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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

DISCLOSEABLE TRANSACTION
IN RELATION TO
ACQUISITION OF WEST KOWLOON PROPERTY

The Manager is pleased to announce that on 11 January 2023, the Purchaser (a special purpose vehicle wholly-owned and controlled by Sunlight REIT) entered into the Sale and Purchase Agreement with the Vendor and the Vendor's Guarantor, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Target Company Share and the Target Company Loan at the Consideration (which is HK\$748,000,000, subject to adjustments). The Target Company, through the Subsidiary, owns the entire beneficial interest in West Kowloon Property.

West Kowloon Property, currently known as "West 9 Zone Kids", is the commercial development of "Floriant Rise" located at No. 38 Cherry Street, Tai Kok Tsui, Kowloon, Hong Kong. It comprises a 3-storey shopping arcade with GRA of approximately 58,836 sq. ft., eight external wall advertising spaces and 17 commercial carparking spaces.

The Appraised Value of West Kowloon Property, was HK\$849,000,000 at 31 December 2022. The Consideration thus represents a discount of approximately 11.9% to the Appraised Value.

The Board (including the independent non-executive Directors) is of the view that the terms of the Acquisition are at arm's length, on normal commercial terms and fair and reasonable and in the interests of Sunlight REIT and the Unitholders as a whole.

The Trustee has no objection to the Acquisition on the basis set out in this announcement.

This announcement is made pursuant to paragraphs 10.3 and 10.4(ga) of the REIT Code as the Consideration is more than 1% of the gross asset value of Sunlight REIT. As the highest applicable percentage ratio (as calculated pursuant to Rule 14.07 of the Listing Rules) exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of Sunlight REIT pursuant to Chapter 10 of the REIT Code. Accordingly, the Acquisition is subject to the reporting and announcement requirements under Chapter 10 of the REIT Code and Chapter 14 of the Listing Rules (modified as appropriate pursuant to the REIT Code).

Unitholders and potential investors of Sunlight REIT are reminded that completion of the Acquisition is subject to the fulfilment or waiver of certain Conditions Precedent, and therefore Completion may or may not take place. Unitholders and potential investors of Sunlight REIT are advised to exercise caution when dealing in the Units.

THE ACQUISITION

The Manager is pleased to announce that on 11 January 2023, the Purchaser (a special purpose vehicle wholly-owned and controlled by Sunlight REIT) entered into the Sale and Purchase Agreement with the Vendor and the Vendor's Guarantor, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Target Company Share and the Target Company Loan at the Consideration (which is HK\$748,000,000, subject to adjustments). The Target Company, through the Subsidiary, owns the entire beneficial interest in West Kowloon Property.

The principal terms of the Sale and Purchase Agreement are summarised as follows:

Date

11 January 2023

Parties

1. The Purchaser : Sunlight REIT Holding Limited (a special purpose vehicle wholly-owned and controlled by Sunlight REIT)
2. The Vendor : Hinex Development Limited
3. The Vendor's Guarantor : Mr. Law Sau Fai, Francis

To the best knowledge, information and belief of the Manager, having made all reasonable enquiries, the Vendor and the Vendor's Guarantor (who is the ultimate beneficial owner of the Vendor) are independent third parties and are not connected persons of Sunlight REIT.

Subject matter of the Acquisition

- (i) the Target Company Share; and
- (ii) the Target Company Loan.

The Target Company is the sole shareholder of the Subsidiary, which is the sole registered owner of West Kowloon Property. Based on representations from the Vendor, the principal activity of the Target Company is the holding of its interests in the Subsidiary and the Subsidiary is principally engaged in the acquisition, holding, leasing, financing and managing of West Kowloon Property.

West Kowloon Property, currently known as "West 9 Zone Kids", is the commercial development of "Florient Rise" located at No. 38 Cherry Street, Tai Kok Tsui, Kowloon, Hong Kong. It comprises a 3-storey shopping arcade with GRA of approximately 58,836 sq. ft., eight external wall advertising spaces and 17 commercial carparking spaces.

