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IF IN DOUBT, PLEASE SEEK PROFESSIONAL ADVICE.**

If you are in any doubt as to any aspect of this Circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all of your units in Prosperity REIT, you should at once hand this Circular, together with the accompanying form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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

CIRCULAR TO UNITHOLDERS IN RELATION TO (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**



A letter to the Unitholders is set out on pages 10 to 37 of this Circular.

A notice convening the AGM to be held at 2:30 p.m. on Thursday, 26 May 2022 at Unit 901, Level 9, Fortune Metropolis, 6 The Metropolis Drive, Hungghom, Kowloon, Hong Kong is set out on pages N-1 to N-4 of this Circular.

To safeguard the health and safety of Unitholders, staff and stakeholders from the risk of infection of COVID-19, the REIT Manager will implement certain precautionary and control measures at the AGM, including limiting the number of attendees to the minimum number of persons present as is legally required to form a quorate meeting by Directors or other staff members who are Unitholders or their proxies. **No other Unitholders, proxies or corporate representatives shall attend the AGM in person.** Unitholders may, however, view, ask questions and listen to the AGM through a live webcast of the AGM. Please refer to the section "Special Arrangements for the AGM" of this Circular for details. To vote at the AGM, please complete and return the accompanying form of proxy, appointing the Chairman of the AGM as your proxy, to the Unit Registrar of Prosperity REIT, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof.

22 April 2022

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CORPORATE INFORMATION

Prosperity REIT	Prosperity Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) subject to applicable conditions from time to time.
REIT Manager	ARA Asset Management (Prosperity) Limited (in its capacity as manager of Prosperity REIT) Unit 901, Level 9, Fortune Metropolis 6 The Metropolis Drive Hung Hom, Kowloon Hong Kong
Directors of the REIT Manager	<i>Non-Executive Directors</i> Dr. Chiu Kwok Hung, Justin (<i>Chairman</i>) Mr. Lim Hwee Chiang Mr. Ma Lai Chee, Gerald <i>Executive Director</i> Ms. Wong Lai Hung <i>Independent Non-Executive Directors</i> Dr. Lan Hong Tsung, David Mrs. Sng Sow-Mei (alias Poon Sow Mei) Mr. Wong Kwai Lam
Trustee	HSBC Institutional Trust Services (Asia) Limited (in its capacity as trustee of Prosperity REIT) 1 Queen's Road Central Hong Kong
Unit Registrar	Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre 183 Queen's Road East, Wanchai Hong Kong
Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee	Ballas Capital Limited Unit 1802, 18/F 1 Duddell Street, Central Hong Kong

SPECIAL ARRANGEMENTS FOR THE AGM

Under the latest regulations, including Prevention and Control of Disease (Requirements and Directions) (Business and Premises) Regulation (Cap. 599F of the Laws of Hong Kong) and Prevention and Control of Disease (Prohibition on Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) (together, the “**Regulations**”), physical general meetings of companies during a “specified period” (as defined in the Regulations) are banned. As of the Latest Practicable Date, based on announcements made by the Government, the Regulations will remain in effect until 20 April 2022, but may be extended by the Government. In view of the Regulations and the ongoing COVID-19 pandemic, the REIT Manager will implement the following special arrangements at the AGM:

- (a) The number of attendees will be limited to the minimum number of persons present as is legally required to form a quorate meeting by Directors or other staff members who are Unitholders or their proxies. No other Unitholders, proxies or corporate representatives shall attend the AGM in person. Any other person who attempts to attend the AGM in person will not be permitted entry to the meeting.
- (b) Unitholders may, however, view and listen to the AGM through online access by visiting the website – <http://meetings.computershare.com/ProsperityAGM2022> (the “**Online Platform**”). Unitholders participating in the AGM using the Online Platform will be able to submit questions through the Online Platform. Each Unitholder’s personalised username and password will be sent to him/her/it under separate notification letter together with this Circular. The Online Platform will be open for Unitholders to log in approximately 30 minutes prior to the commencement of the AGM and can be accessed from any location with internet connection by a smart phone, tablet device or computer.
- (c) There will be no distribution of coupons for subsequent consumption.

Due to the constantly evolving COVID-19 pandemic situation in Hong Kong and related change of legal restrictions or requirements, the REIT Manager may be required to change the AGM arrangements at short notice. Even if, after the Latest Practicable Date and before the AGM is held, the current restrictions have eased such that physical attendance of Unitholders and proxies may not be strictly prohibited, it may not be practically possible for the REIT Manager to change the AGM arrangements to allow the physical meeting. Unitholders should check Prosperity REIT’s website at www.prosperityreit.com for future announcements and updates on the AGM arrangements.

All resolutions at the AGM will be decided on a poll. The REIT Manager does not in any way wish to diminish the opportunity available to Unitholders to exercise their rights and to vote. Unitholders are encouraged to vote by doing so in advance of the AGM by appointing the Chairman of the AGM as their proxy. **If Unitholders wish to vote on any or all of the resolutions at the AGM, they must appoint the Chairman of the AGM as their proxy to exercise their right to vote at the AGM in accordance with their instructions.** If Unitholders appoint a person who is not the Chairman of the AGM as their proxy, that person will not be permitted entry to the AGM and will not be able to exercise the vote, but may view and listen to the AGM and submit questions online. Unitholders are requested to provide a valid email address of his or her proxy on

SPECIAL ARRANGEMENTS FOR THE AGM

the proxy form (unless that Unitholder appoints “the Chairman of the AGM” as proxy) to receive the personalised username and password to view a live streaming webcast of the AGM and submit online questions to the REIT Manager on the Online Platform.

If Unitholders have any questions relating to the AGM, please contact the Unit Registrar of Prosperity REIT, Computershare Hong Kong Investor Services Limited, as follows:

Address: 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong

Tel: (852) 2862 8555

Fax: (852) 2865 0990

Website: www.computershare.com/hk/contact

DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated. Also, where terms are defined and used in only one section of this document, these defined terms are not included in the table below:

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 this 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 this Circular.
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).

DEFINITIONS

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 Circular.
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.

DEFINITIONS

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 this Circular for the purpose of ascertaining certain information contained in this 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 Circular.

DEFINITIONS

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.

DEFINITIONS

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.
Takeovers Code	The Codes on Takeovers and Mergers and Share Buy-backs published by the SFC as amended, supplemented or otherwise modified for the time being.
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 this 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.

DEFINITIONS

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.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted.

Any reference to a time of day in this Circular shall be a reference to Hong Kong time unless otherwise stated.

LETTER TO UNITHOLDERS



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

Directors of the REIT Manager:

Non-Executive Directors

Dr. Chiu Kwok Hung, Justin (*Chairman*)
Mr. Lim Hwee Chiang
Mr. Ma Lai Chee, Gerald

Executive Director

Ms. Wong Lai Hung

Independent Non-Executive Directors

Dr. Lan Hong Tsung, David
Mrs. Sng Sow-Mei (alias Poon Sow Mei)
Mr. Wong Kwai Lam

Registered Office of the REIT Manager:

Unit 901, Level 9
Fortune Metropolis
6 The Metropolis Drive
Hung Hom, Kowloon
Hong Kong

22 April 2022

To: Unitholders of Prosperity REIT

Dear Sir or Madam,

- (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**

1. INTRODUCTION

Reference is made to the announcement dated 21 April 2022 relating to, *inter alia*: (a) the Continuing CPTs; (b) the Buy-back Mandate; and (c) the Relevant INED Continual Service. The purposes of this Circular are to provide you with further information in respect of, *inter alia*, the matters requiring Unitholders' approval and to serve the AGM Notice.

