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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) CONTINUING CONNECTED PARTY TRANSACTIONS;**
- (2) PROPOSED GRANT OF GENERAL MANDATE TO BUY BACK UNITS;**
- (3) CONTINUAL SERVICE OF RELEVANT INDEPENDENT NON-EXECUTIVE DIRECTORS; AND**
- (4) NOTICE OF ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF UNITHOLDERS**

Independent Financial Adviser to the Independent Board Committee of the REIT Manager, the Independent Unitholders and the Trustee



The Board wishes to announce that the REIT Manager proposes to seek approval for: (a) the Continuing CPTs; (b) the Buy-back Mandate; and (c) the Relevant INED Continual Service.

The Circular containing, among other things: (a) a letter from the Board to Unitholders containing details of, among other things, the matters requiring Unitholders' approval; (b) a letter from the Independent Board Committee; (c) a letter from the Independent Financial Adviser; and (d) the AGM Notice, will be despatched to Unitholders on or before 22 April 2022.

The AGM will be held at 2:30 p.m. on Thursday, 26 May 2022 at Unit 901, Level 9, Fortune Metropolis, 6 The Metropolis Drive, Hunghom, Kowloon, Hong Kong. The Register of Unitholders will be closed from Monday, 23 May 2022 to Thursday, 26 May 2022 (both days inclusive), during which no transfer of Units will be effected, to determine which Unitholders will qualify to participate in 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 Continuing CPTs; (b) the Buy-back Mandate; and (c) the Relevant INED Continual Service.

2 CONTINUING CONNECTED PARTY TRANSACTIONS

2.1 Background

As disclosed in the offering circular dated 5 December 2005 of Prosperity REIT, the REIT Manager had applied for, and the SFC had granted, a waiver from strict compliance with the requirements of Chapter 8 of the REIT Code in respect of certain connected party transactions of Prosperity REIT on 30 November 2005. As disclosed in subsequent circulars and announcements, this waiver was subsequently modified and extended on 19 November 2008, 21 June 2011, 15 January 2014, 3 June 2015, 6 May 2016 and 17 May 2019.

On 4 December 2020, the REIT Code was revised to, *inter alia*, broadly align the requirements applicable to connected party transactions of REITs with the requirements for companies listed on the Hong Kong Stock Exchange. Following the changes to the REIT Code, save as otherwise provided in the REIT Code or the guidelines issued by the SFC from time to time, all connected party transactions of REITs will be regulated with reference to the requirements applicable to listed companies under Chapter 14A of the Listing Rules to the extent appropriate and practicable, including whether certain connected party transactions are continuing connected party transactions, available exemptions and the conditions thereof and unitholders' approval, disclosure, reporting, annual review and other requirements. All pre-existing waivers shall continue to apply until expiry according to their terms or until otherwise modified or revoked.

Since the 2019 Extended Waiver is due to expire on 31 December 2022, the continuing connected party transactions of Prosperity REIT which are the subject of the 2019 Extended Waiver will, upon such expiry, be regulated with reference to Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code), in addition to Chapter 8 of the REIT Code.

The categories of continuing connected party transactions of Prosperity REIT under the 2019 Extended Waiver are as follows:

- (a) As part of the Prosperity REIT Group's ordinary and usual course of business, leasing and/or licensing transactions have been, or may from time to time be, entered into by members of the Prosperity REIT Group with members of the CK Asset Connected Persons Group (as defined in the 2019 Circular) and/or members of the Manager Group (as defined in the 2019 Circular).
- (b) Members of the Prosperity REIT Group and members of the CK Asset Connected Persons Group (as defined in the 2019 Circular) have entered into various transactions relating to property management arrangements, third party services and other operational transactions in respect of Prosperity REIT and its assets and operations, which comprise the following:
 - (i) Under the Property Management Agreement, the REIT Manager has delegated the property and lease management and marketing functions in respect of Prosperity REIT's real estate assets to the Property Manager. Pursuant to the present terms of the Property Management Agreement, the Property Manager is entitled to a fee of 3% per annum of the gross property revenue for the provision of property and lease management services, and commissions for provision of marketing services which are calculated by reference to the duration of the relevant leases / licences entered into or renewed and the total rental / licence fees payable.
 - (ii) Under the Property Management Agreement, the Property Manager, as agent for the relevant owners of the properties held by Prosperity REIT, has entered into, and will continue to enter into contracts with third party service providers for the provision of, among other things, cleaning, maintenance, security, car park management and other ancillary services in respect of the relevant properties. Some of these third party service providers are or may be members of the CK Asset Connected Persons Group (as defined in the 2019 Circular). In consideration for such services, Prosperity REIT will pay fees to these third party service providers.
 - (iii) Members of the Prosperity REIT Group may also enter into operational transactions (other than property management arrangements and third party services) with members of the CK Asset Connected Persons Group (as defined in the 2019 Circular). For example, each owner of the properties held by Prosperity REIT would, where applicable, be bound by the terms of the deed of mutual covenant applicable to the property owned by it. The deed of mutual covenant binds the manager under the deed of mutual covenant and all the owners of the development and their successor-in-title, irrespective of whether they are original parties to the deed of mutual covenant. Some of such managers in respect of the properties held by Prosperity REIT are members of the CK Asset Connected Persons Group (as defined in the 2019 Circular).

2.2 CK Leasing Transactions

2.2.1 CK Leasing Transactions Framework Agreement

In anticipation of the expiry of the 2019 Extended Waiver on 31 December 2022, and having regard to the regular, ordinary and ongoing nature of the CK Leasing Transactions, on 21 April 2022, the REIT Manager entered into the CK Leasing Transactions Framework Agreement with CK Asset, which sets out the framework terms on which the CK Leasing Transactions shall be entered into, renewed or extended during the period from 1 January 2023 to 31 December 2025. The CK Leasing Transactions Framework Agreement is not conditional upon the approval of the Unitholders.

The principal terms of the CK Leasing Transactions Framework Agreement are as follows:

Date:	21 April 2022
Parties:	(1) The REIT Manager (2) CK Asset
Term:	Three (3) years from 1 January 2023 up to 31 December 2025.
Purpose and other terms:	To set out the framework terms on which the CK Leasing Transactions shall be entered into, renewed or extended during the term of the CK Leasing Transactions Framework Agreement.

The relevant parties to any CK Leasing Transaction shall enter into separate written agreements on normal commercial terms to be negotiated on a case-by-case and at arm's length basis which are fair and reasonable, which shall be no less favourable than those offered to or available from independent third parties.

