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Prosperity Real Estate Investment Trust

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

(Stock Code: 808)

Managed by



ARA Asset Management (Prosperity) Limited

- (1) PROPOSED CHANGES TO INVESTMENT POLICY AND RELATED AMENDMENTS TO THE TRUST DEED;**
(2) OTHER AMENDMENTS TO THE TRUST DEED;
(3) PROPOSED GRANT OF GENERAL MANDATE TO BUY BACK UNITS;
(4) CONTINUAL SERVICE OF RELEVANT INDEPENDENT NON-EXECUTIVE DIRECTOR;
AND
(5) NOTICE OF ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF UNITHOLDERS

The Board wishes to announce that the REIT Manager proposes to seek approval for: (a) the Changes to Investment Policy to Permit Property Development and the Property Development Amendments; (b) the Changes to Investment Policy to Permit Relevant Investments and the Relevant Investments Amendments; (c) the Unclaimed Moneys Amendments; (d) the Buy-back Mandate; and (e) the Relevant INED Continual Service.

In addition to the Trust Deed Amendments Requiring Approval, the REIT Manager also proposes to make the Joint Ownership Amendments, the Regulatory Amendments and the Miscellaneous Amendments which do not require Unitholders' approval.

The Circular containing, among other things: (a) a letter from the Board to Unitholders containing details of, among other things, the Matters Requiring Approval; and (b) the AGM Notice setting out the resolutions to be proposed at the AGM, will be despatched to Unitholders on or before 20 April 2021.

The AGM will be held at 2:30 p.m. on Friday, 21 May 2021 at Exhibition Venue A on Level 7, Fortune Metropolis, 6 The Metropolis Drive, Hunghom, Kowloon, Hong Kong. The Register of Unitholders will be closed from Monday, 17 May 2021 to Friday, 21 May 2021 (both days inclusive), during which no transfer of Units will be effected, to determine which Unitholders will qualify to attend and vote at the AGM.

1 INTRODUCTION

This announcement is made pursuant to paragraphs 10.3 and 10.4 of the REIT Code.

The Board wishes to announce that the REIT Manager proposes to seek approval for: (a) the Changes to Investment Policy to Permit Property Development and the Property Development Amendments; (b) the Changes to Investment Policy to Permit Relevant Investments and the Relevant Investments Amendments; (c) the Unclaimed Moneys Amendments; (d) the Buy-back Mandate; and (e) the Relevant INED Continual Service (collectively, the "**Matters Requiring Approval**").

2 PROPOSED AMENDMENTS TO THE TRUST DEED

In August 2014, the REIT Code was amended to permit REITs to: (a) engage in Property Development and Related Activities; and (b) invest in Relevant Investments, each subject to various conditions.

In December 2020, the REIT Code was amended to, *inter alia*: (a) permit REITs to invest in Minority-owned Properties subject to various conditions; (b) relax the investment limit on property development projects to up to 25% of the REIT's gross asset value subject to, *inter alia*, unitholders' approval; (c) increase the borrowing limit for REITs from 45% to 50% of the REIT's gross asset value; and (d) broadly align the requirements applicable to connected party transactions and notifiable transactions of REITs with the requirements for companies listed on the Hong Kong Stock Exchange.

The REIT Manager proposes to amend the Trust Deed to implement the Property Development Amendments and Relevant Investments Amendments, subject to the approval of Unitholders.

The REIT Manager will also take the opportunity to amend the Trust Deed to implement the Joint Ownership Amendments, the Regulatory Amendments and the Miscellaneous Amendments, none of which requires the approval of Unitholders subject to the Trustee's Certification.

In addition, the REIT Manager would like to take the opportunity to implement the Unclaimed Moneys Amendments, subject to the approval of Unitholders.

2.1 Amendments to Provisions in relation to the Changes to Investment Policy

2.1.1 Property Development and Related Activities

The REIT Manager proposes to seek Unitholders' approval to expand the scope of Prosperity REIT's investment policy to include engaging in Property Development and Related Activities, subject to the restrictions under the REIT Code (the "**Changes to Investment Policy to Permit Property Development**"). In connection with the proposed expansion of the scope of Prosperity REIT's investment policy to include engaging in Property Development and Related Activities, subject to the approval of Unitholders, the REIT Manager proposes to implement consequential amendments to the Trust Deed (being the Property Development Amendments) as summarised below.