LETTER TO UNITHOLDERS

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).

LETTER TO UNITHOLDERS

- (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).

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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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LETTER TO UNITHOLDERS

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

LETTER TO UNITHOLDERS

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.

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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.

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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

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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.

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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

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- (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.

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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.

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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.

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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.

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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

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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;

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- (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.

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- (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.

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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 this Circular.

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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.

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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

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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 this 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 this Circular.

5. VOTING AT THE ANNUAL GENERAL MEETING

Under paragraph 9.9(f) of the REIT Code and paragraph 3.2 of Schedule 1 to the Trust Deed, where a Unitholder has a material interest in the business to be conducted at a meeting of Unitholders, and that interest is different from the interests of all other Unitholders, such Unitholder shall be prohibited from voting its own Units at, or counted in the quorum for, the meeting.

Further, under paragraph 8.7F of the REIT Code, any Unitholder who has a material interest in a connected party transaction tabled for approval, and that interest is different from that of all other Unitholders, shall abstain from voting at the general meeting.

LETTER TO UNITHOLDERS

Members of the CK Asset Connected Persons Group are, or may from time to time become, parties to the CK Property Management Transactions and as such have a material interest in the Ordinary Resolution in respect of the CK Property Management Transactions which is different from the interests of other Unitholders.

Accordingly, to the extent that any member of the CK Asset Connected Persons Group is a Unitholder, such person will be required to abstain from voting on the Ordinary Resolution in respect of the CK Property Management Transactions. As at the Latest Practicable Date, each of Total Win Group Limited and Wide Option Investments Limited held 176,328,129 Units and 98,883,559 Units representing approximately 11.75% and approximately 6.59% of the total Units then in issue respectively, and accordingly, shall abstain from voting their own Units on the Ordinary Resolution in respect of the CK Property Management Transactions.

As at the Latest Practicable Date, Dr. Lan was interested in 350,000 Units, and as such, has a material interest in the Ordinary Resolution to approve his continual service as an INED, and accordingly, shall abstain from voting his own Units on such Ordinary Resolution.

As at the Latest Practicable Date, Mrs. Sng was not interested in any Units within the meaning of Part XV of the SFO, but will abstain from voting on the Ordinary Resolution to approve her continual service as an INED should she subsequently become interested in any Units as at the record date for the AGM.

As at the Latest Practicable Date, to the best of the REIT Manager's knowledge, information and belief, after having made reasonable enquiries, the REIT Manager is not aware of any other Unitholder that is required to abstain from voting in respect of the resolutions to be proposed at the AGM.

6. RECOMMENDATIONS

6.1 Board

6.1.1 *Continuing CPTs*

As stated in section 2.6 of this Circular: (a) 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 (b) 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.

LETTER TO UNITHOLDERS

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.

6.1.2 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.

6.1.3 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.

LETTER TO UNITHOLDERS

6.2 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 this 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).

6.3 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;

LETTER TO UNITHOLDERS

- (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 this Circular which contains the Independent Board Committee's opinion and recommendation.

6.4 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).

LETTER TO UNITHOLDERS

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 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.

7. NOTICE OF THE ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF UNITHOLDERS

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, which is set out on pages N-1 to N-4 of this Circular.

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.

You can vote at the AGM if your name appears on the Register of Unitholder on Thursday, 26 May 2022. You will find enclosed with this Circular the AGM Notice (please refer to pages N-1 to N-4 of this Circular) and a form of proxy for use for the AGM.

LETTER TO UNITHOLDERS

Your vote is very important. Accordingly, please complete, sign and date the enclosed form of proxy in accordance with the instructions printed on the form of proxy, and return it to the Unit Registrar of Prosperity REIT, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The form of proxy should be completed and returned as soon as possible but in any event not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof.

Yours faithfully,

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



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

22 April 2022

To: Independent Unitholders of Prosperity REIT

Dear Sir or Madam,

CONTINUING CONNECTED PARTY TRANSACTIONS

We have been appointed as members of the Independent Board Committee to advise you on the CK Property Management Transactions, details of which are set out in the Letter to the Unitholders in the Circular from the REIT Manager to the Unitholders, of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

The Independent Financial Adviser has been appointed by the REIT Manager to advise us, the Independent Unitholders and the Trustee on the CK Property Management Transactions. Details of 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) are set out in the Letter from the Independent Financial Adviser, the text of which is contained in the Circular.

Having taken into account the opinion and recommendation of the Independent Financial Adviser, we concur with such opinion and recommendation and are satisfied 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, we recommend that the Independent Unitholders vote in favour of the Ordinary Resolution in respect of the CK Property Management Transactions.

Yours faithfully,

Independent Board Committee

ARA Asset Management (Prosperity) Limited

(in its capacity as manager of Prosperity Real Estate Investment Trust)

Dr. Lan Hong Tsung, David

Independent Non-executive Director

Mrs. Sng Sow-Mei (alias Poon Sow Mei)

Independent Non-executive Director

Mr. Wong Kwai Lam

Independent Non-executive Director



Unit 1802, 18/F
1 Duddell Street
Central, Hong Kong

22 April 2022

*To the Independent Board Committee,
the Independent Unitholders and the Trustee*

Dear Sir or Madam,

CONTINUING CONNECTED PARTY TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee, the Independent Unitholders and the Trustee in relation to the CK Property Management Transactions Framework Agreement and the related proposed annual caps (the “**Annual Caps**”), details of which are set out in the letter to the Unitholders (the “**Letter to the Unitholders**”) contained in the circular of Prosperity REIT (the “**Circular**”) to the Unitholders dated 22 April 2022, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

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).

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

The Independent Board Committee comprising all of the INEDs, namely Dr. Lan Hong Tsung, David, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Mr. Wong Kwai Lam, has been formed to advise the Independent Unitholders on the CK Property Management Transactions.

We, Ballas Capital Limited (“**Ballas Capital**”), have been appointed by the REIT Manager to advise the Independent Board Committee, the Independent Unitholders and the Trustee in connection with the CK Property Management Transactions Framework Agreement and the CK Property Management Transactions contemplated thereunder (including the Annual Caps), in particular as to whether (i) the terms of the CK Property Management Transactions Framework Agreement and the basis for the CK Property Management Transactions (including the Annual Caps and the basis of arriving at the same) are fair and reasonable as far as the Independent Unitholders are concerned and are in the interests of Prosperity REIT, the Independent Unitholders, as well as the Unitholders as a whole; (ii) the CK Property Management Transactions (a) are conducted in the ordinary and usual course of business of Prosperity REIT; (b) will be conducted on terms which are and will be at arm’s length and on normal commercial terms or better; and (c) are fair and reasonable and in the interests of Prosperity REIT, the Independent Unitholders, as well as the Unitholders as a whole; and (iii) the Independent Unitholders should vote in favour of resolution in respect of the CK Property Management Transactions and the Annual Caps as set out in the AGM Notice.