Pricing policy:	The rent chargeable for such transactions shall be based on the then prevailing market rates for properties of similar size and with similar attributes within the same building (or, if not available, within the vicinity). The basis of any management or service fees chargeable in connection with such transactions shall be the same as that of such fees chargeable to other independent third party tenants or licensees of the same building or property.
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To ensure that each transaction under the CK Leasing Transactions Framework Agreement is entered into based on the then prevailing market rate and on normal commercial terms, the REIT Manager shall arrange for an independent valuation to be conducted by the then prevailing principal valuer of Prosperity REIT or, if the principal valuer is unavailable, an independent property consultancy firm, which is able to satisfy the requisite criteria under Chapter 6 of the REIT Code, for each CK Leasing Transaction before it is first entered into or if and when it is renewed or extended.

2.2.2 Historical Transaction Amounts and Annual Caps

The table below sets out the aggregate historical transaction amounts (including rental and management and service fees) received or receivable by members of the Prosperity REIT Group from members of the CK Asset Connected Persons Group in respect of the CK Leasing Transactions for each of the two years ended 31 December 2020 and 2021 and the two months ended 28 February 2022, as well as the maximum aggregate annual amount (including rental and management and service fees) expected to be received by members of the Prosperity REIT Group from members of the CK Asset Connected Persons Group in respect of the CK Leasing Transactions for each of the three years ending 31 December 2023, 2024 and 2025:

Historical Transaction Amounts			Annual Caps		
For the year ended 31 December 2020 ⁽¹⁾	For the year ended 31 December 2021 ⁽²⁾	For the two months ended 28 February 2022 ⁽³⁾	For the year ending 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025
(HK\$)	(HK\$)	(HK\$)	(HK\$)	(HK\$)	(HK\$)
2,719,348	2,597,308	427,960	20,000,000	20,000,000	20,000,000

Notes:

(1) Based on the audited financial statements of Prosperity REIT for the financial year ended 31 December 2020, adjusted to reflect the change in the composition of the CK Asset Connected Persons Group resulting from the amendments to the REIT Code with effect from 4 December 2020.

(2) Based on the audited financial statements of Prosperity REIT for the financial year ended 31 December 2021.

(3) As at the Latest Practicable Date, only figures up to 28 February 2022 are available.

The proposed annual caps for the CK Leasing Transactions for the three years ending 31 December 2023, 2024 and 2025 have been determined based on:

- (a) the sum of the highest annual transaction amounts for the financial years between the Listing Date to 31 December 2021 received or receivable from members of the CK Asset Connected Persons Group in respect of the CK Leasing Transactions during such period (provided that the same unit was occupied by only one such tenant or licensee at any time during such period), which was HK\$7,187,468;

- (b) applying an increment factor of 20.0% to take into account potential upward rental reversion. Given that the growth rate of the gross rental from the properties of the Prosperity REIT Group for every three years from 2010 to 2020^(Note) ranged from approximately -0.7% to approximately 50.6%, and the average rental reversion rate from 2006 to 2021 was 16.0% (with the range for such period being -7.7% to 56.7%), the REIT Manager is of the view that the increment factor of 20.0% is reasonable;

(Note) The change in the gross rental in 2021 was not taken into account due to the impact of COVID-19 on gross rental, which the REIT Manager considers to be exceptional.

- (c) the average lease expiry profile (by gross rentable area) per annum from the Listing Date to 31 December 2021 was 39.6% (or 504,961 square feet of total gross rentable area of 1,275,153 square feet). Assuming 5.0% of the average potential vacancies (25,248 square feet) is taken up by members of the CK Asset Connected Persons Group, the monthly CK Leasing Transaction amount would be approximately HK\$705,000 (yearly, HK\$8,460,000), based on the average effective unit rent of HK\$23.61 plus average unit management fee of HK\$4.33 for the year ended 31 December 2021. In view of the assumed potential CK Leasing Transaction (in terms of area) is only 5.0% of average annual expiry area, the REIT Manager believes that the increment factor is reasonable and provides flexibility for entering into new CK Leasing Transactions;
- (d) applying an increment factor of 20.0% to take into account potential acquisitions by the Prosperity REIT Group which may increase opportunities for further CK Leasing Transactions to be entered into; and
- (e) applying a buffer of 20.0% to take into account contingencies, which the REIT Manager believes is reasonable having regard to the range of contingency buffers adopted by other REITs with similar property portfolios.

The REIT Manager is of the view that the proposed annual caps are reasonable and in the interest of Unitholders, as such caps would allow maximum flexibility for Prosperity REIT to lease premises to members of the CK Asset Connected Persons Group based on the prevailing market rate should such opportunity arise.

2.3 CK Property Management Transactions

2.3.1 CK Property Management Transactions Framework Agreement

In anticipation of the expiry of the 2019 Extended Waiver on 31 December 2022, and having regard to the regular, ordinary and ongoing nature of the CK Property Management Transactions, on 21 April 2022, the REIT Manager entered into the CK Property Management Transactions Framework Agreement with CK Asset, which sets out the framework terms on which the CK Property Management Transactions shall be entered into, renewed or extended during the period from 1 January 2023 to 31 December 2025. The CK Property Management Transactions Framework Agreement is conditional upon the passing of the Ordinary Resolution in respect of the CK Property Management Transactions.

The principal terms of the CK Property Management Transactions Framework Agreement are as follows:

Date:	21 April 2022
Parties:	(1) The REIT Manager (2) CK Asset
Term:	Three (3) years from 1 January 2023 up to 31 December 2025.
Purpose and other terms:	To set out the framework terms on which the CK Property Management Transactions shall be entered into, renewed or extended during the term of the CK Property Management Transactions Framework Agreement. The relevant parties to any CK Property Management Transaction shall enter into separate written agreements on normal commercial terms to be negotiated on a case-by-case and at arm's length basis which are fair and reasonable, which shall be no less favourable than those offered to or available from independent third parties.
Pricing policy:	The fees chargeable for such transactions shall be based on the then prevailing market rates for similar services provided by professional property management service providers for properties of similar size and with similar attributes.

The "**CK Property Management Transactions**" under the CK Property Management Transactions Framework Agreement refer to property management arrangements, third party services and/or other operational transactions entered or to be entered into by any member of the Prosperity REIT Group (as owner of the relevant property) with any member of the CK Asset Connected Persons Group (as service provider) in respect of Prosperity REIT and its assets and operations, comprising the following:

- (a) the transactions under the Property Management Agreement, including the provision of property and lease management and marketing functions in respect of Prosperity REIT's real estate assets;
- (b) the transactions under which the Property Manager, as agent for the relevant owners of the properties held by Prosperity REIT, has entered into, or will from time to time enter into, with third party service providers (which may be members of the CK Asset Connected Persons Group) for the provision of, among other things, cleaning, maintenance, security, car park management and other ancillary services in respect of the relevant properties; and

- (c) the transactions under the deeds of mutual covenant applicable to any part of the properties held by Prosperity REIT, including the provision of maintenance and other ancillary services for the common areas and facilities by the relevant property manager thereunder (which may be members of the CK Asset Connected Persons Group).