- **Property Development and Related Activities.** The REIT Manager proposes to amend the definition of the term "Authorised Investments" in clause 1.1 and clause 10.2 of the Trust Deed to include Property Development and Related Activities as an Authorised Investment of Prosperity REIT and as part of the REIT Manager's investment policy and objective for Prosperity REIT. In connection with the foregoing proposed amendments, the REIT Manager also proposes to insert definitions for the terms "Aggregate Development Costs", "Property Development and Related Activities", "Property Development Cap" and "Property Development Costs" in clause 1.1 of the Trust Deed.
- **Investment Restrictions.** Under the REIT Code, the Property Development Costs together with the aggregate contract value of uncompleted units of real estate acquired by the REIT (collectively, the "**Aggregate Development Costs**") are subject to an overall Maximum Cap of 25% of the REIT's gross asset value on Non-core Investments. Previously, such Aggregate Development Costs were subject to a cap of 10% of the REIT's gross asset value. Following the amendments to the REIT Code in December 2020, such cap on Aggregate Development Costs may now be increased to no more than 25% of the REIT's gross asset value, subject to various conditions.

The REIT Manager proposes to amend clause 10.3 of the Trust Deed to include the above restrictions and set the cap on Aggregate Development Costs at 25% of the gross asset value of the Deposited Property. For the avoidance of doubt, the REIT Manager will proceed to implement the amendments relating to the Maximum Cap even if the Property Development Special Resolution is not approved by Unitholders, but will not include Property Development and Related Activities within the scope of permissible Non-core Investments.

- **Investment in vacant land.** In line with the above proposed amendments, the REIT Manager proposes to qualify the investment restriction in clause 10.3.3 of the Trust Deed on investment in vacant land such that the restriction will not extend to any investment in vacant land which is part-and-parcel of Property Development and Related Activities and within the investment objective or policy of Prosperity REIT.

- **Minimum holding period.** In line with the REIT Code, the REIT Manager proposes to amend the requirement in clause 25.4.1(iii) of the Trust Deed relating to the minimum investment holding period so that investments relating to Property Development and Related Activities undertaken by Prosperity REIT shall be held for a period of at least two years from the completion of the relevant Property Development and Related Activities.

The REIT Manager shall ensure that, before engaging in any Property Development and Related Activities, it will have competent and adequate staff with sufficient and appropriate skills, resources and expertise in place, either as part of its in-house skills or by way of outsourcing to a competent external party under the REIT Manager's oversight, to manage the Property Development and Related Activities.

Please refer to section 2.1 of the Circular for the reasons for the proposed amendments, risks related to Property Development and Related Activities and measures to mitigate such risks and comply with the REIT Code requirements, and section 1.1 of Appendix I to the Circular for the full text of the proposed amendments to the Trust Deed described in this section.

2.1.2 Relevant Investment

The REIT Manager proposes to seek Unitholders' approval to expand the scope of Prosperity REIT's investment policy to include Relevant Investments, subject to the restrictions under the REIT Code (the "**Changes to Investment Policy to Permit Relevant Investments**"). In connection with the proposed expansion of the scope of Prosperity REIT's investment policy to include investing in Relevant Investments, subject to the approval of Unitholders, the REIT Manager proposes to implement consequential amendments to the Trust Deed (being the Relevant Investments Amendments) as summarised below.

- **Relevant Investments.** The REIT Manager proposes to amend the definition of the term "Authorised Investments" in clause 1.1 and clause 10.2 of the Trust Deed to include Relevant Investments as an Authorised Investment of Prosperity REIT and as part of the REIT Manager's investment policy and objective for Prosperity REIT and to include a definition for the term "Relevant Investments" in clause 1.1 of the Trust Deed.
- **Investment Restrictions.** Under the REIT Code, Relevant Investments are subject to an overall Maximum Cap of 25% of the REIT's gross asset value on Non-core Investments, as well as a cap of 10% of the REIT's gross asset value on investments in a single group of companies.

The REIT Manager proposes to amend clause 10.3 of the Trust Deed to include the above restrictions. For the avoidance of doubt, the REIT Manager will proceed to implement the amendments relating to the Maximum Cap even if the Relevant Investments Special Resolution is not approved by Unitholders, but will not include Relevant Investments within the scope of permissible Non-core Investments.

- **Valuation.** Consequential amendments are proposed to clause 6 of the Trust Deed to set out the basis for determining the value of Prosperity REIT's investments in Relevant Investments.

The REIT Manager shall ensure that, before investing in any Relevant Investments, it will have competent and adequate staff with sufficient and appropriate skills, resources and expertise in place, either as part of its in-house skills or by way of outsourcing to a competent external party under the REIT Manager's oversight, to manage the Relevant Investments.

