
TAXATION

The following statements are by way of a general guide to investors only and do not constitute tax advice. Investors are therefore advised to consult their professional advisers concerning possible taxation or other consequences of purchase, holding, selling or otherwise disposing of the Units under the laws of their country of incorporation, establishment, citizenship, residence or domicile.

The following summary is based on taxation law, regulation and practice in force in Hong Kong as at the date of this Offering Circular and may be subject to subsequent change. The comments made in this summary relate only to Sunlight REIT and its controlled entities as disclosed in the section headed “Structure and Organisation of Sunlight REIT” in this Offering Circular.

Sunlight REIT

Property Tax and Profits Tax

Sunlight REIT, as a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO, is exempt from Hong Kong profits tax on its gains derived.

Rental income derived by the Property Companies from the letting of the Properties in Hong Kong is subject to property tax at the current rate of 16%. Deductions are only allowed for rates paid by the Property Companies and 20% statutory allowance for wear and tear. However, the Property Companies may elect to pay profits tax instead. The Property Companies have applied or will apply for exemption from property tax and will therefore be subject to Hong Kong profits tax in respect of profits derived from the letting of the Properties in Hong Kong at the current rate of 17.5%. Deductions will be allowed on all eligible expenses and capital allowances will also be available in deriving the assessable profits of the Property Companies. The Property Companies will not be subject to Hong Kong profits tax on any capital gains derived from the disposal of the Properties, provided the Properties are not held for trading purposes as Hong Kong does not impose tax on capital gains.

The Holding Company and the Intermediate Holding Companies will be subject to Hong Kong profits tax in respect of profits arising in or derived from Hong Kong at the current rate of 17.5% if they are regarded as carrying on a trade, profession or business in Hong Kong. Dividend income derived by the Holding Company and the Intermediate Holding Companies from the Property Companies will be exempt from Hong Kong profits tax.

The Finance Company and the Treasury Company will be subject to Hong Kong profits tax at a current rate of 17.5% in respect of any profits arising in or derived from their financing and treasury activities in Hong Kong.

Withholding Tax

Distributions from the Property Companies to the Intermediate Holding Companies, from the Intermediate Holding Companies, the Finance Company, and the Treasury Company to the Holding Company and from the Holding Company to Sunlight REIT will not be subject to any withholding tax in Hong Kong.

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Distributions from Sunlight REIT to Unitholders will not be subject to any withholding tax in Hong Kong.

Stamp Duty

No Hong Kong stamp duty is payable by Sunlight REIT on the issue of new Units.

Hong Kong stamp duty will be payable on the acquisition of the Target Properties at a maximum rate of 3.75% of the higher of the consideration paid or the value of the properties. Under the Sale and Purchase Agreements for the acquisition of the Target Properties, the stamp duty payable on the acquisition shall be borne by the relevant REIT Group Companies. Hong Kong stamp duty will also be payable on the acquisition of the shares in the Target Companies, to the extent the shares of these companies constitute Hong Kong stock as defined under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong). The applicable rate is 0.2% on the higher of the consideration paid or the value of the shares (including the value of the loans assigned in connection with the share transfer) and a fixed duty of HK\$5 on any instrument of transfer. Under the Sale and Purchase Agreements for the acquisition of the Target Company Shares, the stamp duty payable on the acquisition shall be borne by the relevant REIT Group Companies.

Unitholders

Profits Tax

It is understood that, under the Inland Revenue Department's current practice, Hong Kong profits tax will not be payable by any Unitholder on the distributions made by Sunlight REIT. Unitholders should take advice from their own professional advisers as to their particular tax position.

Hong Kong profits tax will not be payable by any Unitholder (other than a Unitholder carrying on a trade, profession or business in Hong Kong and holding the Units for trading purposes) on any capital gains made on the sale or other disposal of the Units.

Stamp Duty

No Hong Kong stamp duty is payable by Unitholders in relation to the issue of Units to them by Sunlight REIT.

The sale and purchase of Units by a Unitholder will attract Hong Kong stamp duty at the current rate of 0.2% of the higher of the consideration paid or the value of the Units being sold or purchased, whether or not the sale or purchase is on or off the Hong Kong Stock Exchange. The Unitholder selling the Units and the purchaser will each be liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer. In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of Units.

Estate Duty

Hong Kong estate duty was abolished effective from 11 February 2006. No Hong Kong estate duty is payable by Unitholders in relation to the Units owned by them upon death.