The services provided by the Property Manager under the Property Management Agreement comprise the following:

- (a) Property management services. These include coordinating tenants' fitting out requirements, recommending third party contracts for the provision of property management (including car parking facilities management), maintenance services, supervising the performance of service providers and contractors, arranging for adequate insurance and ensuring compliance with building and safety regulations.
- (b) Lease management services. These include administration of rental collection, management of rental arrears, initiating lease renewals and negotiation of terms.
- (c) Marketing services. These include providing marketing and marketing coordination services.

Under the Property Management Agreement, the Property Manager is entitled to a fee of 3% per annum of the gross property revenue for the provision of property and lease management services. Marketing services fee is to be calculated on the following basis for the provision of marketing services: (a) one month's base rent for securing a tenancy of three years or more; (b) one-half month's base rent for securing a tenancy of less than three years; (c) one-half month's base rent for securing a renewal of tenancy (irrespective of duration); and (d) 10% of licence fee for securing a licence of less than 12 months.

If and when the Property Management Agreement is renewed, the REIT Manager shall arrange for an independent assessment to be conducted by the then prevailing principal valuer of Prosperity REIT or, if the principal valuer is unavailable, an independent property consultancy firm, which is able to satisfy the requisite criteria under Chapter 6 of the REIT Code, on the new fees and commissions thereunder, to ensure that such fees and commissions are reasonable and at the then prevailing market rate and on normal commercial terms before the Property Management Agreement is renewed.

In relation to the other services for the properties held by members of the Prosperity REIT Group provided by third parties who may be members of the CK Asset Connected Persons Group, before entering into or renewing transactions for such services, the REIT Manager shall arrange for invitation of at least three tenders or quotations from contractors or suppliers, including one from the relevant member of the CK Asset Connected Persons Group and two from independent third parties, to be obtained, and shall conduct a comparison of the fees before the transaction is first entered into, to ensure that such fees are at the then prevailing market rate and on normal commercial terms.

In relation to the deeds of mutual covenants applicable to properties held by members of the Prosperity REIT Group where the managers thereunder may be members of the CK Asset Connected Persons Group, the relevant members of the Prosperity REIT Group shall ensure that the fees charged to them are at the same rates as those charged to the other owners of the development unrelated to members of the Prosperity REIT Group or the CK Asset Connected Persons Group, to ensure that the transactions are carried out at arm's length and on normal commercial terms.

2.3.2 Historical Transaction Amounts and Annual Caps

The table below sets out the aggregate historical transaction amounts paid or payable by members of the Prosperity REIT Group to members of the CK Asset Connected Persons Group in respect of the CK Property Management Transactions for each of the two years ended 31 December 2020 and 2021 and the two months ended 28 February 2022, as well as the maximum aggregate annual amount expected to be paid by members of the Prosperity REIT Group to members of the CK Asset Connected Persons Group in respect of the CK Property Management Transactions for each of the three years ending 31 December 2023, 2024 and 2025:

Historical Transaction Amounts			Annual Caps		
For the year ended 31 December 2020 ⁽¹⁾	For the year ended 31 December 2021 ⁽²⁾	For the two months ended 28 February 2022 ⁽³⁾	For the year ending 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025
(HK\$)	(HK\$)	(HK\$)	(HK\$)	(HK\$)	(HK\$)
25,229,067	26,164,477	4,790,853	50,300,000	52,800,000	55,400,000

Notes:

(1) Based on the audited financial statements of Prosperity REIT for the financial year ended 31 December 2020, adjusted to reflect the change in the composition of the CK Asset Connected Persons Group resulting from the amendments to the REIT Code with effect from 4 December 2020.

(2) Based on the audited financial statements of Prosperity REIT for the financial year ended 31 December 2021.

(3) As at the Latest Practicable Date, only figures up to 28 February 2022 are available.

The proposed annual caps for the CK Property Management Transactions for the three years ending 31 December 2023, 2024 and 2025 have been determined after taking into account:

- (a) the sum of the highest annual transaction amounts for the financial years between the Listing Date to 31 December 2021 paid or payable to each member of the CK Asset Connected Persons Group in respect of each category of the CK Property Management Transactions, which was HK\$29,172,334; and
- (b) (i) an approximate 10% increase in staff and wages costs, which was determined having regard to the statutory minimum wage in Hong Kong and historical marketing and property management staff costs and which the REIT Manager believes is reasonable; (ii) an approximate 20% increase to cater for the anticipated increase in marketing service fees and property management fees as a result of increase of gross revenue generated from the existing properties held by Prosperity REIT, which was determined having regard to the growth rate of the gross rental

from the properties of the Prosperity REIT Group for every three years from 2010 to 2020 (ranging from approximately -0.7% to approximately 50.6%) and the average rental reversion rate of 16.0% from 2006 to 2021 (with the range for such period being -7.7% to 56.7%) and which the REIT Manager believes is reasonable; (iii) an approximate 20% increase in the property management fees and marketing service fees arising from possible acquisition of properties by Prosperity REIT in future, which was determined using the historical transaction amount of an existing property of Prosperity REIT which has the highest property management expenses as the basis and which the REIT Manager believes is reasonable; and (iv) a buffer of 20% to take into account contingencies, which the REIT Manager believes is reasonable having regard to the range of contingency buffers adopted by other REITs with similar property portfolios.

2.4 Manager Leasing Transactions

2.4.1 Manager Leasing Transactions Framework Agreement

In anticipation of the expiry of the 2019 Extended Waiver on 31 December 2022, on 21 April 2022, the REIT Manager (in its capacity as manager of Prosperity REIT) entered into the Manager Leasing Transactions Framework Agreement with the REIT Manager (in its personal capacity), which sets out the framework terms on which the Manager Leasing Transactions shall be entered into, renewed or extended during the period from 1 January 2023 to 31 December 2025. The Manager Leasing Transactions Framework Agreement is not conditional upon the approval of the Unitholders.

The principal terms of the Manager Leasing Transactions Framework Agreement are as follows:

Date:	21 April 2022
Parties:	(1) The REIT Manager (in its capacity as manager of Prosperity REIT) (2) The REIT Manager (in its personal capacity)
Term:	Three (3) years from 1 January 2023 up to 31 December 2025.
Purpose and other terms:	To set out the framework terms on which the Manager Leasing Transactions shall be entered into, renewed or extended during the term of the Manager Leasing Transactions Framework Agreement.

