connected party transactions annually and confirm whether such transactions are carried out in the ordinary and usual course of business of Sunlight REIT based on normal commercial terms and in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Unitholders.

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Opinion of the Board

The Board (including all the independent non-executive Directors) confirms that:

- (i) in its opinion, the annual caps and the cap stated above, and the basis for such annual caps and cap, are fair and reasonable having regard to the interests of the Unitholders as a whole;
- (ii) for those of the continuing connected party transactions in respect of which waiver is sought (“**Continuing CPTs**”) which will be subsisting as at the Listing Date, in its opinion, each of such Continuing CPTs has been entered into: (a) in the ordinary and usual course of business of Sunlight REIT (or its predecessors, as the case may be); and (b) on terms which are normal commercial terms and are fair and reasonable and in the interests of the Unitholders as a whole; and
- (iii) for Continuing CPTs which will be entered into after the Listing Date, each of such Continuing CPTs shall be entered into: (a) in the ordinary and usual course of business of Sunlight REIT; and (b) on terms which are normal commercial terms and are fair and reasonable and in the interests of the Unitholders as a whole.

Opinion of the Joint Global Coordinators

The Hongkong and Shanghai Banking Corporation Limited, Deutsche Bank AG, Hong Kong Branch and Macquarie Securities Limited, in their capacity as the listing agents of Sunlight REIT for the purposes of the authorisation of Sunlight REIT under Part IV of the SFO and the listing of the Units on the Hong Kong Stock Exchange confirm that, in their opinion, the Connected Leasing / Facilities Transactions and the Property Management Transactions as subsisting are in the ordinary and usual course of business of Sunlight REIT on normal commercial terms or on terms no less favourable to Sunlight REIT than those available to or from (as appropriate) independent third parties, and are fair and reasonable and in the interests of the Unitholders as a whole.

Opinion of the Independent Property Valuer

The Independent Property Valuer confirms that the rentals of the existing Connected Leasing Transactions were at market levels as of their respective commencement dates and the other commercial terms in the tenancies/offer letters for tenancies such as tenure, rental deposits and the like are on normal commercial terms.

Exclusion Relating to Employees

The Manager has also applied for, and the SFC has granted, an exclusion of employees of or in the SKFE Connected Persons Group (other than employees of the Manager) as connected persons of Sunlight REIT solely as a result of them being such employees but not otherwise and, accordingly, for transactions between such employees and Sunlight REIT Group to be exempt from all requirements relating to connected party transactions pursuant to Chapter 8 of the REIT Code. However, this exclusion does not exempt such persons from other categories of connected persons as defined in the REIT Code.

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Excluded Transactions

The existing leasing agent of certain Properties is currently using spaces in certain Properties as leasing offices for the purposes of provision of leasing related services in relation to the Properties at which such respective leasing offices are located rent free (see the section headed “The Properties and Business” in this Offering Circular), and the Property Manager will continue to do so following Completion. The Manager has applied for, and the SFC has granted, an exclusion of such arrangements as connected party transactions of Sunlight REIT and, accordingly, for such arrangements to be exempt from all requirements relating to connected party transactions pursuant to Chapter 8 of the REIT Code. This exclusion is subject to the condition that the total area of the Properties taken up by the Property Manager rent free for such purposes will not exceed that taken up as at the date of this Offering Circular as long as it acts as the property manager of the Properties.

Waivers for Certain Connected Party Transactions between Trustee Connected Persons and Sunlight REIT Group

In addition, the Manager has applied for, and the SFC has granted, waivers from strict compliance with Chapter 8 of the REIT Code in respect of certain transactions between Trustee Connected Persons and Sunlight REIT Group.

For the purposes of this section:

- (i) **“HSBC Group”** means The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries and, unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries (being the subsidiaries of the Trustee but excluding those subsidiaries formed in its capacity as the trustee of Sunlight REIT);
- (ii) **“Trustee Connected Persons”** include a director, a senior executive or an officer of the Trustee, and a controlling entity, holding company, subsidiary or associated company of the Trustee.

