
CORPORATE GOVERNANCE

With the objectives of establishing and maintaining high standards of corporate governance, certain policies and procedures have been put in place to promote the operation of Sunlight REIT in a transparent manner and with built-in checks and balances. Set out below is a summary of the key components of the corporate governance policies that have been adopted and will be followed by the Manager and Sunlight REIT. The corporate governance policies may be amended by the Board from time to time.

Authorisation Structure

Sunlight REIT is a collective investment scheme authorised by the SFC under section 104 of the SFO and regulated by the provisions of the REIT Code. The Manager has been authorised by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. Pursuant to sections 104(2) and 105(2) of the SFO, the Financial Controller of the Manager, Mr. Law Cho Wa, Richard has been appointed as the approved person. The Manager has three persons who are approved as responsible officers pursuant to the requirements of section 125 of the SFO and paragraph 5.4 of the REIT Code, being Mr. Wu Shiu Kee, Keith, the Chief Executive Officer and an executive Director of the Manager, Mr. Leung Kwok-Hoe, Kevin, the Investment and Investor Relations Manager of the Manager and Mr. Leung Pei Sai, Bruce, the Asset Management Manager of the Manager.

The Trustee is registered as a trust company under section 77 of the Trustee Ordinance and is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code.

Roles of the Trustee and the Manager

The Trustee is responsible under the Trust Deed for, amongst other things, the safe custody of the assets of Sunlight REIT held by it on behalf of Unitholders. The Manager's role under the Trust Deed is to manage Sunlight REIT in accordance with the Trust Deed and, in particular, to ensure that the financial and economic aspects of Sunlight REIT's assets are professionally managed in the sole interests of the Unitholders. The Trustee and the Manager are independent of each other.

Roles and Functions of the Board

The Board currently comprises six members, consisting of the Chief Executive Officer, two non-executive Directors (including the Chairman) and three independent non-executive Directors.

The role of the Board is to lead and guide the corporate strategy and direction of Sunlight REIT. The Board principally oversees (rather than performs) the day-to-day management and corporate governance of the Manager and the conduct of its business. The Board and management functions will largely be separate. Day to day management functions and certain supervisory functions will be delegated to relevant management teams and committees of the Board. The matters which are specifically reserved to the full Board is set out in the Manager's corporate governance policy. The full Board, including independent non-executive Directors, will be responsible to the Unitholders and will govern the Manager. In accordance with the REIT Code, the Manager is required to act in the best interests of the Unitholders, to whom it owes a fiduciary duty.

CORPORATE GOVERNANCE

Board Composition

The composition of the Board is determined using the following principles:

- the Chairman of the Board will be a non-executive Director;
- the right to appoint and remove Directors ultimately rests with the Board and the shareholders of the Manager in accordance with the provisions of the Articles of Association;
- the composition of the Board will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience;
- at least one-third of the Directors will be independent non-executive Directors (with a minimum of three Directors being independent non-executive Directors). In assessing the independence of a Director, the Board will take into account the factors set out in the Manager's corporate governance policy, none of which is necessarily conclusive. Each independent non-executive Director will be required to confirm his independence as and when requested by the Board, and at least an annual confirmation is required;
- the Chief Executive Officer will be a member of the Board; and
- following the listing of Sunlight REIT, the ongoing review of the Board's composition and recommendations on the appointment and re-appointment of Directors will be matters within the terms of reference of the Remuneration and Nomination Committee.

Board Committees

Subject to matters specifically reserved to the full Board which are set out in the corporate governance policy of the Manager, the Board has the power to delegate its responsibility and accountability to committees, in particular if there are any issues or items which require extensive discussion. Various committees have been established to assist the Board in discharging its responsibilities. The committees of the Board have been established with terms of reference to review specific issues or items and (if applicable) to then submit their findings and recommendations to the full Board for consideration and approval. Unless the decision making power has been vested in the relevant committee by the Board, the ultimate responsibility of making final decisions will rest with the full Board and not the committees. The Board as a whole is held ultimately accountable.

The committees of the Board are currently as follows:

Audit Committee

The Audit Committee comprises non-executive Directors only and shall have at least three members, with a majority being independent non-executive Directors and at least one of the independent non-executive Directors having appropriate professional qualifications or accounting or related financial management expertise. Mr. Kwan Kai Cheong, an independent non-executive Director has been appointed as the chairman of the Audit Committee. The Audit Committee shall be responsible for reviewing the

CORPORATE GOVERNANCE

completeness, accuracy, clarity and fairness of Sunlight REIT's financial statements and will consider the scope, approach and nature of both internal and external audit reviews. It will be responsible for overall risk management, and it will review and monitor connected party transactions. The Audit Committee will also be responsible for the appointment and recommendation of the remuneration of external auditors, reviewing their reports and guiding management to take appropriate actions to remedy faults or deficiencies in any issues of internal control which may be identified. It will review Sunlight REIT's compliance with legal, ethical and regulatory requirements on a regular basis and oversee Sunlight REIT's compliance with applicable laws and regulations.