The REIT Manager shall use reasonable endeavours to procure the relevant parties to any Manager Leasing Transaction to enter into separate written agreements on normal commercial terms to be negotiated on a case-by-case and at arm's length basis which are fair and reasonable, which shall be no less favourable than those offered to or available from independent third parties.

Pricing policy: The rent chargeable for such transactions shall be based on the then prevailing market rates for properties of similar size and with similar attributes within the same building (or, if not available, within the vicinity). The basis of any management or service fees chargeable in connection with such transactions shall be the same as that of such fees chargeable to other independent third party tenants or licensees of the same building or property.

To ensure that each transaction under the Manager Leasing Transactions Framework Agreement is entered into based on the then prevailing market rate and on normal commercial terms, the REIT Manager shall arrange for an independent valuation to be conducted by the then prevailing principal valuer of Prosperity REIT or, if the principal valuer is unavailable, an independent property consultancy firm, which is able to satisfy the requisite criteria under Chapter 6 of the REIT Code, for each Manager Leasing Transaction before it is first entered into or if and when it is renewed or extended.

2.4.2 Historical Transaction Amounts and Annual Caps

The table below sets out the aggregate historical transaction amounts (including rental and management and service fees) received or receivable by members of the Prosperity REIT Group from members of the Manager Group in respect of the Manager Leasing Transactions for each of the two years ended 31 December 2020 and 2021 and the two months ended 28 February 2022, as well as the maximum aggregate annual amount (including rental and management and service fees) expected to be received by members of the Prosperity REIT Group from members of the Manager Group in respect of the Manager Leasing Transactions for each of the three years ending 31 December 2023, 2024 and 2025:

Historical Transaction Amounts			Annual Caps		
For the year ended 31 December 2020 ⁽¹⁾	For the year ended 31 December 2021 ⁽²⁾	For the two months ended 28 February 2022 ⁽³⁾	For the year ending 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025
(HK\$)	(HK\$)	(HK\$)	(HK\$)	(HK\$)	(HK\$)
0	0	0	5,100,000	5,100,000	5,100,000

Notes:

(1) Based on the audited financial statements of Prosperity REIT for the financial year ended 31 December 2020.

(2) Based on the audited financial statements of Prosperity REIT for the financial year ended 31 December 2021.

(3) As at the Latest Practicable Date, only figures up to 28 February 2022 are available.

The proposed annual caps for the Manager Leasing Transactions for the three years ending 31 December 2023, 2024 and 2025 have been determined based on the same annual cap amounts applicable to the Manager Leasing Transactions under the 2019 Extended Waiver. Although there is no subsisting Manager Leasing Transaction as at the Latest Practicable Date, given that the Manager Group now includes ESR and its associates following completion of the ARA Acquisition and to cater for potential Manager Leasing Transactions which may be entered into from time to time with such new members of the Manager Group who may require office premises for expansion in or relocation to Hong Kong, the REIT Manager is proposing to enter into the Manager Leasing

Transactions Framework Agreement and apply the same annual caps, to cater for possible Manager Leasing Transactions that may be entered into during the period from 1 January 2023 to 31 December 2025 should any member of the Manager Group look for office premises for expansion or relocation in Hong Kong.

2.5 Reasons for and Benefits of the Continuing CPTs

Prosperity REIT is principally engaged in real estate investment for property income. The CK Leasing Transactions and the Manager Leasing Transactions are in the ordinary and usual course of business of Prosperity REIT and will contribute towards the occupancy rate of, and property income generated by, Prosperity REIT's properties.

The REIT Manager is responsible under the Trust Deed and the REIT Code for ensuring that Prosperity REIT's properties are professionally managed. Since the initial public offering of Prosperity REIT, the Property Manager has been appointed to operate, maintain and manage Prosperity REIT's properties under the overall management and supervision of the REIT Manager. The REIT Manager regularly monitors and reviews the performance of the Property Manager, and is satisfied that it will continue to provide professional services with efficient and effective management. From time to time, the Property Manager (as agent for the relevant owners of the properties held by Prosperity REIT) will enter into contracts with third party service providers (which may include members of the CK Asset Connected Persons Group) for the provision of cleaning, maintenance, security, car park management and other ancillary services for the relevant property. The REIT Manager expects that members of the Prosperity REIT Group will continue to enter into the CK Property Management Transactions with members of the CK Asset Connected Persons Group to ensure business continuity and efficiency. Furthermore, pursuant to the deeds of mutual covenants, property managers (which may include members of the CK Asset Connected Persons Group) are appointed to provide maintenance and other ancillary services for the common areas and facilities of developments in which Prosperity REIT's properties are located, and all owners, including the relevant members of the Prosperity REIT Group and other independent third parties, and their successors-in-title are bound by the deeds of mutual covenants through such ownership irrespective of whether they were an original party thereto.

2.6 Regulatory Implications

2.6.1 CK Asset Connected Persons Group

As at the Latest Practicable Date: (a) Total Win Group Limited (being a Substantial Unitholder holding 176,328,129 Units representing approximately 11.75% of the total Units then in issue) was a connected person of Prosperity REIT pursuant to paragraph 8.1(d) of the REIT Code; and (b) each of CK Asset (being the holding company indirectly holding the entire issued share capital of Total Win Group Limited) and Wide Option Investments Limited (being an indirect wholly-owned subsidiary of CK Asset and also a Unitholder holding 98,883,559 Units representing approximately 6.59% of the total Units then in issue) was a connected person of Prosperity REIT pursuant to paragraph 8.1(f) of the REIT Code. Accordingly, the CK Leasing Transactions under the CK Leasing Transactions Framework Agreement and the CK Property Management

Transactions under the CK Property Management Transactions Framework Agreement constitute connected party transactions of Prosperity REIT.

As the highest applicable percentage ratio calculated in respect of the proposed annual caps applicable to the CK Leasing Transactions under the CK Leasing Transactions Framework Agreement is less than 5%, such transactions and the proposed annual caps applicable thereto are subject to the announcement, reporting and annual review requirements but are exempted from the Independent Unitholders' approval requirement under the REIT Code and/or Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code).

As at the Latest Practicable Date, none of the Directors had any material interest in the CK Leasing Transactions under the CK Leasing Transactions Framework Agreement which required any of them to abstain from voting on the relevant board resolutions of the REIT Manager for approving the CK Leasing Transactions under the Articles of Association.