BASIS OF OUR OPINION

In formulating our recommendation, we have reviewed (i) information retrieved from public domain (such as published annual reports of Prosperity REIT, the published annual reports and circulars of other REITS listed on the Hong Kong Stock Exchange, and statistics from the Census and Statistics Department of Hong Kong), and (ii) information obtained from Prosperity REIT (such as the Property Management Agreement, independent report from the then prevailing principal valuer of Prosperity REIT, and supporting information of historical transactions). For details, please refer to the paragraph headed “2. Major terms of the CK Property Management Transactions” and

“3. The Annual Caps” of this letter. Furthermore, we also relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the REIT Manager. The REIT Manager and the Directors have declared in a responsibility statement set out in the Letter to the Unitholders that they collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the AGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the REIT Manager. We have also been advised by the Directors and believe that no material facts have been omitted or withheld from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of Prosperity REIT, the REIT Manager and the related subject of and parties to the CK Property Management Transactions. Our opinion is based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

INDEPENDENCE DECLARATION

We are not associated or connected with Prosperity REIT, the counterparties of the CK Property Management Transactions Framework Agreement or their respective core connected persons or associates. In the two years immediately preceding the Latest Practicable Date, save for this appointment as the independent financial adviser in relation to the CK Property Management Transactions, we are not aware of any relationships with or interests in Prosperity REIT or any other parties that could be reasonably regarded as a hindrance to our independence to act as the independent financial adviser to the Independent Board Committee, the Independent Unitholders and the Trustee in respect of the CK Property Management Transactions Framework Agreement.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice in relation to the CK Property Management Transactions Framework Agreement and the Annual Caps, we have considered the following principal factors and reasons:

1. Background and reasons of the CK Property Management Transactions Framework Agreement

Prosperity REIT is a real estate investment trust formed primarily to own and invest in commercial and industrial properties portfolio located in Hong Kong with the primary objective of producing stable and sustainable distributions to the Unitholders and to achieve long term growth in the net asset value per unit. According to Prosperity REIT's annual reports for the three years ended 31 December 2019, 2020 and 2021, the revenue of the Prosperity REIT Group for the three years ended 31 December 2019, 2020 and 2021 amounted to approximately HK\$462.3 million, HK\$452.9 million and HK\$445.0 million respectively.

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.

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. 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.

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.

We have discussed with the REIT Manager to understand that the REIT Manager considers that the entering into of the CK Property Management Transactions Framework Agreement is beneficial and provides flexibility to the Prosperity REIT Group provided that the CK Property Management Transactions are carried out in the ordinary and usual course of business of the Prosperity REIT Group on normal commercial terms and in accordance with the REIT Manager's internal policies.

Having considered that:

- (a) the 2019 Extended Waiver will expire on 31 December 2022 and the fact that the REIT Manager expects that the Prosperity REIT Group will enter into certain property management transactions with the CK Asset Connected Persons Group beyond the expiry of the 2019 Extended Waiver from time to time during a three-year period from 1 January 2023 to 31 December 2025;
- (b) the nature of the CK Property Management Transactions is the same as the continuing connected party transactions in relation to property management services between the Prosperity REIT Group and the CK Asset Connected Persons Group under the 2019 Extended Waiver;
- (c) the CK Property Management Transactions facilitate continuous effective management of the Prosperity REIT Group's properties; and
- (d) 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 CK Property Management Transactions Framework Agreement will continue to allow the Prosperity REIT Group to transact with members of the CK Asset Connected Persons Group, which are trusted and long-term business partners of the Prosperity REIT Group, in an efficient manner,

we consider that the CK Property Management Transactions are within the ordinary and usual course of business of the Prosperity REIT Group, and it is in the interests of Prosperity REIT and the Independent Unitholders as a whole.

2. MAJOR TERMS 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 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.

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.

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.

Our work done

In relation to the CK Property Management Transactions, we understand from the REIT Manager that they were and will be conducted in accordance with the REIT Manager's internal control procedures. An independent assessment will 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 before the Property Management Agreement is renewed. We also understand from the REIT Manager that the Prosperity REIT Group has not engaged an independent third party for the provision of property management services of a similar nature and hence, we are not able to compare the terms of the Property Management Agreement to property management agreements entered into between the Prosperity REIT Group and its independent third parties.

We have obtained from the REIT Manager an independent report (the "**Report**") from the then prevailing principal valuer of Prosperity REIT on the review of the Property Management Agreement in relation to the fees charged by the Property Manager and noted that the property management fee of 3.0% per annum and the commission range for the provision of marketing services were reasonable and at market levels as of 22 October 2020 for the extension of the Property Management Agreement. According to the REIT Manager, an independent assessment will be conducted on the property management fee and commission

rates before any extension of the Property Management Agreement according to the internal control procedures. Furthermore, we have obtained from the REIT Manager the Property Management Agreement and reviewed its terms, and we also independently researched and reviewed the latest published annual report of another real estate investment trust listed in Hong Kong regarding the terms of similar property management services and noted that their key terms are in general comparable to those offered by the Property Manager to the Prosperity REIT Group.

In relation to the third party services, we understand from the REIT Manager that they have been and will be conducted in accordance with the REIT Manager's internal control procedures, which require, among other things, invitation of tenders or quotations from contractors or suppliers, including both the CK Asset Connected Persons Group and independent third parties. The third party services transactions with the CK Asset Connected Persons Group occurred during the three years ended 31 December 2021 were (i) the car park operation services provided by the CK Asset Connected Persons Group under a car park operation agreement subsisting for all three years ended 31 December 2021 (the “**Car Park Operation Services**”); and (ii) three other third party services transactions (the “**Other Transactions**”) for meeting venue and hotel accommodation which occurred during the year ended 31 December 2019. Save for the aforesaid, there had been no other third party services transaction with the CK Asset Connected Persons Group for the three years ended 31 December 2021.

In respect of the Car Park Operation Services, we noted from the Report that the fee payable under such agreement was reasonable and at market levels. Furthermore, we have also obtained from the REIT Manager and reviewed the quotations from independent third parties and the contracts with CK Asset Connected Persons Group for all three Other Transactions with the CK Asset Connected Persons Group and noted that the pricing and scope of services offered by the CK Asset Connected Persons Group were no less favourable to Prosperity REIT than terms available from independent third parties.

In relation to the other operational transactions, we have selected and reviewed sample deeds of mutual covenant of properties held by the Prosperity REIT Group. In light of the fact that the deeds of mutual covenant bind the DMC Manager and all the owners of a development and their successors-in-title, irrespective of whether they are original parties to the deed of mutual covenant, and all the owners of a development and their successors-in-title, including the Prosperity REIT Group and other independent third parties, are bound by, and have the benefit of, the terms of the deeds of mutual covenant, we consider that it is fair and reasonable and commercially justifiable for the Prosperity REIT Group to enter into the deeds of mutual covenant, and that the terms of these deeds of mutual covenants are at arm's length and on normal commercial terms.