Set out below is certain key information in respect of West Kowloon Property:

- Address : No. 38 Cherry Street, Tai Kok Tsui, Kowloon, Hong Kong
- Year and month of occupation permit : October 2008
- Year and month of certificate of compliance : July 2009
- Government lease expiry : 13 October 2054
- Use : According to the occupation permit, West Kowloon Property is permitted to be used for non-domestic purposes.
- Title and condition : The Vendor will deliver West Kowloon Property on an “as-is” basis subject to the existing tenancies at Completion, and the Vendor will use its reasonable endeavours to cause the Subsidiary to show and prove a good title to West Kowloon Property in accordance with sections 13 and 13A of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong).
- GRA (excluding external wall advertising spaces and commercial carparking spaces) : Approximately 58,836 sq. ft.
- Number of external wall advertising spaces : 8
- Number of commercial carparking spaces : 17
- Monthly rental income (excluding external wall advertising spaces and commercial carparking spaces) : Approximately HK\$2,835,000 at 31 December 2022
- Monthly income from commercial carparking spaces : Approximately HK\$67,600 at 31 December 2022
- Occupancy rate : 90.7% at 31 December 2022

Summarised expiry profile of existing tenancies at 31 December 2022

	2023	2024	2025 and/or after
Expiring GRA	19,309 sq. ft.	21,626 sq. ft.	12,407 sq. ft.
% of GRA	32.8%	36.8%	21.1%

Consideration

The Consideration amount for the Acquisition, being the aggregate consideration for the Target Company Loan (which will be acquired on a dollar-for-dollar basis) and the Target Company Share (subject to the Completion Adjustment and the Post-completion Adjustment) is HK\$748,000,000, payable in cash. Upon signing of the Sale and Purchase Agreement, HK\$74,800,000 (representing 10% of the Consideration before any adjustment) has been paid as deposit (the “**Deposit**”) by the Purchaser to the Vendor’s solicitors as stakeholder. The remaining balance of the Consideration, i.e. HK\$673,200,000 (subject to the Completion Adjustment), will be paid by the Purchaser to the Vendor upon Completion.

At 31 December 2022, the Appraised Value of West Kowloon Property as appraised by the Independent Property Valuer was HK\$849,000,000. The Consideration, which represents a discount of approximately 11.9% to the Appraised Value, has been determined on the basis of commercial and arm’s length negotiations between the parties, taking into account the information and particulars relating to West Kowloon Property, the Appraised Value and the terms of the Sale and Purchase Agreement.

The Consideration will be subject to the following adjustments (the “**Completion Adjustment**”) at Completion based on the Completion Accounts:

- (a) adding the amount of the Target Group NAV at the Completion Date (if it is a positive figure);
or
- (b) deducting the absolute value of the Target Group NAV at the Completion Date (if it is a negative figure).

Within 45 days after the Completion Date, the Vendor will deliver to the Purchaser the Final Completion Accounts to determine if the amount of the Target Group NAV calculated based on such Final Completion Accounts is different from the amount of the Target Group NAV calculated based on the Completion Accounts. Any such difference, if agreed by the Purchaser (the “**Post-completion Adjustment**”), will be paid by the Vendor or the Purchaser (as the case may be) to the other party within 5 working days of the agreement of the Final Completion Accounts.

Conditions Precedent and Completion

Completion is conditional upon the following Conditions Precedent being or having been fulfilled:

- (i) the Subsidiary being able to show and prove a good title to West Kowloon Property in accordance with sections 13 and 13A of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong), free from all encumbrances (other than an existing building order and the existing tenancies) on Completion; and
- (ii) all the specified fundamental representations and warranties (including without limitation, those relating to the title of the Target Company Share, the Target Company Loan and West Kowloon Property) given by the Vendor under the Sale and Purchase Agreement are and will remain true, accurate, correct and complete in all respects and not misleading in any respects up to Completion.

The Vendor will use its reasonable endeavours to procure the satisfaction of the Conditions Precedent. Under the Sale and Purchase Agreement, the Purchaser reserves the right to waive any Conditions Precedent at any time before Completion.

If the Conditions Precedent are not fulfilled (or, where applicable, waived), the Sale and Purchase Agreement will lapse and cease to be of any further effect and the Vendor (or the Vendor's solicitors) will immediately return the Deposit in full to the Purchaser (with accrued interests thereon) upon the maturity of the time deposit placed for the Deposit.

Completion will take place on 13 April 2023 (or such other date as the Vendor and the Purchaser may agree in writing).

Upon Completion, the Target Company and the Subsidiary will become special purpose vehicles wholly-owned and controlled indirectly by Sunlight REIT.

Rental Guarantee by the Vendor and the Vendor's Guarantor

At Completion, the Vendor, the Vendor's Guarantor and the Purchaser will enter into the Deed of Rental Guarantee, pursuant to which the Vendor and the Vendor's Guarantor will guarantee to the Purchaser that the Gross Rental Income for the Guaranteed Period shall be no less than HK\$47,314,000, representing an annualized gross rental yield of approximately 5.2% based on the Consideration (before any adjustments). If the Gross Rental Income for the Guaranteed Period is less than HK\$47,314,000 as certified by Sunlight REIT's auditor, the Vendor and/or the Vendor's Guarantor shall, subject to a cap of HK\$5 million, pay the shortfall to the Purchaser within 5 working days after the Purchaser has sent to the Vendor an auditor's certificate certifying the calculation of the Gross Rental Income and the shortfall payable.