In support of the application for the waiver request, the Manager has undertaken with the SFC to meet certain conditions, including the following general conditions (**“General Conditions”**) on an ongoing basis:

- (i) the connected party transactions are carried out at arm’s length, on normal commercial terms and in the interests of the Unitholders as a whole;
- (ii) the Manager must implement internal controls and compliance procedures to ensure that the connected party transactions are monitored and undertaken on terms in compliance with the REIT Code;
- (iii) the Manager is satisfied with the Trustee’s internal controls and compliance procedures, such as “Chinese Walls”, to ensure that the operation of the Trustee is independent of other banking, financial services and other business functions and operations of the HSBC Group; and

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- (iv) the Manager incorporates provisions in the Trust Deed that require the Trustee to upon request in writing by the Manager take actions or commence proceedings on behalf of Sunlight REIT as necessary, including against the Trustee Connected Persons in relation to any transaction or agreement entered into by the Trustee for and on behalf of Sunlight REIT with such Trustee Connected Persons.

Separately and for the purpose of this waiver, each of the Trustee and The Hongkong and Shanghai Banking Corporation Limited (on behalf of itself and its subsidiaries) has given an undertaking to the SFC that it will act independently of one another in its dealings with Sunlight REIT. The Trustee undertakes to the SFC that it will not be involved in the making of any decisions on behalf of Sunlight REIT to enter into any transactions with the Trustee Connected Persons, subject only to the Trustee's duties of oversight under the REIT Code and the Trust Deed.

The waivers are given on the premise that they only apply to connected party transactions involving the Trustee Connected Persons solely as a result of and for so long as the Trustee is in office as the trustee for Sunlight REIT. If connected party transactions arise as a result of other circumstances, these will be governed by Chapter 8 of the REIT Code.

Notwithstanding the foregoing, the SFC reserves the right to review or revise any of the terms and conditions of any of the waivers if there is any subsequent change of circumstances that affect any of them. In the event of future amendments to the REIT Code imposing more stringent requirements than those applicable at the date of the waivers granted by the SFC on transactions of the kind to which the transactions belong (including, but not limited to, a requirement that such transaction be made conditional on approval by the Independent Unitholders), the Manager shall take immediate steps to ensure compliance with such requirements within a reasonable period of time.

Ordinary Banking and Financial Services with Trustee Connected Persons

As a general rule, the Manager must demonstrate to the Audit Committee that such transactions satisfy the General Conditions set out above, which may entail (where practicable) obtaining quotations from parties unrelated to the Trustee. For example, for non-daily "corporate finance transactions", there should be procedures to ensure (a) competitive "best pricing" (having regard to the nature of the services being sought and market conditions) and (b) the Trustee should not be involved in the selection of the parties to the transactions. All connected party transactions are to be reviewed by the independent non-executive Directors to ensure that they are conducted in the best interests of the Unitholders as a whole.

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Based on the controls summarised above, the Manager intends to adopt and observe certain policies with respect to transactions between Sunlight REIT Group and the HSBC Group. Further, the Manager may engage the HSBC Group to provide “ordinary banking and financial services” to Sunlight REIT Group from time to time and will not be subject to any requirements for announcement or Unitholders’ approvals under Chapter 8 of the REIT Code. In addition, the disclosure and reporting requirements under Chapter 8 of the REIT Code with respect to such transactions shall be modified as described below. For this purpose, “ordinary banking and financial services” means:

- (i) deposits and other “banking business” (as defined in the Banking Ordinance) with an HSBC Group member which is a “licensed corporation” or “registered institution” (as defined in the SFO) or overseas equivalent (together “**HSBC Group intermediaries**”) and conducted on arm’s length commercial terms;
- (ii) loans extended by an HSBC Group intermediary being a transaction in the ordinary course of business of Sunlight REIT Group and provided to, or arranged for, Sunlight REIT Group on arm’s length commercial terms; and
- (iii) related financial services constituting regulated activities (as defined in the SFO) and other banking or financial services required in the ordinary and usual course of business by Sunlight REIT Group (including insurance, Occupational Retirement Schemes Ordinance (“**ORSO**”) retirement benefit schemes, Mandatory Provident Fund Schemes, credit cards, asset management and other such services).