Please refer to section 2.2 of the Circular for the reasons for the proposed amendments, risks related to Relevant Investments and measures to mitigate such risks and comply with the REIT Code requirements, and section 1.2 of Appendix I to the Circular for the full text of the proposed amendments to the Trust Deed described in this section.

2.1.3 Approval Thresholds

Under clause 10.2.4 of the Trust Deed, the REIT Manager may from time to time change its investment policies / strategies for Prosperity REIT provided that: (a) it has notified Unitholders of the change by way of circular in accordance with the requirements of the REIT Code; and (b) the change has been approved by Unitholders by way of Special Resolution.

Under paragraph 9.6 of the REIT Code and clause 26 of the Trust Deed, the Trustee and the REIT Manager shall be entitled to modify, alter or add to the provisions of the Trust Deed with the sanction of the Unitholders by way of Special Resolution.

Therefore, Special Resolutions will be proposed for Unitholders to consider and, if thought fit, approve:

- (a) the Changes to Investment Policy to Permit Property Development and the Property Development Amendments (the "**Property Development Special Resolution**"); and
- (b) the Changes to Investment Policy to Permit Relevant Investments and the Relevant Investments Amendments (the "**Relevant Investments Special Resolution**").

3 OTHER AMENDMENTS TO THE TRUST DEED

3.1 Joint Ownership Amendments

The Trust Deed permits Prosperity REIT to invest in real estate as permitted under the REIT Code. Previously, the REIT Code allowed REITs to invest in jointly owned properties subject to the REIT having majority ownership and control. Following the amendments to the REIT Code in December 2020 to permit investments by REITs in Minority-owned Properties subject to various conditions, Prosperity REIT is now able to invest in Minority-owned Properties in accordance with the REIT Code. The amendments to the REIT Code also clarify that REITs may invest in jointly owned properties via joint venture entities.

In connection with the above amendments to the REIT Code relating to joint ownership arrangements, the REIT Manager proposes to implement consequential amendments to the Trust Deed (being the Joint Ownership Amendments) as summarised below, which do not require the approval of Unitholders subject to the Trustee's Certification.

- **Joint Venture Entities.** To facilitate Prosperity REIT's joint investment in and ownership of properties with third parties through joint venture entities, amendments relating to joint venture entities will be made to various provisions of the Trust Deed.
- **Minority-owned Properties.** The REIT Manager will amend the definition of the term "Authorised Investments" in clause 1.1, clause 10.2.1 and clause 10.2.2 of the Trust Deed to specify, for the avoidance of doubt, that real estate includes Minority-owned Properties. In connection with the foregoing amendments, the REIT Manager will also insert definitions for the terms "Minority-owned Property", "Non-qualified Minority-owned Property" and "Qualified Minority-owned Property" in clause 1.1 of the Trust Deed.
- **Investment Restrictions.** Under the REIT Code, Minority-owned Properties comprise both Qualified Minority-owned Properties and Non-qualified Minority-owned Properties. If a Minority-owned Property satisfies the conditions under the REIT Code in order for it to be treated as a Qualified Minority-owned Property, such Qualified Minority-owned Property will not be subject to an overall Maximum Cap of 25% of the REIT's gross asset value on Non-core Investments. Conversely, if the Minority-owned Property does not satisfy the conditions under the REIT Code in order for it to be treated as a Qualified Minority-owned Property, such Minority-owned Property will be treated as a Non-qualified Minority-owned Property and will be subject to an overall Maximum Cap of 25% of the REIT's gross asset value on Non-core Investments, as well as a cap of 10% of the REIT's gross asset value on investments in a single group of companies.

The REIT Manager will amend clause 10.3 of the Trust Deed to include the above restrictions. For the avoidance of doubt, the REIT Manager will proceed to implement the amendments relating to the Maximum Cap even if the Property Development Special Resolution and/or the Relevant Investments Special Resolution is or are not approved by Unitholders, but will not include Property Development and Related Activities and/or Relevant Investments (as the case may be) within the scope of permissible Non-core Investments.

- **Valuation.** Consequential amendments will be made to clause 6 of the Trust Deed to set out the basis for determining the value of Prosperity REIT's investments in joint venture entities and Minority-owned Properties.

Please refer to section 2.1 of Appendix I to the Circular for the full text of the proposed amendments to the Trust Deed described in this section.