Investment Committee

The Investment Committee comprises three Directors, including the Chairman, the Chief Executive Officer and one independent non-executive Director. It will invite the Investment and Investor Relations Manager and the Financial Controller to its meetings. It will be responsible for evaluating and making recommendations on proposed acquisitions and disposals of assets, approving budgets, reviewing actual expenses on all key expenditures and reviewing the quarterly financial performance, forecasts and annual financial plan of the Manager and Sunlight REIT. The Investment Committee will also review and recommend changes to the authorisation limits on the Chief Executive Officer and any changes to policies or procedures in areas such as accounting, taxes, distribution payout, investment appraisal, management and statutory reporting.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises the Chairman and two independent non-executive Directors. The Remuneration and Nomination Committee will be responsible for reviewing the terms and conditions of employment of senior executives and Directors and recommending the manpower deployment plan (including the succession plan for the management of the Manager and the Board), remuneration and retirement policies and packages. It will also be responsible for reviewing the structure, size and composition of the Board and its committees on an ongoing basis and for nominating (and providing recommendations on) persons for appointment and re-appointment as Directors to, and to propose Directors for removal from, the full Board. If a member of the Remuneration and Nomination Committee is subject to re-appointment or removal, then such Director will abstain from participating in such discussions. The Remuneration and Nomination Committee will also ensure that no Director is involved in deciding his own remuneration. The Board will decide on the remuneration of those Directors in this committee.

Disclosures Committee

The Disclosures Committee comprises the Chief Executive Officer and at least one independent non-executive Director. It will invite the Compliance Manager and the Financial Controller to its meetings. It will be responsible for reviewing matters relating to the regular, urgent and forward-looking disclosure of information to Unitholders and public announcements and circulars. It will also be responsible for ensuring compliance with applicable legal requirements and the continuity, accuracy, clarity and completeness of information disseminated by the Manager and Sunlight REIT to the public and applicable regulatory authorities.

CORPORATE GOVERNANCE

Risk Management

The Board will meet on a regular basis and normally no less frequently than four times each financial year at approximately quarterly intervals and will review the financial performance of the Manager and Sunlight REIT against a previously approved budget. The Board will also review any risks to the assets of Sunlight REIT, examine liability management and will act upon any advice or comments from the auditors of Sunlight REIT.

The Manager has appointed experienced and well-qualified management to handle the day-to-day operations of the Manager and Sunlight REIT. In assessing business risk, the Board will consider the economic environment and the property industry risk. In addition, the Board will review management reports and feasibility studies on individual properties prior to approving any major transactions.

Conflicts of Interest

All conflicts of interest shall be managed by the Board in accordance with the Articles of Association and applicable laws, rules and regulations. In general, the Manager shall ensure that all conflicts of interest relating to Sunlight REIT shall be managed and avoided. The Manager has instituted a number of measures to deal with conflicts of interest issues, such as:

- (i) the Manager will not manage any REIT other than Sunlight REIT nor manage any other real estate assets other than those owned by Sunlight REIT;
- (ii) the Manager shall have its own functional units and systems and function independently from its shareholders, with a majority of executive Directors not being executive directors of any of its holding companies;
- (iii) all written resolutions of the Directors shall be signed by all Directors;
- (iv) at least one-third of the Board shall be independent non-executive Directors, with a minimum of three independent non-executive Directors and each independent non-executive Director will be required to confirm his independence at least annually;
- (v) the Compliance Manager shall keep a register of other directorships and senior positions (e.g. appointment as consultants or advisers) held by the Directors;
- (vi) each Director shall inform the Board in accordance with the Articles of Association and the Compliance Manual if he has a conflict of interest;
- (vii) a Director with a conflict of interest shall abstain from voting on the relevant matter and not be counted in the quorum at which any resolution in relation to that item is proposed; and
- (viii) the Manager will arrange sufficient training for its officers on their obligations in relation to conflicts of interest under the SFO and the Compliance Manual and in relation to other obligations under the SFO.

CORPORATE GOVERNANCE

Notwithstanding that the Manager is a subsidiary of HLD, which is also involved in the business of owning and investing in properties in Hong Kong, the Manager confirms that it is capable of performing, and shall perform, its duties to Sunlight REIT independently of HLD's related businesses and in the best interests of Sunlight REIT and the Unitholders.

General Meetings

The Manager will in each financial year convene a general meeting of Unitholders as an annual general meeting in addition to any other meetings in that particular financial year. In addition, the Trustee or the Manager may at any time convene a meeting of Unitholders. The Manager will also convene a meeting if requested in writing by not less than two Unitholders registered as together holding not less than 10% of the issued and outstanding Units. At least 14 days' notice of a meeting will be given to Unitholders, except that 21 days' notice will be given to Unitholders where a Special Resolution is proposed for consideration at such meeting, and the notice will specify the time and place of the meeting and the resolutions to be proposed.