For the avoidance of doubt, “ordinary banking and financial services” as described herein does not include “corporate finance transactions” which are defined in the sub-section headed “Waiver for Corporate Finance Transactions with the HSBC Group” set out below.

Notwithstanding the above, a summary disclosure of “ordinary banking and financial services” related transactions provided by the HSBC Group to Sunlight REIT Group in each financial year has to be disclosed in the annual report of Sunlight REIT. Such information shall include the nature of the transactions, types of transactions or services and identities of the connected persons of the same transactions. The independent non-executive Directors shall confirm in the annual report that they have reviewed the terms of any such transactions and are satisfied that these transactions have been entered into:

- (a) in the ordinary and usual course of business of Sunlight REIT;
- (b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Sunlight REIT than terms available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

In addition, the auditors of Sunlight REIT shall be engaged to perform certain agreed review procedures and report (“**Auditors’ Report**”) to the Manager (and a copy of such report shall be provided

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to the SFC) confirming that all such transactions (a) have followed the Manager's internal procedures for such transactions and are in accordance with the terms disclosed in the offering document; (b) have received the approval of the Board (including the independent non-executive Directors); (c) are in accordance with the pricing policies of Sunlight REIT; (d) have been entered into in accordance with the terms of the agreements governing the transactions; and (e) the total value in respect of which has not exceeded the respective cap amount (where applicable).

Excluded Transactions

The following transactions will not be deemed connected party transactions of Sunlight REIT for the purposes of Chapter 8 of the REIT Code:

- (i) where the HSBC Group acts for a third party as nominee, custodian, agent or trustee and conducts "agency transactions" with Sunlight REIT Group;
- (ii) where a collective investment scheme (including another real estate investment trust) transacts with Sunlight REIT Group, and a company within the HSBC Group acts as the manager or trustee of such collective investment scheme but the transaction is not a proprietary transaction of the HSBC Group; and
- (iii) where a member of the HSBC Group (other than the Trustee except where the Trustee is the trustee of another collective investment scheme and is acting in that capacity) acquires, purchases, subscribes, sells or disposes of Units on terms which are the same as available to the public or other Unitholders as a whole, and where applicable, are subject to the application and allocation rules set out in the Listing Rules. For the avoidance of doubt, any dealing by the HSBC Group in Units on the Hong Kong Stock Exchange will not be a connected party transaction.

Waiver for Lease or Licence Transactions with the HSBC Group

The SFC has granted a waiver from strict compliance with the requirement to make announcements and to seek Unitholders' prior approval as set out in paragraphs 8.9 and 8.11 of the REIT Code in respect of any lease or licence transactions entered into with Sunlight REIT Group where any member of the HSBC Group is a lessee or licensee, and the disclosure and reporting requirements under Chapter 8 of the REIT Code shall be modified as described in paragraphs (iii), (iv) and (v) below. As a result of this waiver, the Manager is not required to make announcements or seek Unitholders' approval regarding lease or licence transactions between Sunlight REIT Group and any member of the HSBC Group and the disclosure and reporting requirements under Chapter 8 of the REIT Code that will apply in respect of any lease or licence transactions entered into with Sunlight REIT Group where any member of the HSBC Group is a lessee or licensee shall be modified as described in paragraphs (iii), (iv) and (v) below.

The above waiver is granted on condition that:

- (i) the grant of the lease or licence is negotiated and determined by the Manager and/or the Manager's delegate on behalf of Sunlight REIT Group;

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- (ii) an independent valuation is conducted for each of the lease or licence transactions except where it is conducted on standard or published rates;
- (iii) the aggregate amount of annual rent paid by the HSBC Group to Sunlight REIT Group during a financial year, together with the material terms of any lease or licence with any member of the HSBC Group under which the annual rent (per lease) exceeds HK\$1 million, is disclosed in the annual report of Sunlight REIT in accordance with paragraph 8.15 of the REIT Code;
- (iv) a statement is disclosed in the annual report by the independent non-executive Directors that they have reviewed the terms of such transactions and that they are satisfied that they have been entered into:
 - (a) in the ordinary and usual course of business of Sunlight REIT;
 - (b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Sunlight REIT than terms available to or from (as appropriate) independent third parties; and
 - (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Unitholders as a whole; and
- (v) the Auditors' Report shall cover all the relevant lease and licence transactions.