3.2 Regulatory Amendments

To comply with the REIT Code and other regulatory requirements, the REIT Manager proposes to implement amendments to the Trust Deed (being the Regulatory Amendments), including but not limited to those summarised below, which do not require the approval of Unitholders subject to the Trustee's Certification.

- **Borrowing limit.** The borrowing limit under the Trust Deed will be increased from 45% to 50% of the gross asset value of the Deposited Property.
- **Connected party transactions and notifiable transactions.** The scope of the connected persons of Prosperity REIT and the disclosure, reporting, unitholders' approval and other requirements applicable to the connected party transactions and the notifiable transactions of Prosperity REIT under the Trust Deed will be amended to reflect the requirements under the REIT Code, which now broadly align with the requirements under the Listing Rules.
- **Other miscellaneous REIT Code amendments.** Other miscellaneous amendments to the REIT Code, including the removal of the requirement to use no more than two layers of special purpose vehicles for holding real estate, the alignment of the publication and distribution deadline for interim reports with the Listing Rules, the removal of the requirement to obtain a valuation report for issues of new units and the codification of other existing practices, will be reflected in the Trust Deed.

Please refer to section 2.2 of Appendix I to the Circular for the full text of the proposed amendments to the Trust Deed described in this section.

3.3 Miscellaneous Amendments

The REIT Manager proposes to implement miscellaneous amendments of a clarificatory, editorial or immaterial nature to the Trust Deed (being the Miscellaneous Amendments), which do not require the approval of Unitholders subject to the Trustee's Certification.

Please refer to section 2.3 of Appendix I to the Circular for the full text of the Miscellaneous Amendments.

3.4 Trustee's Certification

Under paragraph 9.6 of the REIT Code and clause 26 of the Trust Deed, the Trust Deed may be modified, altered or added to without the sanction of Unitholders by way of Special Resolution, provided that the Trustee certifies in writing that in its opinion, such modification, alteration or addition:

- (a) is necessary to comply with fiscal or other statutory or official requirements (whether or not having the force of law);
- (b) does not materially prejudice Unitholders' interests, does not to any material extent release the Trustee, the REIT Manager or any other person from any liability to Unitholders and does not increase the costs and charges payable from the Deposited Property; or
- (c) is necessary to correct a manifest error.

The Trustee has confirmed that it will certify pursuant to paragraph 9.6 of the REIT Code and clause 26 of the Trust Deed (being the Trustee's Certification) that, in its opinion, each of the Joint Ownership Amendments, the Regulatory Amendments and the Miscellaneous Amendments:

- (a) is necessary in order to comply with applicable fiscal, statutory or other official requirements (whether or not having the force of law); or
- (b) does not materially prejudice the interests of Unitholders, does not operate to release to any material extent the Trustee or the REIT Manager from any liability to Unitholders and does not increase the costs and charges payable from the Deposited Property.

4 UNCLAIMED MONEYS AMENDMENTS

Clause 12.4 of the Trust Deed presently provides that any moneys payable to any Unitholder which remain unclaimed after 12 months shall be accumulated in a special account and, if such moneys remain unclaimed for a further seven years from the date of payment into the special account, the moneys held in the special account shall be paid into court.

Given the management time and administrative costs involved in making recurring court applications to pay unclaimed moneys into court, and to streamline the procedure pursuant to which Prosperity REIT may utilise the unclaimed moneys for the benefit of Unitholders, the REIT Manager proposes to amend the Trust Deed to provide that moneys which remain unclaimed after seven years from the date of payment into the special account shall instead be forfeited and transferred to the Deposited Property and thereafter the relevant Unitholder and any other person otherwise entitled thereto shall not have any right or claim to the forfeited sums (being the Unclaimed Moneys Amendments). For the avoidance of doubt, such forfeiture and transfer to the Deposited Property shall also apply to unclaimed moneys which were transferred into the special account prior to the date on which the Unclaimed Moneys Amendments take effect, so long as the moneys have been held in the special account for at least seven years. Please refer to section 3 of Appendix I to the Circular for the full text of the Unclaimed Moneys Amendments.

As mentioned in section 2.1.3 above, under paragraph 9.6 of the REIT Code and clause 26 of the Trust Deed, the Trustee and the REIT Manager shall be entitled to modify, alter or add to the provisions of the Trust Deed with the sanction of the Unitholders by way of Special Resolution. Therefore, a Special Resolution will be proposed for Unitholders to consider and, if thought fit, approve the Unclaimed Moneys Amendments (the "**Unclaimed Moneys Special Resolution**").