Representations, Warranties, Undertakings and Indemnities

The Sale and Purchase Agreement contains representations, warranties, undertakings and indemnities given by the Vendor in customary terms for transactions of this scale and nature.

Termination

The Sale and Purchase Agreement may be terminated:

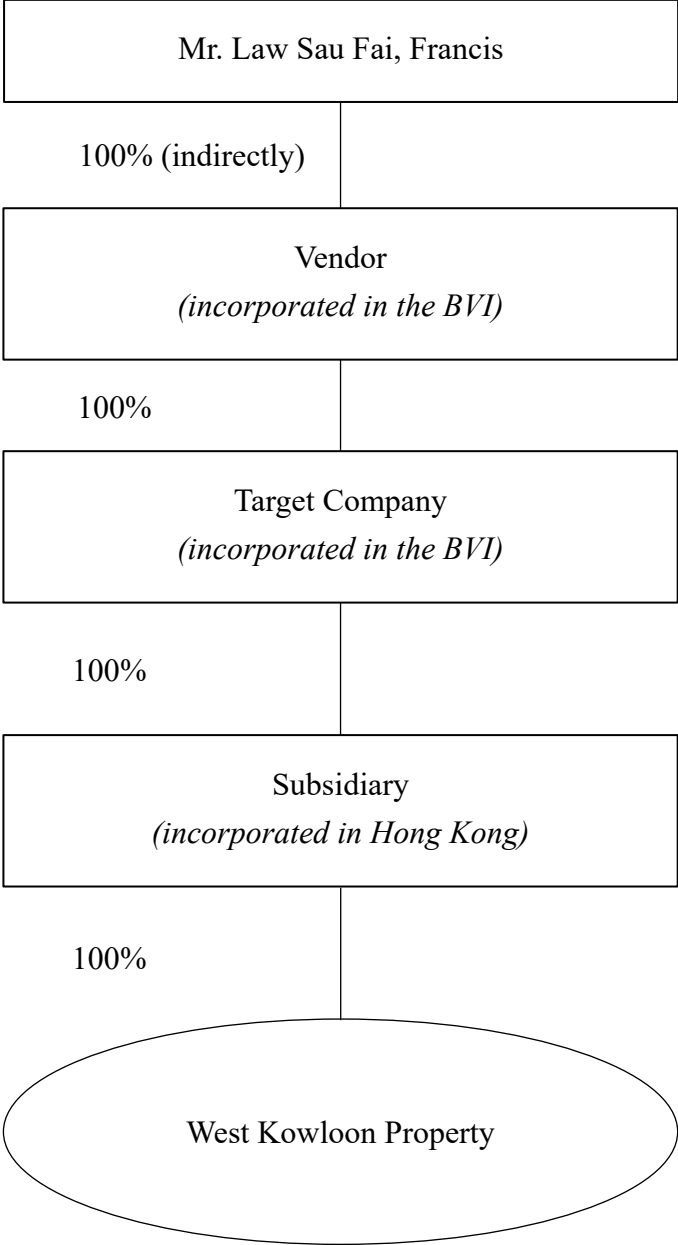
- (a) by the Vendor, if the Purchaser fails to complete the sale and purchase (other than due to non-fulfilment of any Condition Precedent), in which case the Deposit will be forfeited by the Vendor; or
- (b) by the Purchaser, if the Vendor fails to complete the sale and purchase (other than due to non-fulfilment of any Condition Precedent), in which case (i) the Deposit (with accrued interests thereon) will be refunded to the Purchaser; and (ii) the Vendor will pay to the Purchaser an amount equivalent to the Deposit as liquidated damages.