Waiver for Corporate Finance Transactions with the HSBC Group

The SFC has granted a waiver from strict compliance with the requirement under paragraphs 8.9 and 8.11 of the REIT Code to seek Unitholders' prior approval and to make announcements and circulars (in accordance with Chapter 10 of the REIT Code) in respect of certain "corporate finance transactions" between Sunlight REIT Group and the HSBC Group. In addition, the disclosure and reporting requirements under Chapter 8 of the REIT Code with respect to such transactions shall be modified as described in conditions (A) to (F) below. For the purpose of this waiver, "corporate finance transactions" means:

- (i) underwriting, securitisation, issue of debt instruments or other securities, or other related arrangements where the HSBC Group is involved in an underwriting or arranging capacity or acts as listing agent and/or financial adviser and/or global co-ordinator to Sunlight REIT, provided that these transactions are carried out at arm's length, on normal commercial terms, the primary objective of which is the offering or distribution of securities to parties outside of the HSBC Group;
- (ii) lending and borrowing of funds or other related arrangements in connection with any facility agreement by which Sunlight REIT Group will finance the acquisition of real estate; and

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- (iii) “corporate advisory transactions”, namely the provision of corporate finance advice to Sunlight REIT Group and excludes transactions set out in (i) and (ii) above, provided that the aggregate fees that the HSBC Group derived from all “corporate advisory transactions” conducted for Sunlight REIT Group during a financial year shall be capped at 1% of the NAV of Sunlight REIT.

For the avoidance of doubt, “corporate finance advice” means advice concerning:

- (1) compliance with or in respect of the Listing Rules, The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, The Hong Kong Code on Share Repurchases or the Takeovers Code;
- (2) (a) any offer to dispose of securities to the public, (b) any offer to acquire securities from the public, or (c) acceptance of any offer referred to in (a) or (b), but only in so far as the advice is generally given to holders of securities or a class of securities; or
- (3) corporate restructuring in respect of securities (including the issue, cancellation or variation of any rights attaching to any securities).

The above waiver is granted on condition that:

- (A) the offering document, and any circular for Sunlight REIT issued in respect of the relevant transaction, include upfront disclosure of this waiver and, with respect to those corporate finance transactions under (i) and (ii) of this waiver, full disclosure of the material terms of the relevant agreements;
- (B) the annual report includes disclosure of the aggregate fees paid to the HSBC Group in respect of the corporate finance transactions conducted for Sunlight REIT Group in the financial year;
- (C) the annual report includes disclosure in respect of any corporate finance transaction whose fees exceed HK\$1 million: (a) the occurrence and nature of the transaction; (b) the parties to the transaction and (c) the date of the transaction;
- (D) the annual report discloses a statement made by each of the Manager and the Trustee to confirm that the corporate finance transactions described in (i), (ii) and (iii) have complied with the general conditions of the waiver and that the Trustee has not been involved in the making of any decision to enter into any corporate finance transaction on behalf of Sunlight REIT (subject to the Trustee’s duties of oversight under the REIT Code and the Trust Deed) including the selection of the financial adviser of the transaction;
- (E) the annual report includes a statement by the independent non-executive Directors that they have reviewed the terms of such transactions and are satisfied that they have been entered into:
 - (a) in the ordinary and usual course of business of Sunlight REIT;

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- (b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Sunlight REIT than terms available to or from (as appropriate) independent third parties; and
 - (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Unitholders as a whole; and
- (F) the Auditors' Report shall cover all the relevant corporate finance transactions.