5 PROPOSED GRANT OF GENERAL MANDATE TO BUY BACK UNITS

At the annual general meeting of Unitholders held on 15 May 2020, an Ordinary Resolution was passed to grant a general mandate to the REIT Manager on behalf of Prosperity REIT to buy back Units of up to 10% of the aggregate number of Units in issue at 15 May 2020. This general mandate will expire at the conclusion of the AGM. The REIT Manager proposes to seek Unitholders' approval at the AGM to grant a general mandate to the REIT Manager on behalf of the Prosperity REIT to buy back Units on the Hong Kong Stock Exchange.

Under the Trust Deed, the REIT Manager shall not repurchase any Units until permitted to do so under the guidelines issued by the SFC from time to time. Pursuant to the SFC Circular, an SFC-authorized REIT may purchase its own units on the Hong Kong Stock Exchange provided that the REIT has followed the requirements as set out in the SFC Circular, including, *inter alia*, the despatch of an explanatory statement of the repurchase mandate to the unitholders and a specific approval or a general mandate to make such repurchase(s) has been obtained from the unitholders of the REIT.

Having regard to the above, an Ordinary Resolution will be proposed for Unitholders to consider, and if thought fit, grant a general mandate to the REIT Manager on behalf of Prosperity REIT to buy back Units on the Hong Kong Stock Exchange. The Units which may be bought back pursuant to the Buy-back Mandate are up to 10% of the total Units in issue on the date of passing the relevant resolution. The Units bought back by Prosperity REIT pursuant to the Buy-back Mandate shall be automatically cancelled upon such buy-back. The REIT Manager will ensure that the documents of title of the Units bought back are cancelled and destroyed as soon as reasonably practicable following settlement of any such buy-back.

The Buy-back Mandate, if approved by Unitholders, will be in force for the period commencing from the date of the AGM and expiring on the earliest of the following dates: (a) the conclusion of the next annual general meeting of the Unitholders; (b) the expiration of the period within which the next annual general meeting of the Unitholders as referred to in (a) above is required to be held by the Trust Deed, the REIT Code or any applicable laws; or (c) the revocation or variation of the authority given under the resolution approving the Buy-back Mandate by the passing of an Ordinary Resolution.

Prosperity REIT shall also comply with the other restrictions and notification requirements applicable to listed companies purchasing their own shares on a stock exchange under Rule 10.06 of the Listing Rules, with necessary changes being made, as if the provisions therein were applicable to REITs. These include, but are not limited to, the dealing restrictions, the restrictions on subsequent issues, the reporting requirements and status of purchased shares.

An explanatory statement in connection to the Buy-back Mandate is set out in Appendix II to the Circular.

6 CONTINUAL SERVICE OF RELEVANT INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Wong Kwai Lam (currently an INED and a member of each of the Audit Committee and the Designated (Finance) Committee) has served on the Board since 2011. In accordance with the Articles of Association and the Compliance Manual, separate Ordinary Resolution will be proposed for Unitholders to consider and, if thought fit, approve the continual service of Mr. Wong until the third annual general meeting of Unitholders following the AGM.

The Board (with Mr. Wong abstaining from participating in discussions relating to himself) has assessed the independence of Mr. Wong, having regard to the criteria for independence under Rule 3.13 of the Listing Rules (as if they were applicable to Prosperity REIT) and the Compliance Manual, and considers him to be independent and believes that he should continue to serve as an INED for the reasons set out below.

Mr. Wong has always contributed objectively in advising and giving independent guidance to the Board in his capacity as an INED and as member of different Board committees. He places great importance on the REIT Manager observing high standards of corporate governance, and expressed impartial views on the strategy, business, operations, performance and risk management of the REIT Manager and Prosperity REIT. The REIT Manager has also received annual confirmation from Mr. Wong regarding his independence in accordance with Rule 3.13 of the Listing Rules (as if they were applicable to Prosperity REIT) and the Compliance Manual, and the Board is of the view that Mr. Wong will continue to meet the INED's independence requirements stated therein.

Given that Mr. Wong holds fewer than six listed company directorships, has regularly attended the meetings of the Board and the Board committees of which he is a member and actively participated in the deliberations in such meetings and has continually kept abreast of current trends and issues relevant to the listed company and REIT industry and refreshed his skills and knowledge through ongoing training, the Board is of the view that he has devoted, and will be able to continue to devote, sufficient time and effort to the Board and discharge his duties effectively.