Guarantee by the Vendor's Guarantor

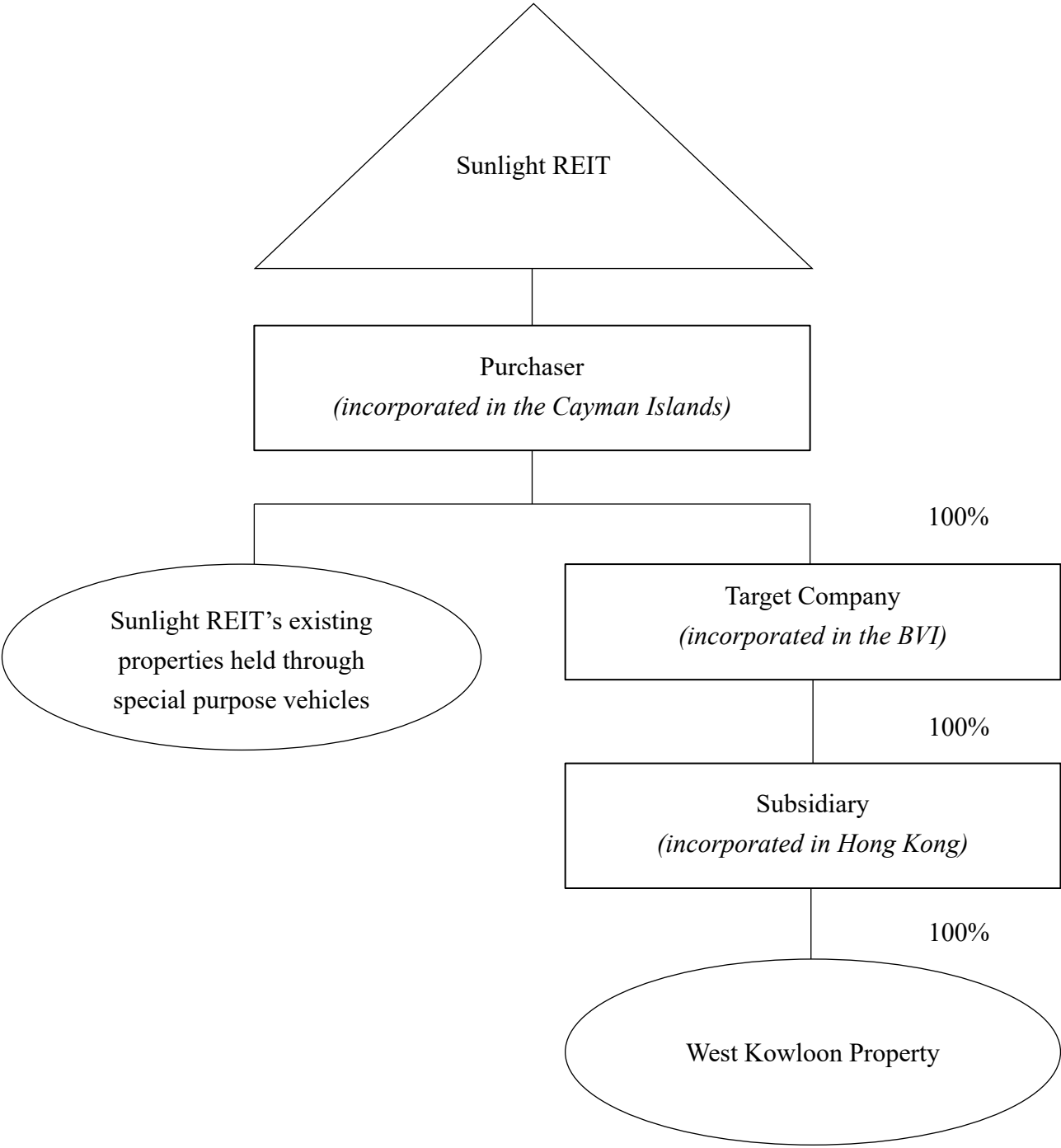
The performance and observance of the terms and conditions under the Sale and Purchase Agreement by the Vendor are guaranteed by the Vendor's Guarantor in favour of the Purchaser.

SIMPLIFIED HOLDING STRUCTURE AT THE DATE OF THIS ANNOUNCEMENT AND IMMEDIATELY FOLLOWING COMPLETION

The diagram below illustrates the holding structure of West Kowloon Property at the date of this announcement:



The diagram below illustrates the holding structure of West Kowloon Property immediately following Completion:



FINANCIAL INFORMATION OF THE TARGET COMPANY AND THE SUBSIDIARY

Set out below is the net loss (before and after taxation) of the Target Company based on the unaudited management accounts of the Target Company for each of the two financial years ended 31 December 2021:

	For the year ended 31 December	
	2020	2021
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net loss before taxation	8	11
Net loss after taxation	8	11

Set out below is the net profit/(loss) (before and after taxation) of the Subsidiary based on the audited financial statements of the Subsidiary for each of the two financial years ended 31 December 2021, prepared according to the Hong Kong Financial Reporting Standard for Private Entities:

	For the year ended 31 December	
	2020	2021
	<i>(Audited)</i>	<i>(Audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit/(loss) before taxation	(12,763)	7,889
Net profit/(loss) after taxation	(12,698)	6,587

The Target Company had an unaudited negative net asset value of approximately HK\$129,000 at 31 December 2021, which was arrived at after taking into account the book value of its interest in the Subsidiary at HK\$1.

The audited net asset value of the Subsidiary at 31 December 2021 was approximately HK\$704 million.