Our view

Based on the above, we are of the opinion that the CK Property Management Transactions to be carried out under the CK Property Management Transactions Framework Agreement will be at arm's length and on normal commercial terms, fair and reasonable and in the interest of Prosperity REIT, the Independent Unitholders, as well as the Unitholders as a whole.

3. THE ANNUAL CAPS

The historical transaction amounts and the Annual Caps for the CK Property Management Transactions are summarized as follows:

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\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
25,229	26,164	4,791	50,300	52,800	55,400

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.

As stated in the Circular, the Annual Caps for the CK Property Management Transactions for each of 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 with each member of the CK Asset Connected Persons Group in respect of each category of the Property Management Transactions, which was HK\$29,172,334; and
- (b) (i) an approximate 10% increase in staff and wages costs (the “**Staff Cost Increment Factor**”); (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 (the “**Marketing and Property Management Fees Increment Factor**”); (iii) an approximate 20% to cater for the increase in the property management fees and marketing service fees arising from the possible acquisitions of properties by Prosperity REIT in future; and (iv) a buffer of 20% to take into account contingencies.

After determining the Annual Caps for the financial year ending 31 December 2023, an annual growth of 5% is assumed for the Annual Caps for the two financial years ending 31 December 2024 and 2025.

Our analysis of the Annual Caps is set out below:

(i) *Historical transaction amounts*

Based on the Property Management Agreement and as advised by the REIT Manager, the property management fees were based on an annual rate of 3% of the gross property revenue for provision of the property and lease management services, and such gross property revenue has steadily increased over the few years before the COVID-19 pandemic since 2020 which resulted in adverse impact on the economic and financial conditions globally. According to the Prosperity REIT Group's published annual reports, the 5-year CAGR of the Prosperity REIT Group's gross property revenue from 2014 to 2019 is approximately 2.8%.

We concur with the view of the REIT Manager that the Annual Caps taking into consideration the aggregate of the historical highest annual transaction amounts allows maximum flexibility for Prosperity REIT to cater for the possibility of any reversion to the historical high of the property management expenses. We have also discussed with the REIT Manager and understand that based on the REIT Manager's experience, there may be unforeseeable market fluctuations in respect of the Hong Kong property market, in particular volatility of property rental values.

(ii) *Staff Cost Increment Factor*

In respect of the Staff Cost Increment Factor of 10%, we have reviewed the Statutory Minimum Wage of Hong Kong and noted that the three-year growth rate of the Statutory Minimum Wage was approximately 8.7% for the three years ended 31 December 2020. We have also obtained from the REIT Manager and reviewed the historical staff costs related to marketing and property management. We noted that the 3-year CAGR of the staff and wages costs incurred for property management services and marketing services was approximately 9.5% from 2018 to 2021. Based on the aforesaid, we consider that the Staff Cost Increment Factor of 10% is fair and reasonable.

(iii) *Marketing and Property Management Fees Increment Factor*

In respect of the Marketing and Property Management Fees Increment Factor of 20%, we reviewed the historical gross rental from investment properties of the Prosperity REIT Group as disclosed in the annual reports of Prosperity REIT as the property management fee and the marketing service fee are based on the rental revenue and base rents respectively of the Prosperity REIT Group. We noted that the growth rate of the gross rental from investment properties of the Prosperity REIT Group for every three years from 2010 to 2020 ranged from approximately -0.7% to approximately 50.6%, showing significant volatility as a result of the fluctuations in property rental values and investment properties portfolio. Furthermore, we also

noted that the average rental reversion rate from 2006 to 2021 was 16.0% (ranging from -7.7% to 56.7%). Taking into account the aforesaid volatility, we consider that the Marketing and Property Management Fees Increment Factor of 20%, which is slightly above the average rental reversion rate of 16.0% from 2006 to 2021, is fair and reasonable.

(iv) *Possible acquisition of properties by Prosperity REIT*

In determining the Annual Caps, the REIT Manager assumed that acquisition of properties might take place during the term of the CK Property Management Transactions Framework Agreement in consideration of the possibility of acquisition of properties by Prosperity REIT which in turn would require additional property management fees and marketing service fees. We noted that the REIT Manager has used the historical transaction amount of an existing property of Prosperity REIT, which has the highest property management expenses for prudence, as the basis in estimating the expected property management expenses in relation to potential acquisition. Taking into account that (i) Hong Kong's economy is expected to gradually recover as discussed above, and (ii) the size of the acquisition target is currently uncertain, we consider it reasonable for the REIT Manager to take into account the highest property management expenses in estimating the expected property management expenses for the sake of prudence. We also noted that Prosperity REIT has acquired two properties since listing. Furthermore, as stated in the annual report of Prosperity REIT Group for the financial year ended 31 December 2020, Prosperity REIT remains focused on implementing its investment strategy and shall assess every acquisition target in accordance with their established criteria. Accordingly, we consider that the assumption of the possible acquisition and the relevant estimated transaction amount in setting the Annual Caps are reasonable and consistent with the business development strategy of Prosperity REIT.

(v) *Buffer for contingencies*

The REIT Manager has taken into account a buffer of approximately 20% for contingencies such as unforeseeable market fluctuations (e.g. rebound after the COVID-19 pandemic) in determining the Annual Cap for the year ending 31 December 2023. We have reviewed and compared the range of contingency buffers of other REITs listed on the Hong Kong Stock Exchange which have property portfolios similar as Prosperity REIT in terms of property type and geographical location as extracted from their respective latest circulars published in the past three years and note that the contingency buffer ranges from 10% to 25%. Given that the 20% contingency buffer proposed by the REIT Manager falls within the range, we are of the view that the buffer adopted is reasonable.

(vi) *Annual growth for the years ending 31 December 2024 and 2025*

As mentioned above, after determining the Annual Caps for the year ending 31 December 2023, the REIT Manager then further projected the transaction amount of the CK Property Management Transactions for the two years ending 31 December 2024 and 2025 with an approximately 5% annual growth.

In this respect, we have reviewed statistics from the Census and Statistics Department of Hong Kong and noted that (i) the average wage rate for real estate leasing and maintenance management as measured by the wage index in December 2020 increased by 2.7%, over the same month in previous year; and (ii) the 5-year CAGR of the GDP of Hong Kong from 2014 to 2019 is approximately 4.7%. Furthermore, according to Trading Economics, being a public website which provides information for 196 countries including historical data and forecasts, the Hong Kong GDP annual growth rate is projected to trend around 2.30% in 2023. Thus, we believe a 5% buffer factor applied by the REIT Manager on the Annual Caps is justifiable.

The COVID-19 pandemic had resulted in adverse impact on the economic and financial conditions globally which in turn affected the performance of Hong Kong's economy as well as Prosperity REIT's gross property revenue. Nonetheless, according to the economic report published by the Hong Kong Government on 23 February 2022 namely, "2021 Economic Background and 2022 Prospects", Hong Kong's employment and income conditions will likely see further improvement, supporting consumption sentiment and the Government's relief measures and policy initiatives as unveiled in the 2022–23 Budget will also give support to the local economy in 2022. In his speech on the 2022–23 Budget, the Financial Secretary of Hong Kong also indicated that in the medium term, the economic outlook for Hong Kong is positive.