The Board has also considered Mr. Wong's contribution to the diversity of the Board and is satisfied that he has the requisite perspectives, skills and experience that would enhance the diversity of the Board as a whole in a manner relevant to the strategic objectives and business of the REIT Manager and Prosperity REIT. Mr. Wong possesses a wealth of knowledge and experience in commercial and investment banking industry, and financial management. In addition to his expertise which adds to the overall dynamism of the Board, Mr. Wong has demonstrated in-depth understanding, acquired over his years of service, of the REIT market in general. Taking into account the current Board composition and synergies, and Mr. Wong's contributions to the collective effectiveness of the Board in discharging its functions, the Board believes that the continued membership of Mr. Wong on the Board will ensure continuity of experience without compromising the Board's oversight capabilities, the rigour of Board discussions and diversity of perspectives.

Taking into consideration of the above, the Board is of the view that the length of service of Mr. Wong has not, in any way, diminished his independence, and that Mr. Wong is independent notwithstanding the fact that he has served on the Board for more than nine years as at the date of the Circular. The Board is also of the view that Mr. Wong has shown the requisite level of competency and commitment to effectively discharge his duties as an INED. Accordingly, the Board believes that Mr. Wong possesses the required integrity and experience to continue fulfilling his role as an INED, and his continued tenure will continue to bring valuable insights and expertise to the Board. As such, the Board believes that Mr. Wong should continue to serve as an INED beyond the AGM, and that the Relevant INED Continual Service is in the best interests of Prosperity REIT and the Unitholders as a whole.

Subject to the passing of the abovementioned Ordinary Resolution, the continual service of Mr. Wong shall be subject to the annual retirement and re-election requirements under the Articles of Association applicable to all Directors.

Biographical details and other relevant information of Mr. Wong are set out in Appendix III to the Circular.

7 VIEWS AND RECOMMENDATIONS

7.1 Directors' Views

Having taken into account the duties of the REIT Manager under the REIT Code and Trust Deed, the Board considers that:

- (a) the expansion of the scope of Prosperity REIT's investment policy to include engaging in Property Development and Related Activities, subject to the restrictions under the REIT Code, and the Property Development Amendments are in the interests of Prosperity REIT and the Unitholders as a whole;
- (b) the expansion of the scope of Prosperity REIT's investment policy to include Relevant Investments, subject to the restrictions under the REIT Code, and the Relevant Investments Amendments are in the interests of Prosperity REIT and the Unitholders as a whole;
- (c) the Unclaimed Moneys Amendments do not conflict with Prosperity REIT's investment policy and objective as set out in clause 10.2 of the Trust Deed and are in the interests of Prosperity REIT and the Unitholders as a whole;
- (d) subject to Unitholders' approval of the Trust Deed Amendments Requiring Approval, and to the requisite amendments being made to the Trust Deed, such amendments, when implemented in the manner contemplated in this Circular, will be made in compliance with the REIT Code and the modification provisions of the Trust Deed,

and accordingly, recommends Unitholders to vote in favour of the relevant Special Resolutions.

The Board also considers that each of:

- (a) the granting of the Buy-back Mandate; and
- (b) the continual service of Mr. Wong as an INED until the third annual general meeting of Unitholders following the AGM,

is in the interests of Prosperity REIT and the Unitholders as a whole, and accordingly, recommends Unitholders to vote in favour of the relevant Ordinary Resolutions.

7.2 Trustee's Views

Having taken into account the duties of the Trustee under the REIT Code and Trust Deed, and based on the information contained in the Circular:

- (a) the Trustee has confirmed that it has no objection to the Trust Deed Amendments Requiring Approval; and

- (b) subject to Unitholders' approval of the Trust Deed Amendments Requiring Approval, and to the requisite amendments being made to the Trust Deed, the Trustee is of the view that such amendments, when implemented in the manner contemplated in the Circular, will be made in compliance with the REIT Code and the modification provisions of the Trust Deed, and that the Unclaimed Moneys Amendments do not conflict with Prosperity REIT's investment policy and objective as set out in clause 10.2 of the Trust Deed.

The Trustee has also confirmed that the Buy-back Mandate complies with the requirements in the Trust Deed and, subject to Unitholders' approval, the Trustee does not have any objection to the buy-back of Units pursuant to the Buy-back Mandate. The Trustee's confirmation is being furnished for the sole purpose of complying with the SFC Circular.