FINANCIAL EFFECT OF THE ACQUISITION

Source of funding for the Acquisition

The Consideration for the Acquisition together with the fees and expenses relating thereto in the total amount of HK\$757 million will be funded from Sunlight REIT's own cash resources and by bank borrowings. The Acquisition is not expected to have any material adverse impact on the financial position of Sunlight REIT as compared to that at 30 June 2022 (as disclosed in the 2021/22 annual report of Sunlight REIT).

No current plan for substantial renovation or improvement of West Kowloon Property

The Manager currently does not envisage substantial renovation or improvement works in respect of West Kowloon Property. Accordingly, it is expected that no material capital expenditure outlay in connection with the Acquisition will be incurred in the near term.

Pro forma financial effects of the Acquisition

The financial effects set out below of the Acquisition on Sunlight REIT's gearing ratio, DPU and NAV per Unit are estimated based on the following assumptions:

- (i) the Consideration of HK\$748 million;
- (ii) the total fees and expenses payable by Sunlight REIT in relation to the Acquisition in the amount of approximately HK\$9 million; and
- (iii) the Consideration would be funded by bank borrowings of approximately HK\$607 million bearing interest at a blended margin of about 0.65% per annum over Hong Kong Interbank Offered Rate (“**HIBOR**”) and by internal cash resources of Sunlight REIT as to the balance.

1. Estimated effect on gearing ratio

It is estimated that the gearing ratio of Sunlight REIT at 30 June 2022 would have increased from approximately 23.3% to approximately 25.7%, had the Acquisition been completed on 30 June 2022 and adjustments been made for the Consideration, estimated expenses and borrowings in relation to the Acquisition as mentioned above.

2. Estimated effect on DPU

The DPU of Sunlight REIT was HK 25.0 cents for the year ended 30 June 2022. Had the Acquisition been completed on 1 July 2021 and been financed in a similar manner as mentioned above, it is estimated that the pro forma DPU of Sunlight REIT for the year ended 30 June 2022 would have decreased to HK 24.61 cents, assuming a similar payout ratio of 97.4% and using the one-month HIBOR of 3.52% at 10 January 2023 as the basis for calculating the estimated finance costs for the Acquisition.

3. Estimated effect on NAV per Unit

The NAV per Unit of Sunlight REIT was HK\$8.36 at 30 June 2022. If the Acquisition had been completed on 30 June 2022 on the assumption that adjustments were made for the Consideration, estimated expenses and borrowings in relation to the Acquisition as mentioned above, the Manager estimates that the NAV per Unit of Sunlight REIT would have been largely unchanged.

The pro forma financial effects of the Acquisition presented above are strictly for illustrative purposes only. They do not reflect the actual financial position of Sunlight REIT following Completion and do not constitute a profit forecast. These estimated effects shall not be used as a guidance for any future gearing ratio, DPU and NAV per Unit. They have been prepared based on the audited consolidated financial statements of Sunlight REIT for the year ended 30 June 2022, assuming that the Acquisition was completed on the dates as indicated and that West Kowloon Property was valued at the Appraised Value on 30 June 2022.

One-off fees in respect of the Acquisition payable to the Manager and the Trustee

Pursuant to the Trust Deed, the Manager is entitled to receive an acquisition fee not exceeding 1% of the Consideration, and such fee will be payable within 14 days after Completion. The Board has resolved to charge a rate of 0.25% of the Consideration as the acquisition fee in respect of the Acquisition, and on this basis, the acquisition fee payable to the Manager would amount to HK\$1,870,000, which would be paid in cash.

Pursuant to the Trust Deed, the Trustee is entitled to charge additional fees for services in relation to the Acquisition which will not exceed 0.05% of the Appraised Value. The Trustee has agreed with the Manager that it will charge a one-time additional fee of up to HK\$200,000 for duties undertaken in connection with the Acquisition.

Ongoing fees payable to the Manager and the Trustee

In accordance with the Trust Deed, the Manager is entitled to receive ongoing remuneration, comprising (i) the base fee not exceeding 0.4% (and currently being 0.4%) per annum of the value of the real estate of Sunlight REIT (which will, upon Completion, include West Kowloon Property), and (ii) the variable fee of 3% per annum of the NPI of each special purpose vehicle owned by Sunlight REIT (which will, upon Completion, include the NPI of the Subsidiary). The Board has resolved to charge a lower base fee in respect of West Kowloon Property at 0.3% per annum of the value of West Kowloon Property for the period from the Completion Date to 30 June 2024.

The Trustee is entitled to receive a fee, currently being no more than 0.03% per annum of the value of the Deposited Property (as defined in the Trust Deed), which will include, upon Completion, the assets attributable to West Kowloon Property.