As the highest applicable percentage ratio calculated in respect of the proposed annual caps applicable to the CK Property Management Transactions under the CK Property Management Transactions Framework Agreement exceeds 5%, such transactions and the proposed annual caps applicable thereto are subject to the Independent Unitholders' approval, announcement, reporting, annual review and other requirements under the REIT Code and/or Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code). Therefore, the CK Property Management Transactions Framework Agreement is conditional upon the passing of the Ordinary Resolution in respect of the CK Property Management Transactions.

As at the Latest Practicable Date, none of the Directors had any material interest in the CK Property Management Transactions under the CK Property Management Transactions Framework Agreement which required any of them to abstain from voting on the relevant board resolutions of the REIT Manager for approving the CK Property Management Transactions under the Articles of Association.

2.6.2 Manager Group

As the REIT Manager is a connected person of Prosperity REIT, members of the Manager Group will be considered as connected persons of Prosperity REIT. As disclosed in the announcement of Prosperity REIT dated 20 January 2022, upon completion of the ARA Acquisition, the REIT Manager became a wholly-owned subsidiary of ESR, and ESR and its associates became connected persons of Prosperity REIT. Accordingly, the Manager Leasing Transactions with members of the Manager Group (which, following the ARA Acquisition, includes ESR and its associates) constitute connected party transactions of Prosperity REIT.

As the highest applicable percentage ratio calculated in respect of the proposed annual caps applicable to the Manager Leasing Transactions under the Manager Leasing Transactions Framework Agreement is less than 5%, such transactions and the proposed annual caps applicable thereto are subject to the announcement, reporting and annual review requirements but are exempted from the Independent Unitholders' approval requirement under the REIT Code and/or Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code).

As at the Latest Practicable Date, none of the Directors had any material interest in the Manager Leasing Transactions under the Manager Leasing Transactions Framework Agreement, except by virtue of his or her position as a director of the REIT Manager. Having regard to the nature of such interest, the Board has collectively determined that no Director is required to abstain from voting on the relevant board resolutions of the REIT Manager for approving the Manager Leasing Transactions.

2.7 Review and Reporting

The Continuing CPTs will be subject to the following review and reporting processes pursuant to paragraph 8.7A of the REIT Code and rules 14A.55 to 14A.59, rule 14A.71 and rule 14A.72 of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code):

2.7.1 Annual Review by the INEDs

The INEDs shall review such transactions annually and confirm in Prosperity REIT's annual report for the relevant financial period that each such transaction has been entered into:

- (a) in the ordinary and usual course of business of Prosperity REIT;
- (b) on normal commercial terms or better; and
- (c) in accordance with the relevant agreement on terms that are fair and reasonable and in the interests of Prosperity REIT and the Unitholders as a whole.

2.7.2 Annual Review by the Auditors

In respect of each relevant financial period, the REIT Manager shall engage the auditors of Prosperity REIT to perform certain review procedures on such transactions annually. The auditors of Prosperity REIT shall report to the REIT Manager on the factual findings based on the work performed by them confirming whether anything has come to their attention that causes them to believe that any such transaction:

- (a) has not been approved by the Board (including all of the INEDs);
- (b) was not, in all material respects, in accordance with the pricing policies of Prosperity REIT;
- (c) was not entered into, in all material respects, in accordance with its terms of agreement; or
- (d) has exceeded the applicable annual cap.

The REIT Manager shall allow, and shall procure the counterparty to the relevant Continuing CPT to allow, the auditors of Prosperity REIT and the INEDs sufficient access to their records for the purpose of reporting on the transactions.

The REIT Manager shall provide a copy of the auditors' report to the SFC at least 10 business days before the bulk printing of the annual report of Prosperity REIT.

2.7.3 Notification to the SFC

The REIT Manager shall promptly notify the SFC and publish an announcement if the INEDs and/or the auditors of Prosperity REIT cannot confirm the matters set out in sections 2.7.1 and/or 2.7.2 above. The SFC may require the REIT Manager to re-comply with the announcement and Independent Unitholders' approval requirements and may impose additional conditions.

2.7.4 Annual Reports

A brief summary of each such transaction containing the information specified in rules 14A.71 and 14A.72 of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code) shall be included in Prosperity REIT's annual reports.

2.8 Internal Controls

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

The following internal control measures are in place to ensure that such transactions satisfy the foregoing criteria:

- (a) As a general rule, the REIT Manager must demonstrate to the Audit Committee that all connected party transactions satisfy the criteria under paragraph 8.7 of the REIT Code. This may entail, where practicable, obtaining quotations from parties unrelated to the REIT Manager, or obtaining one or more valuations from independent professional valuers. The Audit Committee reviews all the connected party transactions on a half-yearly basis.
- (b) The REIT Manager investigates and monitors all transactions by the Prosperity REIT Group before such transactions are entered into, if practicable, in order to determine whether such transactions are connected party transactions. Where practicable, each counterparty to such transactions shall be required to confirm to the REIT Manager whether it is a connected person of Prosperity REIT.
- (c) The REIT Manager maintains a register to record all connected party transactions which are entered into by members of the Prosperity REIT Group, where applicable, and the bases, including quotations from unrelated parties and/or independent valuations obtained to support such bases, on which they are entered into. The register is reviewed on a quarterly basis to ensure that the relevant caps are not exceeded.
- (d) The REIT Manager incorporates into its internal audit plan a review of all connected party transactions entered into by the Prosperity REIT Group.

2.9 Information on the Parties

Prosperity REIT is a collective investment scheme authorised under section 104 of the SFO and whose Units are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 808). Prosperity REIT is principally engaged in the business of real estate investment and, as at the Latest Practicable Date, members of the Prosperity REIT Group owned a diverse portfolio of seven properties in the decentralised business districts of Hong Kong. The REIT Manager is the manager of Prosperity REIT and is principally engaged in the business of managing Prosperity REIT. The REIT Manager is a wholly-owned subsidiary of ARA Asset Management Limited. As disclosed in the announcement of Prosperity REIT dated 20 January 2022, upon completion of the ARA Acquisition, the REIT Manager became a wholly-owned subsidiary of ESR. ESR is APAC's largest real asset manager powered by the new economy and the third largest listed real estate investment manager globally. The shares of ESR are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1821).

CK Asset is a leading multinational corporation and has diverse capabilities with activities encompassing property development and investment, hotel and serviced suite operation, property and project management, aircraft leasing, pub operation and investment in infrastructure and utility asset operation. The shares of CK Asset are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1113). As at the Latest Practicable Date, the Property Manager is an indirect wholly-owned subsidiary of CK Asset and is principally engaged in the provision of property management services.

3 PROPOSED GRANT OF GENERAL MANDATE TO BUY BACK UNITS

At the annual general meeting of Unitholders held on 21 May 2021, 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 as at 21 May 2021. 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 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 III to the Circular.