The Trustee's views and confirmations above are not to be taken as a recommendation or representation by the Trustee of the merits of the Trust Deed Amendments Requiring Approval or of the Buy-back Mandate or of any statements or information made or disclosed in this announcement or the Circular. The Trustee has not made any assessment of the impact or merits of the above matters other than for the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the REIT Code. Accordingly, the Trustee urges all Unitholders, including those who are in any doubt as to the impact or merits of the Trust Deed Amendments Requiring Approval and the Buy-back Mandate, to seek their own financial or other professional advice.

8 DESPATCH OF CIRCULAR, AGM AND CLOSURE OF REGISTER OF UNITHOLDERS

The Circular containing, among other things: (a) a letter from the Board to Unitholders containing details of, among other things, the Matters Requiring Approval; and (b) the AGM Notice setting out the resolutions to be proposed at the AGM, will be despatched to Unitholders on or before 20 April 2021.

The AGM will be held at 2:30 p.m. on Friday, 21 May 2021 at Exhibition Venue A on Level 7, Fortune Metropolis, 6 The Metropolis Drive, Hunghom, Kowloon, Hong Kong for the purpose of considering, and it thought fit, passing with or without amendments, the resolutions set out in the AGM Notice.

The Register of Unitholders will be closed from Monday, 17 May 2021 to Friday, 21 May 2021 (both days inclusive), during which no transfer of Units will be effected, to determine which Unitholders will qualify to attend and vote at the AGM. For those Unitholders who are not already on the Register of Unitholders, in order to qualify to attend and vote at the AGM, all duly completed transfers of Units accompanied by the relevant Unit certificates must be lodged with the Unit Registrar of Prosperity REIT, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by 4:30 p.m. on Friday, 14 May 2021.

9 DEFINITIONS

In this announcement, the following definitions apply throughout unless otherwise stated.

Aggregate Development Costs	Has the meaning given to it in section 2.1.1 of this announcement.
AGM	The annual general meeting of Unitholders to be convened on Friday, 21 May 2021 at 2:30 p.m., at Exhibition Venue A on Level 7, Fortune Metropolis, 6 Metropolis Drive, Hunghom, Kowloon, Hong Kong.
AGM Notice	The notice included in the Circular in respect of the AGM to consider and, if thought fit, approve the resolutions to be proposed at the AGM.
Articles of Association	The articles of association of the REIT Manager.
Audit Committee	The audit committee of the REIT Manager.
Authorised Investments	Has the meaning given to it under the Trust Deed.
Board	The board of directors of the REIT Manager.
Buy-back Mandate	The general mandate authorising the buy-back by Prosperity REIT of up to 10% of the Units in issue at the date of passing the Ordinary Resolution to approve the Buy-back Mandate on the Hong Kong Stock Exchange, as more fully described in the Circular.
Changes to Investment Policy to Permit Property Development	Has the meaning given to it in section 2.1.1 of this announcement.
Changes to Investment Policy to Permit Relevant Investments	Has the meaning given to it in section 2.1.2 of this announcement.
Circular	The circular to the Unitholders dated 20 April 2021 which provides further information in respect of, <i>inter alia</i> , the Matters Requiring Approval and to serve the AGM Notice.
Compliance Manual	The compliance manual of the REIT Manager.

Deposited Property	Has the meaning given to it under the Trust Deed.
Designated (Finance) Committee	The designated (finance) committee of the REIT Manager.
Directors	The directors of the REIT Manager.
Hong Kong	The Hong Kong Special Administrative Region of the People's Republic of China.
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited.
INED	Independent Non-executive Director of the REIT Manager.
Joint Ownership Amendments	The amendments to the Trust Deed described in section 3.1 of this announcement and section 2.1 of Appendix I to the Circular.
Listing Rules	The Rules Governing the Listing of Securities on Hong Kong Stock Exchange, as amended, supplemented or otherwise modified for the time being.
Matters Requiring Approval	Has the meaning given to it in section 1 of this announcement.
Maximum Cap	The threshold limit of 25% of the REIT's gross asset value applicable to the combined value of all Non-core Investments.
Minority-owned Properties	Jointly owned properties in which a REIT will not have majority ownership and control.
Miscellaneous Amendments	The amendments to the Trust Deed described in section 3.3 of this announcement and section 2.3 of Appendix I to the Circular.
Non-core Investments	(a) Relevant Investments; (b) Non-qualified Minority-owned Properties; (c) other ancillary investments; and (d) Aggregate Development Costs.
Non-qualified Minority-owned Properties	Minority-owned Properties which are not Qualified Minority-owned Properties.