RISK FACTORS

The Manager considers that the Acquisition is subject to the following risks:

1. Interest rate volatility and changing market conditions

It is expected that the Acquisition will be partly financed by floating rate bank borrowings. Any increase in interest rates could materially increase the finance costs associated with the Acquisition and of Sunlight REIT. In addition, fluctuations in interest rates may have an adverse effect on the level of activities in the property market, as well as on the rental income and capital value of West Kowloon Property.

2. Negative rental reversion and non-renewal(s) of certain leases upon expiry in the short-to-medium term

Most of the tenancies for West Kowloon Property have a term of between two and three years, which reflects the general practices of commercial leasing in the Hong Kong market. Given the uncertain economic environment, there is a risk that the Manager may not be able to negotiate lease renewal with certain existing tenants upon lease expiry with positive rental reversion, or to replace tenants opting for non-renewal with leases on equivalent or better terms. Such circumstances may lead to a higher vacancy rate and lower rental income derived from West Kowloon Property.

3. *Adverse impact from COVID-19*

The outbreak of COVID-19, which is beyond the capacity and control of Sunlight REIT, may continue to pose a negative impact on the economy, tourists' arrival and retail sales of Hong Kong, which in turn may adversely affect the credit and rental prospects of West Kowloon Property.

4. *Increase in operating costs*

The upward adjustment in minimum wage in Hong Kong (which will become effective from May 2023) may result in an increase in certain property operating expenses of West Kowloon Property, notably including security and cleaning. Together with the likelihood of a material increase in utilities expenses, it is uncertain whether such escalation in costs can be fully absorbed by an increase in management fees charged on tenants of West Kowloon Property.

Notwithstanding the above, the Manager confirms that it does not expect the Acquisition to result in any material change to the overall risk profile of Sunlight REIT.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Manager considers that the Acquisition is a good investment opportunity for the following reasons:

1. *Strategic location with good public transport accessibility*

West Kowloon Property is located at Tai Kok Tsui, one of the developed residential areas of West Kowloon. With an extensive transportation network, fine living facilities and substantive redevelopment projects in the vicinity, Tai Kok Tsui and Olympic station as a whole has been developed into a major residential hub in Kowloon; according to the 2016 population statistics published by the Census and Statistics Department, it has an estimated residential population of over 110,000.

West Kowloon Property is well positioned with direct covered footbridge linkage to the Olympic station of the Mass Transit Railway. It is located within a strong catchment area in the West Kowloon district surrounded by both office buildings and high quality private residential developments. The Acquisition is consistent with the investment objective of Sunlight REIT of acquiring quality commercial property assets to strengthen its existing portfolio.

2. *Community shopping mall with defensive trade mix*

Local consumption, particularly non-discretionary spending, has proven to be a resilient sector amidst the challenging economic environment. With a relatively defensive trade mix focusing on service trades, notably education and eateries, West Kowloon Property is expected to generate a relatively stable rental return. There is a potential to achieve a higher level of occupancy and thus rental income should existing vacancies get filled up.

3. *Complementary benefits to Sunlight REIT's retail portfolio while reducing reliance on its major properties*

Currently, the major retail properties of Sunlight REIT are Sheung Shui Centre Shopping Arcade and Metro City Phase I Property. Situated at Sheung Shui and Tseung Kwan O respectively, both properties were completed over 25 years ago. West Kowloon Property was built in 2008 and offers good exposure to the West Kowloon district. The Manager believes that the Acquisition will improve the geographic footprint of Sunlight REIT's portfolio, initiate its presence in a key residential hub of Kowloon while providing complementary benefits to its retail portfolio. Further, the Acquisition would help reduce Sunlight REIT's reliance on income derived from its major properties.

4. *Improving retail market sentiment*

Most of the leases at West Kowloon Property were renewed and newly let at a time when the COVID-19 epidemic was still rampant across the globe. With the relaxation in social distancing restrictions and the re-opening of Hong Kong's travel gateway to inbound tourists, the Manager envisages that West Kowloon Property will offer reasonable upside potential in rental reversion based on the existing rent roll.

DUE DILIGENCE IN RESPECT OF THE TARGET GROUP AND WEST KOWLOON PROPERTY

The Manager confirms that legal, financial, property and other due diligence as deemed appropriate has been carried out in respect of the Target Group and West Kowloon Property in accordance with the relevant provisions under the REIT Code and the Manager's compliance manual. The Manager is satisfied with the due diligence results and no material non-compliance issues were identified in the due diligence process. In addition, the Manager has conducted physical and technical inspection to the common areas and building facilities of West Kowloon Property. Based on the inspections, the current conditions of the building are generally acceptable and no material defects have been identified. Based on the advice of its legal adviser, the Manager is of the view that upon Completion, Sunlight REIT (through the Target Group) will hold good marketable legal and beneficial title to West Kowloon Property. In respect of the building order to which West Kowloon Property is currently subject, the Manager considers that such building order involves immaterial non-compliance of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) and is not expected to have a material and adverse impact on the financial condition and business of the Target Group.