Therefore, we are of the view that it is more appropriate to take into account market statistics (e.g. Hong Kong's GDP) and Prosperity REIT's gross property revenue over the years before the COVID-19 pandemic in analyzing the basis of projected future transaction amounts for the three years ending 31 December 2025.

Having considered the above, we are of the view that the basis in determining the Annual Caps for the CK Property Management Transactions for each of the three years ending 31 December 2023, 2024 and 2025 are fair and reasonable as far as the Independent Unitholders are concerned, and in the interests of Prosperity REIT, the Independent Unitholders as well as the Unitholders as a whole.

4. REQUIREMENTS AND INTERNAL CONTROL REGARDING THE CK PROPERTY MANAGEMENT TRANSACTIONS

As set out in the Letter to the Unitholders, 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):

(a) 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.

(b) 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 transaction to allow, the auditors of Prosperity REIT and the INEDs sufficient access to their records for the purpose of reporting on such transaction. 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.

(c) 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 (a) and/or (b) above. The SFC may require the REIT Manager to re-comply with the announcement and Independent Unitholders' approval requirements and may impose additional conditions.

(d) Annual Reports

A brief summary of each such transaction containing the information specified in rule 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.

Furthermore, 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.

We are of the view that the aforesaid review requirements and internal control measures can provide appropriate measures to govern the REIT Manager in carrying out the CK Property Management Transactions and safeguard the interest of the Unitholders and Prosperity REIT as a whole.

RECOMMENDATION

Having considered the aforesaid principal factors and reasons, we consider that:

- (i) the terms of the CK Property Management Transactions Framework Agreement and the basis for the CK Property Management Transactions (including the Annual Caps) are fair and reasonable and in the interests of Prosperity REIT and the Unitholders as a whole; and
- (ii) the CK Property Management Transactions (a) are conducted in the ordinary and usual course of business of Prosperity REIT and consistent with the investment objectives and strategy of Prosperity REIT and in compliance with the REIT Code and the Trust Deed; (b) will be on terms which are and will be at arm's length and on normal commercial terms; and (c) fair and reasonable and in the interests of Prosperity REIT and the Unitholders as a whole.

We therefore recommend the Independent Board Committee to advise the Independent Unitholders, and we also recommend the Independent Unitholders, to vote in favour of resolution in respect of the CK Property Management Transactions and the Annual Caps as set out in the AGM Notice.

Yours faithfully,
For and on behalf of
Ballas Capital Limited

Heidi Cheng
Managing Director

Cathy Leung
Director

Note: Ms. Heidi Cheng of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2003, and Ms. Cathy Leung of Ballas Capital Limited has been a licensed representative of Type 6 (advising on corporate finance) regulated activities since 2009.

The following is the explanatory statement in connection with the proposed Buy-back Mandate:

1. ISSUED UNITS

It is proposed that the Buy-back Mandate will authorise 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. As at the Latest Practicable Date, the number of Units in issue was 1,500,655,502 Units. On the basis of such figure (and if no new Units will be issued after the Latest Practicable Date and up to the date of passing such Ordinary Resolution), exercise in full of the Buy-back Mandate would result in the purchase by Prosperity REIT of up to 150,065,550 Units. The number of Units in issue as at the date of passing such Ordinary Resolution may not be the same as the number of Units in issue as at the Latest Practicable Date. For example, Units are expected to be issued to the REIT Manager as payment of part of the base fee and variable fees for the period from 1 January 2022 to 31 March 2022. Details of such Units expected to be issued to the REIT Manager will be disclosed by way of announcement on the date of issue.

2. REASONS FOR BUY-BACKS

The Directors believe that the general mandate from Unitholders to enable buy-back of Units is in the interests of Prosperity REIT and the Unitholders as a whole. Buy-backs may, depending on the circumstances and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Unit. The Directors are seeking the grant of a general mandate to buy back Units to give Prosperity REIT the flexibility to do so if and when appropriate. The number(s) of Units to be bought back on any occasion and the price and other terms upon which the same are bought back will be decided by the Directors at the relevant time having regard to the circumstances then pertaining and the interests of the Unitholders and Prosperity REIT. Buy-backs of Units will only be made when the REIT Manager believes that such buy-backs will benefit Prosperity REIT and the Unitholders as a whole.

3. FUNDING AND IMPACT OF BUY-BACKS

Buy-backs of Units pursuant to the Buy-back Mandate will be made from funds legally available for such purpose in accordance with the Trust Deed and the applicable laws and regulations of Hong Kong. The REIT Manager intends to use internal sources of funds of Prosperity REIT or external borrowings (or a combination of both) to finance the buy-back of Units pursuant to the Buy-back Mandate.

There could be a material adverse impact on the working capital or gearing position of Prosperity REIT (as compared with the position disclosed in its most recent audited financial statements) in the event that the Buy-back Mandate were exercised in full at any time during the proposed buy-back period. However, the Directors do not propose to exercise the Buy-back Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital of Prosperity REIT or the gearing level which in the opinion of the Directors is from time to time appropriate for Prosperity REIT.

4. DISCLOSURE OF INTERESTS

There are no Directors or, to the best of the knowledge of the Directors having made all reasonable enquiries, any associates of the Directors, who have a present intention, in the event that the Buy-back Mandate is approved and granted by the Unitholders, to sell Units to Prosperity REIT.

Up to the Latest Practicable Date, no connected persons of Prosperity REIT had notified the REIT Manager of a present intention to sell Units to Prosperity REIT and no such persons had undertaken not to sell Units held by them to Prosperity REIT, in the event that the Buy-back Mandate is granted by the Unitholders.

5. DIRECTORS' UNDERTAKING

The Directors have undertaken to the SFC to exercise Prosperity REIT's power to buy back Units pursuant to the Buy-back Mandate in accordance with the provisions of the Trust Deed, the applicable laws of Hong Kong, the REIT Code, the Takeovers Code and the guidelines issued by the SFC from time to time.