Ordinary Resolution	A resolution passed by a simple majority of the votes of those Unitholders present and entitled to vote in person or by proxy at a duly convened meeting by way of a poll, but with quorum of two or more Unitholders holding not less than 10% of the Units in issue.
Property Development Amendments	The proposed amendments to the Trust Deed as described in section 2.1.1 of this announcement and section 1.1 of Appendix I to the Circular.
Property Development and Related Activities	The acquisition of uncompleted units in a building and property developments (including both new development projects and re-development of existing properties) undertaken in accordance with the REIT Code.
Property Development Cap	The threshold limit applicable to Aggregate Development Costs, which may be up to the REIT's 25% of gross asset value.
Property Development Costs	The aggregate investments in all property developments undertaken by a REIT.
Property Development Special Resolution	Has the meaning given to it in section 2.1.3 of this announcement.
Prosperity REIT	Prosperity Real Estate Investment Trust.
Qualified Minority-owned Properties	Minority-owned Properties which satisfy the overarching principles and specific conditions under the REIT Code and approved by the SFC to be excluded from the calculation of the Maximum Cap.
Regulatory Amendments	The amendments to the Trust Deed described in section 3.2 of this announcement and section 2.2 of Appendix I to the Circular.
REIT	Real estate investment trust.
REIT Code	The Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being.
REIT Manager	ARA Asset Management (Prosperity) Limited, in its capacity as manager of Prosperity REIT.

Relevant INED Continual Service	The proposed continual service of Mr. Wong Kwai Lam as an INED until the third annual general meeting of Unitholders following the AGM.
Relevant Investments	(a) securities listed on the Hong Kong Stock Exchange or other internationally recognised stock exchanges; (b) unlisted debt securities; (c) government and other public securities; and (d) local or overseas property funds.
Relevant Investments Amendments	The amendments to the Trust Deed described in section 2.1.2 of this announcement and section 1.2 of Appendix I to the Circular.
Relevant Investments Special Resolution	Has the meaning given to it in section 2.1.3 of this announcement.
SFC	The Securities and Futures Commission of Hong Kong.
SFC Circular	The “Circular to Management Companies of SFC-authorized Real Estate Investment Trust - On-market Unit Repurchases by SFC-authorized REITs”, issued by the SFC on 31 January 2008.
Special Resolution	A resolution passed by at least 75% of the votes of those Unitholders present and entitled to vote in person or by proxy at a duly convened meeting by way of a poll, but with quorum of two or more Unitholders holding not less than 25% of the Units in issue.
Trust Deed	The trust deed entered into between the Trustee and the REIT Manager constituting Prosperity REIT, dated 29 November 2005 and as amended, varied and supplemented from time to time.
Trust Deed Amendments Requiring Approval	The Changes to Investment Policy to Permit Property Development and the Property Development Amendments, the Changes to Investment Policy to Permit Relevant Investments and the Relevant Investments Amendments and the Unclaimed Moneys Amendments.
Trustee	HSBC Institutional Trust Services (Asia) Limited, in its capacity as trustee of Prosperity REIT. All references to the Trustee in the Circular are, as the context may require, to the Trustee acting on behalf of Prosperity REIT and on the instruction of the REIT Manager.

Trustee's Certification	The Trustee's certification in writing described in section 3.4 of this announcement.
Unclaimed Moneys Amendments	The amendments to the Trust Deed described in section 4 of this announcement and section 3 of Appendix I to the Circular.
Unclaimed Moneys Special Resolution	Has the meaning given to it in section 4 of this announcement.
Unit	One undivided unit in Prosperity REIT.
Unit Registrar	Computershare Hong Kong Investor Services Limited, in its capacity as the unit registrar of Prosperity REIT.
Unitholder	Any person registered as holding a Unit and any person holding Units through the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited.

By order of the board of directors of
ARA Asset Management (Prosperity) Limited
(in its capacity as manager of Prosperity Real Estate Investment Trust)
Wong Lai Hung
Executive Director and Chief Executive Officer

Hong Kong, 19 April 2021

The Directors of the REIT Manager as at the date of this announcement are Dr. Chiu Kwok Hung, Justin (Chairman), Mr. Lim Hwee Chiang and Mr. Ma Lai Chee, Gerald as Non-executive Directors; Ms. Wong Lai Hung as Executive Director; Dr. Lan Hong Tsung, David, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Mr. Wong Kwai Lam as Independent Non-executive Directors.