Two or more Unitholders present in person or by proxy registered as holding not less than 10% of the Units for the time being in issue and outstanding will form a quorum for the transaction of all business, except for the purpose of passing a Special Resolution. The quorum for passing a Special Resolution will be two or more Unitholders present in person or by proxy registered as holding together not less than 25% of the Units in issue and outstanding. No business shall be transacted at any meeting unless the requisite quorum is present at the commencement of business. The quorum for an adjourned meeting shall be such number of Unitholders who are present in person or by proxy regardless of the number of Unitholders present or number of Units held by them.

Reporting and Transparency

Sunlight REIT will prepare its accounts in accordance with Hong Kong GAAP with a financial year-end of 30 June and a financial half-year of 31 December. In accordance with the REIT Code, the annual report and accounts for Sunlight REIT will be published and sent to Unitholders no later than four months following each financial year end and the semi-annual reports no later than two months following each financial half-year end.

As required by the REIT Code, the Manager will ensure that public announcements of material information and developments with respect to Sunlight REIT will be made in a timely and transparent manner in order to keep Unitholders apprised of the position of Sunlight REIT. Announcements will be made by publishing them in at least one leading Hong Kong English language and one Chinese language daily newspaper.

Issues of Further Units after Listing

To minimise the possible material dilution of holdings of Unitholders, any further issue of Units, other than in payment of the Management Fees to the Manager as detailed in the section headed "The Manager" in this Offering Circular, will need to comply with the pre-emption provisions contained in the REIT Code. Such provisions require that further issues of Units shall be first offered on a pro rata pre-emptive basis to existing Unitholders except that Units may be issued: (i) free of such pre-emption

CORPORATE GOVERNANCE

rights up to an aggregate maximum in any financial year of 20% of the number of Units in issue at the end of the previous financial year (or such other percentage of outstanding Units as may, from time to time, be prescribed in the REIT Code or otherwise by the SFC); and (ii) free of pre-emption rights in other circumstances provided that the approval of Unitholders by way of an Ordinary Resolution is obtained. Subject thereto, Units may be issued as consideration for the acquisition of additional real estate, except that any such issue to connected persons will require Unitholders' approval.

Interests of, and Dealings in Units by, the Directors, the Manager or the Significant Unitholders

To monitor and supervise any dealings of Units, the Manager has adopted a code containing rules on dealings by the Directors and their associates equivalent to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules. Pursuant to the code adopted by the Manager, any Director wishing to deal in any securities of Sunlight REIT must first have regard to the provisions of Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct, as if those provisions of the SFO applied to the securities of Sunlight REIT. In addition, a Director must not make any unauthorised disclosure of confidential information or make any use of such information for the advantage of himself or others.

Directors who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are significant transactions or any price-sensitive information must refrain from dealing in any securities of Sunlight REIT as soon as they become aware of them or become privy to them until proper disclosure of the information in accordance with the REIT Code and any applicable Listing Rules. Directors who are privy to relevant negotiations or agreements or any price-sensitive information should caution those Directors who are not so privy that there may be unpublished price-sensitive information and that they must not deal in the securities of Sunlight REIT for a similar period.

The Manager is subject to the same dealing requirements as the Directors (*mutatis mutandis*). Such dealing requirements may also be extended to senior executives, officers and other employees of the Manager or of any REIT Group Companies as the Board may determine.

The Manager has also adopted procedures for monitoring of disclosure of interests by Directors, the chief executive officer of the Manager, and the Manager. The provisions of Part XV of the SFO are deemed to apply to the Manager, the Directors and chief executive officer of the Manager and each Unitholder and all persons claiming through or under him.

Under the Trust Deed, Unitholders with a holding of 5% or more of the Units in issue, and the Manager, and directors and chief executive officer of the Manager with an interest in the Units in issue, will have a notifiable interest and will be required to notify the Hong Kong Stock Exchange and the Manager of their holdings in Sunlight REIT. The Manager shall promptly send a copy of any notification received by it to the Trustee. The Manager shall keep a register for these purposes at the place at which the register of Unitholders is kept and the Manager is under a duty to inscribe in the register, against a person's name, the particulars provided pursuant to the notification and the date of entry of such inscription. The said register will be available for inspection by Unitholders without charge during such hours as the register of Unitholders is available for inspection. The Manager will create a website for

CORPORATE GOVERNANCE

Sunlight REIT on the Listing Date and maintain it for the duration of Sunlight REIT. Copies of all disclosure notices received by the Manager will be posted on the website. Alternatively, investors may refer to the disclosure of interests section of the website of the Hong Kong Stock Exchange. For further details of the Trust Deed, see the section headed “The Trust Deed” in this Offering Circular.

Matters to be decided by Unitholders by Special Resolution

Pursuant to the Trust Deed, decisions with respect to certain matters require specific prior approval of Unitholders by way of Special Resolution. For further details of such matters, see the section headed “The Trust Deed — Meeting of Unitholders” in this Offering Circular.