4 CONTINUAL SERVICE OF RELEVANT INDEPENDENT NON-EXECUTIVE DIRECTORS

4.1 Revised Listing Rules and Corporate Governance Code

With effect from 1 January 2022, the Listing Rules and the Corporate Governance Code have been revised to, *inter alia*, require additional disclosures in the papers to shareholders on: (a) the factors considered, process and the board's (or the nomination committee's) discussion on why independent non-executive directors serving more than nine years (the "**Long Serving INEDs**") were still independent and should be re-elected; and (b) the length of tenure of each independent non-executive directors of the board on a named basis, where all such independent non-executive directors are Long Serving INEDs. In addition, the Corporate Governance Code provides that, with effect from the financial year commencing on or after 1 January 2023, if all independent non-executive directors of the board are Long Serving INEDs, a new independent non-executive director should be appointed.

As at the Latest Practicable Date, all three of the INEDs, being Dr. Lan Hong Tsung, David, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Mr. Wong Kwai Lam, were Long Serving INEDs. Their respective tenure as INEDs as at the Latest Practicable Date was as follows:

Name of INED	Length of Tenure as INED
Dr. Lan Hong Tsung, David	16 years and 6 months
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	16 years and 6 months
Mr. Wong Kwai Lam	10 years and 9 months

In view of the new provisions of the Corporate Governance Code, the REIT Manager will take steps to ensure that it complies with the same, and will make further announcement(s) as and when appropriate.

4.2 Relevant INEDs Continual Service

Both Dr. Lan Hong Tsung, David (currently an INED and the chairman of the Audit Committee and a member of the Disclosures Committee and the Designated (Finance) Committee) and Mrs. Sng Sow-Mei alias Poon Sow Mei (currently an INED and a member of the Audit Committee) have served on the Board since 2005. At the annual general meeting of Unitholders held on 17 May 2019, Unitholders approved each of their continual service until the third annual general meeting of Unitholders following that annual general meeting. In accordance with the Articles of Association and the Compliance Manual, separate Ordinary Resolutions will be proposed for Unitholders to consider and, if thought fit, approve the continual service of each of Dr. Lan and Mrs. Sng until the third annual general meeting of Unitholders following the AGM.

The Board has assessed the independence of all of the INEDs, 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 each of them to be independent and has determined that they should continue to serve as INEDs. In such assessment in respect of each of Dr. Lan and Mrs. Sng, the Board has considered, *inter alia*: (a) each INED's objective contribution in advising and giving independent guidance to the Board, and in observing high standards of corporate governance; (b) each INED's devotion of time and effort to their duties as INEDs and their respective other listed company directorship commitments; (c) each INED's respective contribution to the Board's diversity; and (d) each INED's in-depth understanding of the REIT market.

In particular for Dr. Lan and Mrs. Sng, the Board is of the view that both of them have always contributed objectively in advising and giving independent guidance to the Board in their capacity as INEDs and as members of different Board committees. Both Directors place 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 confirmations from Dr. Lan and Mrs. Sng regarding their independence in accordance with rule 3.13 of the Listing Rules (as if they were applicable to Prosperity REIT) and the Compliance Manual, which have been tabled to the Board for their respective review and consideration, and the Board is of the view that both Directors will continue to meet the Director's independence requirements stated therein.

Given that each of Dr. Lan and Mrs. Sng holds no more than seven listed company directorships, has regularly attended the meetings of the Board and the Board committees of which he or she is a member (including all of such Board and the Board committee meetings held during the last financial year) and actively participated in the deliberations in such meetings and has continually kept abreast of current trends and issues relevant to the REIT industry and refreshed his or her skills and knowledge through ongoing training, the Board is of the view that each of them has devoted, and will be able to continue to devote, sufficient time and effort to the Board and discharge his or her duties effectively.

The Board has also considered the contributions of each of Dr. Lan and Mrs. Sng to the diversity of the Board and is satisfied that each of them 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. Dr. Lan possesses a wealth of knowledge and experience in the areas of macroeconomics, public sector management and corporate governance, and Mrs. Sng has wide experience in various fields of business development, strategic and financial management, and in particular, property investment and management. In addition to their respective individual expertise which add to the overall dynamism of the Board, both of them have demonstrated in-depth understanding, acquired over their years of service, of the REIT market in general. Taking into account the current Board composition and synergies, and the respective contributions of Dr. Lan and Mrs. Sng to the collective effectiveness of the Board in discharging its functions, the Board believes that the continued membership of Dr. Lan and Mrs. Sng 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 the above, the Board is of the view that the length of service of each of Dr. Lan and Mrs. Sng has not, in any way, diminished their independence, and that each of Dr. Lan and Mrs. Sng is independent notwithstanding the fact that each of them 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 each of Dr. Lan and Mrs. Sng has shown the requisite level of competency and commitment to effectively discharge their respective duties as INEDs, and their respective contributions to the overall effectiveness of the Board have been instrumental in guiding the REIT Manager and Prosperity REIT through challenging economic cycles. Accordingly, the Board believes that each of Dr. Lan and Mrs. Sng possesses the required integrity and experience to continue fulfilling their respective roles as INEDs, and their continued tenures will continue to bring valuable insights and expertise to the Board and uphold the long-term interests of Prosperity REIT and the Unitholders. The Board has also noted that both Dr. Lan and Mrs. Sng have historically enjoyed strong Unitholders' support for their continual service as INEDs, as demonstrated by the high level of Unitholders' approval each of them received during the annual general meeting of Unitholders held on 17 May 2019. As such, the Board believes that each of Dr. Lan and Mrs. Sng should continue to serve as INEDs beyond the AGM, and that the Relevant INEDs Continual Service is in the best interests of Prosperity REIT and the Unitholders as a whole. The Board is therefore recommending to Unitholders to vote in favour of the Ordinary Resolutions in respect of the Relevant INED Continual Service. For the avoidance of doubt, each of Dr. Lan and Mrs. Sng had abstained from participating in discussions relating to himself and herself respectively.

Subject to the passing of the relevant Ordinary Resolutions, the continual service of Dr. Lan and Mrs. Sng 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 each of Dr. Lan and Mrs. Sng are set out in Appendix IV to the Circular.

5 RECOMMENDATIONS

5.1 Board

5.1.1 Continuing CPTs

Independent Unitholders' approval is required for the entry into of the CK Property Management Transactions under the CK Property Management Transactions Framework Agreement and the proposed annual caps applicable thereto, and Independent Unitholders' approval is not required for the entry into of the CK Leasing Transactions under the CK Leasing Transactions Framework Agreement and the Manager Leasing Transactions under the Manager Leasing Transactions Framework Agreement and the proposed annual caps applicable thereto.