6. UNITS BOUGHT BACK

Prosperity REIT had bought back a total of 23,200,000 Units (whether on the Hong Kong Stock Exchange or otherwise) in the past six months prior to the Latest Practicable Date, the details of which are as follows:

Date of Buy-back	Number of Units Bought Back	Highest Price Paid per Unit	Lowest Price Paid per Unit
28 October 2021	688,000	3.03	2.97
29 October 2021	610,000	3.07	3.02
1 November 2021	126,000	3.05	3.01
2 November 2021	254,000	3.03	3.00
3 November 2021	1,500,000	3.06	3.00
4 November 2021	126,000	3.05	3.03
5 November 2021	126,000	3.06	3.04
8 November 2021	192,000	3.07	3.05
9 November 2021	125,000	3.05	3.02
10 November 2021	230,000	3.04	3.00
11 November 2021	197,000	3.05	3.02
12 November 2021	110,000	3.05	3.03

Date of Buy-back	Number of Units Bought Back	Highest Price Paid per Unit	Lowest Price Paid per Unit
15 November 2021	200,000	3.06	3.02
16 November 2021	126,000	3.07	3.05
17 November 2021	235,000	3.06	3.02
18 November 2021	450,000	3.06	3.02
19 November 2021	70,000	3.05	3.03
22 November 2021	356,000	3.06	3.03
23 November 2021	663,000	3.08	3.04
24 November 2021	387,000	3.10	3.05
25 November 2021	386,000	3.10	3.09
26 November 2021	282,000	3.10	3.10
29 November 2021	214,000	3.10	3.09
30 November 2021	1,000,000	3.08	3.00
1 December 2021	350,000	3.10	3.03
2 December 2021	439,000	3.07	3.05
3 December 2021	259,000	3.08	3.04
6 December 2021	470,000	3.05	3.02
7 December 2021	220,000	3.05	3.03
8 December 2021	187,000	3.08	3.03
9 December 2021	134,000	3.07	3.04
10 December 2021	368,000	3.06	3.03
13 December 2021	136,000	3.05	3.02
14 December 2021	361,000	3.06	3.03
15 December 2021	299,000	3.05	3.03
16 December 2021	311,000	3.05	3.03
17 December 2021	614,000	3.04	3.02
20 December 2021	153,000	3.04	3.02
21 December 2021	97,000	3.04	3.03
22 December 2021	317,000	3.08	3.02
23 December 2021	85,000	3.06	3.05
24 December 2021	29,000	3.06	3.05
28 December 2021	171,000	3.08	3.06
29 December 2021	139,000	3.07	3.05
30 December 2021	285,000	3.10	3.07
31 December 2021	44,000	3.08	3.07
3 January 2022	99,000	3.10	3.06
4 January 2022	177,000	3.10	3.07
5 January 2022	129,000	3.09	3.07
6 January 2022	150,000	3.08	3.05
7 January 2022	194,000	3.10	3.04

Date of Buy-back	Number of Units Bought Back	Highest Price Paid per Unit	Lowest Price Paid per Unit
10 January 2022	42,000	3.10	3.08
11 January 2022	59,000	3.10	3.08
12 January 2022	74,000	3.10	3.08
13 January 2022	188,000	3.09	3.06
14 January 2022	180,000	3.10	3.08
17 January 2022	64,000	3.10	3.09
18 January 2022	196,000	3.10	3.08
19 January 2022	230,000	3.10	3.10
20 January 2022	170,000	3.10	3.08
21 January 2022	237,000	3.09	3.08
24 January 2022	148,000	3.10	3.09
25 January 2022	156,000	3.10	3.07
26 January 2022	203,000	3.09	3.07
27 January 2022	516,000	3.09	3.05
28 January 2022	193,000	3.07	3.05
31 January 2022	323,000	3.06	3.03
4 February 2022	311,000	3.07	3.05
11 March 2022	50,000	2.85	2.82
14 March 2022	16,000	2.85	2.85
15 March 2022	902,000	2.85	2.80
16 March 2022	393,000	2.84	2.77
17 March 2022	79,000	2.85	2.84
22 March 2022	209,000	2.98	2.95
23 March 2022	415,000	2.99	2.97
24 March 2022	337,000	2.99	2.97
25 March 2022	202,000	2.91	2.84
28 March 2022	83,000	2.90	2.85
29 March 2022	282,000	2.92	2.85
30 March 2022	235,000	2.89	2.85
31 March 2022	205,000	2.88	2.84
1 April 2022	195,000	2.87	2.85
4 April 2022	286,000	2.83	2.82
6 April 2022	318,000	2.83	2.82
7 April 2022	166,000	2.86	2.83
8 April 2022	188,000	2.87	2.83
11 April 2022	207,000	2.92	2.83
12 April 2022	272,000	2.86	2.81

7. EFFECT OF THE TAKEOVERS CODE

If, on exercise of Prosperity REIT's power to buy back Units pursuant to the Buy-back Mandate, a Unitholder's proportionate interest in the voting rights of Prosperity REIT increases, pursuant to rule 32 of the Takeovers Code, such increase will be treated as an acquisition of voting rights for the purposes of the Takeovers Code. As a result, a Unitholder, or group of Unitholders acting in concert, could obtain or consolidate control of Prosperity REIT and thereby become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code, unless a waiver is available.

For illustrative purposes only and as far as the REIT Manager is aware, as at the Latest Practicable Date, CK Asset (being the holding company of the largest Unitholders of Prosperity REIT) had an approximately 18.34% interest in Prosperity REIT. In the event of full exercise of the Buy-back Mandate and assuming: (a) no Units are acquired by and/or bought back from CK Asset; and (b) no Units are issued by Prosperity REIT, CK Asset's interest in Prosperity REIT would increase to approximately 20.38%. In such case and based on the above assumptions, CK Asset would not be obliged to make a mandatory general offer pursuant to rule 26 of the Takeovers Code.

8. UNIT PRICES

The highest and lowest prices at which Units were traded on the Hong Kong Stock Exchange in each of the previous 12 months before the Latest Practicable Date are as follows:

	Highest (HK\$)	Lowest (HK\$)
April 2021	2.65	2.57
May 2021	2.87	2.60
June 2021	3.04	2.84
July 2021	3.20	2.96
August 2021	3.10	2.95
September 2021	3.18	2.84
October 2021	3.11	2.96
November 2021	3.13	2.99
December 2021	3.10	3.01
January 2022	3.12	3.03
February 2022	3.08	2.87
March 2022	2.99	2.72
1 April 2022 to the date preceding the Latest Practicable Date	2.92	2.81

1. DR. LAN HONG TSUNG, DAVID

Dr. LAN Hong Tsung, David, aged 81, is an Independent Non-executive Director, Chairman of the Audit Committee and a member of each of the Disclosures Committee and Designated (Finance) Committee of the REIT Manager. He is an Independent Non-executive Director of CK Infrastructure Holdings Limited and Hutchison Telecommunications Hong Kong Holdings Limited (both are listed in Hong Kong). Dr. Lan is currently an Independent Non-executive Director of Cinda Financial Holdings Co., Limited, and holds directorships with Nanyang Commercial Bank Ltd. and International Pro Bono Legal Services Association Limited. He acted as Supervisor of Nanyang Commercial Bank (China), Limited for 12 years and 9 months since December 2007 until his reappointment as Senior Consultant from October 2020. Dr. Lan is also a Chartered Secretary and a Fellow Member of The Hong Kong Chartered Governance Institute (formerly The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute.

Dr. Lan was the Secretary for Home Affairs of the Government of the Hong Kong Special Administrative Region until his retirement in July 2000. He had served as civil servant in various capacities for 39 years and was awarded the Gold Bauhinia Star Medal (GBS) on 1 July 2000. He was appointed as the 10th and 11th National Committee Member of the Chinese People's Political Consultative Conference of the People's Republic of China. Dr. Lan previously held directorship with certain Hong Kong-listed companies, including Independent Non-executive Director of SJM Holdings Limited, ARA Asset Management (Fortune) Limited as the manager of Fortune REIT and China Oceanwide Holdings Limited, and also Non-executive Director and Co-Chairman of Aurum Pacific (China) Group Limited. He was a Senior Advisor of Mitsui & Company (Hong Kong) Limited for 19 years until 31 March 2019 and also the President of the International Institute of Management for 7 years until his retirement in June 2019. Save as disclosed above, Dr. Lan has not held any other directorship in any listed public companies in the last three years.