OPINION OF THE BOARD

The Board (including the independent non-executive Directors), having taken into account the duties of the Manager as set out in the REIT Code and the Trust Deed, is of the view that (i) the terms of the Acquisition are at arm's length, on normal commercial terms and fair and reasonable and in the interests of Sunlight REIT and the Unitholders as a whole; (ii) the Acquisition is consistent with Sunlight REIT's investment policy and in compliance with the REIT Code and the Trust Deed; and (iii) no Unitholders' approval is required under the REIT Code and the Trust Deed for the Purchaser to enter into the Sale and Purchase Agreement and the transactions thereunder.

OPINION OF THE TRUSTEE

Based on, and in sole reliance on, the opinion of the Board and the other information in this announcement and the confirmations given by the Manager to the Trustee (and having taken into account its duties as set out in the REIT Code and the Trust Deed), the Trustee has confirmed that (i) the Acquisition is consistent with Sunlight REIT's investment policy and in compliance with the REIT Code and the Trust Deed; (ii) no Unitholders' approval is required under the REIT Code and the Trust Deed for the Purchaser to enter into the Sale and Purchase Agreement and the transactions thereunder; and (iii) it has no objection to the Acquisition.

IMPLICATIONS UNDER THE REIT CODE

This announcement is made pursuant to paragraphs 10.3 and 10.4(ga) of the REIT Code as the Consideration is more than 1% of the gross asset value of Sunlight REIT. As the highest applicable percentage ratio (as calculated pursuant to Rule 14.07 of the Listing Rules) exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of Sunlight REIT pursuant to Chapter 10 of the REIT Code. Accordingly, the Acquisition is subject to the reporting and announcement requirements under Chapter 10 of the REIT Code and Chapter 14 of the Listing Rules (modified as appropriate pursuant to the REIT Code).

INFORMATION ON THE PARTIES

The Purchaser is a special purpose vehicle wholly-owned and controlled by Sunlight REIT.

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

The principal activity of the Vendor is the holding of its interests in the Target Company. The ultimate beneficial owner of the Vendor is Mr. Law Sau Fai, Francis (i.e. the Vendor's Guarantor).

FURTHER ANNOUNCEMENT

A further announcement will be made by the Manager on the Completion Date, or if applicable, when Completion is cancelled or postponed.

Unitholders and potential investors of Sunlight REIT are reminded that completion of the Acquisition is subject to the fulfilment or waiver of certain Conditions Precedent, and therefore Completion may or may not take place. Unitholders and potential investors of Sunlight REIT are advised to exercise caution when dealing in the Units.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the following meanings:

“Acquisition”	the proposed acquisition of the Target Company Share and the Target Company Loan by the Purchaser from the Vendor in accordance with the terms of the Sale and Purchase Agreement
“Appraised Value”	HK\$849,000,000, being the value of West Kowloon Property at 31 December 2022 as appraised by the Independent Property Valuer
“Board”	the board of Directors
“BVI”	British Virgin Islands
“Completion”	completion of the Acquisition pursuant to the terms of the Sale and Purchase Agreement
“Completion Accounts”	the unaudited combined accounts of the Target Group which shall be prepared based on each of the unaudited financial statements of the Target Company and the unaudited financial statements of the Subsidiary made up for the period from 1 January 2023 to the Completion Date
“Completion Adjustment”	has the meaning defined in the section headed “Consideration” in this announcement
“Completion Date”	the date of Completion
“Conditions Precedent”	the conditions precedent to which the Acquisition is subject, as set out in the Sale and Purchase Agreement and which are summarised in the section headed “Conditions Precedent and Completion” in this announcement
“connected person(s)”	has the meaning ascribed to it under the REIT Code
“Consideration”	HK\$748,000,000, being the total purchase price for the Target Company Share and the Target Company Loan payable by the Purchaser to the Vendor for the Acquisition in accordance with the terms of the Sale and Purchase Agreement (subject to the Completion Adjustment and the Post-completion Adjustment)
“COVID-19”	Coronavirus Disease 2019