The Board (including all of the INEDs) considers that the CK Property Management Transactions form an integral part of the normal operations of Prosperity REIT. In particular, the Property Manager has been an important delegate of the REIT Manager since the listing of Prosperity REIT in relation to the management of the properties within the portfolio of Prosperity REIT.

Having taken into account its duties under the REIT Code and Trust Deed, the Board (including all of the INEDs) considers that:

- (a) the terms of each of the Framework Agreements (including the proposed annual caps applicable thereto) are fair and reasonable; and
- (b) the CK Leasing Transactions, the CK Property Management Transactions and the Manager Leasing Transactions:
 - (i) are conducted in the ordinary and usual course of business of the Prosperity REIT Group and consistent with the investment objectives and strategy of Prosperity REIT and in compliance with the REIT Code and the Trust Deed;
 - (ii) will be conducted at arm's length and on normal commercial terms; and
 - (iii) are in the interests of Prosperity REIT and the Independent Unitholders, as well as the Unitholders as a whole.

Accordingly, the Board (including all of the INEDs) recommends that the Independent Unitholders vote in favour of the Ordinary Resolution in respect of the CK Property Management Transactions.

5.1.2 Buy-back Mandate

The Board considers that the granting of the Buy-back Mandate is in the interests of Prosperity REIT and the Unitholders as a whole, and accordingly, recommends Unitholders to vote in favour of the Ordinary Resolution in respect of the Buy-back Mandate.

5.1.3 Relevant INED Continual Service

The Board (save for Dr. Lan in respect of his own continual service as an INED and Mrs. Sng in respect of her own continual service as an INED) considers that the continual service of each of Dr. Lan and Mrs. Sng 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 Ordinary Resolutions in respect of the Relevant INED Continual Service.

5.2 Independent Financial Adviser

Pursuant to rule 14A.44 of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code), the Independent Financial Adviser has been appointed to make recommendations to the Independent Board Committee, the Independent Unitholders and the Trustee on the CK Property Management Transactions.

The Independent Financial Adviser has confirmed that, having considered the principal factors and reasons set out in the Letter from the Independent Financial Adviser, it is of the view that the terms of the CK Property Management Transactions Framework Agreement (including the basis of determining the proposed annual caps applicable thereto) are, and each CK Property Management Transaction entered into in accordance with the terms of the CK Property Management Transactions Framework Agreement (including the annual caps applicable thereto) will be:

- (a) in the ordinary and usual course of business of Prosperity REIT;
- (b) consistent with the investment objectives and strategy of Prosperity REIT and in compliance with the REIT Code and the Trust Deed; and
- (c) on normal commercial and arm's length terms which are fair and reasonable and in the interests of Prosperity REIT and the Independent Unitholders, as well as the Unitholders as a whole.

Your attention is drawn to the Letter from the Independent Financial Adviser set out in Appendix II to the Circular which contains the Independent Financial Adviser's opinion and recommendation (including the reasons for its opinion, the key assumptions made and the factors that it has taken into consideration in forming the opinion).

5.3 Independent Board Committee

Pursuant to rule 14A.40 of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code), the Independent Board Committee (comprising all of the INEDs) has been established to advise the Independent Unitholders on the CK Property Management Transactions.

Having taken into account the opinion and recommendation of the Independent Financial Adviser, the Independent Board Committee is of the view that the terms of the CK Property Management Transactions Framework Agreement (including the basis of determining the proposed annual caps applicable thereto) are, and each CK Property Management Transaction entered into in accordance with the terms of the CK Property Management Transactions Framework Agreement (including the annual caps applicable thereto) will be:

- (a) in the ordinary and usual course of business of Prosperity REIT;
- (b) consistent with the investment objectives and strategy of Prosperity REIT and in compliance with the REIT Code and the Trust Deed; and
- (c) on normal commercial and arm's length terms which are fair and reasonable and in the interests of Prosperity REIT and the Independent Unitholders, as well as the Unitholders as a whole.

Accordingly, the Independent Board Committee recommends that the Independent Unitholders vote in favour of the Ordinary Resolution in respect of the CK Property Management Transactions.

Your attention is drawn to the Letter from the Independent Board Committee set out in Appendix I to the Circular which contains the Independent Board Committee's opinion and recommendation.

5.4 Trustee

Based on and in sole reliance upon: (1) the opinion of the Board in this letter and the information and assurances provided by the REIT Manager; (2) the Letter from the Independent Financial Adviser; and (3) the Letter from the Independent Board Committee, the Trustee, having taken into account its duties under the REIT Code and Trust Deed, is of the view that:

- (a) the terms of the Framework Agreements and the basis for the Continuing CPTs are, and each Continuing CPT entered into in accordance with the terms of the Framework Agreements (including the annual caps applicable thereto) will be:
 - (i) consistent with Prosperity REIT's investment objectives and strategy and in compliance with the REIT Code and the Trust Deed; and
 - (ii) on normal commercial terms which are fair and reasonable and in the interests of Prosperity REIT and the Independent Unitholders, as well as the Unitholders as a whole; and
- (b) Independent Unitholders' approval is required for the CK Property Management Transactions Framework Agreement, the CK Property Management Transactions and the annual caps applicable thereto and for the Buy-back Mandate, but Independent Unitholders' approval is not required under the REIT Code or the Trust Deed for the entry into of the CK Leasing Transactions under the CK Leasing Transactions Framework Agreement and the Manager Leasing Transactions under the Manager Leasing Transactions Framework Agreement.

Subject to such Independent Unitholders' approval, the Trustee does not have any objection to the entry into of the Continuing CPTs in accordance with the terms of the Framework Agreements (including the annual caps applicable thereto).

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 Continuing CPTs 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 intending to vote at the AGM who are in any doubt as to the voting recommendations herein and/or the merits or impact of the terms of the CK Property Management Transactions Framework Agreement, the CK Property Management Transactions and the proposed annual caps applicable thereto and/or the Buy-back Mandate, to seek their own financial or other professional advice.

6 DESPATCH OF CIRCULAR, AGM AND CLOSURE OF THE 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 Unitholders' approval; (b) a letter from the Independent Board Committee; (c) a letter from the Independent Financial Adviser; and (d) the AGM Notice, will be despatched to Unitholders on or before 22 April 2022.

The AGM will be held at 2:30 p.m. on Thursday, 26 May 2022 at Unit 901, Level 9, Fortune Metropolis, 6 The Metropolis Drive, Hunghom, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments, the resolutions set out in the AGM Notice.