Dr. Lan received his Bachelor of Arts degree from the University of London and completed the Advanced Management Program (AMP) of the Harvard Business School, Boston. He was also a Fellow of Queen Elizabeth House (Oxford). Dr. Lan was conferred with Honorary Degree of Doctor of Business Administration by University of the West of England (UWE Bristol), Doctor of Humanities, honoris causa by Don Honorio Ventura Technological State University, and holder of Visiting Professorship Awards of Bulacan State University and Tarlac State University.

Dr. Lan has entered into a service contract with the REIT Manager for a term of 12 months from 2 October 2005, which has been and will be automatically renewed for successive 12-month periods unless otherwise terminated prior to the expiry of the term. Dr. Lan's service agreement also requires him to retire and seek re-election by rotation at the annual general meetings of the REIT Manager in accordance with the Articles of Association. All remuneration payable to Dr. Lan will be paid and borne by the REIT Manager out of its own resources.

As at the Latest Practicable Date, Dr. Lan was interested in 350,000 Units within the meaning of Part XV of the SFO. Save as disclosed above, he is not related to any directors, senior management, substantial or controlling shareholders of the REIT Manager or significant or controlling unitholders of Prosperity REIT. Dr. Lan has confirmed to the Board that he has met the independence criteria contained in the Compliance Manual.

Save as disclosed above, there is no other matter in connection with Dr. Lan's continual service as an INED that needs to be brought to the attention of the Unitholders and there is no other information that should be disclosed pursuant to rule 13.51(2)(h) to (v) of the Listing Rules (as if they were applicable to Prosperity REIT).

2. MRS. SNG SOW-MEI (ALIAS POON SOW MEI)

Mrs. SNG Sow-Mei (alias POON Sow Mei), aged 80, is an Independent Non-executive Director and a member of the Audit Committee of the REIT Manager. She is an Independent Non-executive Director of CK Infrastructure Holdings Limited (listed in Hong Kong), and an Independent Non-executive Director and the Lead Independent Director of Hutchison Port Holdings Management Pte. Limited as the trustee-manager of Hutchison Port Holdings Trust (listed in Singapore).

Mrs. Sng has over 24 years of real estate industry experience. She was an Independent Non-executive Director of ARA Asset Management (Fortune) Limited as the manager of Fortune REIT (listed in Hong Kong) from 2003 to 2016, and an Independent Non-executive Director of ARA Trust Management (Suntec) Limited as the manager of Suntec REIT (listed in Singapore) from 2004 to 2013. Prior to her appointments with Singapore Technologies Pte. Ltd. where she was Director of Special Projects (North East Asia) in 2000, and Senior Consultant (International Business) of Singapore Technologies Electronics Limited from 2001 to 2013, Mrs. Sng was the Managing Director of CapitaLand Hong Kong Ltd. for investment in Hong Kong and the region including Japan and Taiwan. In Hong Kong, Mrs. Sng was a Director of INFA Systems Ltd. from 2007 to 2013, the Centre Director and then Regional Director of the Singapore Economic Development Board and Trade Development Board respectively from 1983 to 1997. She was Singapore's Trade Commissioner in Hong Kong from 1990 to 1997. Save as disclosed above, Mrs. Sng has not held any other directorship in any listed public companies in the last three years.

Mrs. Sng, who holds a Bachelor of Arts degree from the Nanyang University of Singapore, has wide experience in various fields of industrial investment, business development, strategic and financial management, especially in property investment and management. In 1996, Mrs. Sng was conferred the title of PPA (P) – Pingat Pentadbiran Awam (Perak), the Singapore Public Administration Medal (Silver).

Mrs. Sng has entered into a service contract with the REIT Manager for a term of 12 months from 2 October 2005, which has been and will be automatically renewed for successive 12-month periods unless otherwise terminated prior to the expiry of the term. Mrs. Sng's service agreement

also requires her to retire and seek re-election by rotation at the annual general meetings of the REIT Manager in accordance with the Articles of Association. All remuneration payable to Mrs. Sng will be paid and borne by the REIT Manager out of its own resources.

As at the Latest Practicable Date, Mrs. Sng was not interested in any Units within the meaning of Part XV of the SFO. Save as disclosed above, she is not related to any directors, senior management, substantial or controlling shareholders of the REIT Manager or significant or controlling unitholders of Prosperity REIT. Mrs. Sng has confirmed to the Board that she has met the independence criteria contained in the Compliance Manual.

Save as disclosed above, there is no other matter in connection with Mrs. Sng's continual service as an INED that needs to be brought to the attention of the Unitholders and there is no other information that should be disclosed pursuant to rule 13.51(2)(h) to (v) of the Listing Rules (as if they were applicable to Prosperity REIT).

1. RESPONSIBILITY STATEMENT

This Circular, for which the REIT Manager and the Directors collectively and individually accept full responsibility (including for the accuracy of the information contained therein), includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to Prosperity REIT. The REIT Manager and the Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

2. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice contained in this Circular:

Name	Qualification
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

As at the Latest Practicable Date, the Independent Financial Adviser was not beneficially interested in any member of the Prosperity REIT Group nor did it have the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Prosperity REIT Group.

As at the Latest Practicable Date, the Independent Financial Adviser had no direct or indirect interest in any assets which had since 31 December 2021 (being the date to which the most recent published audited financial statements of Prosperity REIT were made up) been acquired or disposed of by or leased to any member of the Prosperity REIT Group, or were proposed to be acquired or disposed of by or leased to any member of the Prosperity REIT Group.

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion herein of the references to its name and its opinion and recommendation in the form and context in which they appear.

The Letter from the Independent Financial Adviser is given as of the date of this Circular for incorporation herein.

3. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the REIT Manager and the Directors were not aware of any material adverse change in the financial or trading position of the Prosperity REIT Group since 31 December 2021 (being the date to which the most recent published audited financial statements of the Prosperity REIT Group were made up).

4. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the REIT Manager, the following persons had interests or short positions in the Units, underlying Units or debentures of Prosperity REIT or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the REIT Manager and the Hong Kong Stock Exchange pursuant to the provisions of Part XV of the SFO as deemed to be applicable by virtue of clause 30 of the Trust Deed, or which were recorded in the register required to be kept by the REIT Manager pursuant to clause 30 of the Trust Deed:

Substantial Unitholders

Name	As at Latest Practicable Date	
	Number of Units Held	Percentage of Unitholding
Total Win Group Limited	176,328,129	11.75%
CK Asset ¹	275,211,688	18.34%

Note:

1. CK Asset was deemed to hold 275,211,688 Units, of which 176,328,129 Units were held by Total Win Group Limited and 98,883,559 Units were held by Wide Option Investments Limited.