“Deed of Rental Guarantee”	the deed of rental guarantee to be entered into between the Vendor, the Vendor’s Guarantor and the Purchaser at Completion in respect of the guarantee on the Gross Rental Income for the Guaranteed Period provided by the Vendor and the Vendor’s Guarantor in favour of the Purchaser
“Director(s)”	the director(s) of the Manager
“DPU”	distribution per Unit
“Final Completion Accounts”	the unaudited combined accounts of the Target Group which shall be prepared based on each of the audited financial statements of the Target Company and the audited financial statements of the Subsidiary made up for the period from 1 January 2023 to the Completion Date
“GRA”	gross rentable area
“Gross Rental Income”	the total rental income of the Subsidiary in respect of the leasing and licensing of West Kowloon Property for the Guaranteed Period
“Guaranteed Period”	the period from the Completion Date to 30 June 2024 (both dates inclusive)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Income”	in respect of a real estate property, all rents, dividends, distributions, licence fees, service charges, turnover rentals, advertising revenue and such other receipts (excluding interest and taxation rebates) considered by the Manager to be in the nature of income in accordance with generally accepted accounting principles in Hong Kong
“Independent Property Valuer”	Knight Frank Petty Limited (萊坊測量師行有限公司), an independent property valuer appointed by the Trustee, as instructed by the Manager, in respect of the Acquisition
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Manager”	Henderson Sunlight Asset Management Limited (恒基陽光資產管理有限公司), a company incorporated in Hong Kong with limited liability, as the manager of Sunlight REIT
“NAV”	net asset value
“NPI”	net property income of a real estate property, being the Income less the Property Expenses

“Post-completion Adjustment”	has the meaning defined in the section headed “Consideration” in this announcement
“Property Expenses”	in respect of a real estate property, direct property related expenses, including without limitation, property management fees, property insurance expenses, taxes related to the real estate (including stamp duty, registration fee, business tax and urban real estate tax), expenses related to repairs and maintenance, and bad debt expenses in relation to Income
“Purchaser”	Sunlight REIT Holding Limited, a company incorporated in the Cayman Islands with limited liability and a special purpose vehicle wholly-owned and controlled by Sunlight REIT
“REIT Code”	Code on Real Estate Investment Trusts issued by the SFC, as amended, supplemented and/or otherwise modified from time to time
“Sale and Purchase Agreement”	the sale and purchase agreement dated 11 January 2023 and entered into between the Vendor, the Vendor’s Guarantor and the Purchaser in relation to the Acquisition
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time
“sq. ft.”	square feet
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	Victory Wave Limited (榮滔有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company
“Sunlight REIT”	Sunlight Real Estate Investment Trust
“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
“Target Company”	Fountain Cheer Limited, a company incorporated in the BVI with limited liability
“Target Company Loan”	the amount owing by the Target Company to the Vendor (including any interest accrued thereon) at the Completion Date

“Target Company Share”	the only issued share in the Target Company
“Target Group”	collectively the Target Company and the Subsidiary
“Target Group NAV”	(i) the total assets of the Target Group (other than (a) West Kowloon Property and any other fixed assets; (b) all rent and licence fee receivables and all other amounts payable by the relevant tenants to the Subsidiary under the existing tenancies that are outstanding for a period of 3 months or more at the Completion Date; and (c) rent free and rental concession granted to tenants that were recognized under “accrued rental income”) less (ii) the total liabilities of the Target Group (excluding the Target Company Loan and deferred tax liabilities) at the Completion Date
“Trust Deed”	the amended and restated trust deed dated 10 May 2021 constituting Sunlight REIT made between the Manager and the Trustee
“Trustee”	HSBC Institutional Trust Services (Asia) Limited (滙豐機構信託服務(亞洲)有限公司), in its capacity as the trustee of Sunlight REIT
“Unit(s)”	unit(s) in Sunlight REIT
“Unitholder(s)”	any person(s) registered as holder of a Unit
“Vendor”	Hinex Development Limited, a company incorporated in the BVI with limited liability
“Vendor’s Guarantor”	Mr. Law Sau Fai, Francis
“West Kowloon Property”	the commercial development (including the external wall advertising spaces 1 to 8 and commercial carparking spaces Nos. C1 to C3 on Ground Floor and C4 to C17 on First Floor therein) of “Floriant Rise” at No. 38 Cherry Street, Tai Kok Tsui, Kowloon, Hong Kong and currently known as “West 9 Zone Kids”
“%”	percentage

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, 11 January 2023

At the date of this announcement, the Board comprises: (1) Chairman and Non-Executive Director: Mr. AU Siu Kee, Alexander; (2) Chief Executive Officer and Executive Director: Mr. WU Shiu Kee, Keith; (3) Non-Executive Director: Mr. KWOK Ping Ho; and (4) Independent Non-Executive Directors: Mr. KWAN Kai Cheong, Dr. TSE Kwok Sang, Mr. KWOK Tun Ho, Chester and Ms. Helen ZEE.