The Register of Unitholders will be closed from Monday, 23 May 2022 to Thursday, 26 May 2022 (both days inclusive), during which no transfer of Units will be effected, to determine which Unitholders will qualify to participate in the AGM. For those Unitholders who are not already on the Register of Unitholders, in order to qualify to participate in 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, 20 May 2022.

7 DEFINITIONS

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

2019 Circular	The circular to Unitholders dated 10 April 2019.
2019 Extended Waiver	The waiver from strict compliance with Chapter 8 of the REIT Code granted by the SFC, as described in the 2019 Circular.
AGM	The annual general meeting of Unitholders to be convened on Thursday, 26 May 2022 at 2:30 p.m., at Unit 901, Level 9, Fortune Metropolis, 6 The 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.
ARA Acquisition	The acquisition of ARA Asset Management Limited by ESR which was completed on 20 January 2022.
Articles of Association	The articles of association of the REIT Manager.
associate	Has the meaning ascribed to it under the REIT Code.
Audit Committee	The audit committee of the REIT Manager.
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.
Circular	The circular to the Unitholders dated 22 April 2022 which provides further information in respect of, <i>inter alia</i> , the matters requiring Unitholders' approval and to serve the AGM Notice.
CK Asset	CK Asset Holdings Limited, a company incorporated in the Cayman Islands, whose shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1113).

CK Asset Connected Persons Group	Unless otherwise stated, the group comprising Total Win Group Limited (being a Substantial Unitholder as at the Latest Practicable Date, and a connected person of Prosperity REIT pursuant to paragraph 8.1(d) of the REIT Code) and its associates (each being a connected person of Prosperity REIT pursuant to paragraph 8.1(f) of the REIT Code), including CK Asset (being the holding company indirectly holding the entire issued share capital of Total Win Group Limited as at the Latest Practicable Date) and Wide Option Investments Limited (being an indirect wholly-owned subsidiary of CK Asset and also a Unitholder as at the Latest Practicable Date).
CK Leasing Transactions	The leasing and/or licensing transactions entered or to be entered into by any member of the Prosperity REIT Group (as lessor or licensor) with any member of the CK Asset Connected Persons Group (as lessee or licensee).
CK Leasing Transactions Framework Agreement	The framework agreement dated 21 April 2022 entered into by the REIT Manager and CK Asset setting out the framework terms governing the CK Leasing Transactions for the period from 1 January 2023 to 31 December 2025.
CK Property Management Transactions	Has the meaning ascribed to it in section 2.3.1 of this announcement.
CK Property Management Transactions Framework Agreement	The framework agreement dated 21 April 2022 entered into by the REIT Manager and CK Asset setting out the framework terms governing the CK Property Management Transactions for the period from 1 January 2023 to 31 December 2025.
Compliance Manual	The compliance manual of the REIT Manager.
connected person	Has the meaning ascribed to it under the REIT Code.
Continuing CPTs	The CK Leasing Transactions, the CK Property Management Transactions and the Manager Leasing Transactions.
Corporate Governance Code	The Corporate Governance Code in Appendix 14 to the Listing Rules.
Designated (Finance) Committee	The designated (finance) committee of the REIT Manager.
Directors	The directors of the REIT Manager.

Disclosures Committee	The disclosures committee of the REIT Manager.
ESR	ESR Cayman Limited, a company incorporated in the Cayman Islands, whose shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1821).
Framework Agreement	The CK Leasing Transactions Framework Agreement, the CK Property Management Transactions Framework Agreement and the Manager Leasing Transactions Framework Agreement.
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.
Independent Board Committee	The independent committee of the Board established to advise the Independent Unitholders on the CK Property Management Transactions, comprising Dr. Lan Hong Tsung, David, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Mr. Wong Kwai Lam, being all three of the INEDs.
Independent Financial Adviser	Ballas Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO.
Independent Unitholders	Unitholders other than those who have a material interest in the relevant resolutions, within the meaning of paragraph 8.7F of the REIT Code.
INED	Independent Non-executive Director of the REIT Manager.
Latest Practicable Date	13 April 2022, being the latest practicable date prior to the printing of the Circular for the purpose of ascertaining certain information contained in the Circular.
Listing Date	16 December 2005, being the date on which the Units were first listed on the Hong Kong Stock Exchange.
Listing Rules	The Rules Governing the Listing of Securities on Hong Kong Stock Exchange as amended, supplemented or otherwise modified for the time being.

Long Serving INEDs	Has the meaning ascribed to it in section 4.1 of this announcement.
Manager Group	Unless otherwise stated, the group comprising the REIT Manager (in its personal capacity) (being a connected person of Prosperity REIT pursuant to paragraph 8.1(a) of the REIT Code) and its associates (each being a connected person of Prosperity REIT pursuant to paragraph 8.1(f) of the REIT Code).
Manager Leasing Transactions	The leasing and/or licensing transactions entered or to be entered into by any member of the Prosperity REIT Group (as lessor or licensor) with any member of the Manager Group (as lessee or licensee).
Manager Leasing Transactions Framework Agreement	The framework agreement dated 21 April 2022 entered into by the REIT Manager (in its capacity as manager of Prosperity REIT) and the REIT Manager (in its personal capacity) setting out the framework terms governing the Manager Leasing Transactions for the period from 1 January 2023 to 31 December 2025.
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 of the Unitholders by way of a poll, but with quorum of two or more Unitholders holding not less than 10% of the Units in issue.
Property Management Agreement	The property management agreement dated 29 November 2005 entered into between the REIT Manager and the Property Manager as amended, supplemented or otherwise modified from time to time.
Property Manager	Goodwell-Prosperity Property Services Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of CK Asset as at the Latest Practicable Date.
Prosperity REIT	Prosperity Real Estate Investment Trust.
Prosperity REIT Group	The group comprising Prosperity REIT and its subsidiaries.
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 (unless otherwise stated).
Relevant INED Continual Service	The proposed continual service of each of Dr. Lan Hong Tsung, David and Mrs. Sng Sow-Mei (alias Poon Sow Mei) as an INED until the third annual general meeting of Unitholders following the AGM.
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.
SFO	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).
subsidiary	Has the meaning ascribed to it under the REIT Code.
Substantial Unitholder	A Unitholder who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of Prosperity REIT or any of its subsidiaries.
Trust Deed	The trust deed entered into between the Trustee and the REIT Manager constituting Prosperity REIT, dated 29 November 2005 as amended, supplemented and/or restated from time to time.
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.
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

ARA Asset Management (Prosperity) Limited

(as manager of Prosperity Real Estate Investment Trust)

Wong Lai Hung

Executive Director and Chief Executive Officer

Hong Kong, 21 April 2022

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.