REIT Manager, Directors and Chief Executive

Name	As at Latest Practicable Date	
	Number of Units Held	Percentage of Unitholding
ARA Asset Management (Prosperity) Limited	10,413,140	0.69%
Lan Hong Tsung, David	350,000	0.02%

5. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND COMPETING BUSINESSES

As at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which had since 31 December 2021 (being the date to which the most recent published audited financial statements of Prosperity REIT were made up) been acquired or disposed of by or leased to any member of the Prosperity REIT Group, or were proposed to be acquired or disposed of by or leased to any member of the Prosperity REIT Group;
- (b) none of the Directors were materially interested in any subsisting contract or arrangement which was significant in relation to the business of the Prosperity REIT Group taken as a whole; and
- (c) none of the Directors or their close associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Prosperity REIT Group, or had or may have had any other conflicts of interest with the Prosperity REIT Group pursuant to rule 8.10 of the Listing Rules.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into a service contract with any member of the Prosperity REIT Group which does not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

7. INSPECTION OF DOCUMENTS

Copies of the following documents will be published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and Prosperity REIT (www.prosperityreit.com) for a period of 14 days from the date of this Circular:

- (a) the CK Leasing Transactions Framework Agreement;
- (b) the CK Property Management Transactions Framework Agreement; and
- (c) the Manager Leasing Transactions Framework Agreement.

The Trust Deed will also be available for inspection at the registered office of the REIT Manager for so long as Prosperity REIT continues to be in existence.

NOTICE OF ANNUAL GENERAL MEETING



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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an annual general meeting of unitholders (the “**Unitholders**”) of Prosperity Real Estate Investment Trust (“**Prosperity REIT**”) will be held at Unit 901, Level 9, Fortune Metropolis, 6 The Metropolis Drive, Hunghom, Kowloon, Hong Kong on Thursday, 26 May 2022 at 2:30 p.m. for the following purposes:

- (1) To note the audited financial statements of Prosperity REIT together with the auditors’ report for the year ended 31 December 2021;
- (2) To note the appointment of the auditors of Prosperity REIT and the fixing of their remuneration; and
- (3) To consider and, if thought fit, pass with or without amendments, the resolutions set out below.

Terms that are not expressly defined in this notice of annual general meeting shall bear the same meaning as that defined in the unitholder circular dated 22 April 2022 (the “**Circular**”).

ORDINARY RESOLUTION

No. 1

1. **THAT:**

- (a) the CK Property Management Transactions Framework Agreement, the CK Property Management Transactions under the CK Property Management Transactions Framework Agreement and the proposed annual caps applicable thereto for the three years ending 31 December 2023, 2024 and 2025, be and are hereby approved, confirmed and ratified; and
- (b) authorisation be granted to the REIT Manager, any director of the REIT Manager, the Trustee and any authorised signatory of the Trustee to do all such acts and things (including executing all such documents as may be required) as the REIT Manager, such

NOTICE OF ANNUAL GENERAL MEETING

director of the REIT Manager, the Trustee or such authorised signatory of the Trustee, as the case may be, may consider expedient or necessary or in the interest of Prosperity REIT to give effect to the matters resolved upon in paragraph (a) of this resolution.

ORDINARY RESOLUTION

No. 2

2. **THAT:**

- (a) subject to paragraph (b) of this resolution, the exercise by the REIT Manager during the Relevant Period (as defined below) of all the powers of Prosperity REIT to purchase the Units on the Hong Kong Stock Exchange, subject to and in accordance with the Trust Deed, the REIT Code, the circulars and guidelines issued by the SFC from time to time, and applicable laws of Hong Kong, be and is hereby generally and unconditionally approved;
- (b) the aggregate number of Units which may be purchased or agreed to be purchased by Prosperity REIT pursuant to the approval in paragraph (a) of this resolution during the Relevant Period (as defined below) shall not exceed 10% of the total number of Units in issue as at the date of the passing of this resolution, and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (c) for the purpose of this resolution, “**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Unitholders; or
 - (ii) the expiration of the period within which the next annual general meeting of the Unitholders as referred to in sub-paragraph (i) above is required to be held by the Trust Deed, the REIT Code or any applicable laws; or
 - (iii) the revocation or variation of the authority given under this resolution by the passing of an Ordinary Resolution.

ORDINARY RESOLUTION

No. 3

3. **THAT:**

- (a) approval (where relevant, shall include approval by way of ratification) be and is hereby given for the continual service of Dr. Lan Hong Tsung, David as an INED until the third annual general meeting of Unitholders following the AGM; and
- (b) authorisation be granted to the REIT Manager, any director of the REIT Manager, the Trustee and any authorised signatory of the Trustee to do all such acts and things (including executing all such documents as may be required) as the REIT Manager, such

NOTICE OF ANNUAL GENERAL MEETING

director of the REIT Manager, the Trustee or such authorised signatory of the Trustee, as the case may be, may consider expedient or necessary or in the interest of Prosperity REIT to give effect to the matters resolved upon in paragraph (a) of this resolution.

ORDINARY RESOLUTION

No. 4

4. **THAT:**

- (a) approval (where relevant, shall include approval by way of ratification) be and is hereby given for the continual service of Mrs. Sng Sow-Mei (alias Poon Sow Mei) as an INED until the third annual general meeting of Unitholders following the AGM; and
- (b) authorisation be granted to the REIT Manager, any director of the REIT Manager, the Trustee and any authorised signatory of the Trustee to do all such acts and things (including executing all such documents as may be required) as the REIT Manager, such director of the REIT Manager, the Trustee or such authorised signatory of the Trustee, as the case may be, may consider expedient or necessary or in the interest of Prosperity REIT to give effect to the matters resolved upon in paragraph (a) of this resolution.

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, 22 April 2022

Registered Office of the REIT Manager:
Unit 901, Level 9, Fortune Metropolis
6 The Metropolis Drive
Hung Hom, Kowloon
Hong Kong

Notes:

- (a) A Unitholder entitled to participate in the meeting convened by the above notice is entitled to appoint the chairman of the AGM as proxy to vote in his/her stead.
- (b) In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the registered office of the Unit Registrar of Prosperity REIT, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.

NOTICE OF ANNUAL GENERAL MEETING

- (c) The Register of Unitholders will be closed from Monday, 23 May 2022 to Thursday, 26 May 2022, both days inclusive, to determine which Unitholders will qualify to participate in the AGM, during which period no transfer of Units will be effected. For those Unitholders who are not already on the Register of Unitholders, in order to qualify to participate in the meeting convened by the above notice, all Unit certificates accompanied by the duly completed transfer forms must be lodged with the Unit Registrar of Prosperity REIT, Computershare Hong Kong Investor Services Limited, Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration by 4:30 p.m. on Friday, 20 May 2022.
- (d) If a black rainstorm warning, signal or a tropical cyclone warning signal no. 8 or above is in force in Hong Kong at 11:30 a.m. on Thursday, 26 May 2022, the AGM will be rescheduled. The REIT Manager will publish an announcement on the websites of Prosperity REIT at www.prosperityreit.com and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk to notify Unitholders of the arrangement of the rescheduled meeting.

The directors of the REIT Manager as at the date of this notice 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.