Notwithstanding the above waiver, in the case where the aggregate fees that the HSBC Group generates from all “corporate advisory transactions” conducted for Sunlight REIT Group during the financial year exceed 1% of the latest NAV of Sunlight REIT as disclosed in the latest published audited accounts of Sunlight REIT, the requirements in respect of connected party transactions as set out in Chapter 8 of the REIT Code shall apply. Further, for the avoidance of doubt, where by virtue of the nature of the transaction, other than the involvement of the HSBC Group in its capacity as described above under “corporate finance transactions”, an announcement has to be made pursuant to the REIT Code (and is not exempted by any waivers from announcements under the REIT Code granted by the SFC) such announcement shall disclose the role of the HSBC Group and the relevant terms of engagement in accordance with the relevant provisions of the REIT Code.

Opinion of the Board

Based on the above, the Board (including the independent non-executive Directors) is of the view that:

- (1) the waivers are in the interests of the Unitholders as a whole;
- (2) it is satisfied with the internal control procedures of the Trustee with respect to the independence of the Trustee's operation vis-a-vis the other banking functions/operations of the HSBC Group;
- (3) the cap amount and the basis of the cap amount, in relation to the aggregate fees of the HSBC Group generated from all “corporate advisory transactions” between the HSBC Group and Sunlight REIT conducted during the relevant financial year, is fair and reasonable having regard to the interests of the Unitholders as a whole; and
- (4) each connected party transaction shall be entered into in the ordinary course of business of Sunlight REIT, on normal commercial terms and in the interests of the Unitholders as a whole.

Unitholders' Mandate

The Manager may at any time in the future seek a general annual mandate from the Unitholders in relation to other waivers from, or confirmations in relation to, the connected party transaction rules for which the Manager may apply to the SFC. In order to apply to the SFC for that purpose, the general

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mandates must be made subject to any applicable requirements of the SFC or applicable provisions of the REIT Code. Such mandates may include continuation or extension of existing waivers (including those set out under the sub-section headed “Waiver for Certain Connected Party Transactions between Trustee Connected Persons and Sunlight REIT Group” above).

In seeking any such general mandate, the independent non-executive Directors will render an opinion as to whether the methods or procedures for determining the transaction prices or other relevant terms of the transaction contemplated under the general mandate are sufficient to ensure that such transactions will be carried out on arm’s length basis and on normal commercial terms, will not be prejudicial to the interests of Sunlight REIT and the Unitholders and that the terms and conditions of such transactions will be fair and reasonable.

Role of the Audit Committee for Connected Party Transactions

The Audit Committee will periodically review (and the executive Directors or the management team of the Manager will periodically produce reports to the Audit Committee for review of) all connected party transactions to ensure compliance with the Manager’s internal control systems and with the relevant provisions of the REIT Code. The review will include the examination of the nature of the transaction and any supporting documents or such other data deemed necessary by the Audit Committee.

If a member of the Audit Committee has an interest in a transaction, he or she is to abstain from participating in the review and approval process in relation to that particular transaction.

Announcements and Reporting

Connected party transactions within any of the categories referred to above will be reviewed by the auditors of Sunlight REIT and the Audit Committee and will be subject to disclosure in the next published annual report and accounts of Sunlight REIT.

Connected Party Transactions in Connection with the Setting Up of Sunlight REIT and the Offering

A number of transactions have been entered into by the Sunlight REIT Group with certain connected persons in connection with the setting up of Sunlight REIT and the Offering. Details of such transactions are described in the section headed “Material Agreements and Other Documents Relating to Sunlight REIT” in this Offering Circular. As the contractual bases for those connected party transactions have been fixed on or about the Listing Date, in the future years after the listing of Sunlight REIT, no announcement, notice, circular or Unitholders’ approval requirements will need to be complied with (subject to compliance with any applicable disclosure requirements under Chapter 10 of the REIT Code) in respect of those transactions (other than the Property Management Agreement, which will be governed by the relevant conditions of waiver described above).

Other Connected Transactions

Save as disclosed above, there are no connected party transactions of which the Directors are aware which may continue after the completion of the Offering.